



Profitable growth into a climate neutral future

Roadshow presentation

Covestro is diversified across geographies and end-markets



Key performance indicators and sales split



Sales
2021



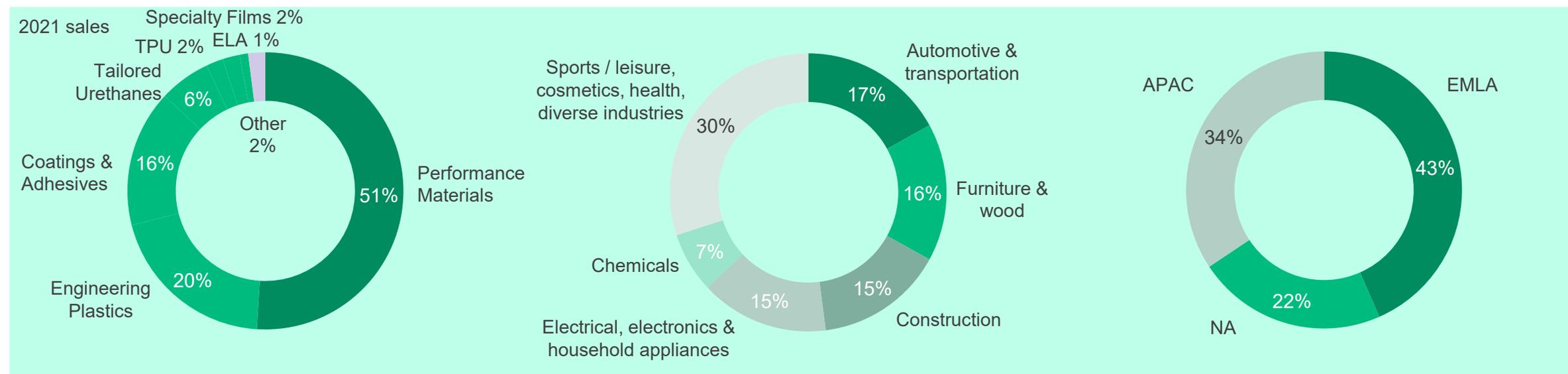
EBITDA
2021



FOCF
2021



ROCE
2021

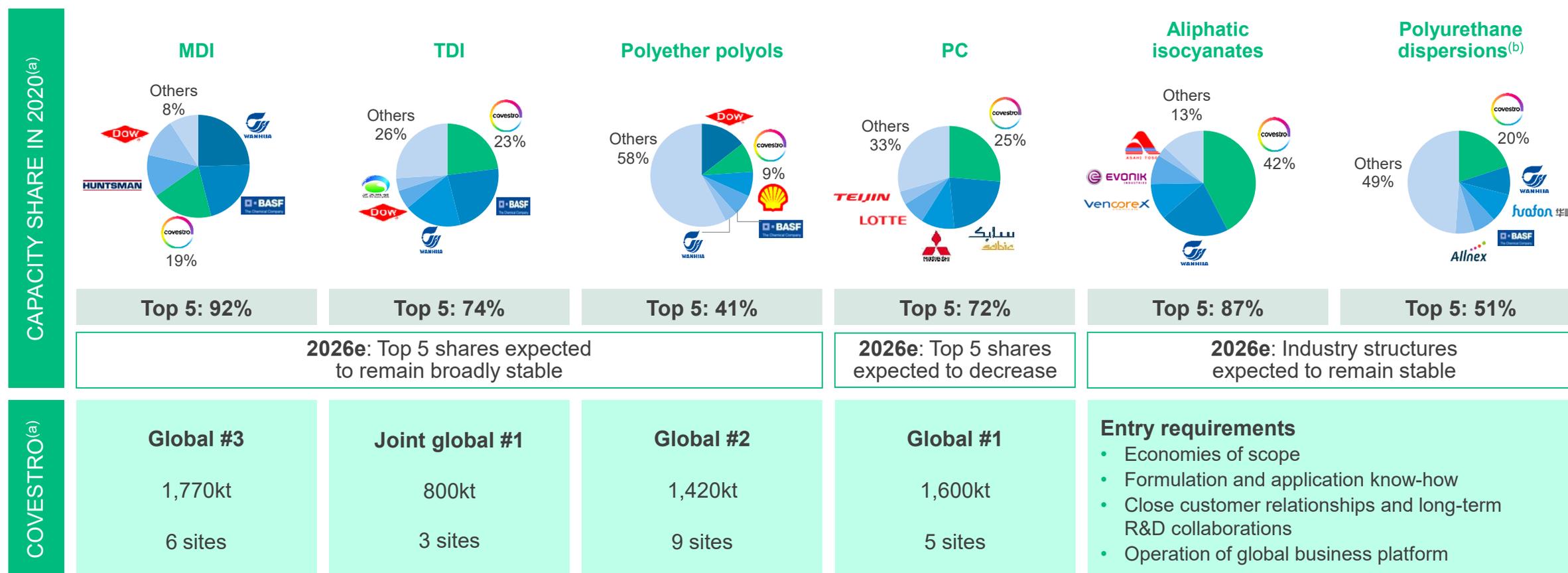


Covestro is a global leader across its entire portfolio

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

Pioneering a sustainable future: climate neutral in 2035



New climate neutrality target for GHG emissions scope 1 and 2

OUR PURPOSE



To make the world a brighter place

OUR VISION



We will be fully circular

CLIMATE NEUTRALITY IN 2035

- Covestro target relates to absolute GHG emissions
- Comprises direct (scope 1) and indirect (scope 2) GHG emissions

60% REDUCTION IN 2030

- Interim target of 2.2 million tons GHG emissions in 2030
- Base year 2020 with 5.6 million tons GHG emissions

ALIGNED WITH GLOBAL 1.5°-GOAL

- Covestro target aligned with 1.5°C goal of the Paris Climate agreement

CLIMATE NEUTRAL GROWTH SINCE 2005

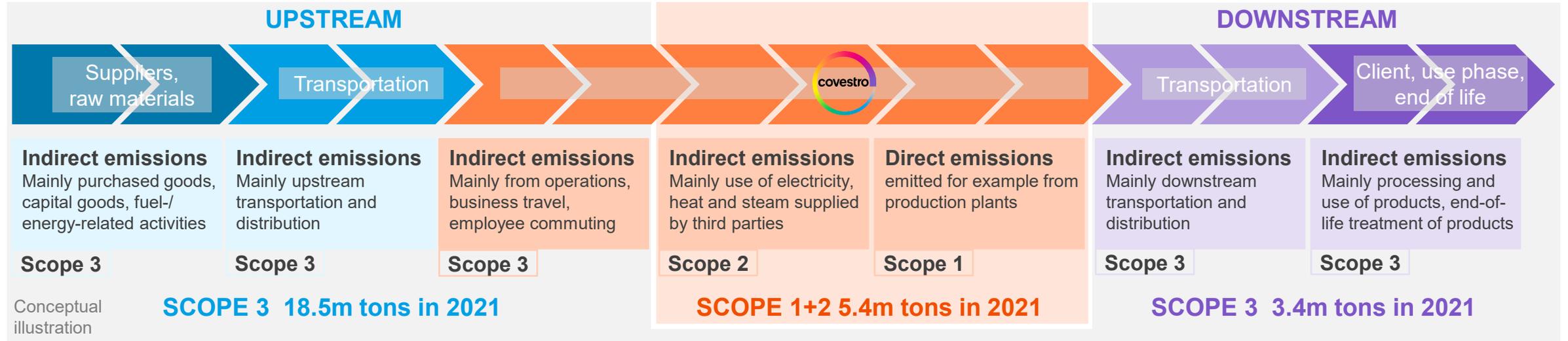
- Previous specific GHG emission reduction target for 2025 achieved ahead of time
- Specific reduction of -54% in 2021 vs. base year 2005

TARGET FOR UP- AND DOWNSTREAM CLIMATE NEUTRALITY

- Scope 3 GHG emission reduction target to follow by 2023
- Roadmap and measures largely linked to transition to a circular economy

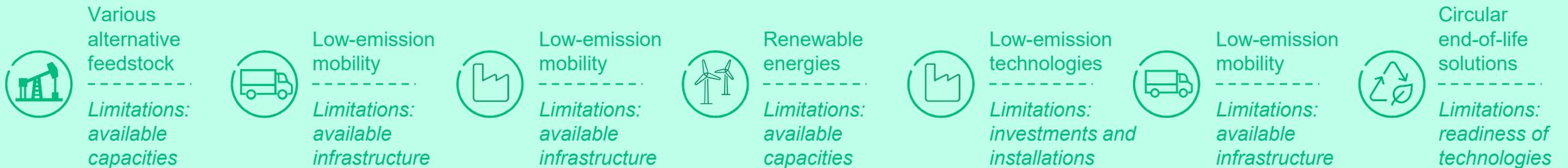
Climate neutrality with existing technologies and assets

Covestro greenhouse gas emissions



EXISTING OPTIONS AND CURRENT LIMITATIONS TO REDUCE GHG EMISSIONS

Selective examples only



Transition opportunities expected to outweigh costs

New climate neutrality target for GHG emissions scope 1 and 2



TRANSITION OPPORTUNITIES

- Covestro will offer all products in a climate neutral version
- Customers demand sustainable product and appreciate the added value, leading to profitable growth
- Political and societal ambitions, regulatory changes, changing consumer awareness and behavior provide growth opportunities for fast responders

TRANSITION COSTS

- Expected €250-600m accumulated capex in 2021-2030e related to emission reduction measures, resulting in expected €50-100m p.a. lower operating expenses due to growing energy efficiency
- Expected low three-digit € million additional operating expenses p.a. based on historic circumstance that prices for fossil-based energies are lower than prices for renewable energies

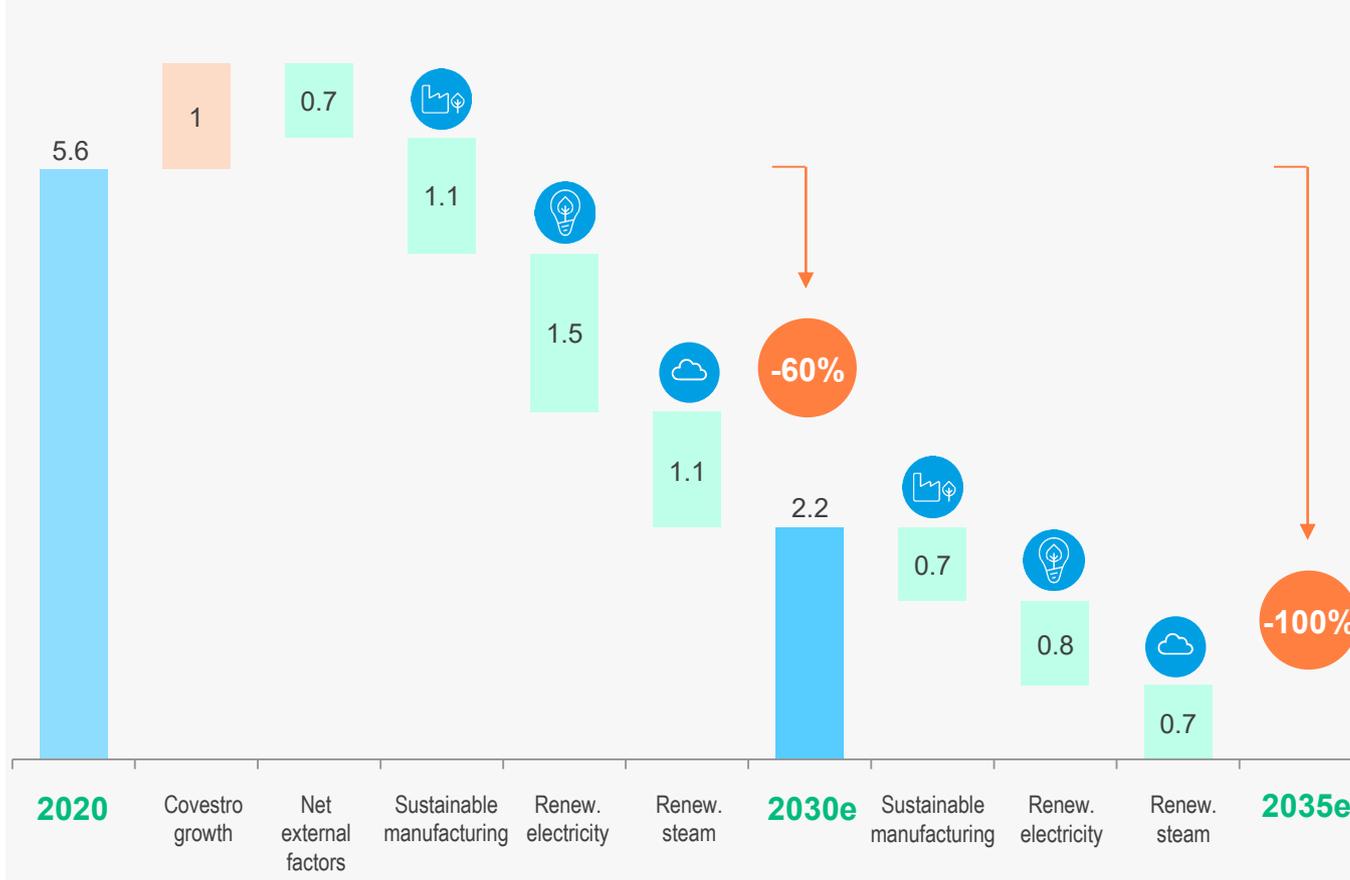


Sustainable manufacturing and renewable energy to lead path



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



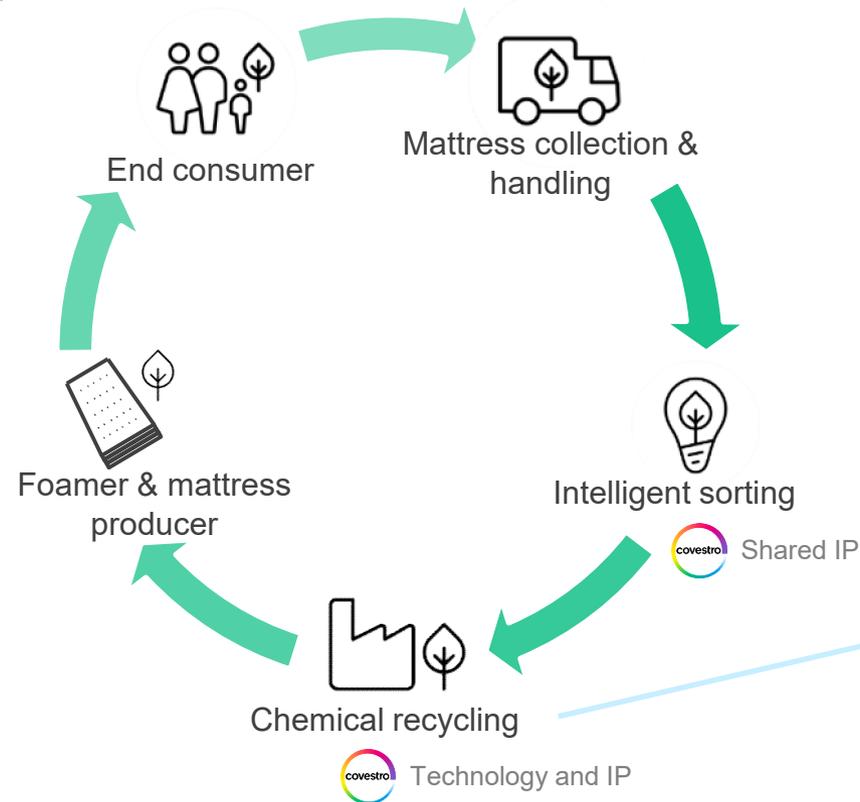
End-of-life solutions in cross-industry collaborations

