



A challenging year successfully managed

Financial Highlights
Q4/FY 2020



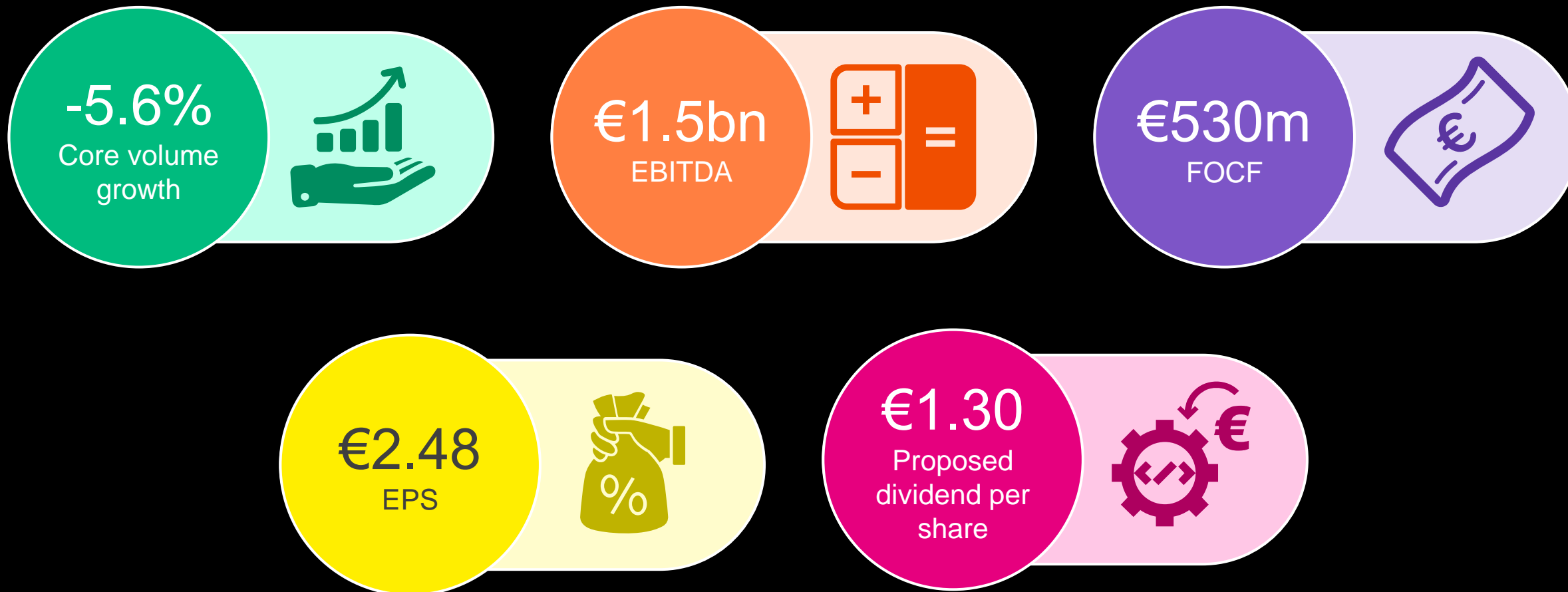
Forward-looking statements

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.

Financial highlights FY 2020



Earnings guidance achieved in a challenging year



FY 2020 guidance

	FY 2020	INITIAL GUIDANCE FY 2020 ^(a)	ACHIEVEMENT	UPDATED GUIDANCE FY 2020 ^(b)	ACHIEVEMENT
Core Volume Growth	-5.6%	Low-single-digit percentage range increase Y/Y	X	between -5% and -6%	✓
FOCF	€530m	€0 – 400m	✓	€400m – 550m	✓
ROCE	7.0%	2% – 7%	✓	Positive mid-single digit %	✓
EBITDA	€1,472m	€1,000m – 1,500m	✓	€1,440m - 1,500m	✓

