



Operating along trough levels

Financial Highlights
Q3 2023



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.

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

Christian Baier joins Covestro as CFO

Changes in Board of Management



CHRISTIAN BAIER



“Let’s tackle and master the challenges ahead”

CV

Nationality: German

Education: MBA & Business Economist

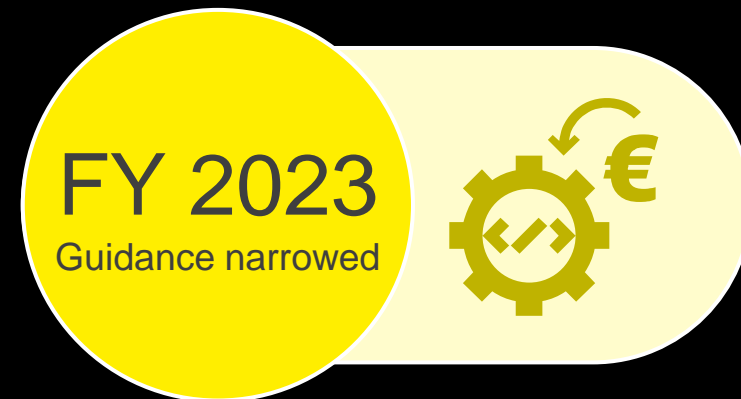
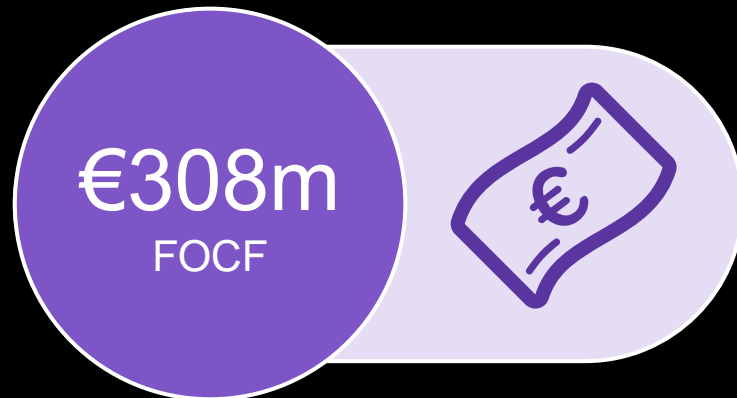
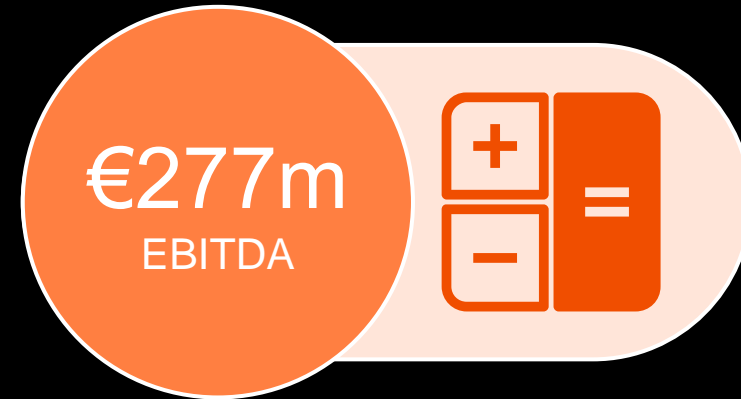
Previous positions:

- CFO Metro AG
- CFO Metro Cash & Carry
- Group Director Strategy, Business Innovation, M&A Metro AG
- Investment Executive, Permira Beteiligungsberatung
- Associate, Lehman Bros.

AREAS OF RESPONSIBILITY

- Accounting
- Controlling
- Finance & Insurance
- Taxes
- Investor Relations
- Law, Intellectual Property & Compliance
- Information Technology & Digitalization
- Portfolio Development
- Country specific topics in US and China

Financial highlights Q3 2023



Growing in highly profitable niches

Strengthening Solutions & Specialties business



ELASTOMERS INVESTS IN COMPLEMENTING ASSETS

- Invest: low double-digit € million
- Production readiness: ramp-up Q3'23
- Expected EBITDA contribution: mid-to-high single-digit € million⁽¹⁾



COATINGS & ADHESIVES INVESTS IN DISPERSIONS

- Invest: mid-double-digit € million
- Production readiness: mech. completion Q3'23, ramp-up Q1'24
- Expected EBITDA contribution: low double-digit € million⁽¹⁾



