



# Strong start in an increasingly volatile environment

Financial Highlights  
Q1 2022



# Forward-looking statements

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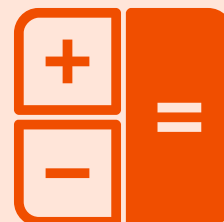
# Financial highlights Q1 2022



€4.7bn  
Sales



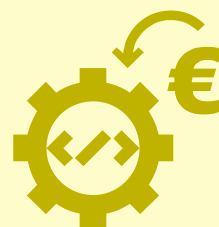
€806m  
EBITDA



€17m  
FOCF



FY 2022  
Guidance adjusted



€0.5bn  
Share buyback  
ongoing

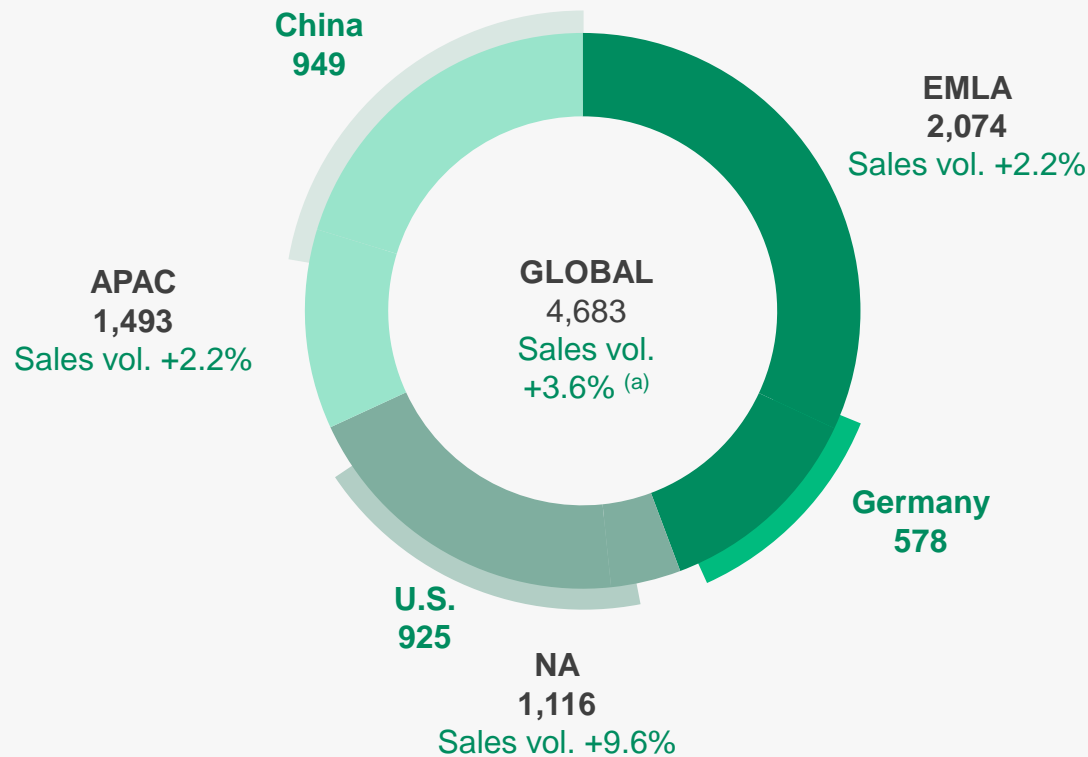


# Solid volume growth constrained by product availability



## Q1 2022 – Regional split

Sales in € million



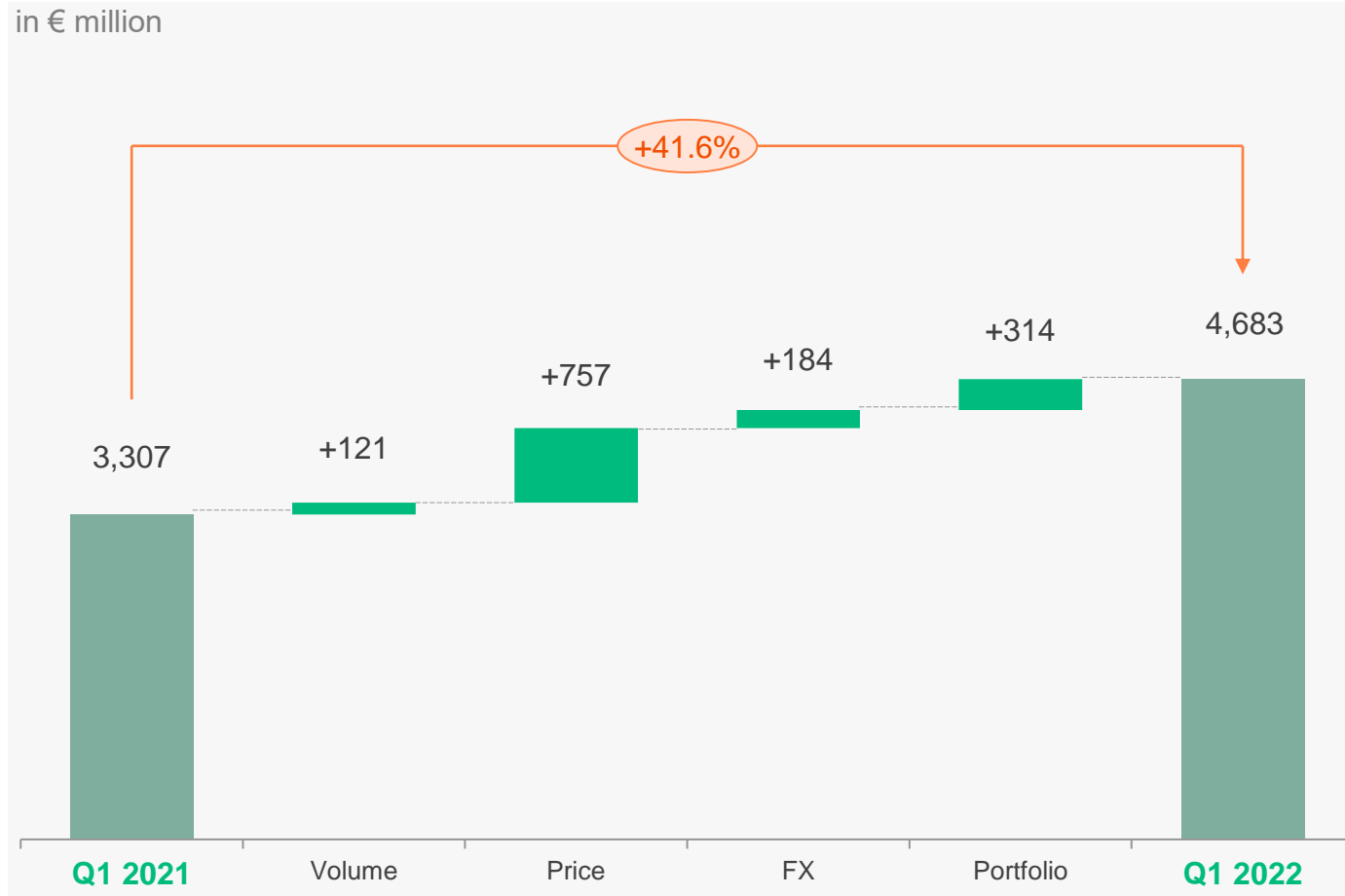
### HIGHLIGHTS

- Sales volume growth, yet limited by product availability:
  - Auto/transport high single-digit volume decline
  - Furniture/wood high single-digit volume decline
  - Electro flat volume development
  - Construction low double-digit volume growth
- NA: Strong sales volume growth after the prior year was impacted by winter storm Uri and mainly derived from volume growth in construction