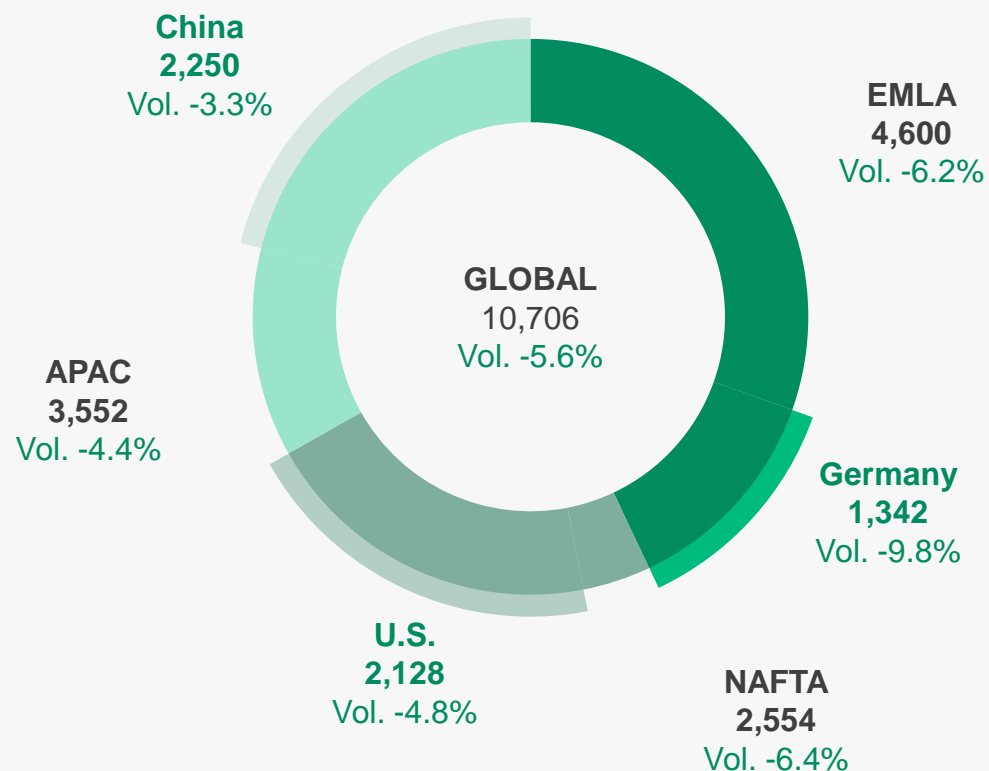
Volumes burdened by impact from coronavirus pandemic



FY 2020 – Regional split

Sales in € million

Core volume growth Y/Y in %



CORE VOLUME GROWTH Y/Y

- Globally broad-based recovery in H2 after severe negative impact from coronavirus pandemic in Q2:
 - Furniture/wood c. -6%, while NAFTA up 2%
 - Construction c. -2%, while APAC up 2%
 - Auto/transport c. -14%, while China virtually flat
 - Electro c. -3%, while EMLA up 3%
 - Divers c. -3% including medical c. +13%
- APAC: low to mid-single digit declines in all key industries, except growth in construction
- EMLA: mixed dynamics, with double-digit declines in auto and furniture/wood, while electro grew; volumes in Germany driven by double-digit declines in auto and construction
- NAFTA: double-digit decline in auto, while furniture/wood grew

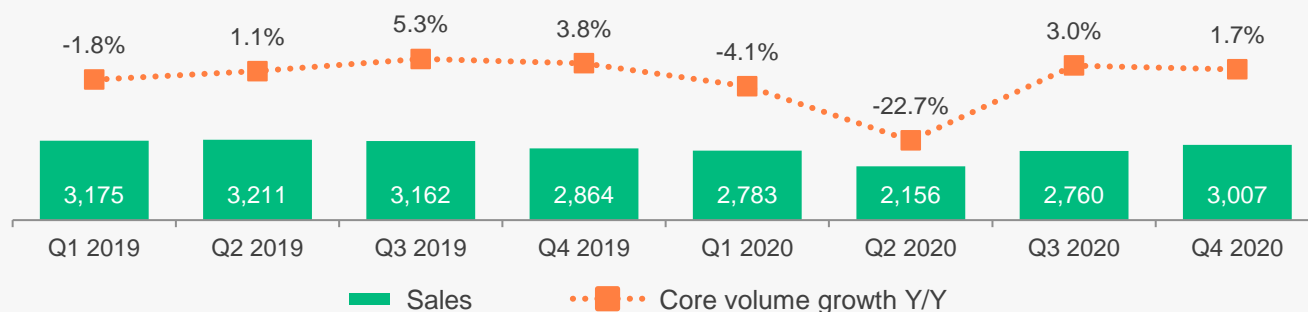
Significantly increasing margins towards year end