Elastomers plant at Shanghai site



PUD plant at Shanghai site



Increase
S&S EBITDA



Volume growth



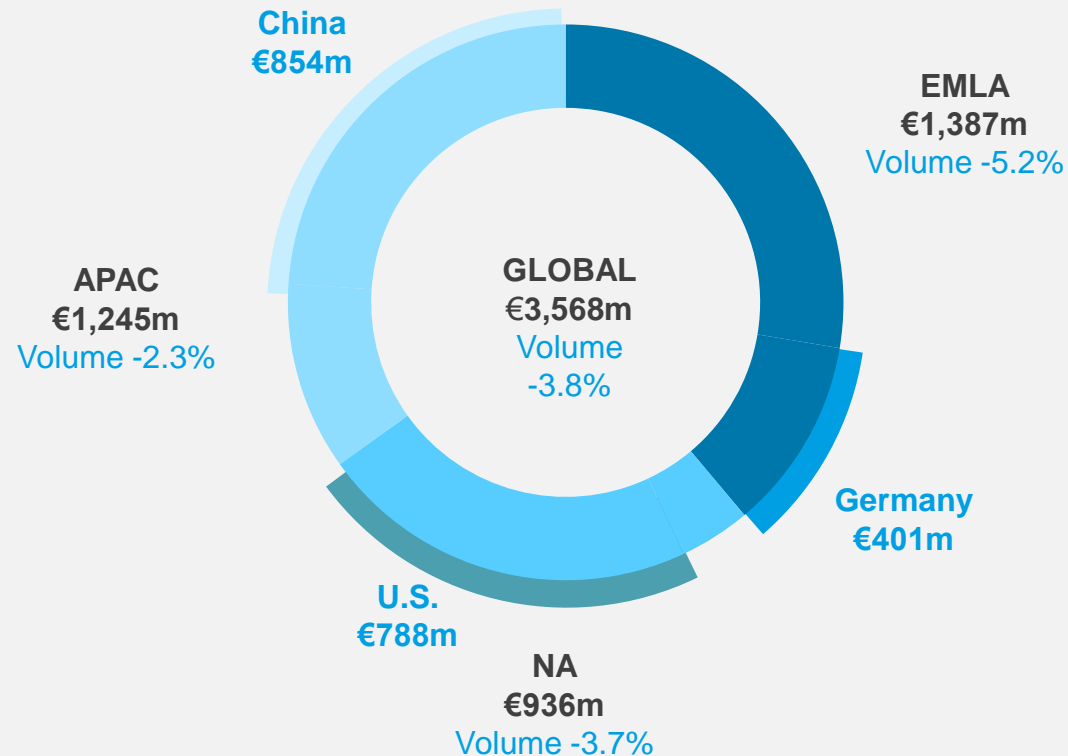
Cost leading
assets

Still recessionary trends despite slow demand recovery



Q3 2023 – Regional split

Sales volume Y/Y



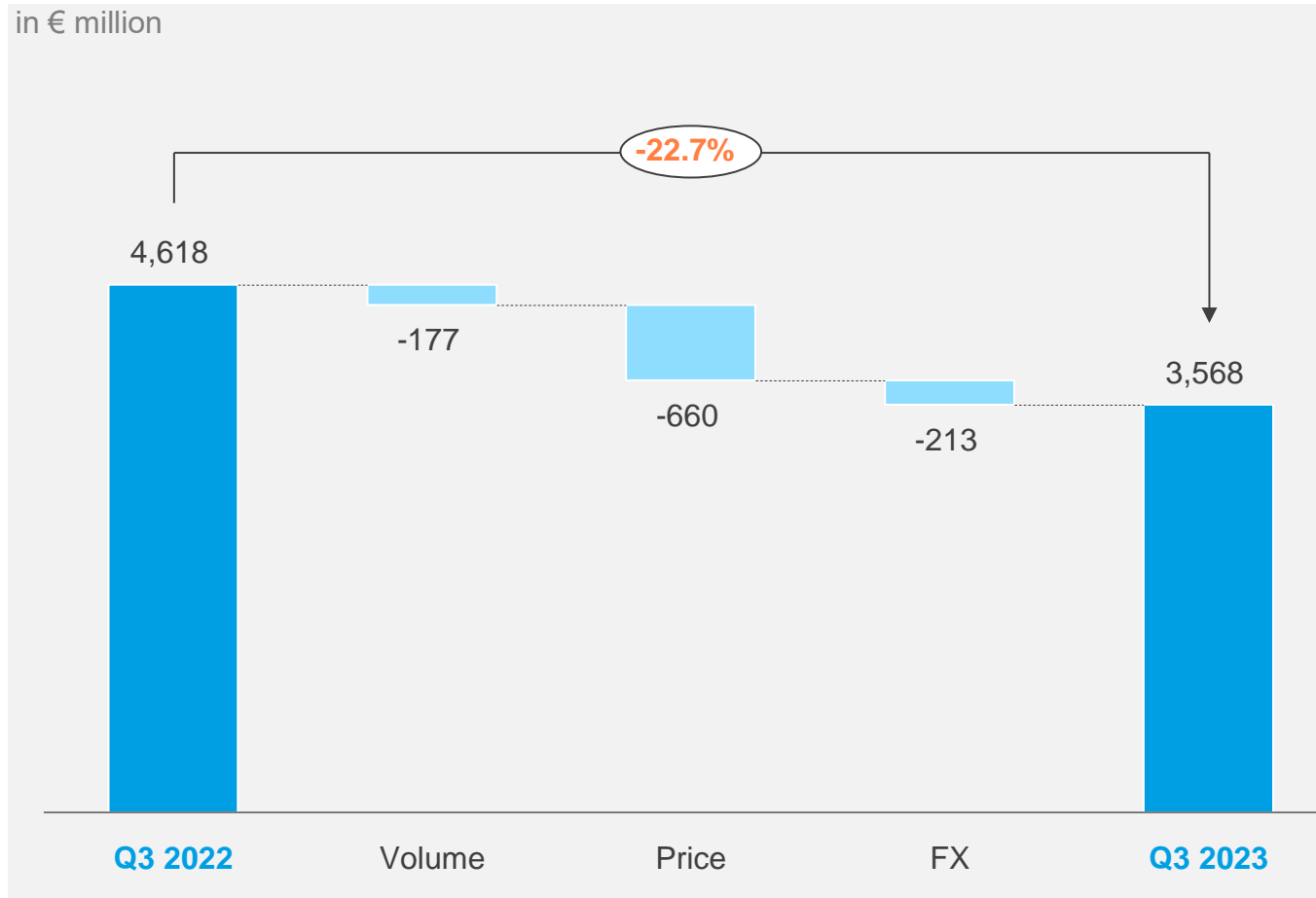
HIGHLIGHTS

- Year-over-year mixed volume development in the different industries:
 - Furniture/wood mid-single-digit % increase
 - Auto low single-digit % increase
 - Electro flat
 - Construction mid-single-digit % decline
- **EMLA:** Gradually improving chlorine supply leading to increased production rates in Q3 2023 with significant increase in furniture, slight increase in construction and auto while electro still with slight decline