- EMLA: Slight sales volume growth derived from volume growth in electro and construction, partially offset by volume decline in auto/transport and furniture/wood
- APAC: Slight sales volume growth derived from strong volume growth in construction, offset mainly by volume decline in furniture/wood

# Highest quarterly sales ever, mainly driven by high prices



## Q1 2022 – Sales bridge



### HIGHLIGHTS

#### Volume slightly positive

- Volume contribution of +3.6% Y/Y, driven by PM with prior year impact of winter storm Uri
- Technically sold out; thus, volume growth limited by product availability

#### Pricing highly positive

- Higher selling prices from strong demand pushed sales up +22.9% Y/Y
- Strong price increases enforced by both PM (+26.4% Y/Y) and S&S (+19.4% Y/Y)

#### FX positive

- FX affected sales by +5.6% Y/Y, mainly driven by stronger RMB, USD and HKD

#### Portfolio positive

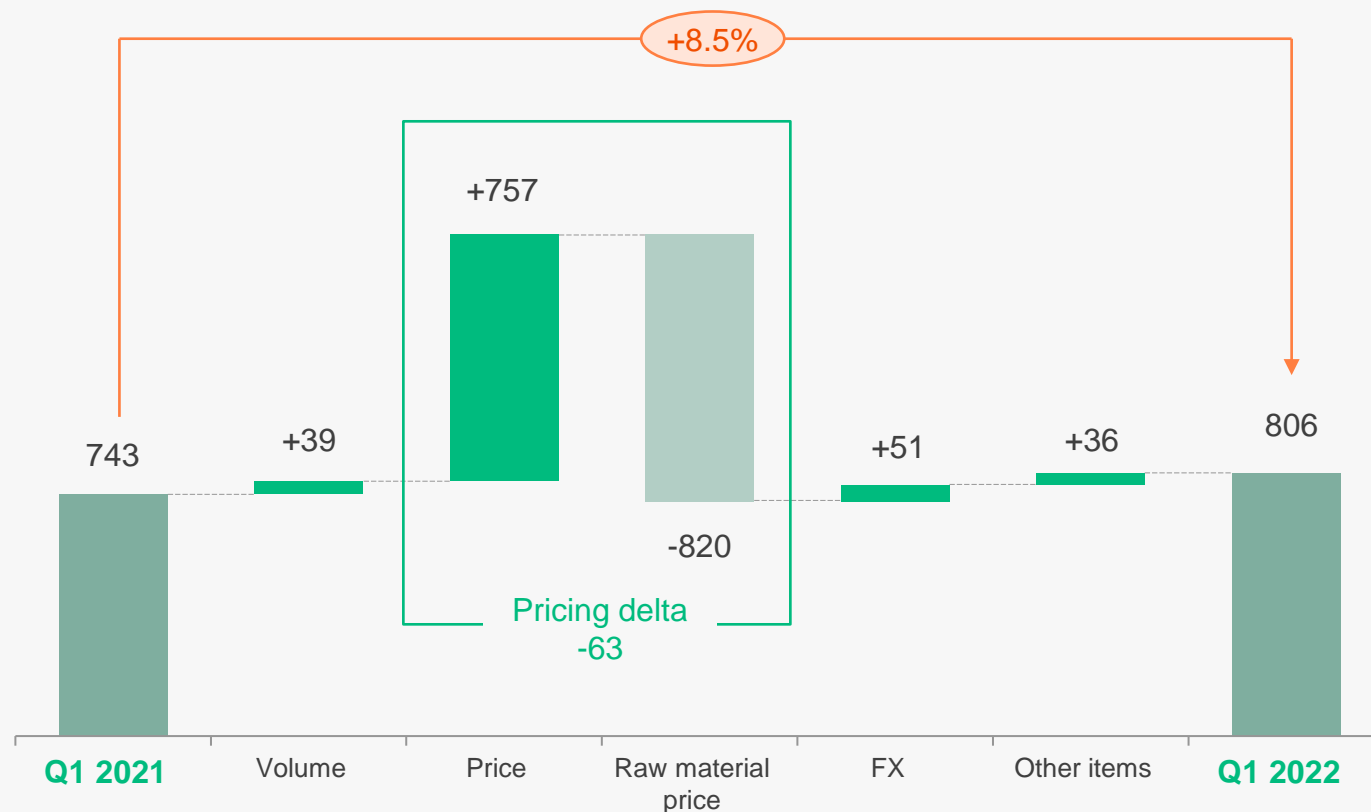
- RFM<sup>(a)</sup> increased sales by +9.5% Y/Y