Group results



SALES AND CORE VOLUME GROWTH^(a)

in € million / changes Y/Y

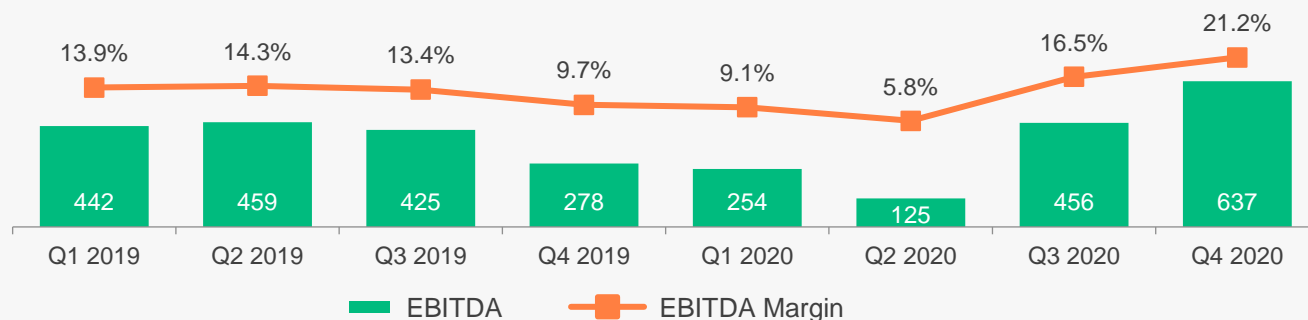


HIGHLIGHTS

- Severe negative impact from coronavirus pandemic particularly in Q2 2020, core volumes again above previous year in H2 2020
- Q4 2020 core volume growth reflects solid underlying demand globally, hampered by constrained availability of products in PUR and PCS