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



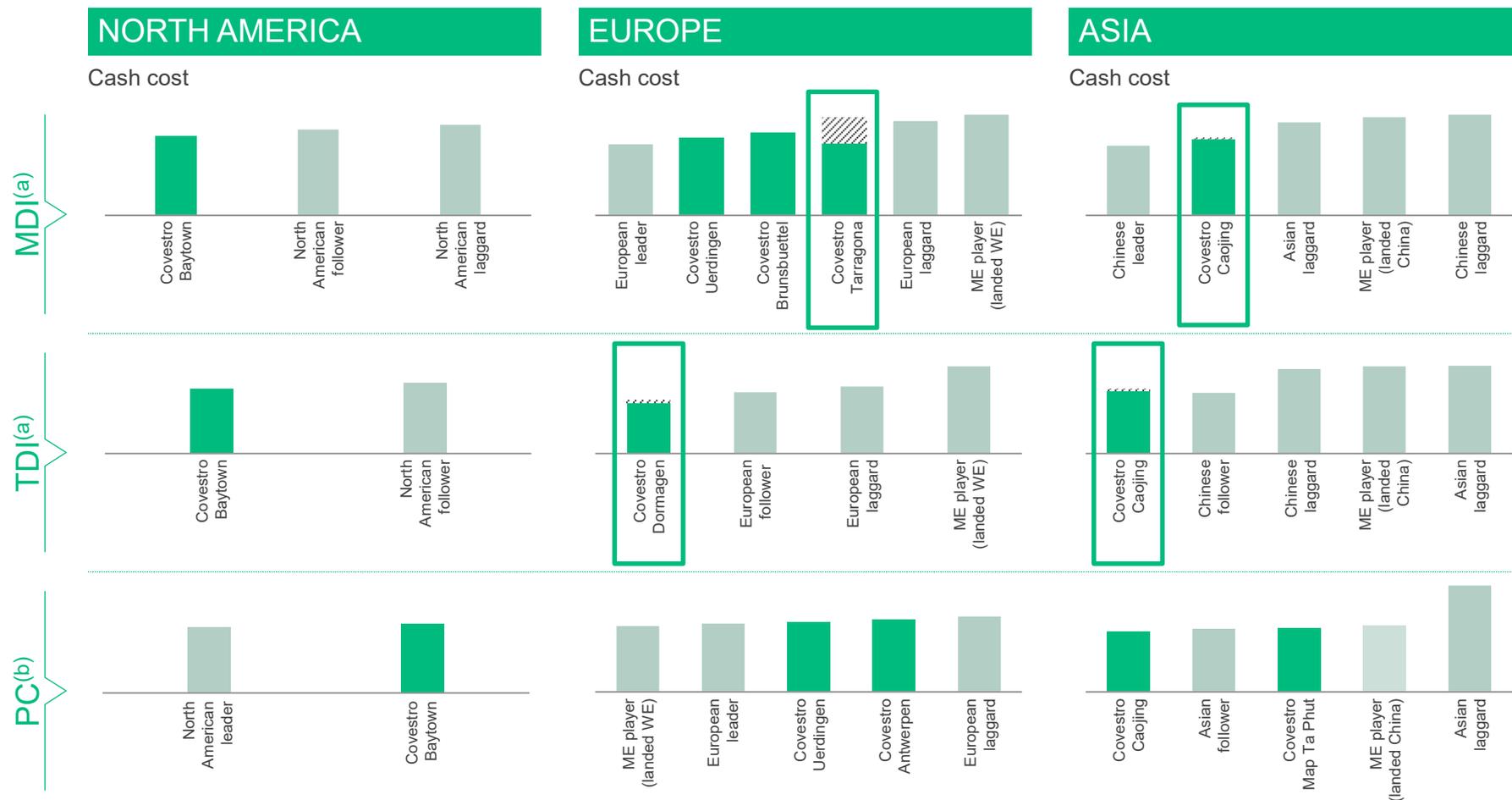
INDUSTRIAL SCALE-UP

-  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



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

/// Cash cost improvements based on investment projects

Solid demand recovery continues globally

Global demand development

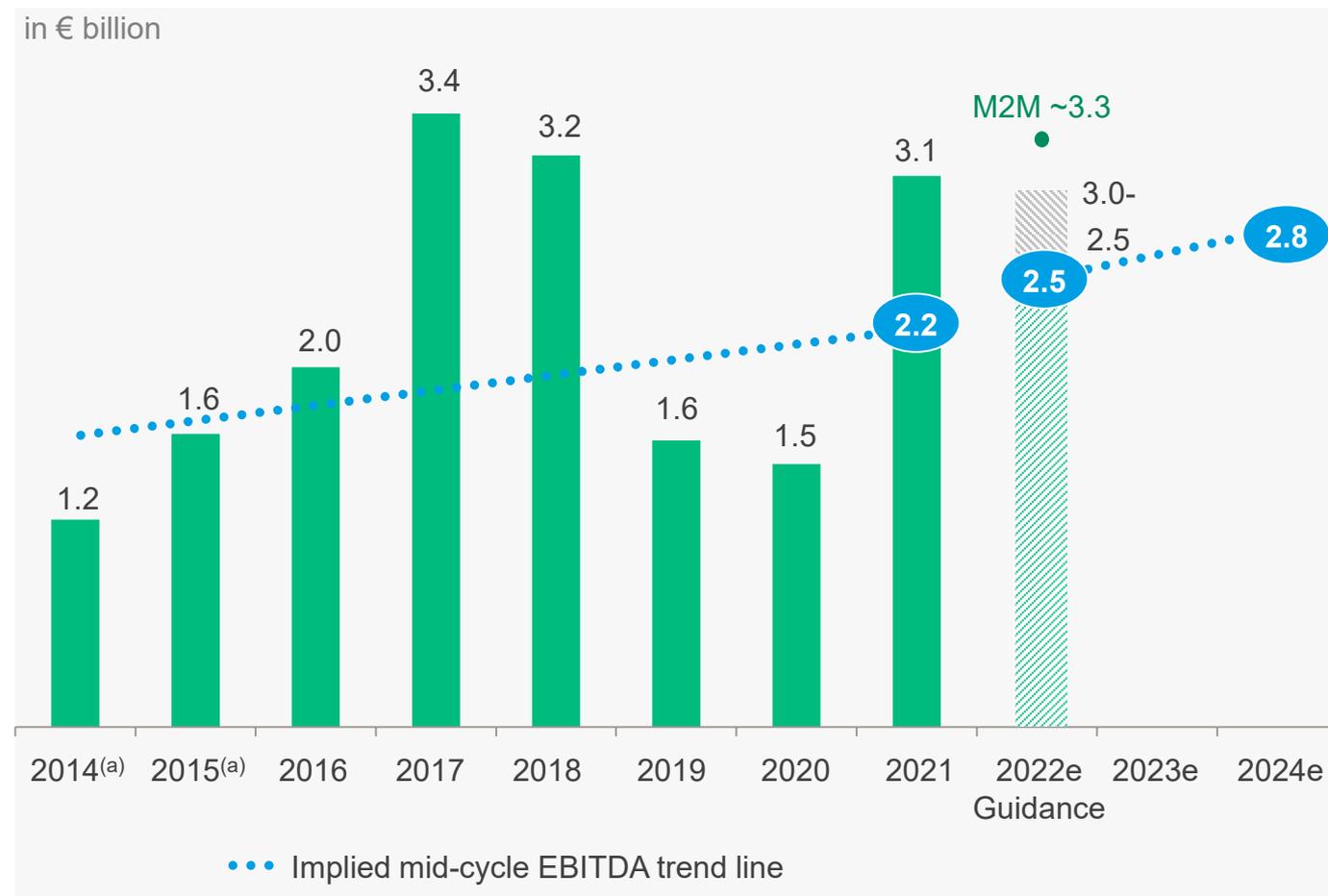


Key customer industries		2020 Y/Y	2021 Y/Y	2022e Y/Y
Global GDP Industrial production 		-3.5% -5.2%	+5.6% +7.3%	+4.1% +4.5%
Automotive EV / BEV 		-15.9% +29.2%	+2.9% +104.9%	+11.7% +55.3%
Construction Residential 		-1.8% -1.0%	+2.9% +4.4%	+3.7% +4.0%
Furniture Soft furniture 		-4.8% -4.4%	+8.0% +8.2%	+3.4% +3.4%
Electrical, electronics and household appliances Appliances 		+4.5% +2.4%	+13.9% +9.6%	+4.5% -0.5%

2022 earnings to continue above mid-cycle level



EBITDA development between 2014 and 2022e



HIGHLIGHTS

EBITDA guidance of €2,500m - 3,000m in FY 2022

- Earnings guidance reflects expected increased competitive pressure
- Mark-to-market (M2M) EBITDA in FY 2022 of ~€3.3bn as of January 2022

EBITDA sensitivities for FY 2022

- Volume sensitivity: 1pp change in volume (in €) equals around +/- €80m
- FX sensitivity: 1pp change equals +/- €9m for CNY/EUR and +/- €4m for USD/EUR

Future mid-cycle EBITDA

- In 2022, step-up from acquired RFM business, followed by realization of RFM synergies
- Until 2023, execution of LEAP transformation program
- In 2024, mid-cycle level raised to €2.8bn

2022 outlook

Full year guidance



	FY 2021	Guidance FY 2022
EBITDA	€3,085m	€2,500m – 3,000m
FOCF	€1,429m	€1,000m – 1,500m
ROCE above WACC ^(a)	12.9pp	5 – 9pp
GHG emissions (scope 1 and 2)	5.2m tons	5.6m – 6.1m tons

Additional financial expectations

EBITDA Q1	€743m	€750m – 850m
D&A	€823m	~€950m
Financial result	€-77m	~€-70m
P&L (effective) tax rate	25.9%	24 – 26%
Capex ^(b)	€764m	~€1,000m

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 proposed^(a)• Dividend yield 2021 of 6.3%^{(a)(b)}	<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
€4.0bn invested in capex	€2.3bn dividends^(a)	€1.5bn net investments	€1.1bn share capital reduced