- **NA:** Furniture/wood flat, electro and auto with slight increase while construction with ongoing significant decline
- **APAC:** Furniture and auto exhibiting slight growth, electro flat while construction still with significant decline

Sales decrease due to pricing pressure and unfavorable FX



Q3 2023 – Sales bridge



HIGHLIGHTS

Volume negative

- Volume decline of 3.8% Y/Y

Pricing negative

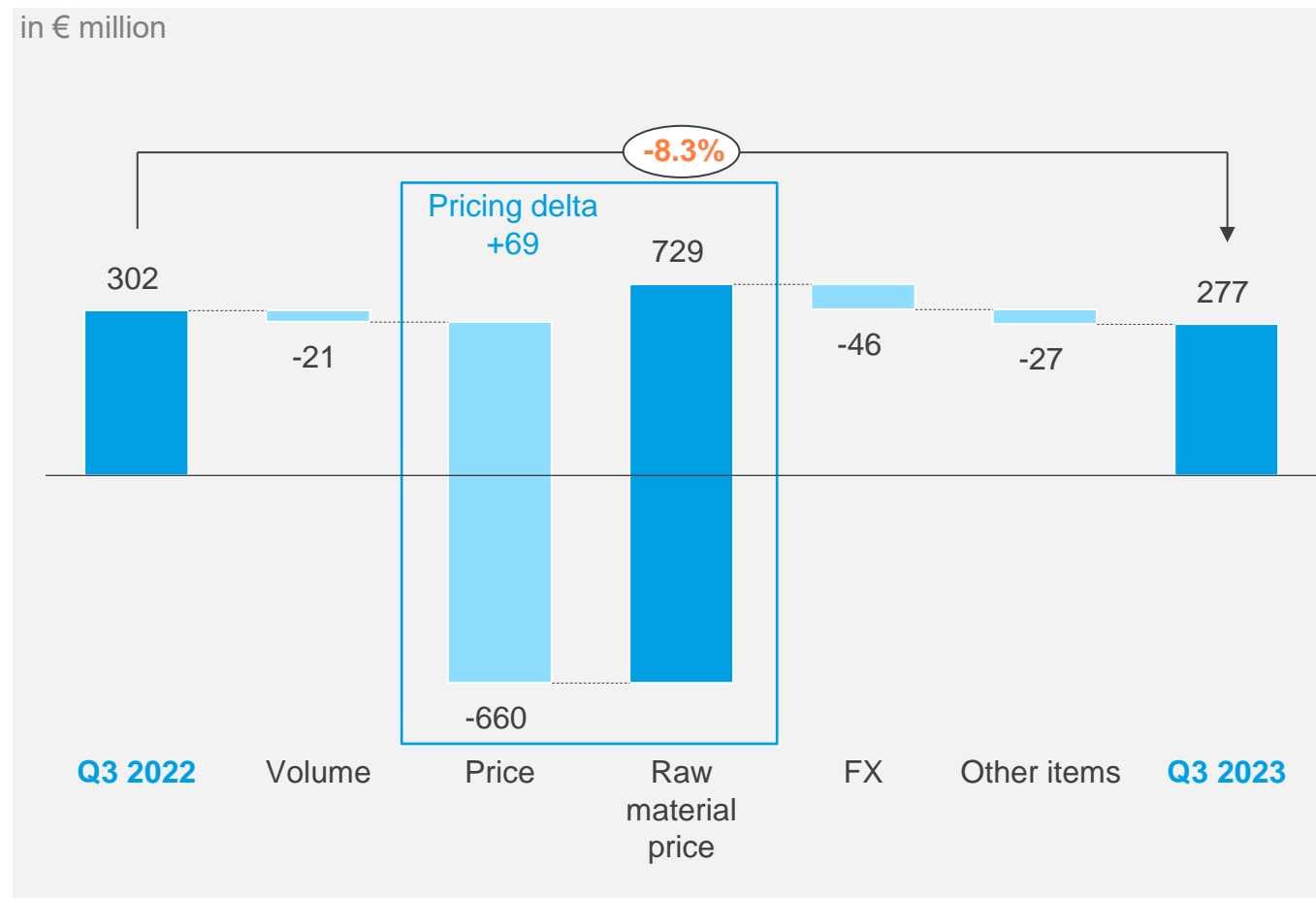
- Performance Materials strongly affected (-19.9% Y/Y) and Solutions & Specialties only with slight decline (-8.9% Y/Y)