EBITDA AND MARGIN

in € million



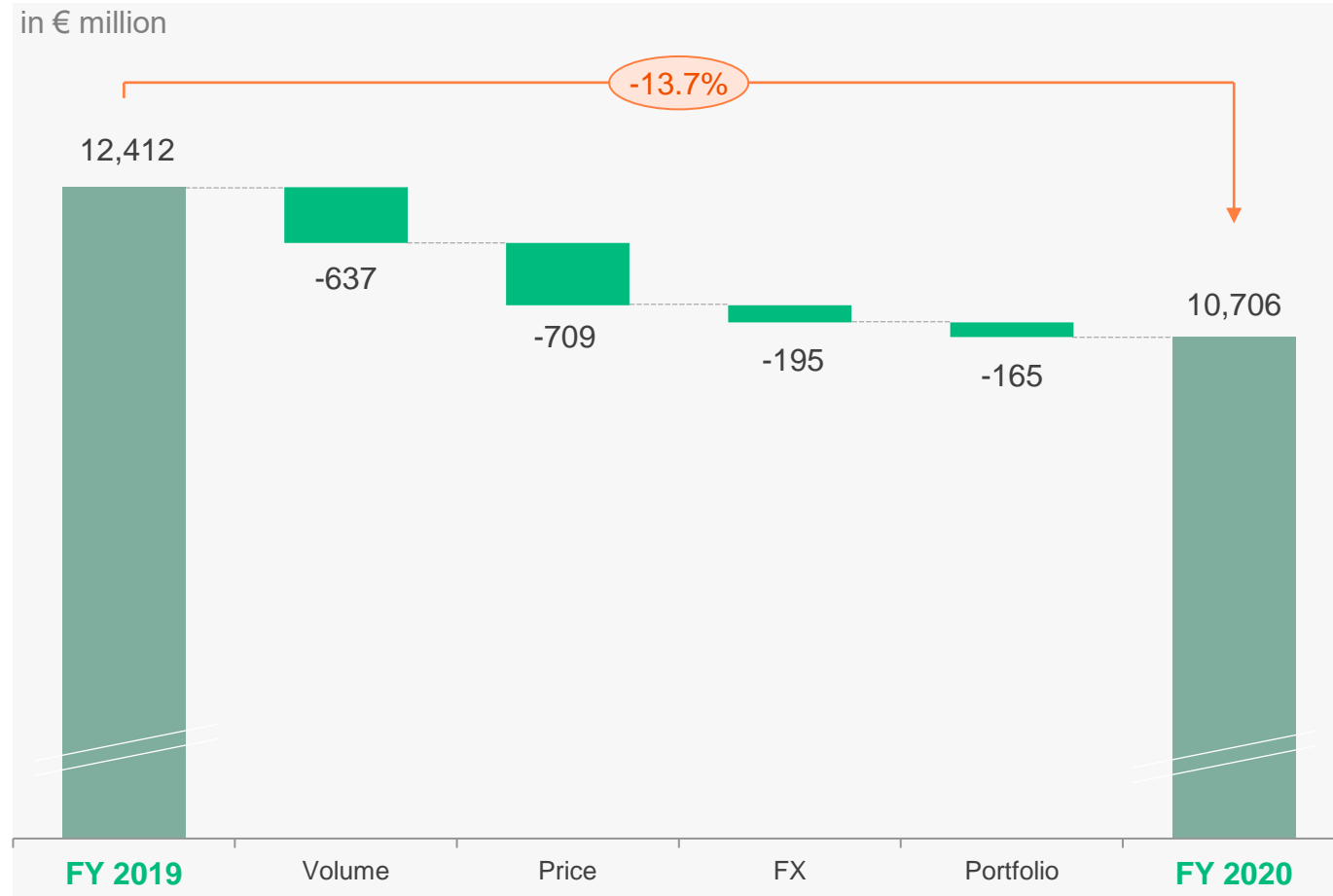
HIGHLIGHTS

- Q1 2020 and particularly Q2 2020 burdened by the effects of the coronavirus pandemic
- In Q3 2020, EBITDA of €456m again above prior year, strongly benefitting from saving measures
- Q4 2020 EBITDA driven by €388m positive pricing delta Y/Y, mainly in PUR

Sales burdened by lower prices and volumes



FY 2020 – Sales bridge



HIGHLIGHTS

Volume negative

- Volume decline of -5.1% Y/Y (in €) driven by PUR and CAS

Negative pricing

- Lower selling prices, mainly in PUR and PCS, negatively impacted sales by -5.7% Y/Y