Average capex at or slightly above D&A

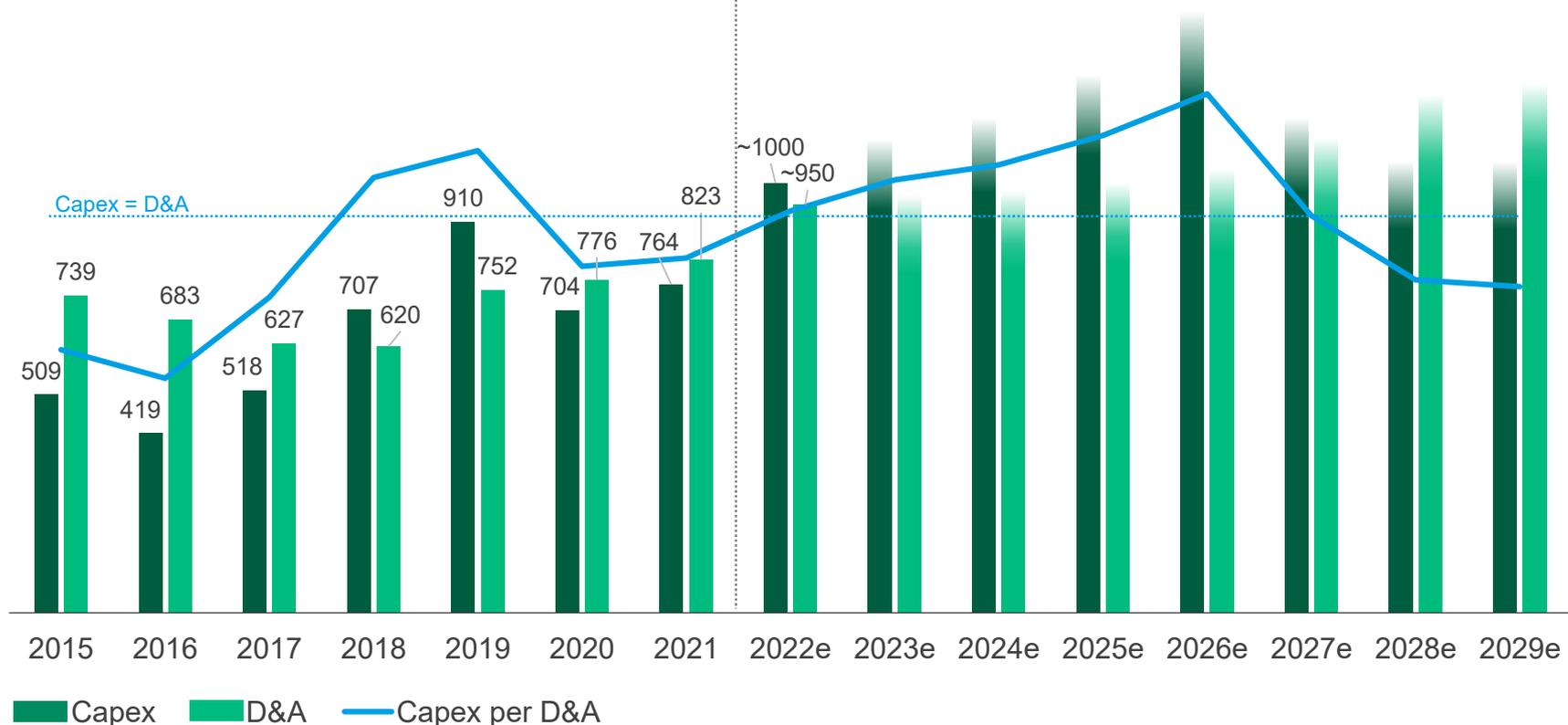
Group capex and D&A outlook



HISTORIC

PROJECTION

in € million



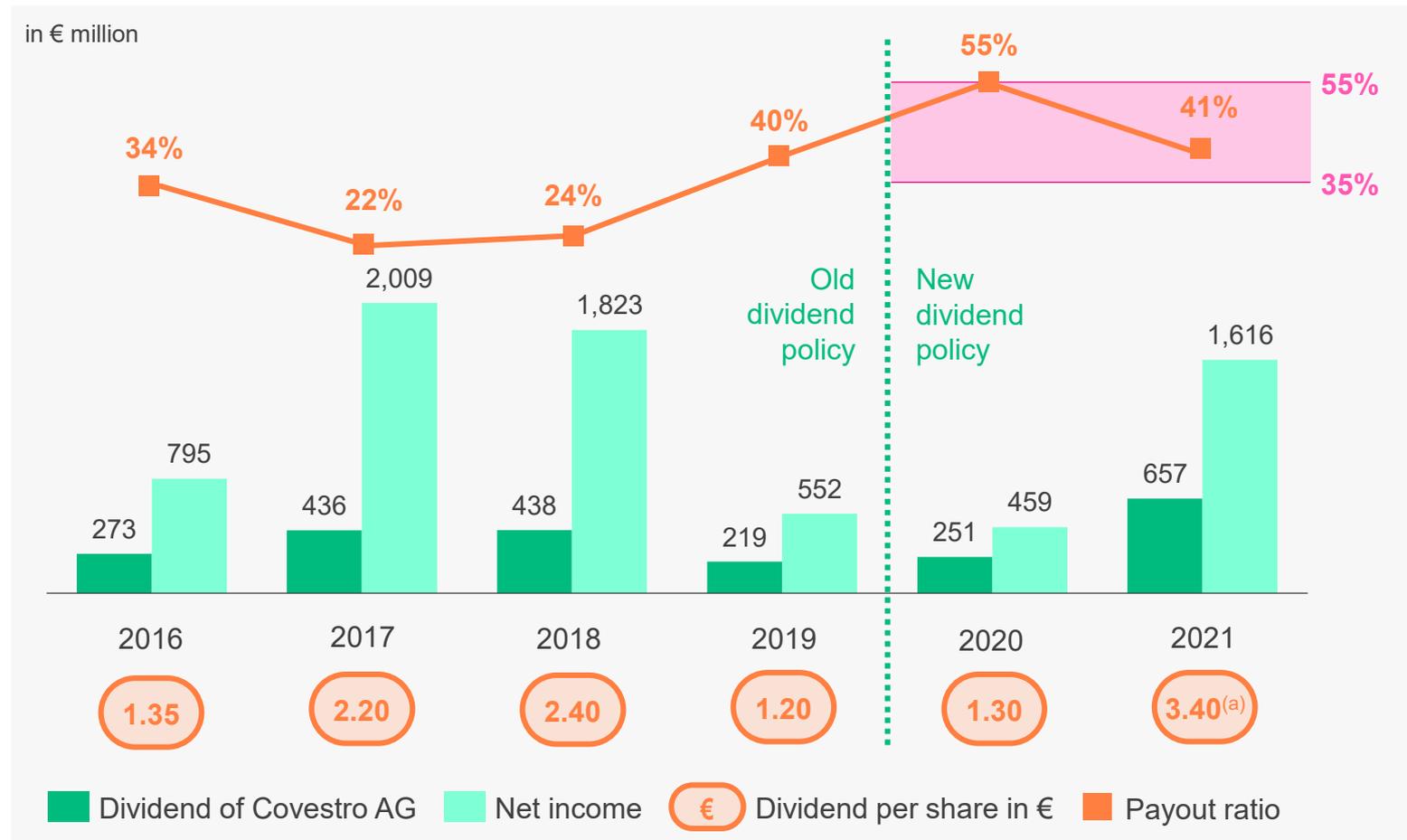
HIGHLIGHTS

- 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 41% payout ratio proposed



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 to be proposed to AGM on April 21, 2022

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

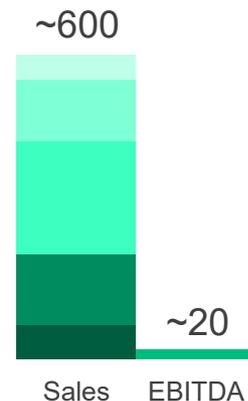
USA Polycarbonates sheets business

✓ August 2018

NA Polyurethanes spray foam business

✓ April 2017

✓ Closing



Business divested at average EV/EBITDA >10x

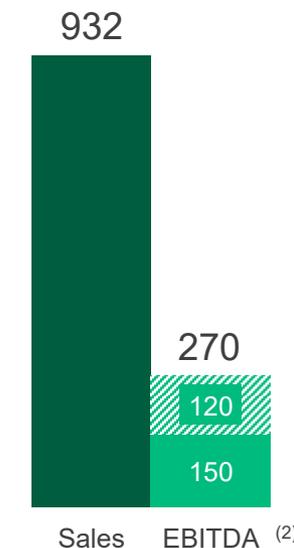
Portfolio analysis ongoing, further minor divestments possible

ACQUISITIONS

in € million

DSM Resins & Functional Materials business

✓ April 2021



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

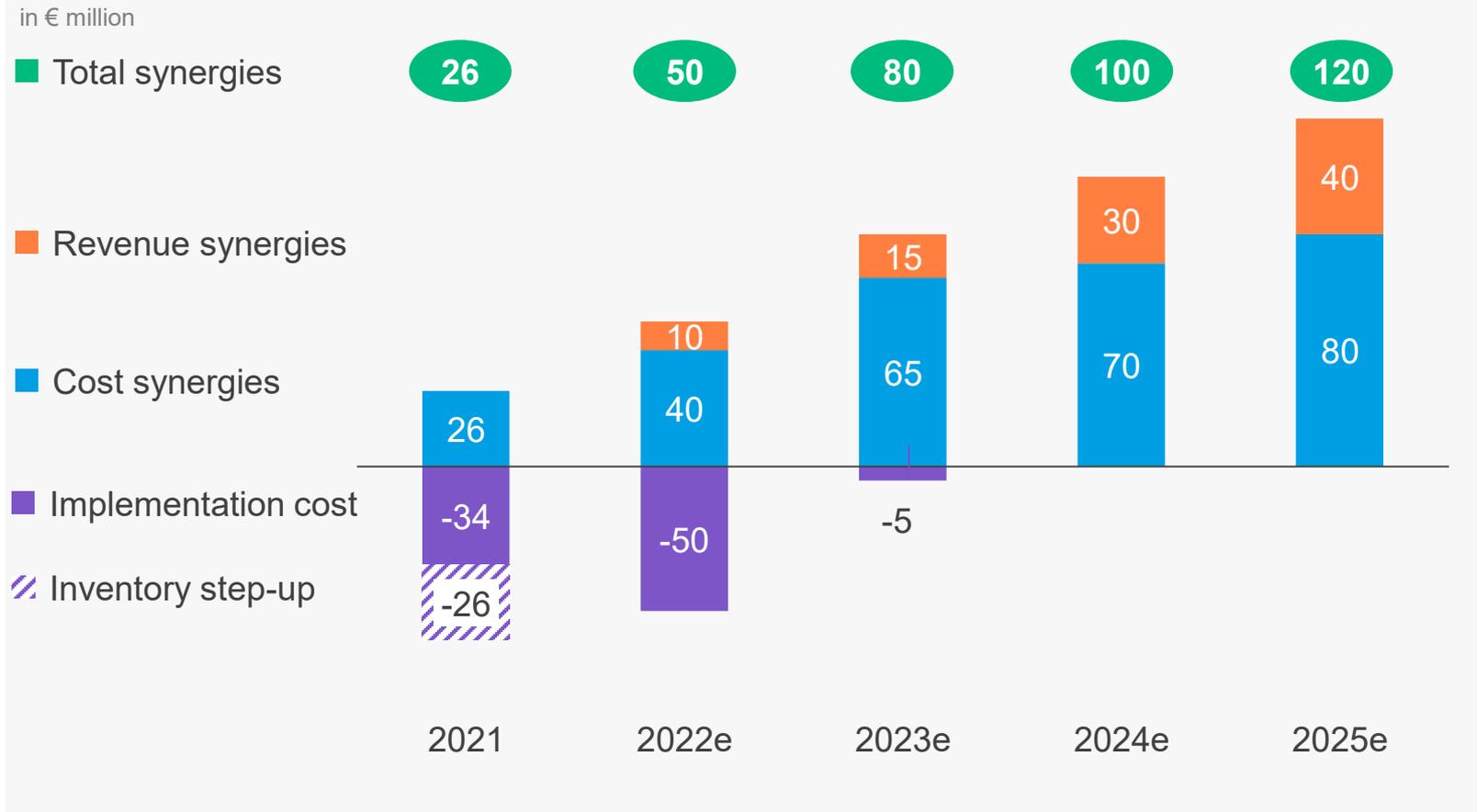
Further pursue value-enhancing bolt-on acquisition options with attractive IRR for Solutions & Specialties segment

Synergies fully confirmed and ahead of plan at lower cost



RFM synergies and implementation cost

EBITDA IMPACT



HIGHLIGHTS

SYNERGIES

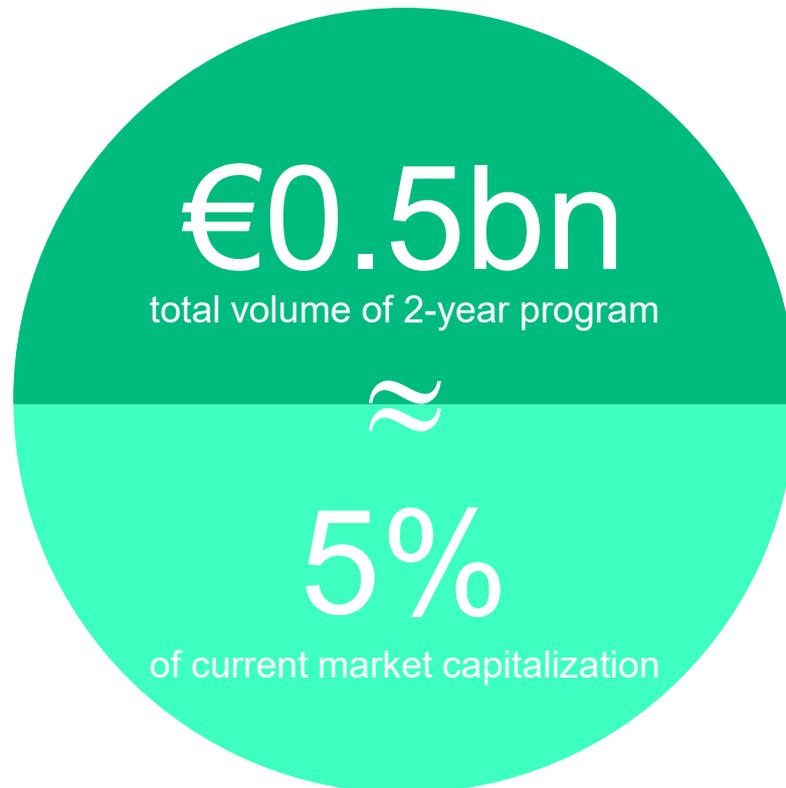
- Confirming identified synergies of €120m or 12% of RFM sales
- Positive EBITDA impact of €80m from cost and €40m from revenues
- Initial synergy potentials successfully detailed and validated
- Realization of synergies ahead of initial plan (initially €10m in 2021)
- Implementation cost incl inventory step-up of €115m (initially €155m, reduced from lower severance need)

OPERATIONS

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

New share buyback program announced

Cash return to shareholders



USE OF CASH

- Share buyback as additional option to create value for our shareholders
 - Company's capital structure to be optimized
 - Earnings and dividend per share to be increased
 - Repurchased shares to be cancelled, reducing the share capital accordingly
- Covestro use of cash
 - Profitable growth through capital expenditures
 - Attractive dividend payouts
 - Large acquisitions currently not in focus
 - Share buybacks
- Committed to a solid investment grade rating

Profitable growth into a climate neutral future



Highlights

1

EBITDA increase in FY 2021 driven by positive pricing delta passing through unprecedented raw material inflation

2

Record dividend of €3.40 per share for FY 2021 with dividend yield of 6.3% based on year-end share price

3

Share buyback program of €0.5bn launched using the opportunity to create value for shareholders

4

FY 2022 earnings outlook again above mid-cycle level based on solid sales growth and a strong start into Q1 2022

5

Climate neutrality in 2035 after 60% reduction of GHG emissions (scope 1 and 2) in 2030



-  Covestro investment highlights
-  **Group financials FY'21**
-  Segment overview
-  Background information

EBITDA increase Y/Y despite higher input costs

Group results – Highlights 2021



SALES AND CORE VOLUME GROWTH^(a)

in € million / changes Y/Y

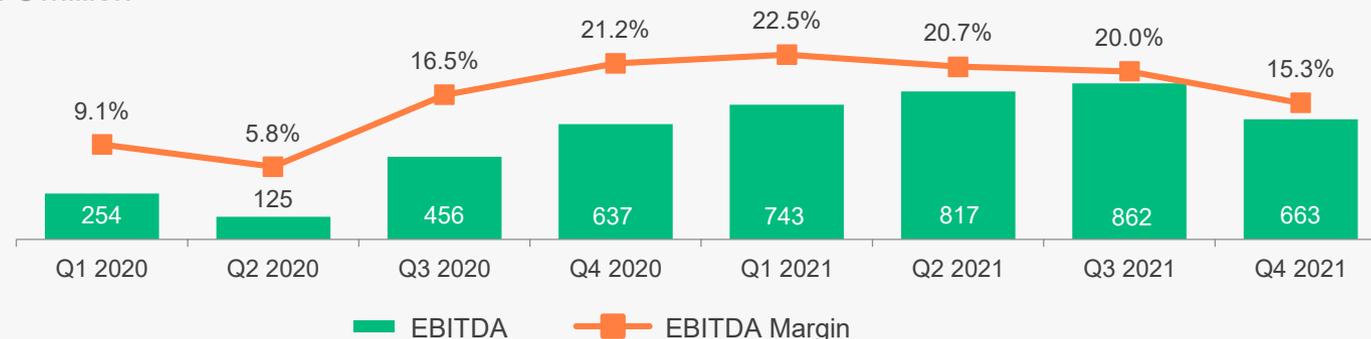


HIGHLIGHTS

- In Q4 2021, Covestro posted highest quarterly sales in its history
- Year-on-year increase mainly attributable to higher prices of €1.0bn and RFM^(b) sales of €0.3bn
- Sequentially, sales virtually unchanged as positive effects from price and currency compensate negative effects from volume