# Earnings increased despite slightly negative pricing delta

## Q1 2022 – EBITDA bridge



in € million



### HIGHLIGHTS

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

- Volume leverage of 32%

#### Negative pricing delta as expected

- Strong increase of raw material prices including energy
- Year-over-year supply-demand development allowing to mostly compensate increased raw material prices via increased sales prices

#### Other items driven by:

- €+38m from lower provisions for variable compensation
- €-4m linked to RFM integration cost<sup>(b)</sup>

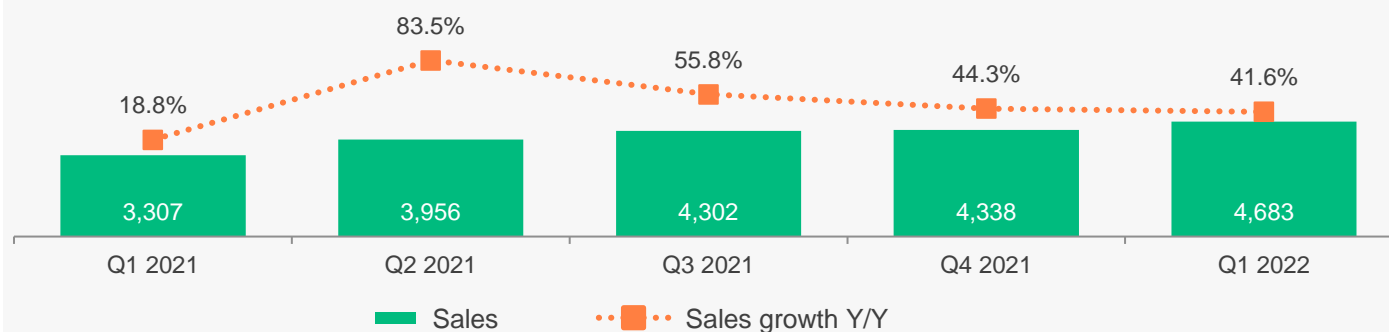
# Solid growth in sales and EBITDA

## Group results – Highlights Q1 2022



### SALES<sup>(a)</sup>

in € million / changes Y/Y

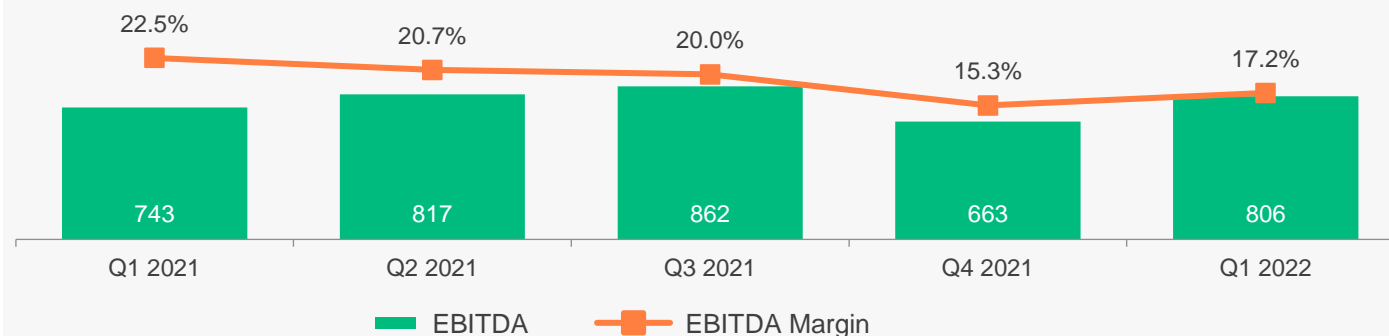


### HIGHLIGHTS

- In Q1 2022, Covestro posted highest quarterly sales in its history
- Year-on-year increase mainly attributable to higher prices of €0.8bn and RFM<sup>(a)</sup> sales of €0.3bn
- Sequential sales increase attributable to higher prices as well