FX negative

- FX affected sales by -4.6% Y/Y mainly driven by RMB, USD, INR and JPY

Positive pricing delta but lower volumes and negative FX

Q3 2023 – EBITDA bridge



HIGHLIGHTS

Low volume leverage⁽¹⁾

- Volume leverage of 12%
- Volume leverage below long-term average due to product mix effects

Slightly positive pricing delta

- Raw material and energy prices significantly down compared to “energy crisis” in Q3 2022
- Strongly declining prices due to the usual “pass through” mechanism and ongoing weak demand

Other items driven by:

- Significantly lower operational cost
- Reduction of inventories
- Higher provisions for variable compensation of €98m

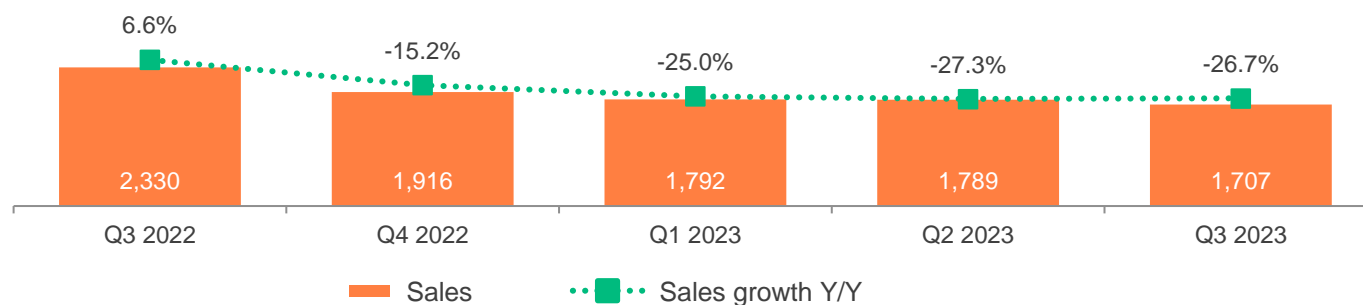
Performance Materials – operating along trough levels



Segment results – Highlights Q3 2023

SALES

in € million / changes Y/Y

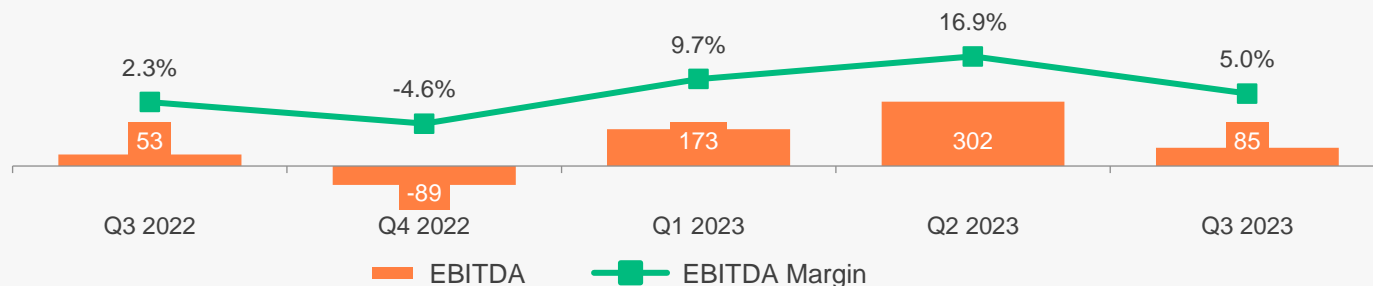


HIGHLIGHTS

- Sales decreased by 26.7% Y/Y driven by price (-19.9%), FX effect (-4.4%) and to a minor extent volume (-2.4%)
- Quarter-over-quarter, strong sales decline in EMLA and slight decline in NA while APAC with slight increase; sequentially positive volume growth in all regions, most prominently in APAC, followed by NA and EMLA

EBITDA AND MARGIN

in € million / margin in percent



HIGHLIGHTS

- Compared to prior year, EBITDA increased on the back of lower raw material and energy prices leading to a positive pricing delta burdened by lower volumes and FX
- Quarter-over-quarter, EBITDA decrease despite higher volumes due to negative pricing delta and a Q2 one-time insurance reimbursement⁽¹⁾