EBITDA AND MARGIN

in € million



HIGHLIGHTS

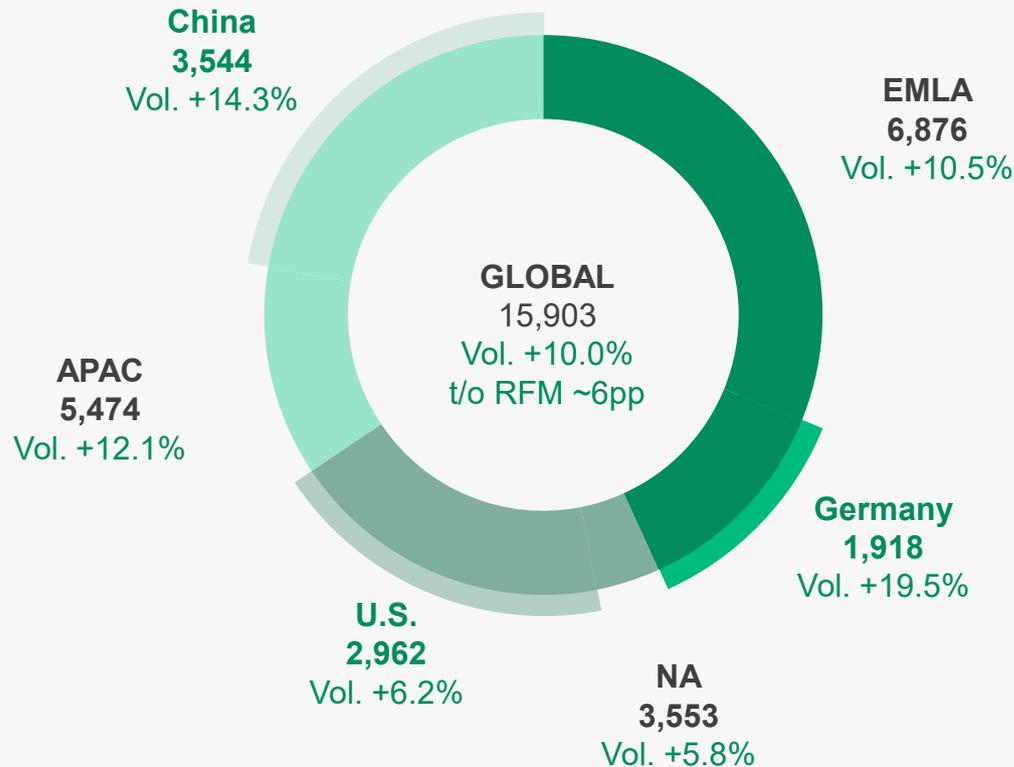
- Sequentially, earnings decreased due to negative pricing delta and seasonally lower volumes
- Consequently, EBITDA margin decreased to 15.3% in Q4 2021
- EBITDA margin of 22.5% in Q1 2021 well below historic peak of 28.1% in Q1 2018

Organic volume rebound constrained by product availability

FY 2021 – Regional split



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

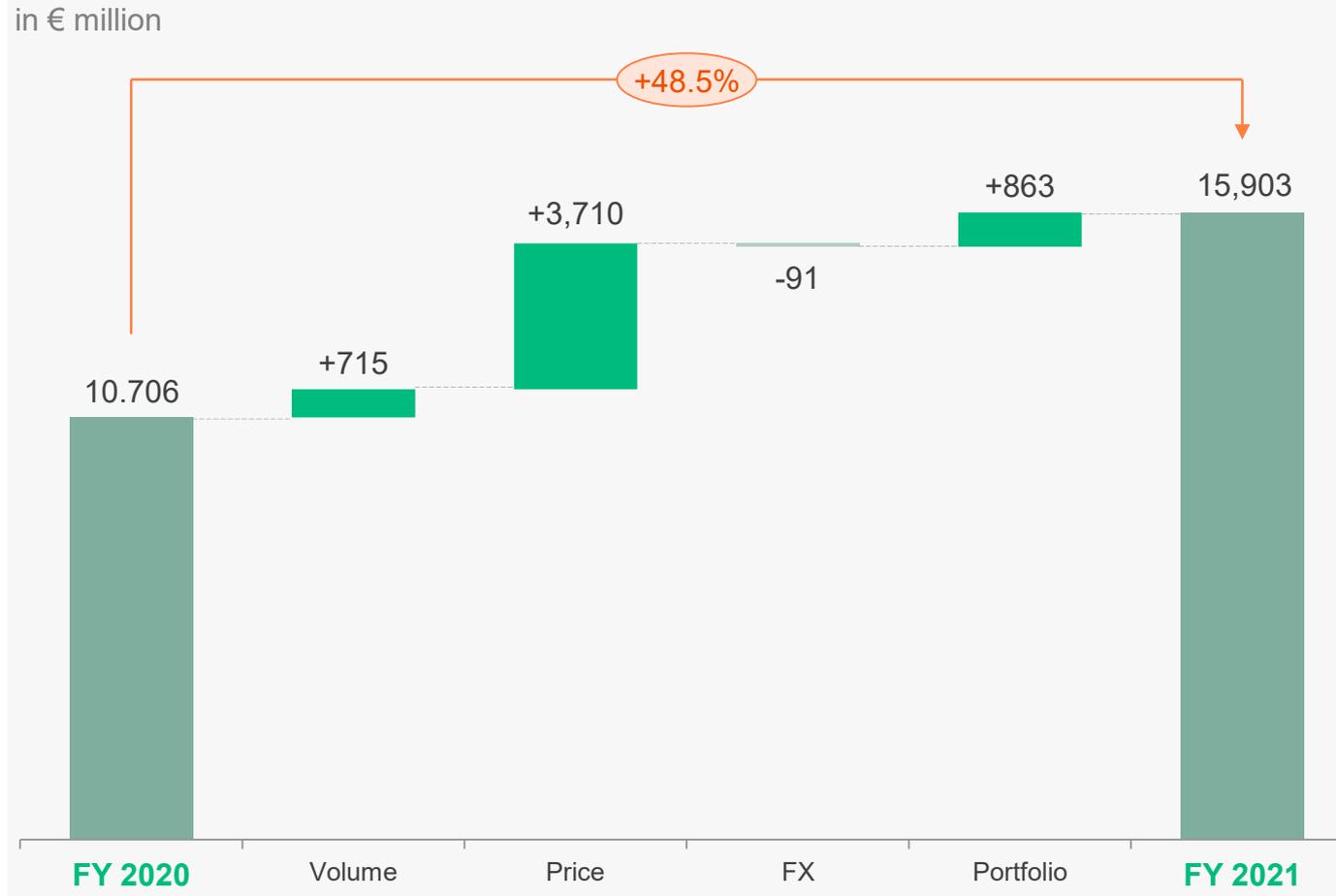


CORE VOLUME GROWTH Y/Y

- Globally strong demand rebound compared to weak prior year marked by coronavirus pandemic, yet growth constrained by product availability; consolidation of acquired RFM^(a) business contributed ~6pp:
 - Furniture/wood c. -4%, declines in all regions
 - Construction c. +1%, driven by APAC and EMLA
 - Auto/transport c. +10%, strong growth globally
 - Electro c. +9%, with growth in all regions
 - Divers c. +33%, including total RFM volumes
- EMLA: volume growth in all key industries except single-digit decline in furniture/wood
- APAC: volume growth in all key industries except single-digit decline in furniture/wood
- NA: volume growth in auto and electro while declining volumes in construction and furniture/wood

Strong sales growth driven by higher prices

FY 2021 – Sales bridge



HIGHLIGHTS

Volume positive

- Volume increased by +6.5% Y/Y (in €) – excluding RFM^(a) – mainly driven by S&S, 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 driven by PM, pushed sales up +34.7% Y/Y
- Absolute price increase of +€3.7bn compares to historic high of +€1.9bn in FY 2017

FX slightly negative

- FX affected sales by -0.8% Y/Y mainly driven by weaker USD, JPY, BRL and INR

Portfolio positive

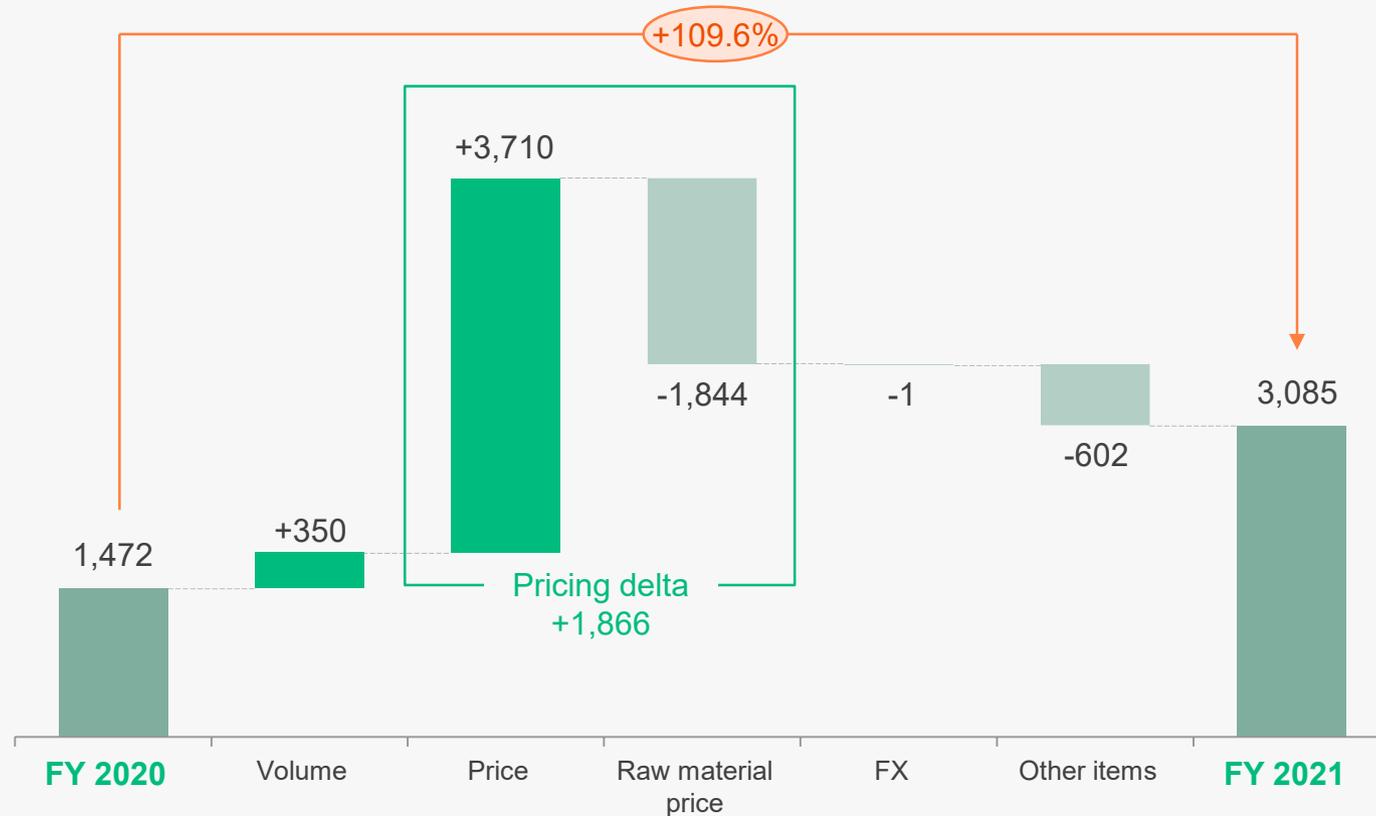
- RFM^(a) increased sales by +8.1% Y/Y

Earnings doubled due to highly positive pricing delta

FY 2021 – EBITDA bridge



in € million



HIGHLIGHTS

Positive volume leverage^(a)

- Attractive volume leverage of 49.0%
- Prior year burdened by coronavirus pandemic

Highly positive pricing delta

- Vast majority contributed by PM

Slightly negative FX

- Translational effects

'Other items' driven by:

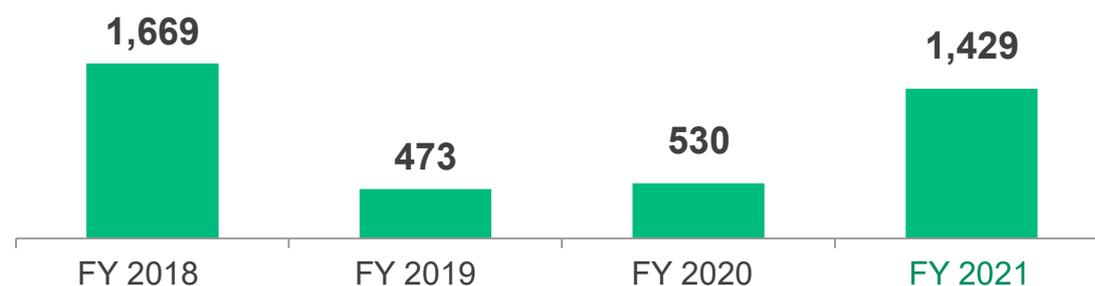
- €-443m linked to higher provisions for variable compensation
- €-60m negative one-time effects related to the acquired RFM business^(b) (vs. €-33m in FY'20)
- €-39m negative one-time effects related to LEAP transformation program (vs. €0m in FY'20)

Strong free operating cash flow despite higher working capital



Historical FOCF development

in € million



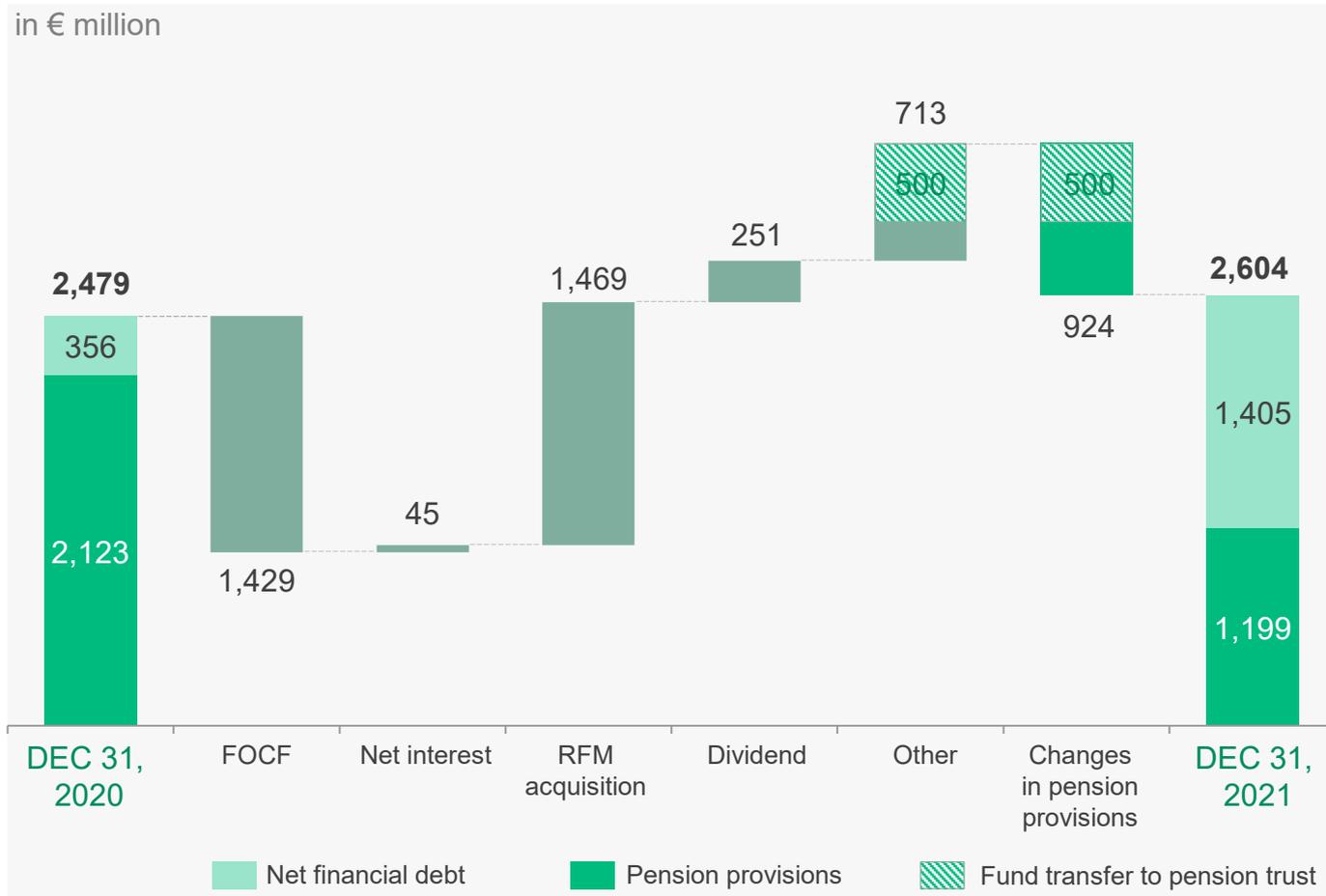
EBITDA	3,200	1,604	1,472	3,085
Changes in working capital^(a)	-167	+437	-100	-727
Capex^(b)	-707	-910	-704	-764
Income tax paid	-574	-296	-155	-546
Other effects	-83	-362	+17	+381