### EBITDA AND MARGIN

in € million / margin in percent



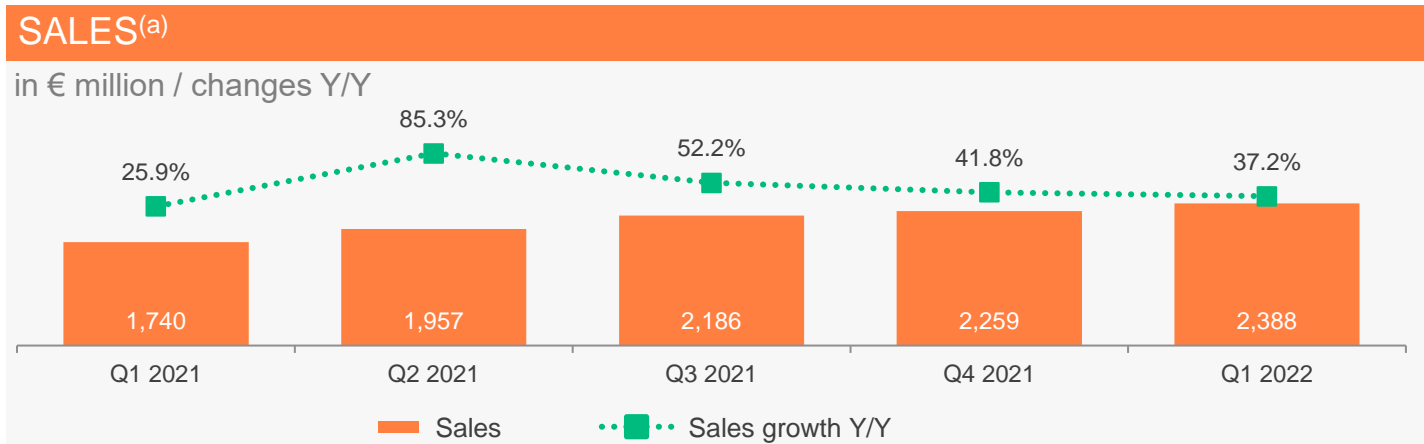
### HIGHLIGHTS

- Earnings sequentially increased mainly due to positive volume effect, more than compensating slightly negative pricing delta
- Consequently, EBITDA margin increased to 17.2% in Q1 2022

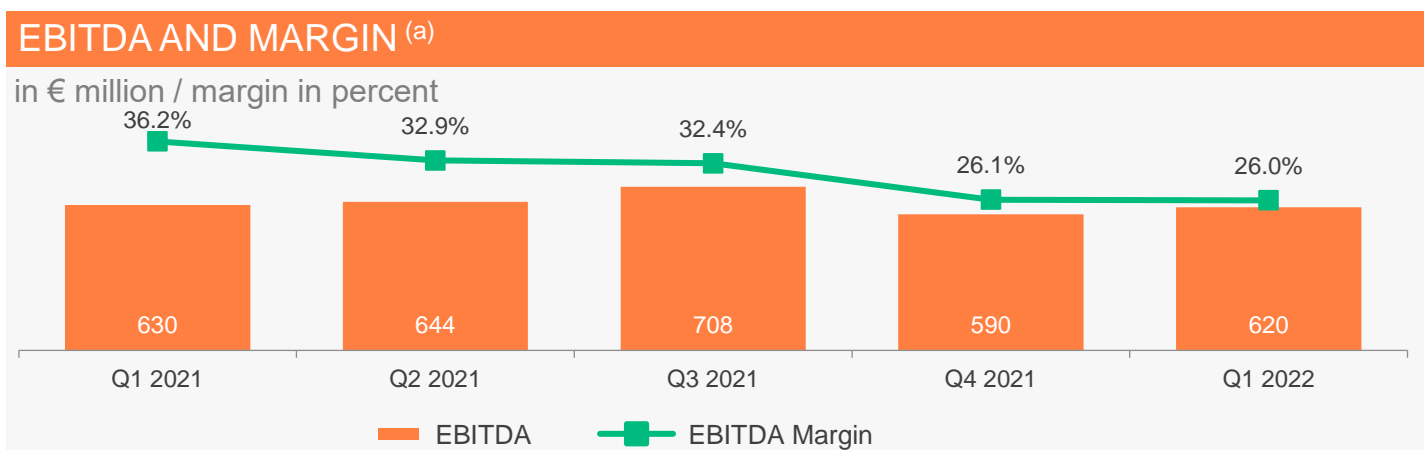
# Performance Materials – almost stable EBITDA



## Segment results – Highlights Q1 2022



- ### HIGHLIGHTS
- Sales increased by +37.2% Y/Y driven by price (+26.4%), volume (+5.5%) and FX (+5.3%)
  - Sales volume growth of 5.5% Y/Y supported by constrained product availability from winter storm Uri (USA) in Q1 2021



- ### HIGHLIGHTS
- Compared to prior year, slight EBITDA decrease driven by negative pricing delta, partially offset by higher volume and positive FX
  - Sequentially, earnings increase due to higher volume and positive FX more than compensating lower pricing delta
  - EBITDA margin of 20.4% in Q1 2022 if adjusted for intersegment sales to S&S of €657m



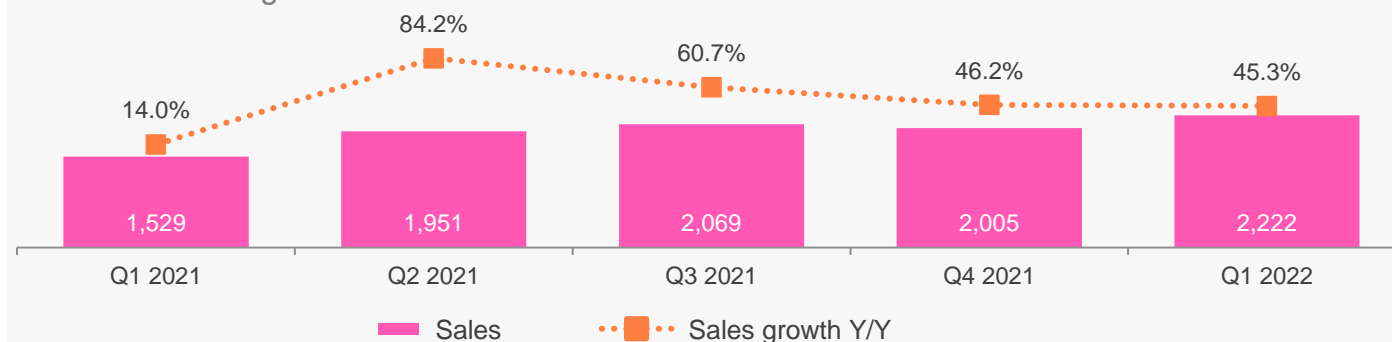
# Solutions & Specialties – sequentially positive pricing delta