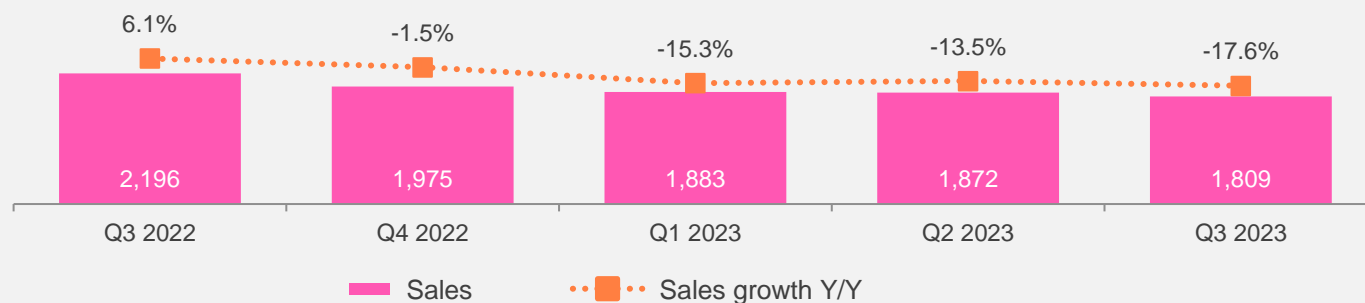
Solutions & Specialties – EBITDA again sequentially up



Segment results – Highlights Q3 2023

SALES

in € million / changes Y/Y

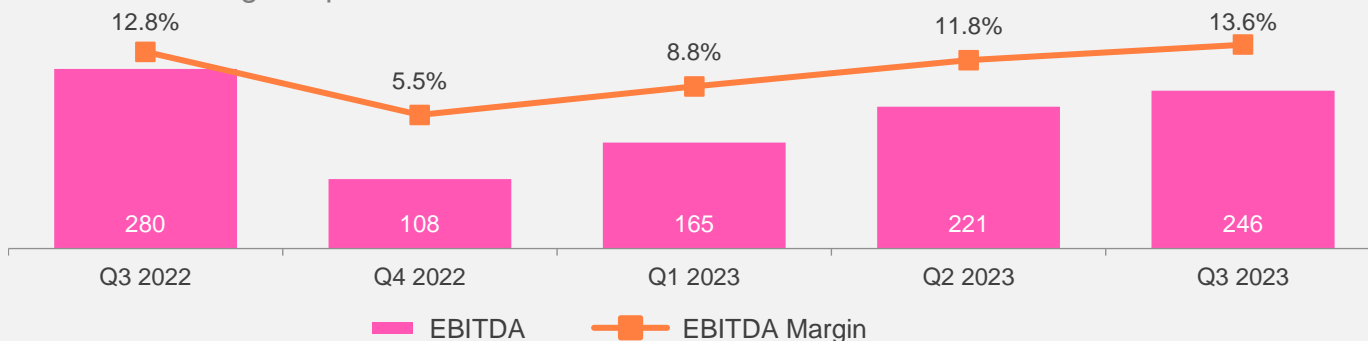


HIGHLIGHTS

- Sales declined by 17.6% Y/Y, mainly driven by lower prices (-8.9%), unfavorable FX (-5.0%) and lower volumes (-3.7%)
- Sequentially, sales declined strongly in EMLA while NA saw a slight decline and APAC exhibited a slight increase mainly caused by strong volume development

EBITDA AND MARGIN⁽¹⁾

in € million / margin in percent



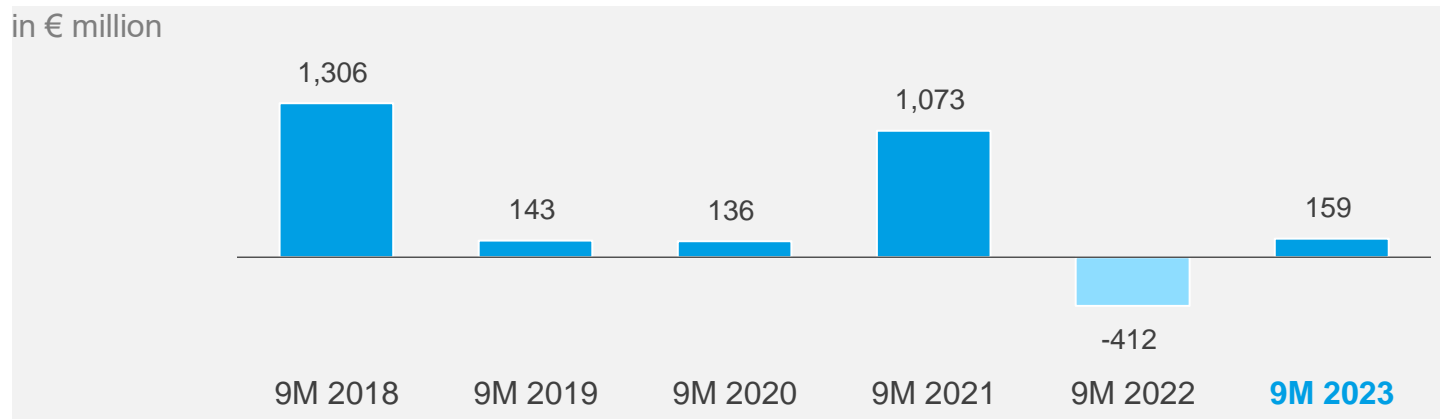
HIGHLIGHTS

- Compared to prior year, EBITDA decreased from negative volume and FX despite lower fixed cost and almost neutral pricing delta but
- Quarter-over-quarter higher EBITDA due to positive pricing delta and lower fixed cost, burdened by volume decline and other items
- EBITDA margin improved to 13.6% in Q3 2023