HIGHLIGHTS

- In Q4 2021, FOCF of €356m below previous year (€394m in Q4 2020) as positive contributions from working capital^(a) 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^(a)
- Working capital to sales ratio^(c) 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

Strong balance sheet after RFM closing

December 31, 2021 – Total net debt



HIGHLIGHTS

- Pension provisions decreased by €924m mainly resulting from €500m fund transfer to one pension trust and higher discount rates in Germany
- Total net debt to EBITDA ratio^(a) of 0.8x at end of 2021 vs. 1.7x at end of 2020
- Equity ratio of 50% at end of 2021 vs. 44% at end of 2020
- Committed to a solid investment grade rating

Liquidity at attractive rates

- Cash outflow for acquisition of RFM (less acquired cash) of €1.5bn on April 1, 2021
- €500m Eurobond (placed in 2016, maturing in October 2021) repaid early on July 7, 2021
- Balance sheet with €1.1bn in cash, cash equivalents and current financial assets
- Undrawn syndicated revolving credit facility (RCF) of €2.5bn in place with ESG element



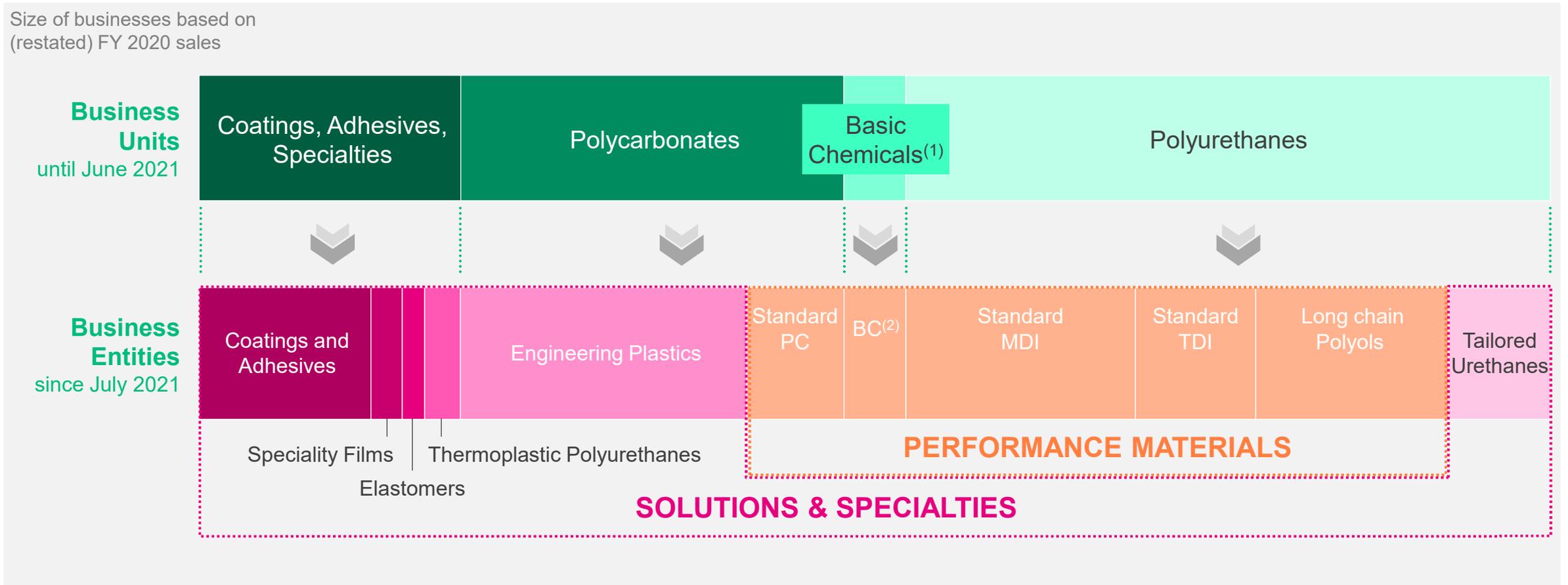
-  Covestro investment highlights
-  Group financials FY'21
-  **Segment overview**
-  Background information

Consistently distinguish standard from differentiated business



Reconciliation from former Business Units to new Business Entities

Size of businesses based on
(restated) FY 2020 sales



Standard products with reliable supply and lowest cost

Performance Materials



PRODUCTS

PERFORMANCE MATERIALS

Polyurethane and polycarbonate standard products as well as basic chemicals:

- Standard MDI
- Standard TDI
- Long chain polyols
- Standard PC resins
- Basic chemicals

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

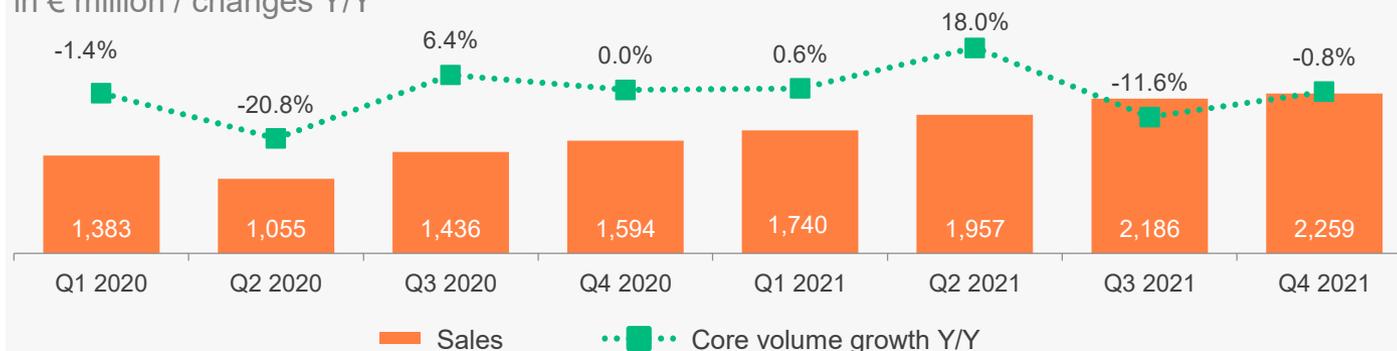
Performance Materials – positive pricing delta



Segment results – Highlights 2021

SALES AND CORE VOLUME GROWTH^(a)

in € million / changes Y/Y

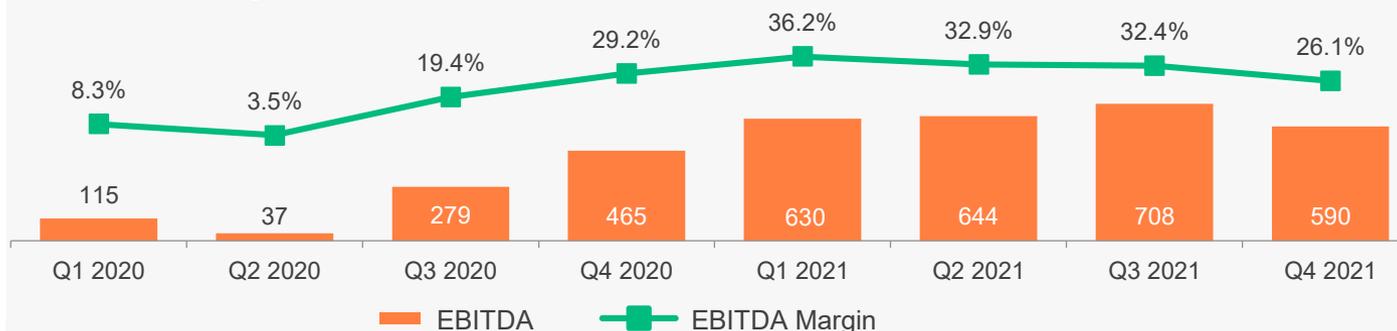


HIGHLIGHTS

- Core volume growth (in kt) of -0.8% Y/Y impacted by continued constrained product availability, while underlying demand globally remained solid
- Sales increased by +41.7% Y/Y driven by price (+37.6%), FX (+3.6%) and volume (+0.5%)

EBITDA AND MARGIN

in € million / margin in percent



HIGHLIGHTS

- Compared to prior year, EBITDA increase driven by positive pricing delta, compensating higher provisions for variable compensation
- Sequentially, earnings decline due to negative pricing delta and lower volume
- EBITDA margin of 20.7% in Q4 2021 (24.9% in FY 2021) if adjusted for intersegment sales of €596m (€2,195m)

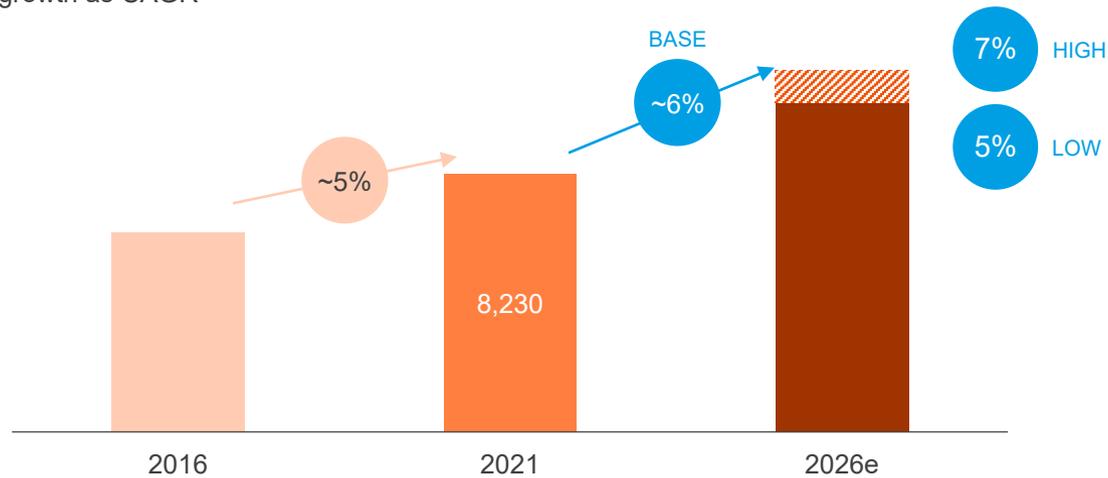
MDI demand growth to exceed supply growth



Performance Materials: MDI industry demand and supply

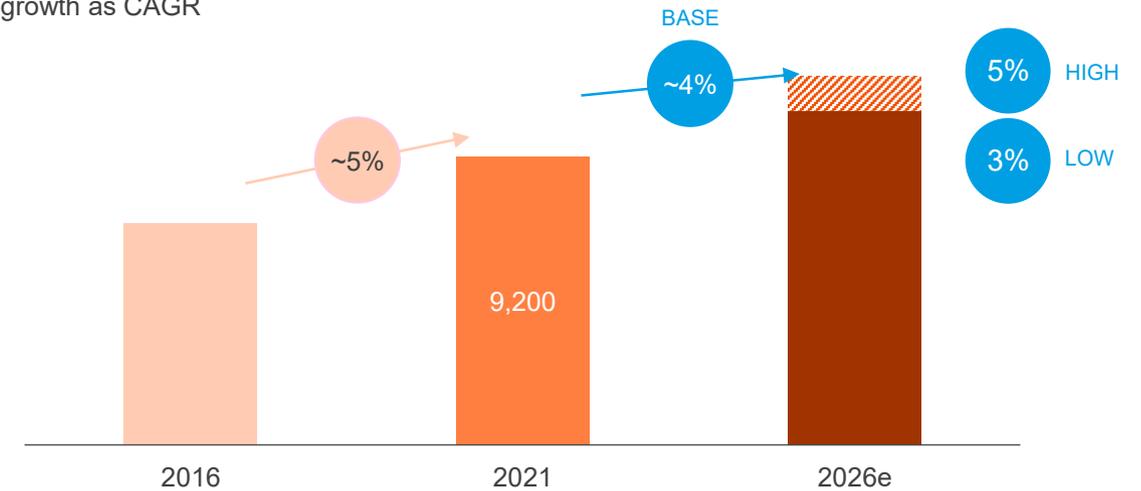
MDI DEMAND DEVELOPMENT (2016 - 2026e)