## Segment results – Highlights Q1 2022

### SALES<sup>(a)</sup>

in € million / changes Y/Y

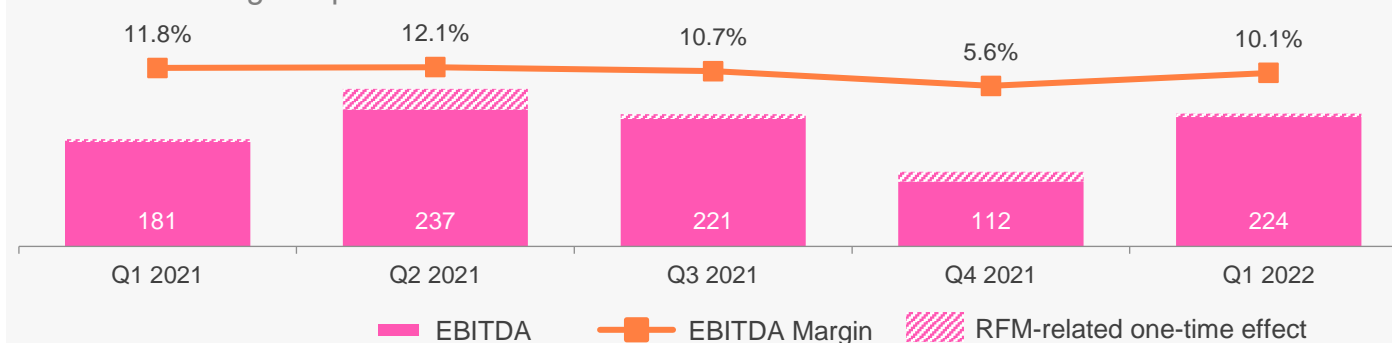


### HIGHLIGHTS

- Sales grew by +45.3% Y/Y, driven by inorganic sales growth from RFM<sup>(b)</sup> (20.5%), price (+19.4% Y/Y), FX (+5.9%) and volume (-0.5%)
- Sequential sales growth from both favorable pricing and volume development

### EBITDA AND MARGIN<sup>(a)</sup>

in € million / margin in percent



### HIGHLIGHTS

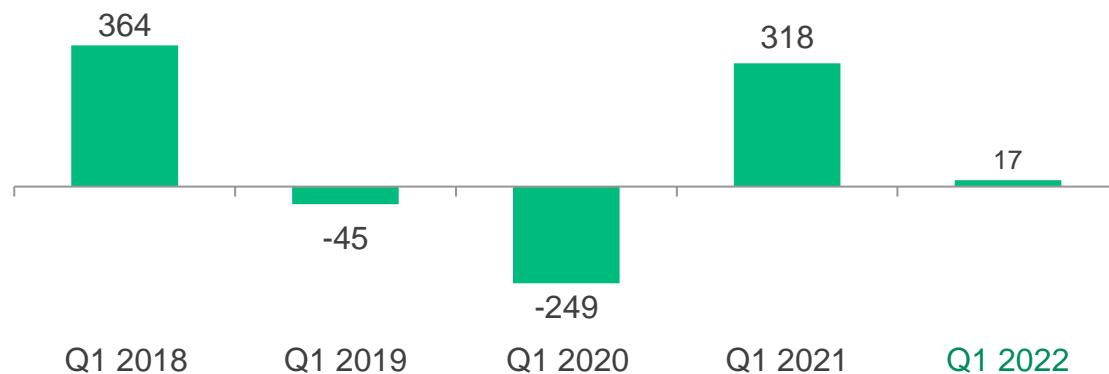
- Q1 2022 EBITDA includes €-6m one-time effects related to RFM<sup>(b)</sup>
- Compared to prior year, EBITDA increase mainly due to RFM portfolio effect
- Sequentially, EBITDA increase driven by higher volume and positive pricing delta as well as by lower provisions for variable compensation

# Temporarily high working capital to sales ratio

## Historical FOCF development



in € million



	Q1 2018	Q1 2019	Q1 2020	Q1 2021	Q1 2022
<b>EBITDA</b>	+1,063	+442	+254	+743	+806
<b>Changes in working capital<sup>(c)</sup></b>	-544	-257	-242	-346	-627
<b>Capex<sup>(a)</sup></b>	-88	-165	-139	-110	-140
<b>Income tax paid</b>	-56	-79	-90	-50	-98
<b>Other effects<sup>(c)</sup></b>	-11	+14	-32	+81	+76