Negative FX

- FX affected sales by -1.6% Y/Y mainly driven by weaker BRL, USD, CNY and MXN

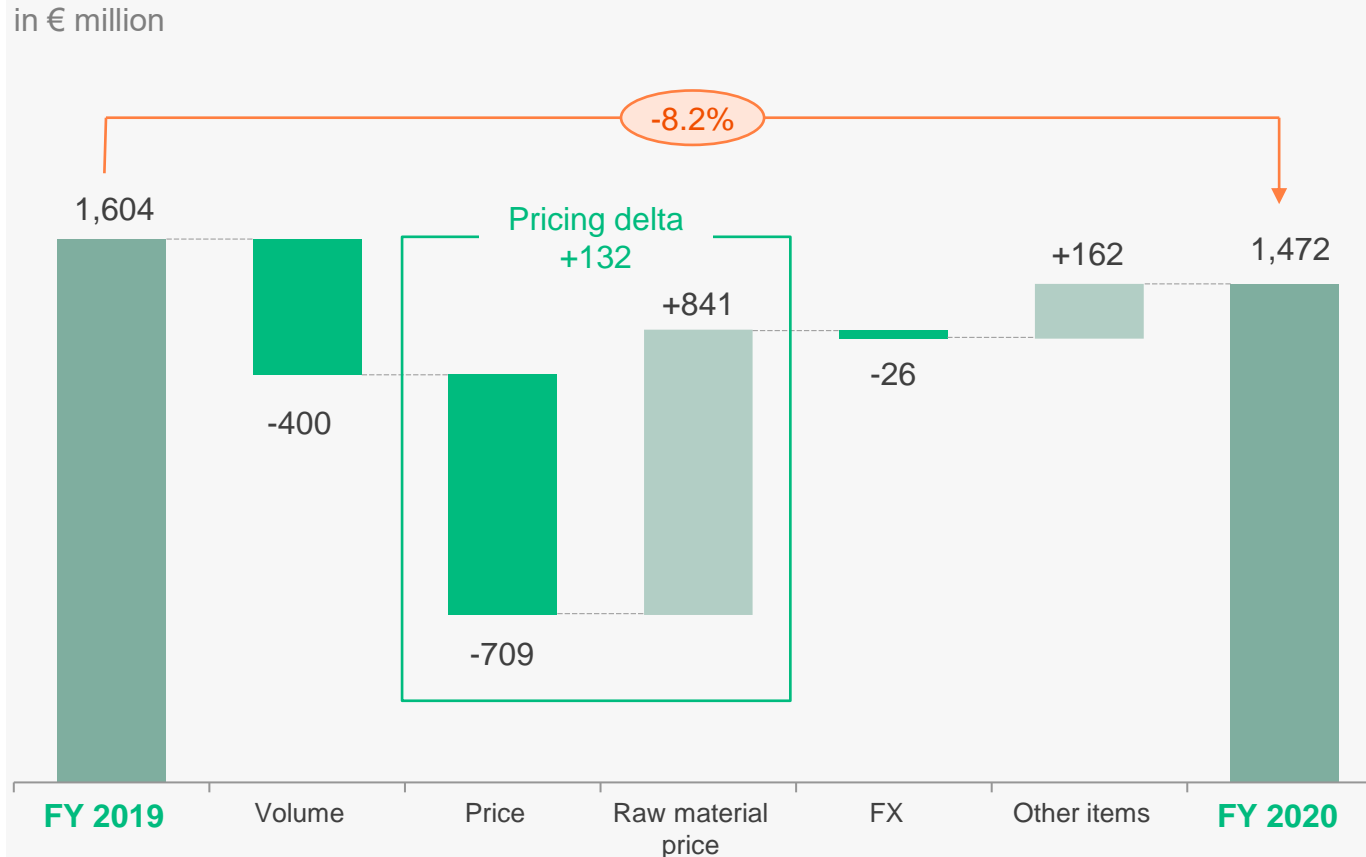
Portfolio changes

- Negative impact of -1.3% Y/Y
- PCS: European sheets divested as of 2nd January 2020 (FY 2020: €-115m)
- PUR: European systems houses divested as of 1st November 2019 (FY 2020: €-56m)
- CAS: Thermoplastic PU business DCP fully consolidated as of 1st April 2019 (FY 2020: €+7m)

Cost saving measures as largest positive EBITDA contributor



FY 2020 – EBITDA bridge



HIGHLIGHTS

Negative volume leverage^(a)

- Negative volume leverage of 63% due to unfavorable product mix effect

Positive pricing delta

- Main contribution from PUR, PCS slightly positive whereas CAS slightly negative