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



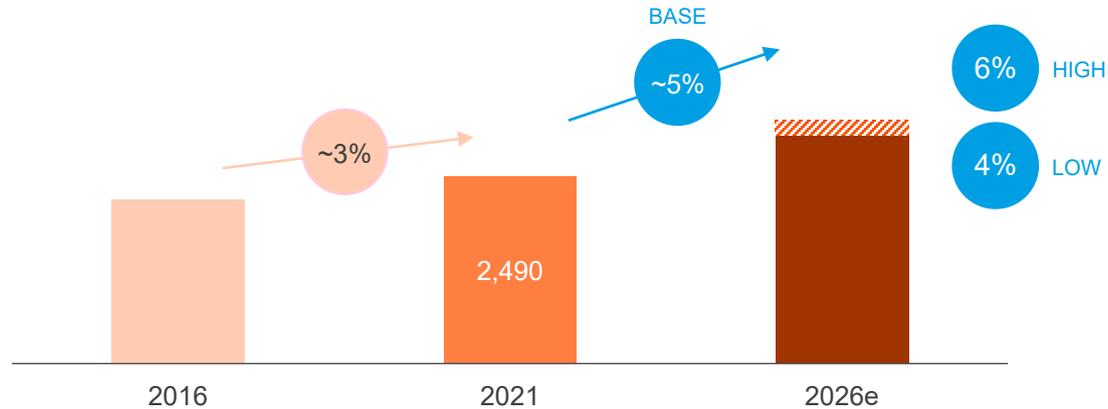
TDI market moving into balance

Performance Materials: TDI industry demand and supply



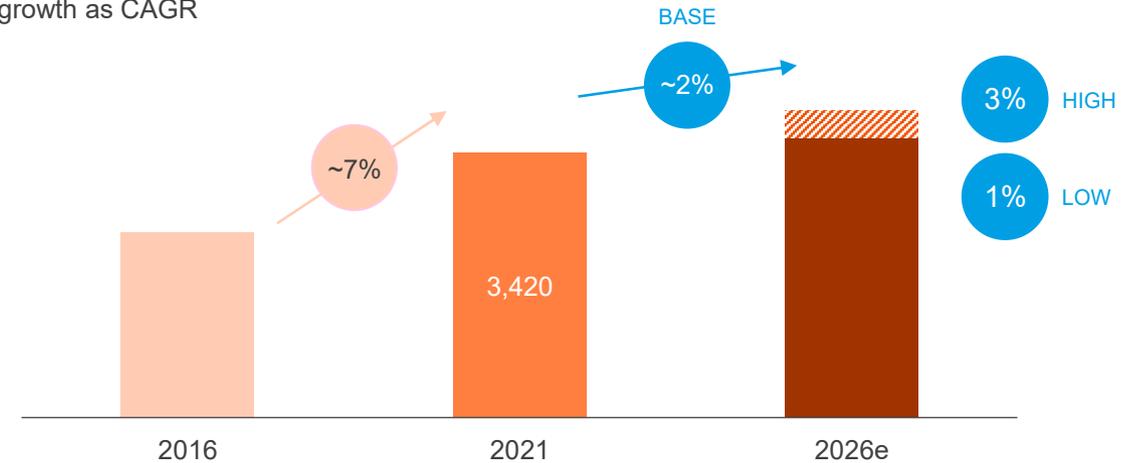
TDI DEMAND DEVELOPMENT (2016 - 2026e)

in kt⁽¹⁾
% growth as CAGR



TDI SUPPLY DEVELOPMENT (2016 - 2026e)

in kt⁽²⁾
% growth as CAGR



HIGHLIGHTS

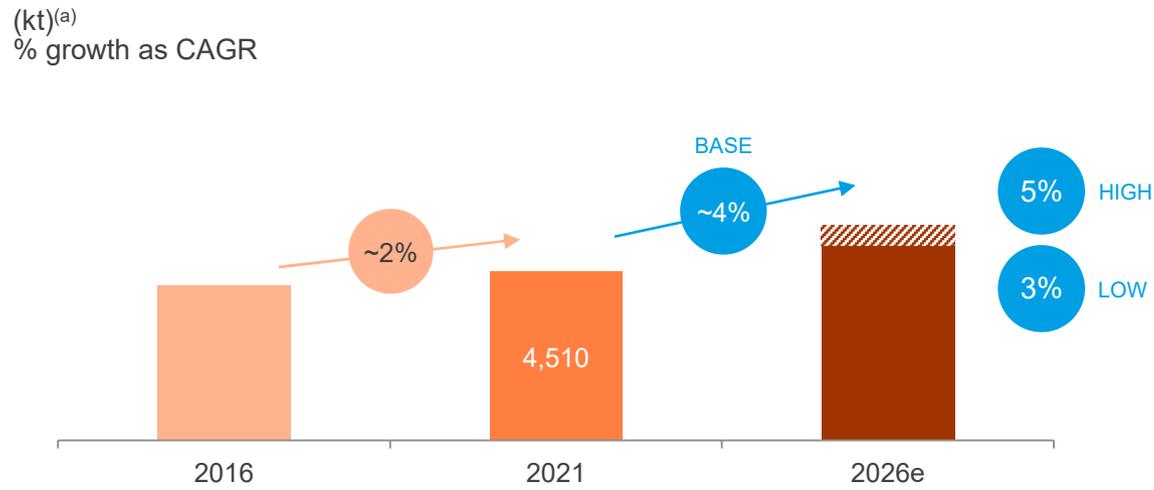
- Only major addition expected until 2025 Wanhua-Fujian (250kt, not before end-2023e), new Cangzhou Dahua plant not before 2026e
- With that, demand growth outstripping supply growth, bringing demand and supply back into balance
- Covestro additions until 2026e: Dormagen, Germany (50kt, 2023e); further 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



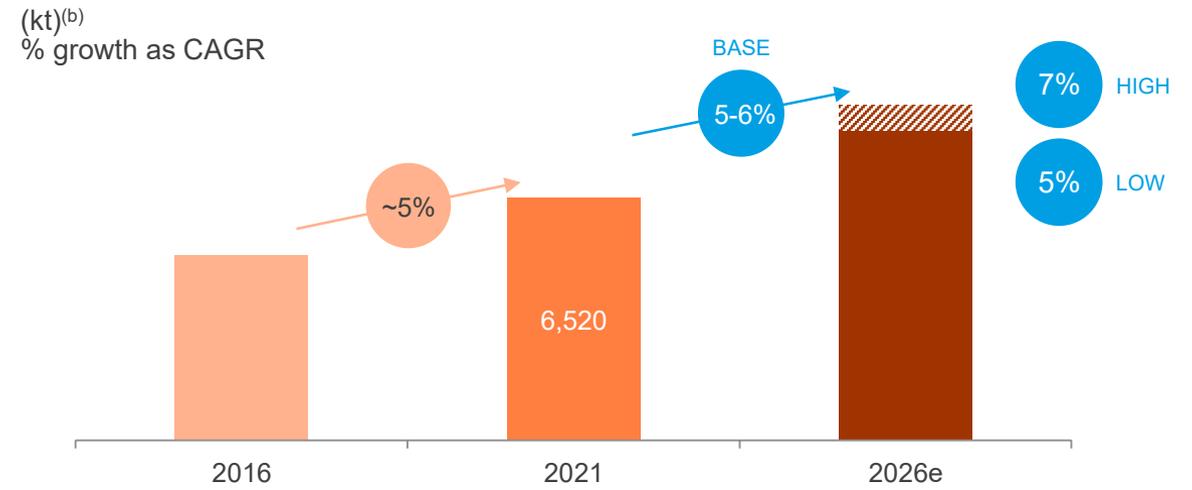
Execution risks may limit future capacity additions

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^(c) 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

Differentiation based on customer proximity and innovation



Solutions & Specialties

PRODUCTS

SOLUTIONS & SPECIALTIES

Differentiated polymer products:

- Coatings and adhesives raw materials
- PC compounds
- Specialty MDI and polyols
- Specialty films
- Elastomers
- Thermoplastic polyurethanes

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

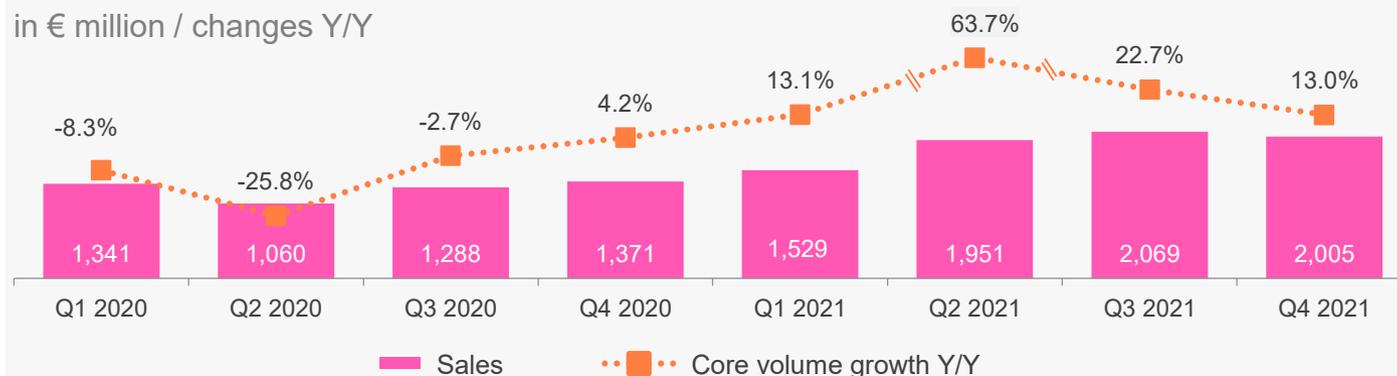
Solutions & Specialties – burdened by higher feedstock prices



Segment results – Highlights 2021

SALES AND CORE VOLUME GROWTH^(a)

in € million / changes Y/Y

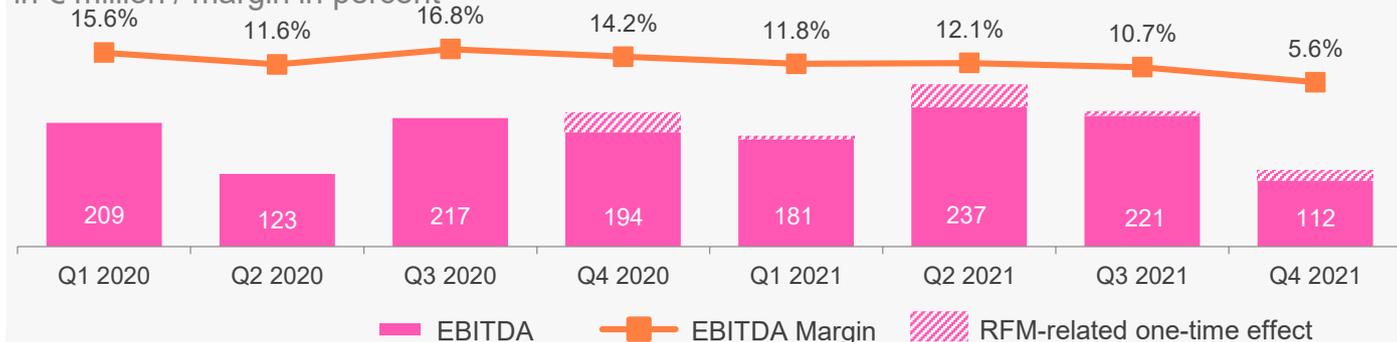


HIGHLIGHTS

- Core volume growth (in kt) of 13.0% Y/Y, including ~18pp from RFM^(b)
- Sales grew by +46.2% Y/Y, driven by price (+25.6%), portfolio (+19.9%, RFM^(b)) and FX (+4.1%), while volume (-3.4%) negative

EBITDA AND MARGIN

in € million / margin in percent



HIGHLIGHTS

- Q4 2021 EBITDA includes €-15m one-time effects related to RFM^(b) (€-60m in FY 2021)
- Compared to prior year, EBITDA decrease mainly due to negative pricing delta and higher provisions for variable compensation
- Sequentially, EBITDA decrease driven by lower volume and negative pricing delta

Notes:

(a) Reference values calculated on the basis of the definition of the core business effective March 31, 2021. Prior year figures referring to fiscal 2019 are based on unaudited figures due to the realignment of the organizational structure in fiscal 2021.

(b) Full consolidation of acquired RFM business as of April 1, 2021.

The values were determined retrospectively as of October 1, 2021 due to a change in the underlying market prices for the compensation of transactions between the Performance Materials and Solutions & Specialties segments; the comparative information was adjusted accordingly.

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

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

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

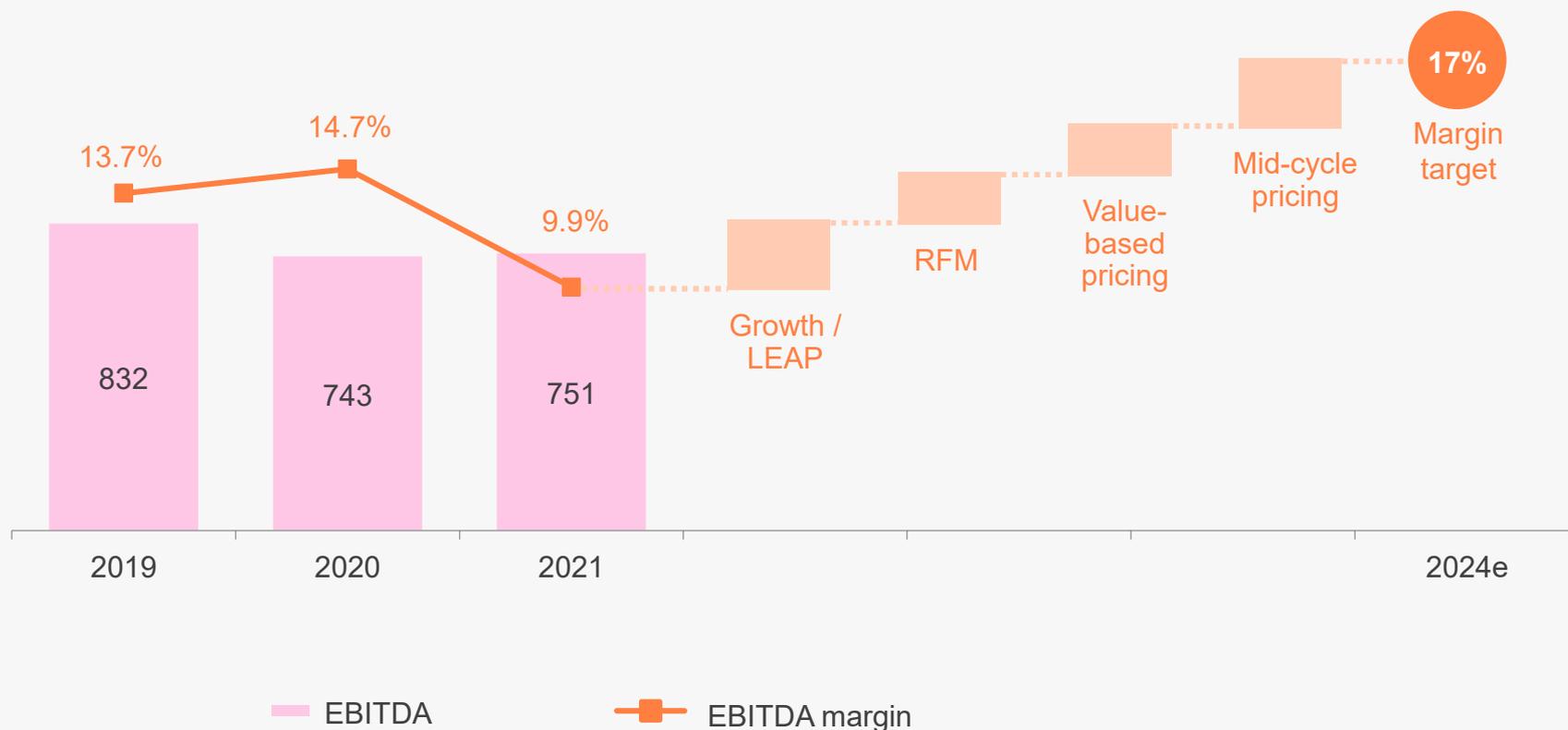
EBITDA margin to grow to 17% in 2024

Solutions & Specialties segment target



EBITDA AND MARGIN – SOLUTIONS & SPECIALTIES

in € million



TARGET MARGIN

- In 2021, margin negatively 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



-  Covestro investment highlights
-  Group financials FY'21
-  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