Strongly positive FOCF development in Q3 2023



Historical FOCF development



EBITDA	+2,907	+1,326	+835	+2,422	+1,655	+948
Changes in working capital⁽¹⁾	-568	+11 ⁽⁴⁾	-119 ⁽⁴⁾	-936	-571	-85
Capex⁽²⁾	-429	-603	-463	-472	-543	-461
Income tax paid	-505	-265	-115	-309	-446	-247
Other effects⁽⁴⁾	-99	-326 ⁽⁴⁾	-2 ⁽⁴⁾	+368	-507	+4

HIGHLIGHTS

- Q3 2023 FOCF €308m significantly up vs Q3 2022 with €33m
- 9M 2023 FOCF improved to €159m, year-on-year increase driven by stringent working capital management despite declining EBITDA
- Working capital to sales ratio⁽³⁾ decreased to 18.7% (20.6% at end of 9M 2022), driven by lower inventory levels and lower accounts receivable; lower accounts payable due to lower purchase volumes
- 9M 2023 capex of €461m on budget and in line with FY 2023 guidance
- Income taxes in 9M 2023 mainly driven by payments in Germany and China. Tax payments in Germany include a settlement of German tax audit for fiscal years 2016-18
- Other effects: 9M 2022 included bonus payout of €475m for FY 2021

9M 2023 net income affected by impairments and DTA adjustments



P&L statement 9M 2023

	In € million	9M 2022	9M 2023	% of 9M 2023 sales	Δ Y/Y
Sales		14,004	11,031	100%	-21.2%
EBITDA		1,655	948	8.6%	-42.7%
D&A excl. impairments		-670	-634	-5.7%	-5.4%
Impairments		-23	-38	-0.3%	65.2%
EBIT		962	276	2.5%	-71.3%
Financial result		-112	-100	-0.9%	-10.7%
EBT		850	176	1.6%	-79.3%
Income taxes excl. DTA adjustments		-224	-59	-0.5%	-73.7%
DTA adjustments		0	-130	-1.2%	-
Net income⁽¹⁾		627	-11	-0.1%	-101.8%
Earnings per share (in €) ⁽²⁾		3.28	-0.06	-	-

HIGHLIGHTS

Impairments

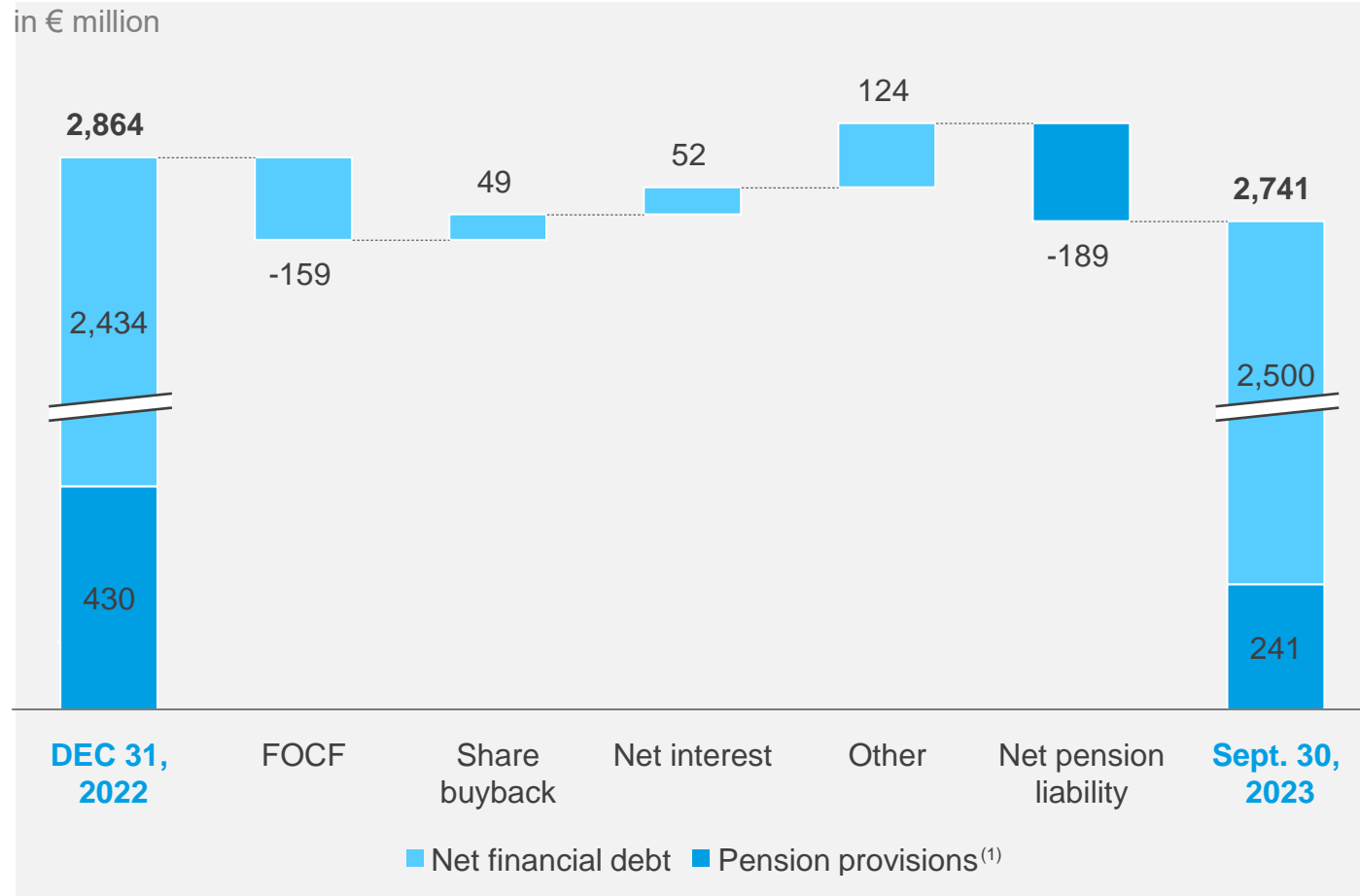
- Impairment loss of €30m due to discontinuation of Maezio[®] product line and related site closure in Q1 2023