Slightly negative FX

- Mainly translational effects

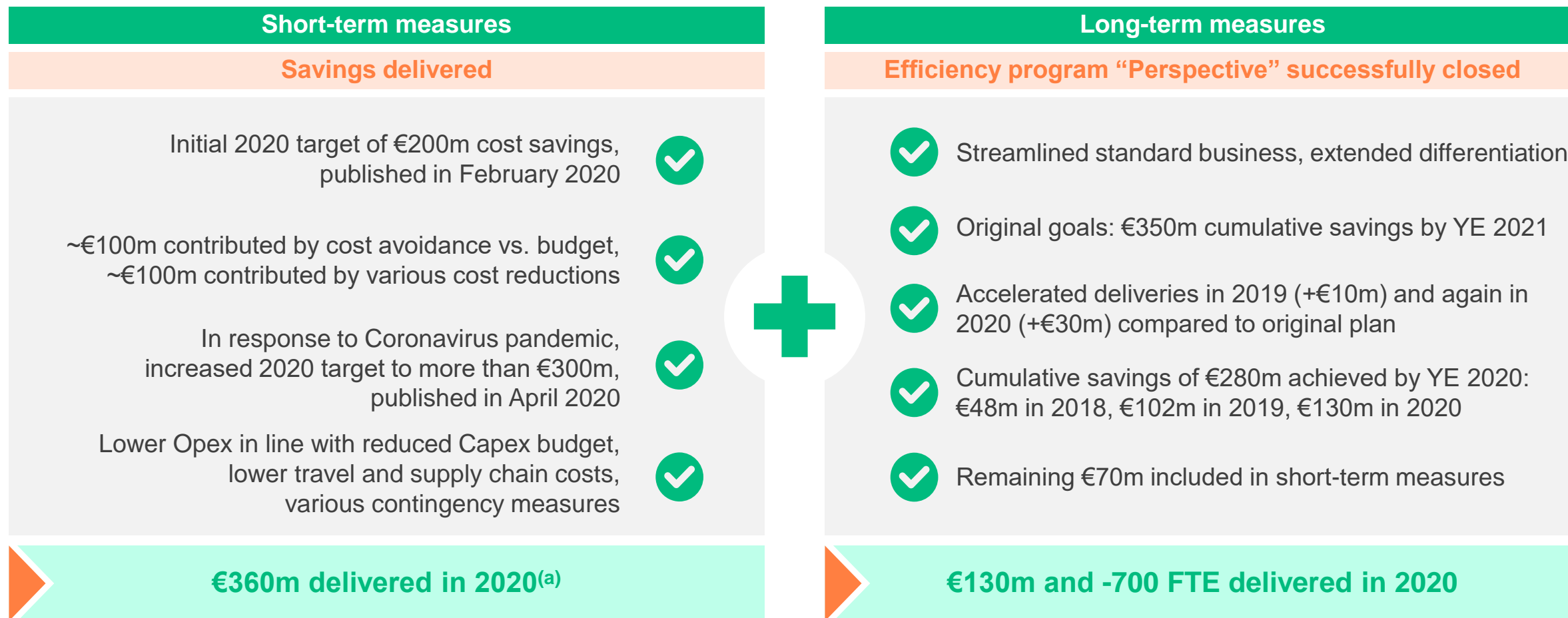
Other items

- €+350m net contribution of short-term savings and Perspective efficiency program
- €-128m net impact of one-time effects: 2020 €-12m (€-33m RFM acquisition^(b), €+21m insurance reimbursements) vs. 2019 €+116m
- €-60m various items including merit increase

Significant savings and efficiency gains delivered in 2020



Short- and long-term cost improvements

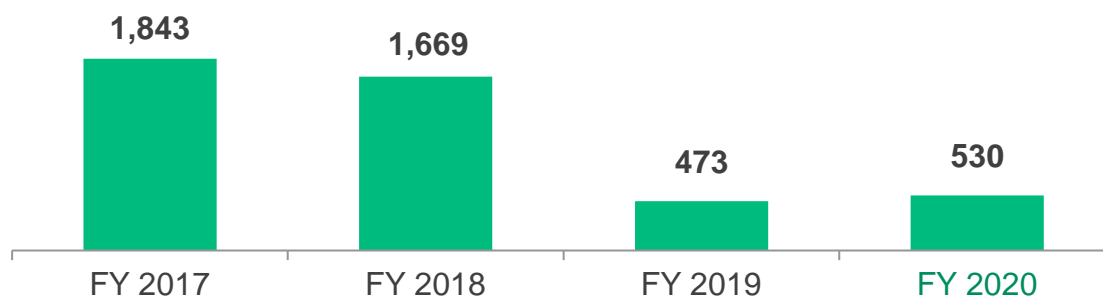


Strong cash performance in a tough environment



Historical FOCF development

in € million



EBITDA	3,435	3,200	1,604	1,472
Changes in working capital	-475	-167	+437 ^(c)	-100
Capex^(a)	-518	-707	-910	-704
Income tax paid	-510	-574	-296	-155
Other effects	-89	-83	-362 ^(c)	+17