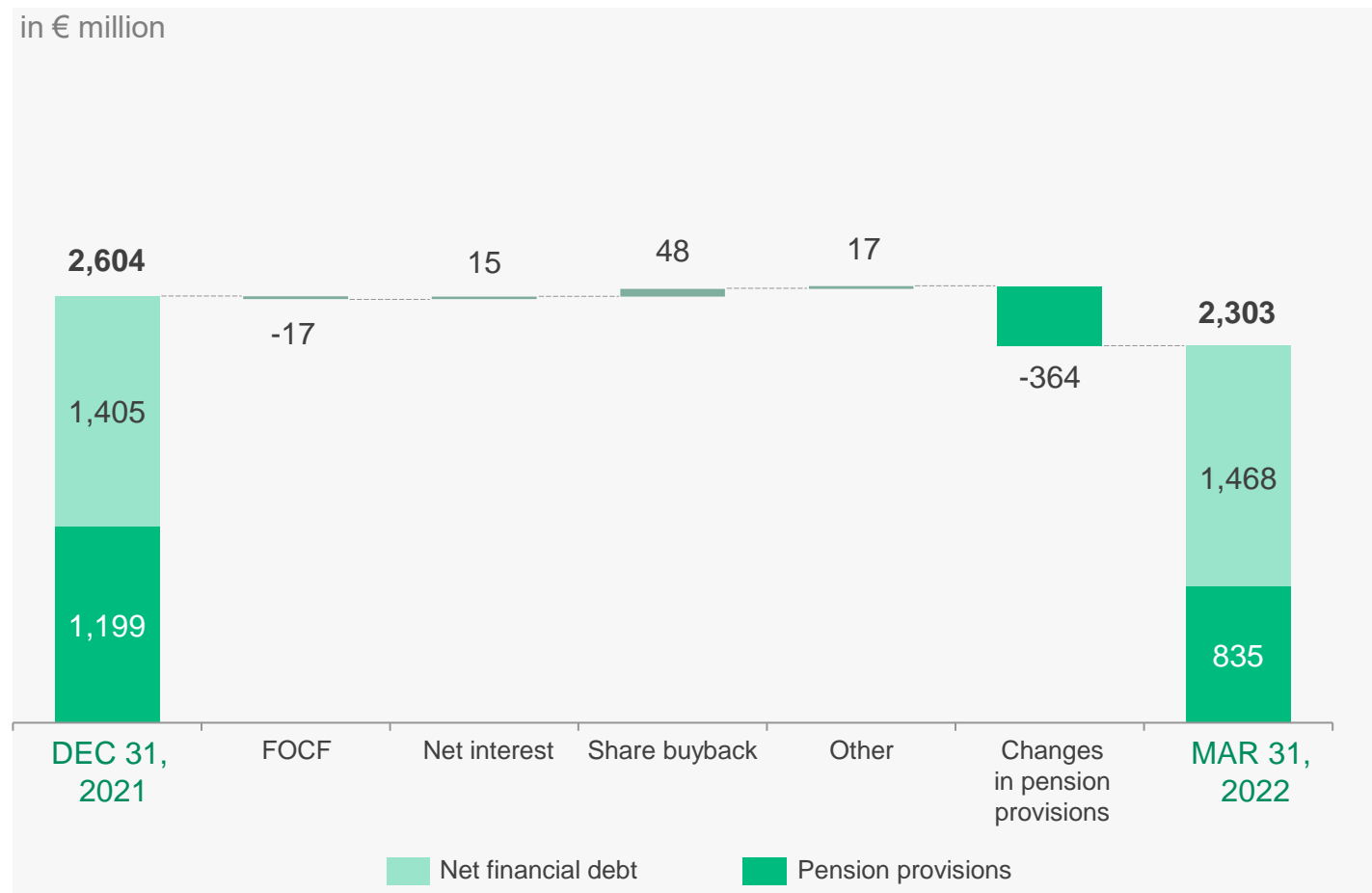
### HIGHLIGHTS

- FOCF decreased to €17m, reduction mainly driven by higher delta working capital
- Working capital to sales ratio<sup>(b)</sup> increased to 21.2%, driven by higher prices impacting receivables and inventories while last twelve months' sales based on lower average prices
- Capex of €140m on budget and in line with FY 2022 guidance
- Income tax paid of €-98m reflects higher income level in 2021
- 'Other effects' include provisions for variable compensation, cash-effective only in 2023

# Lower total net debt due to higher discount rates



## March 31, 2022 – Total net debt



### HIGHLIGHTS

- Pension provisions decreased by €364m due to higher pension rates
- Total net debt to EBITDA ratio<sup>(a)</sup> of 0.7x compared to 0.8x at end of 2021 and 1.7x at end of 2020
- Equity ratio of 53% compared to 50% at end of 2021 and 44% at end of 2020
- Committed to a solid investment grade rating
- Share buyback €48m within Q1

### Liquidity at attractive rates

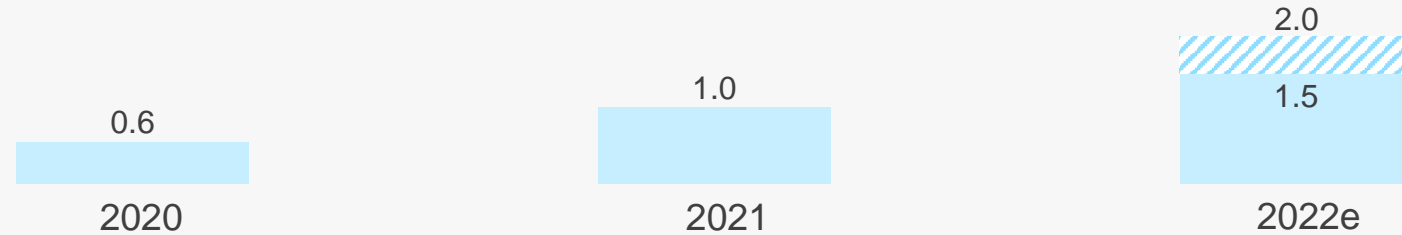
- Balance sheet with €1.1bn in cash, cash equivalents and current financial assets, prepared for dividend and variable compensation payout in Q2
- Undrawn syndicated revolving credit facility (RCF) of €2.5bn in place with ESG element