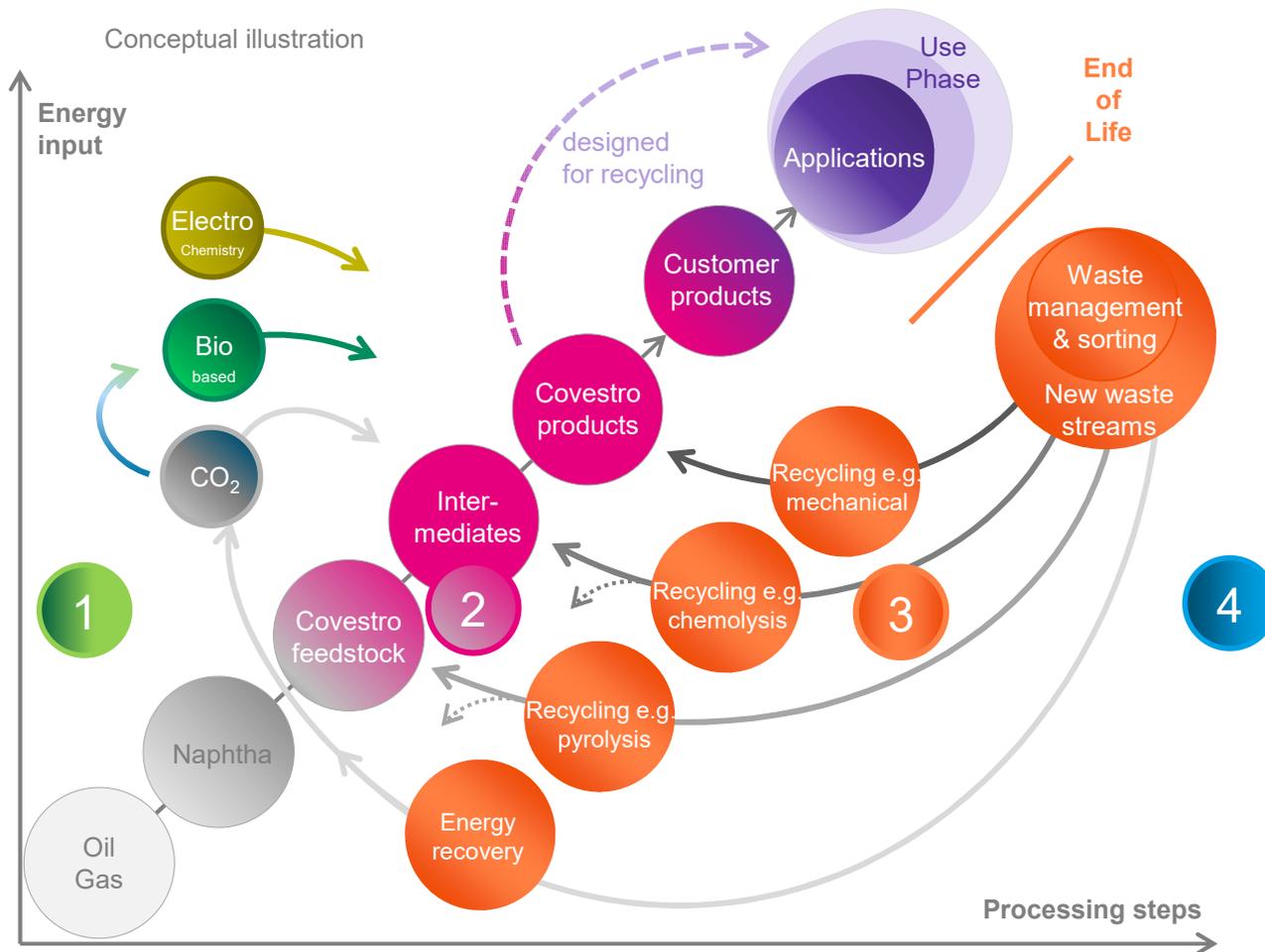
as February 2022



Rating	Scoring Range (Worst → Best)	2016	2017	2018	2019	2020	2021	2022	Award
CDP DISCLOSURE INSIGHT ACTION CLIMATE	D- to A	-	-	-	-	-	A-		Leadership Level ⁽ⁱ⁾
ecoVadis SUPPLIER SUSTAINABILITY RATINGS	0 to 100	73				80		72	⁽ⁱⁱ⁾
Corporate ESG Performance RATED BY ISS ESG	D- to A+	B-		B-		B-			Prime ⁽ⁱⁱⁱ⁾
MSCI ESG	CCC to AAA		A	A	A	A	A	A	Average
SUSTAINALYTICS	100 to 0	74	75		80	23.3	20.0	18.3	^(iv)
FTSE4Good	Included/ Excluded	✓	✓	✓	✓	✓	✓		-

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



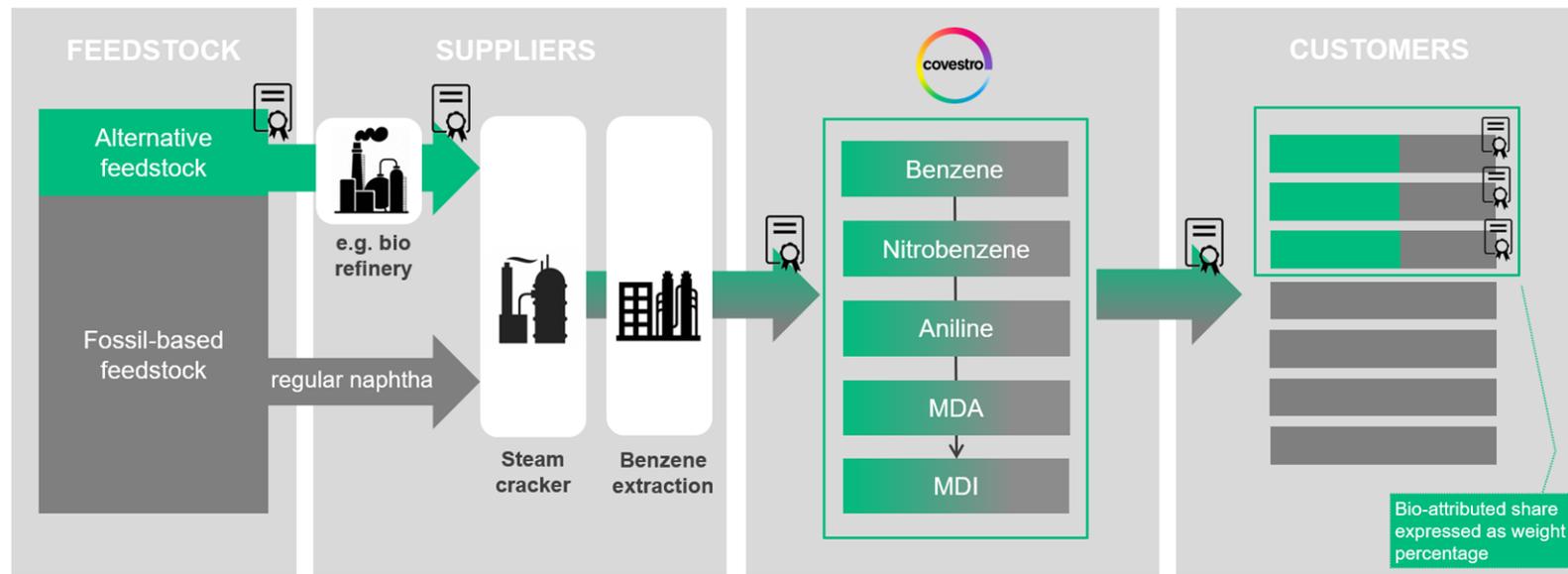
Certified alternative feedstock lower attributed CO₂ footprint