Deferred tax assets (DTA)

- DTA adjustments of €130m in 9M 2023 due to negative earnings mainly in Germany and Switzerland
- DTA on tax loss carry-forwards cannot be recognized under IFRS any longer
- Tax loss carry-forwards in Germany do not expire, in Switzerland expiration after 7 years

Total net debt slightly decreasing

September 30, 2023 – Total net debt



HIGHLIGHTS

- Total net debt to EBITDA ratio⁽²⁾ of 3.0x at the end of 9M 2023 compared to 1.4x at the end of 9M 2022
- Higher net debt to EBITDA ratio reflects the cyclical nature of Covestro's business and is expected to be only temporary
- Others mainly driven by finance lease contracts
- No financial covenants in place
- Solid investment grade rating of Baa2 with stable outlook confirmed by Moody's in June 2023

Outlook for most of Covestro's core industries deteriorated

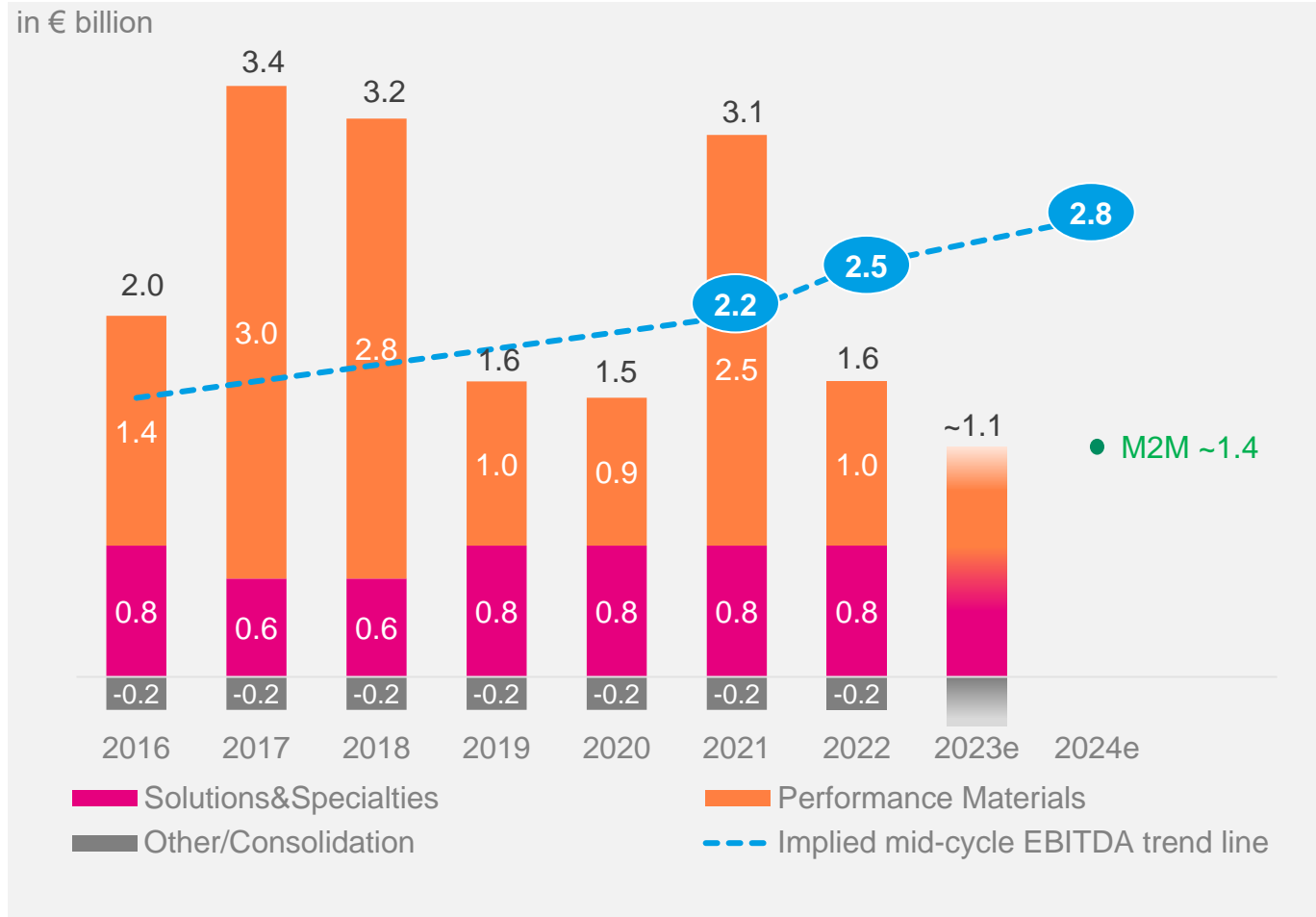


Global demand development

KEY CUSTOMER INDUSTRIES		2022 Y/Y ⁽¹⁾	2023e Y/Y ⁽¹⁾	2023e Y/Y UPDATE ⁽²⁾
Global GDP		+3.1%	+1.5%	+2.5%
Automotive EV / BEV		+6.9% +70.1%	+4.6% +42.5%	+7.9% +35.3%
Construction Residential		+1.2% +0.8%	+0.8% -0.2%	-2.2% -4.3%
Furniture Soft furniture		-3.6% -5.2%	+0.3% +0.2%	-4.5% -4.5%
Electrical, electronics and household appliances Appliances		+4.9% +1.9%	+2.0% +3.7%	+0.4% +7.9%

FY 2023 EBITDA expected to be around €1.1bn

EBITDA development between 2016 and 2024e



HIGHLIGHTS

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 realized from EBITDA impact of RFM acquisition
- Confirming mid-cycle EBITDA of €2.8bn in 2024

Mark-to-market (M2M):

- Mark-to-market (M2M) EBITDA in FY 2024 around⁽¹⁾ €1.4bn; theoretical calculation based on September 2023 margins flat forward and preliminary budget assumptions for 2024

Current 2023 FX assumptions

- €/USD around 1.10 level
- 1pp change equals
+/- €10m for CNY/EUR
+/- €6m for USD/EUR

P&L long-term tax rate

- Long-term tax rate estimated between 24-26%

Guidance narrowed around lower end of the range



Full year guidance 2023

	FY 2022	GUIDANCE FY 2023 (as of March 2)	GUIDANCE FY2023 (as of April 28)	CURRENT GUIDANCE FY2023 (as of Oct 27)
EBITDA	€1,617m	significantly ⁽⁴⁾ below previous year	€1,100m – 1,600m	around ⁽⁴⁾ €1,100m