# Global energy cost more than double within two years

## Energy cost development

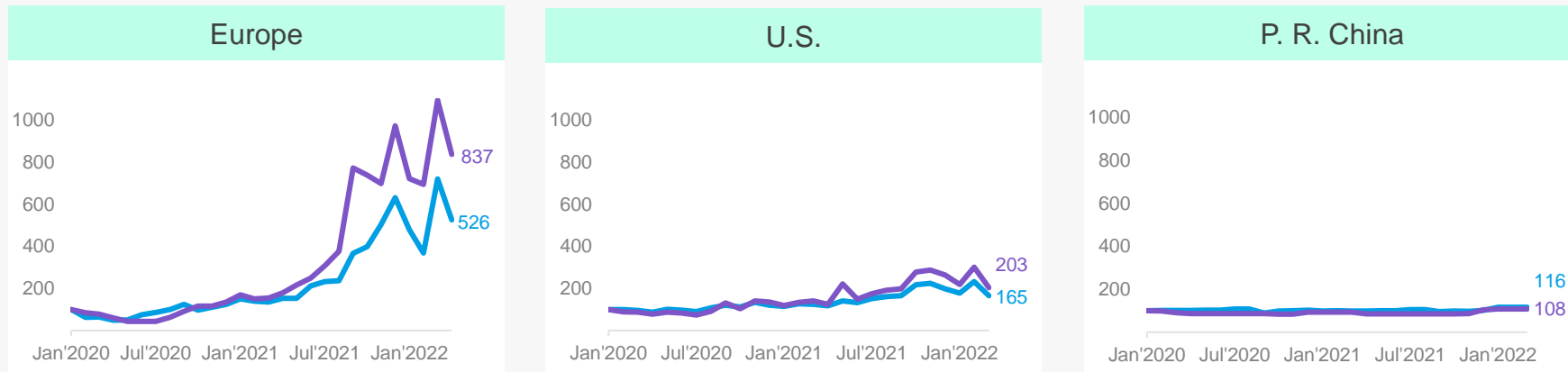
### GLOBAL ENERGY COST

in € billion



### HISTORIC SPECIFIC ENERGY PRICES

in local currency per MWh, indexed



### HIGHLIGHTS

- Significantly accelerated energy cost increases in Q1 2022, mainly driven by European gas and electricity prices
- Global energy bill in 2022 was initially estimated at €1.5bn, after beginning of the Russian invasion in Ukraine an increase to up to €2.0bn could occur
- Regional breakdown of energy cost in 2021: EU ~70%, Asia ~20% and US ~10%
- Situation in EU has improved in April but remains extremely volatile

# Global demand outlook weakened

## Global demand development



Key customer industries		2020 Y/Y	2021 Y/Y	2022e Y/Y <sup>(a)</sup>	2022e Q1 UPDATE <sup>(b)</sup>
Global GDP		-3.5%	+5.6%	+4.1%	+3.1%
Automotive EV / BEV		-15.9% +29.2%	+2.9% +104.9%	+11.7% +55.3%	+6.1% +52.5%
Construction Residential		-1.8% -1.0%	+2.9% +4.4%	+3.7% +4.0%	+3.5% +4.0%
Furniture Soft furniture		-4.8% -4.4%	+8.0% +8.2%	+3.4% +3.4%	+2.4% +2.4%
Electrical, electronics and household appliances Appliances		+4.5% +2.4%	+13.9% +9.6%	+4.5% -0.5%	+4.4% -0.5%

Notes:

(a) as of February 2022

(b) GDP estimate by IHS as of April 2022; automotive estimate by LMC as of April 2022; construction estimate by B+L as of April 2022; furniture estimate by Covestro based on Oxford Economics as of April 2022; EE&A estimate by Oxford Economics as of March 2022 (sub-industry 'appliances' mainly include refrigerators and freezers)