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

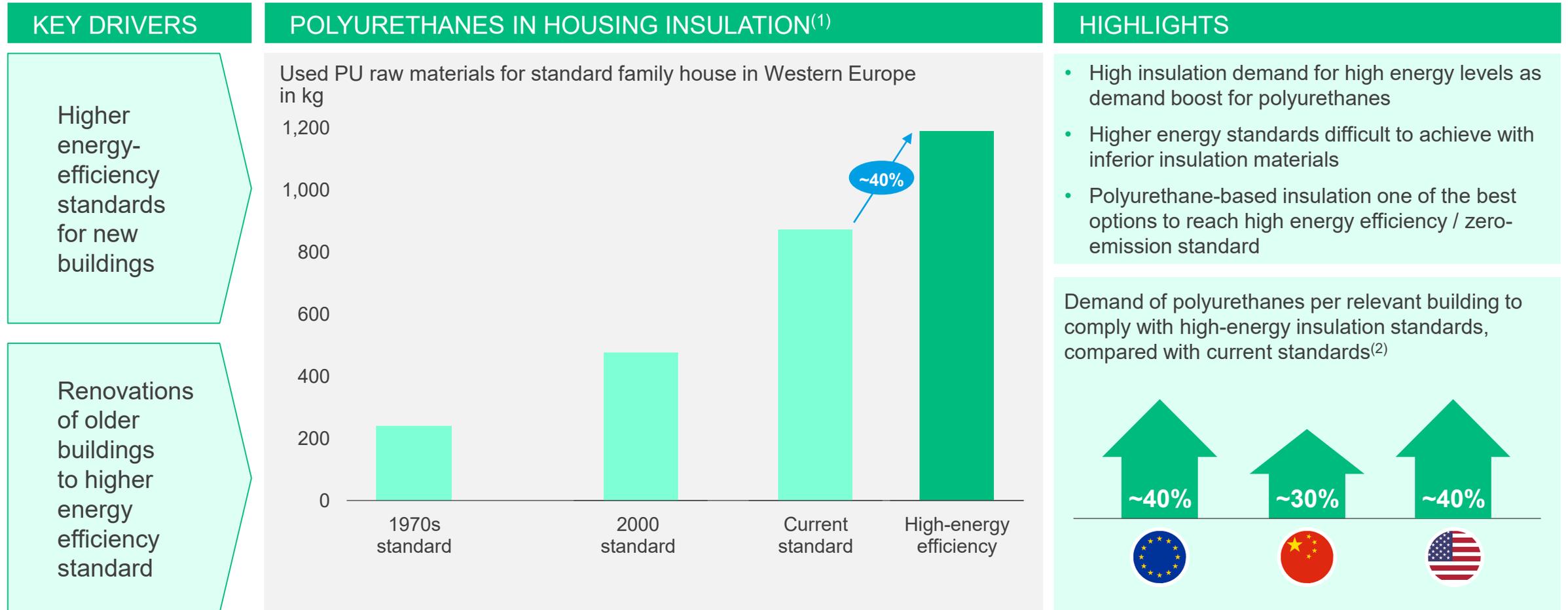
Advantages

- 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

Higher insulation standards increase demand for polyurethanes



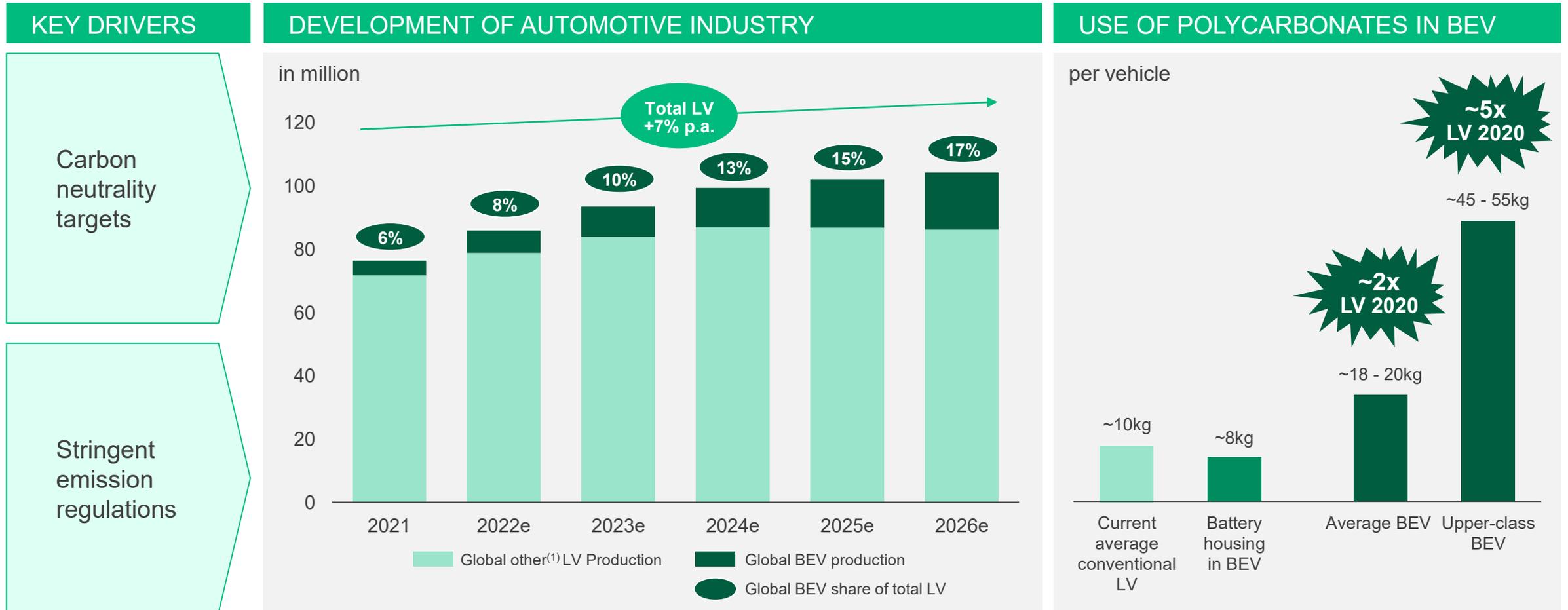
Building insulation market outlook



Auto production growth and increasing BEV share boost demand



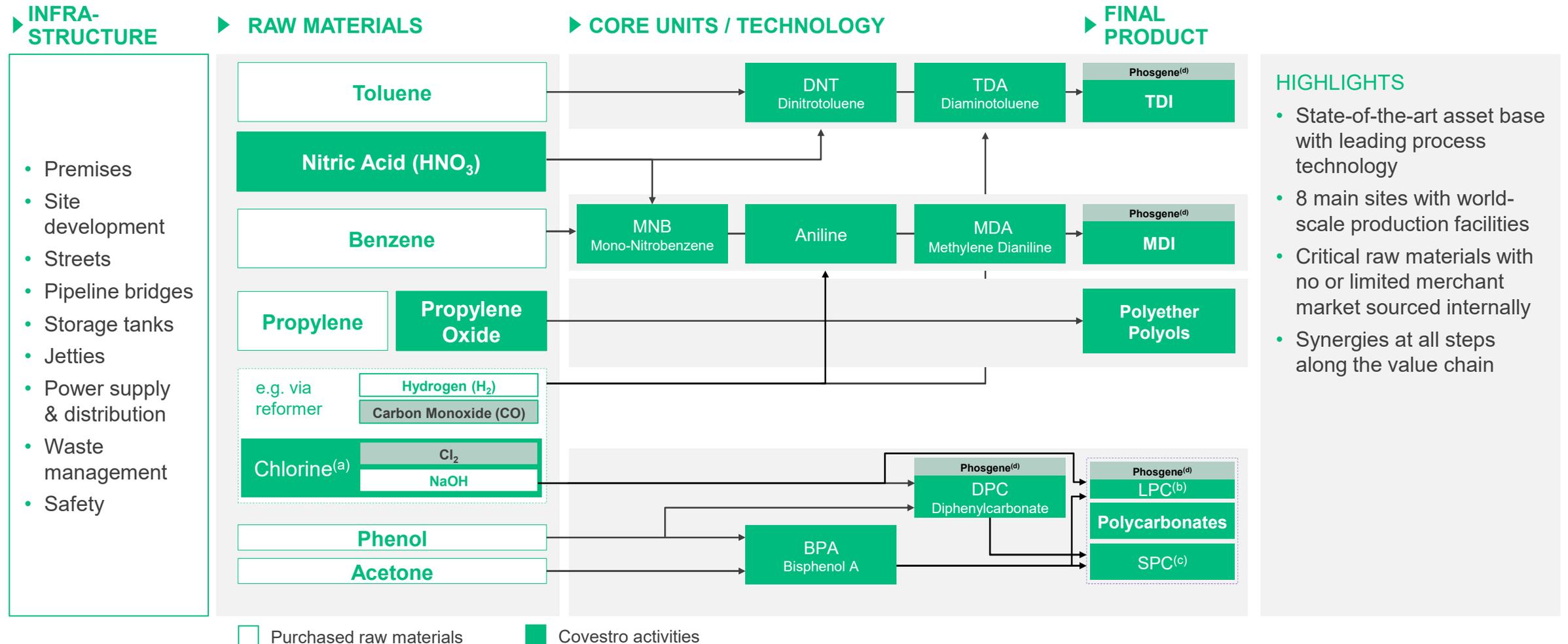
Global electric vehicle market outlook



Synergies in scale, process technology and chemical know-how



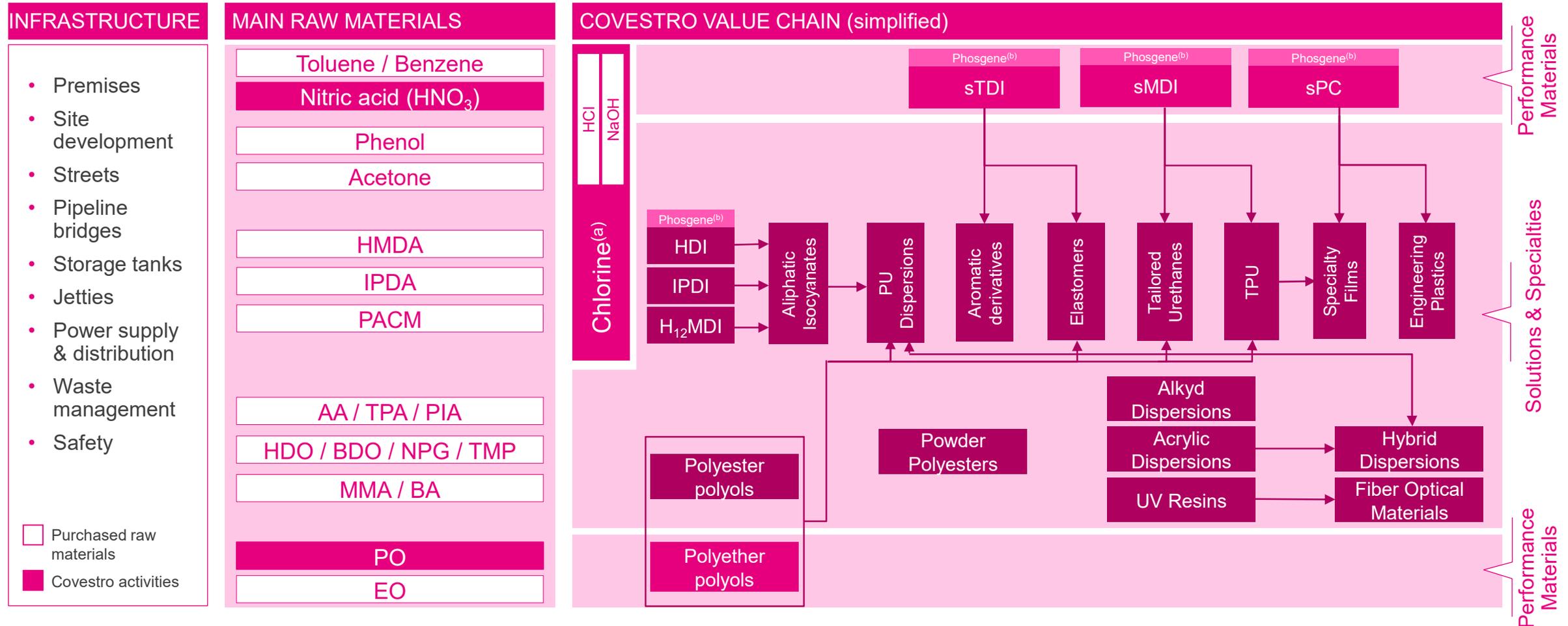
One chemical backbone across all segments



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** 

 **Research & development** 

 **Integrated planning** 

 **Raw material purchasing** 

 **Production** 

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

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



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

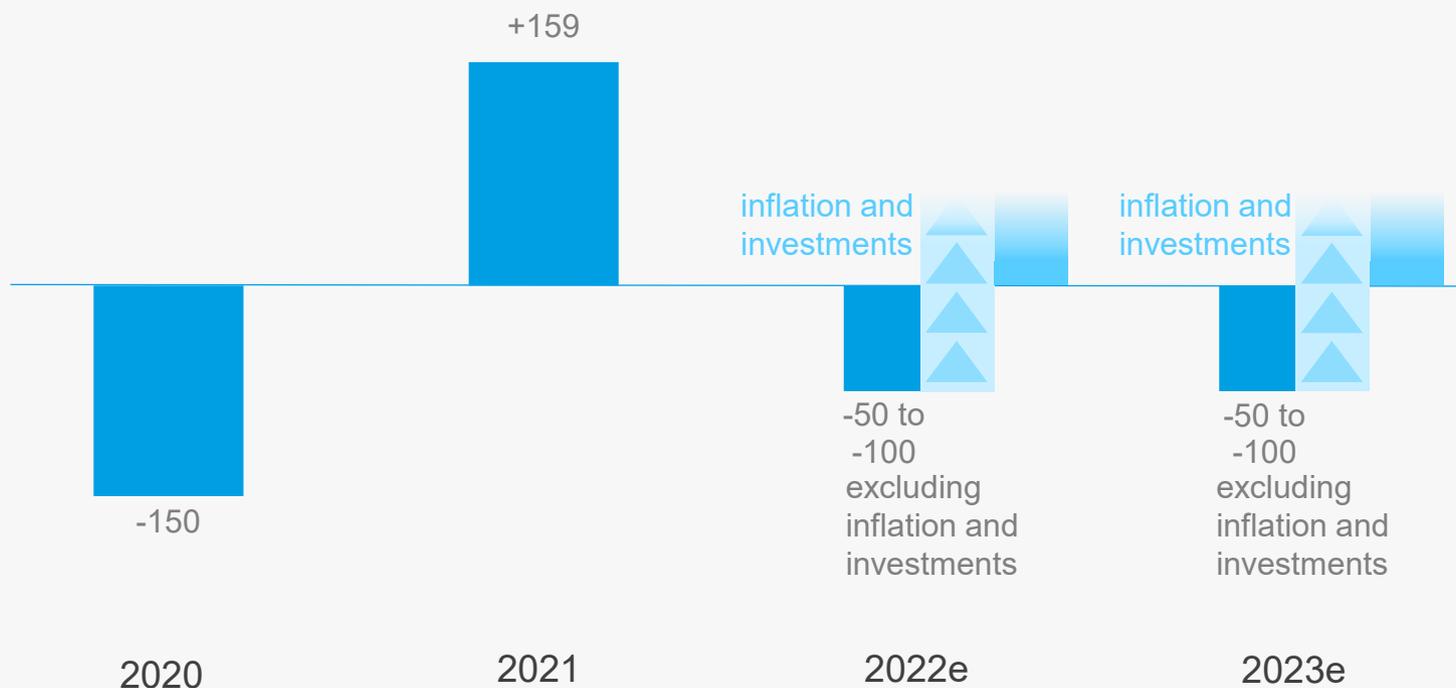
Manage fixed costs despite high inflation and investments



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

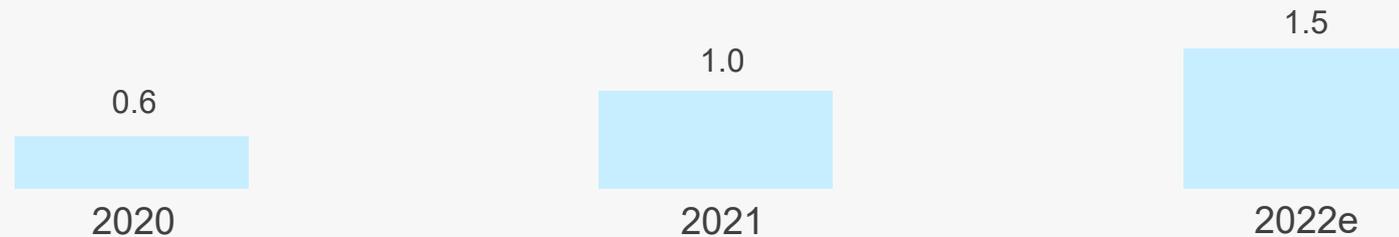
Global energy cost more than double within two years

Energy cost development



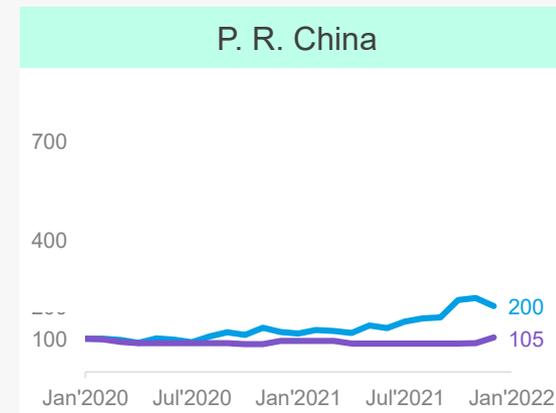
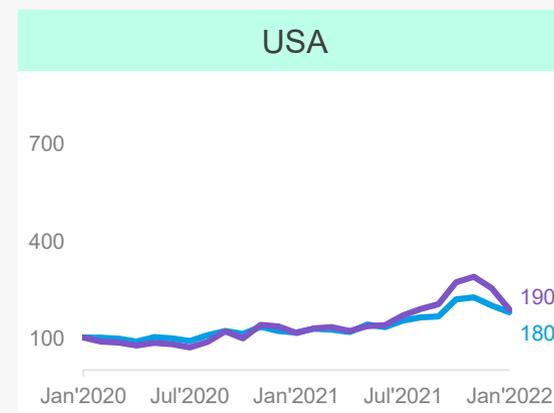
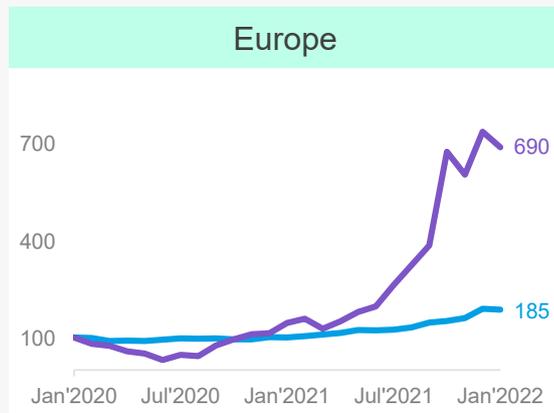
GLOBAL ENERGY COST

in € billion



HISTORIC SPECIFIC ENERGY PRICES

in local currency per MWh, indexed



HIGHLIGHTS

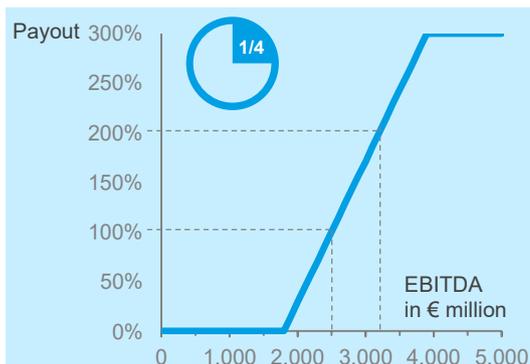
- Global energy cost significantly increased in 2021 mainly driven by European energy prices
- Global energy cost in 2021 were €1.0bn, thereof €0.6bn driven by electricity and €0.4bn driven by natural gas
- Regional breakdown of energy cost in 2021: EU ~70%, Asia ~20% and US ~10%
- Global energy bill in 2022 expected at €1.5bn

Entire organization aligned for performance and sustainability



Group Profit Sharing Plan (PSP) as of 2022

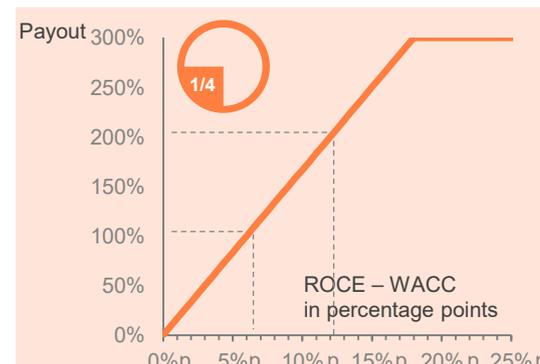
UNIFORM BONUS SYSTEM



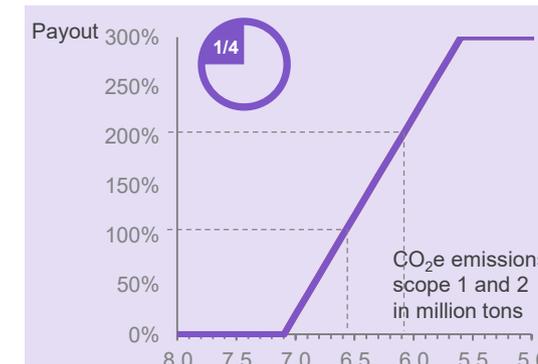
EBITDA (€ mio)				
Value	1,800	2,500	3,200	3,900
Payout	0%	100%	200%	300%



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
Core Volume Growth	(%)	3.4	1.5	2.0	-5.6	10.0
Sales	(€ million)	14,138	14,616	12,412	10,706	15,903
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 ^(a)	(FTE)	16,176	16,770	17,201	16,501	17,909

Upcoming IR events

Find more information on covestro.com/en/investors



REPORTING DATES

- | | |
|------------------|---------------------------------|
| • May 3, 2022 | Q1 2022 Quarterly Statement |
| • August 2, 2022 | 2022 Half-Year Financial Report |

ANNUAL GENERAL MEETING

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

BROKER CONFERENCES

- | | |
|------------------|------------------------------------------------------------------------------------------------|
| • March 10, 2022 | Goldman Sachs Eleventh Annual European Chemicals and Consumer Ingredients Conference (virtual) |
| • March 16, 2022 | Jefferies France Net Zero Conference: Building Today for Tomorrow Panel (virtual) |
| • March 31, 2022 | Stifel German Corporate Conference, Copenhagen |



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.