FOCF	€138m	significantly ⁽⁴⁾ below previous year	€0 – 500m	€0 – 200m
ROCE above WACC ⁽¹⁾	-5.0 pp	significantly ⁽⁴⁾ below previous year	-6.0 pp to -2.0 pp	around ⁽⁴⁾ -6 pp
GHG emissions ⁽²⁾	4.7m tons	around ⁽⁴⁾ previous year	4.2m – 4.8m tons	4.2m – 4.8m tons

Additional financial expectations

Sales	€18.0bn	No guidance	No guidance	€14.0bn – 14.5bn
D&A	€1,350	~€850m	~€900m	~€900m
Financial result	€-137m	€-160 to -200m	€-130 to -170m	€-120m to -150m
Income tax (P&L)	€411m	No guidance	€150m – 250m	€150m – 250m
Cash tax	€538m	No guidance	€200m – 300m	€300m – 400m
Capex ⁽³⁾	€832m	~€800m	~€800m	~€800m

Operating along trough levels

Q3 2023 Highlights



1

Sales decreased to €3.6bn
caused by lower prices, unfavorable FX and lower volumes

2

EBITDA of €277m in line with guidance
with positive pricing delta but burdened by FX and lower volumes

3

FOCF strongly improved to €308m
supported by ongoing strict working capital measures

4

FY 2023 guidance narrowed
with an expected EBITDA of around €1.1bn

5

Covestro continues to invest in profitable growth
despite the challenging environment

Questions & Answers

Q3 2023 Earnings Call

Remarks:

- Please use hand raise function to verbally ask questions
- For posted questions, please use the „Q&A“ / „F&A“ tab

Upcoming IR events



Find more information on covestro.com/en/investors

REPORTING DATES

- February 29, 2024 2023 Annual Report
- April 30, 2024 Q1 2024 Quarterly Statement
- July 30, 2024 2024 Half-Year Financial Report

ANNUAL GENERAL MEETING

- April 17, 2024 Annual General Meeting

BROKER CONFERENCES

- November 7, 2023 Societe Generale European ESG Conference, Paris
- November 14, 2023 UBS European Conference 2023, London
- November 16, 2023 HSBC Luxembourg Day, Luxembourg
- November 28, 2023 BofA European Materials Conference 2023, London
- November 30, 2023 Societe Generale, The Premium Review Conference, Paris
- December 4, 2023 Berenberg European Conference 2023, Surrey
- January 9, 2024 Commerzbank & ODDO BHF German Investment Seminar 2024, New York
- January 11, 2024 Baader Helvea, German Corporate Day, Toronto
- January 16, 2024 UniCredit & Kepler Cheuvreux 23rd German Corporate Conference 2024, Frankfurt