# Global and regional risks with possible impact on FY 2022

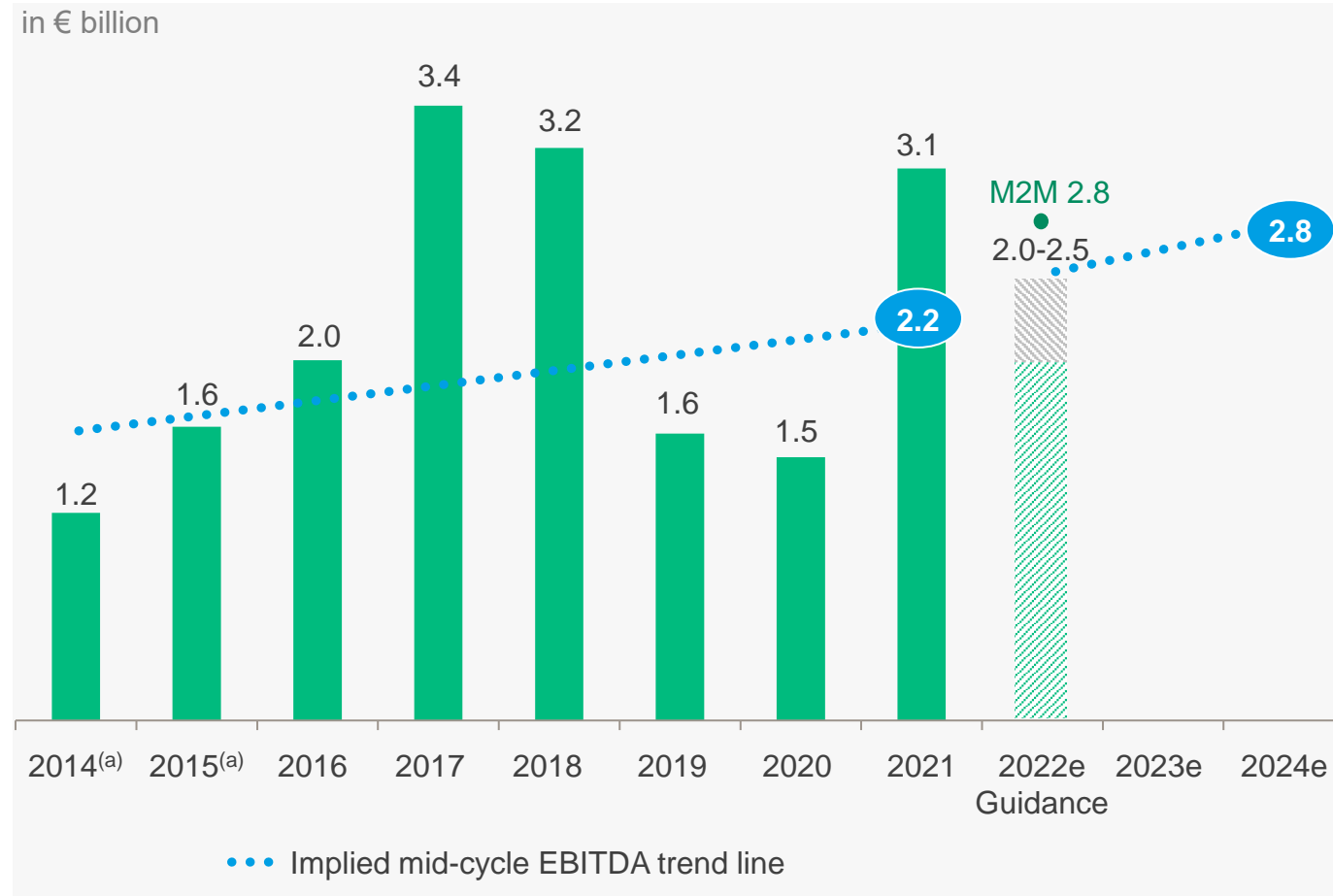


## Global risk evaluation



# Guidance reduced with upper end at mid-cycle level

## EBITDA development between 2014 and 2022e



### HIGHLIGHTS

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

- Adjusted earnings guidance reflects currently prevailing risks in a volatile environment
- Mark-to-market (M2M) EBITDA in FY 2022 of ~€2.8bn as of April 2022

EBITDA sensitivities for FY 2022

- Volume sensitivity: 1pp change in sales 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

# Guidance update due to volatile environment

## Updated FY 2022 guidance



	FY 2021	Previous guidance FY 2022 (as of Mar. 01, 2022)	Updated guidance FY 2022 (as of May 3, 2022)
EBITDA	€3,085m	€2,500m – 3,000m	€2,000m – 2,500m
FOCF	€1,429m	€1,000m – 1,500m	€400m – 900m
ROCE above WACC <sup>(a)</sup>	12.9pp	5 – 9pp	1 – 5pp
GHG emissions (scope 1 and 2)	5.2m tons	5.6m – 6.1m tons	5.5m – 6.0m tons

### Additional financial expectations

EBITDA Q2	€817m	No Guidance	€430m – 530m
D&A	€823m	~€950m	~€950m
Financial result	€-77m	~€-70m	~€-90m
P&L (effective) tax rate	25.9%	24 – 26%	24 – 26%
Capex <sup>(b)</sup>	€764m	~€1,000m	~€1,000m



# Covestro supports future sustainable growth

## Long term product trends



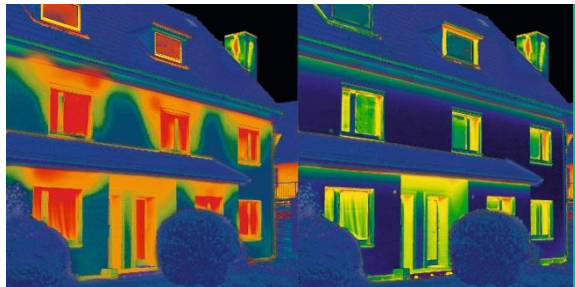
### APPLICATIONS



### INDUSTRY TRENDS

#### Electric vehicles pushing demand in E&P

- Battery Electric Vehicles to use 2 up to 5 times<sup>(a)</sup> more polycarbonate than conventional vehicles
- Trend to continue or accelerate for future BEV generations and increase in demand up to 1 Mio to<sup>(b)</sup> 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 1% per year<sup>(c)</sup>



#### Wind energy

- Covestro polyurethane infusion resin contributes to 8% reduction<sup>(c)</sup> 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<sup>(c)</sup>

### COVESTRO BENEFIT

**Favourable mid to long term outlook for product portfolio of Covestro**

# 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 NAFTA
- 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<sup>(a)</sup> for TDI and climate neutral<sup>(a)</sup> versions of MDI and PC
- Renewable products are identical to their fossil-based grades

# Strong start in an increasingly volatile environment



## Highlights

1

EBITDA increase in Q1 2022 year-over-year and quarter-over-quarter despite higher energy prices

2

Cash return to shareholders of ~€1.2bn  
payout of record dividend of €3.40 per share and initiated share buyback program of €500m

3

Guidance adjusted reflecting currently visible challenges  
EBITDA guidance reduced from €2.5 - 3.0bn to €2.0 - 2.5bn

4

Covestro products as enabler for fossil-free future  
supporting further increasing demand for thermal insulation, BEV<sup>(a)</sup> and renewable energy

5

Driving sustainable change  
more sustainable products entering into the value chain of Covestro



# Appendix

# Upcoming IR events



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

## REPORTING DATES

- |                    |                                 |
|--------------------|---------------------------------|
| • August 2, 2022   | 2022 Half-Year Financial Report |
| • October 25, 2022 | Q3 2022 Quarterly Statement     |
| • March 2, 2023    | 2022 Annual Report              |

## ANNUAL GENERAL MEETING

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

## Sellside event

- |                 |                                       |
|-----------------|---------------------------------------|
| • June 23, 2022 | Sellside Round Table with CEO, London |
|-----------------|---------------------------------------|

## BROKER CONFERENCES

- |                  |   |
|------------------|---|
| • May 18, 2022   | Citi, Chemicals Conference, London                                  |
| • May 24, 2022   | Deutsche Bank, dbAccess German Corporate Conference 2022, Frankfurt |
| • June 1, 2022   | Kepler Cheuvreux, 3 <sup>rd</sup> Digital ESG Conference, virtual   |
| • June 7-8, 2022 | Crédit Suisse, 2022 European Materials Conference, London           |
| • June 15, 2022  | Kepler Cheuvreux, One-Stop-Shop, Dublin                             |
| • June 30, 2022  | UBS, Sustainable Finance Conference 2022, virtual                   |