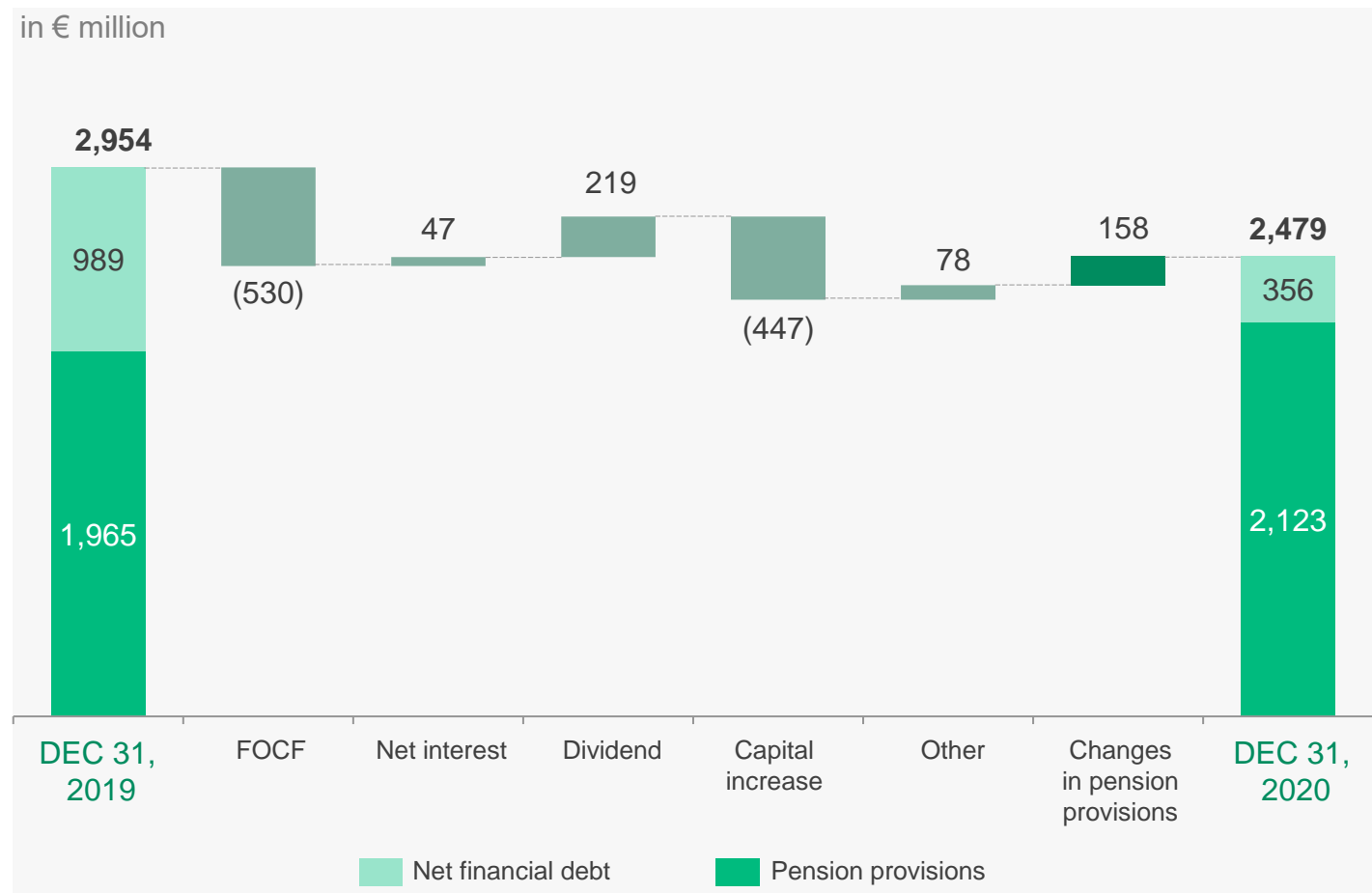
HIGHLIGHTS

- In FY'20, FOCF increased by 12.1% to €530m despite lower earnings, supported by €206m lower Capex
- In Q4'20, FOCF up by 19.4% to €394m (€330m in Q4'19) driven by significantly higher earnings, while positive effects from trade working capital were significantly lower than previous year
- Working capital to sales ratio^(b) at 18.2%, temporarily above 15-17% target corridor
- Compared to previous full year, trade accounts receivable tied up €344m more cash, cash released from inventories was €162m lower
- Capex of €704m in line with FY 2020 guidance
- Income tax paid of €155m in line with P&L income taxes of €151m

Strong liquidity position in preparation for RFM closing



December 31, 2020 – Total net debt



HIGHLIGHTS

- Total net debt to EBITDA ratio^(a) of 1.7x end of 2020 vs. 1.8x end of 2019
- Equity ratio of 44% end of 2020 vs. 46% end of 2019
- Committed to a solid investment grade rating
- 2019 dividend of €219m paid out in Aug. 2020
- Capital increase of €447m executed in Oct. 2020 in context of announced RFM acquisition

Liquidity at attractive rates

- Balance sheet with ~€2.5bn in cash, cash equivalents and current financial assets
- Strong liquidity position in preparation for closing of announced RFM acquisition
- Undrawn syndicated revolving credit facility (RCF) of €2.5bn in place with ESG element

Our new 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 2020
LEAP transformation initiated

! MILESTONE 2020
Acquisition of RFM announced

! MILESTONE 2020
First alternative feedstock sourced

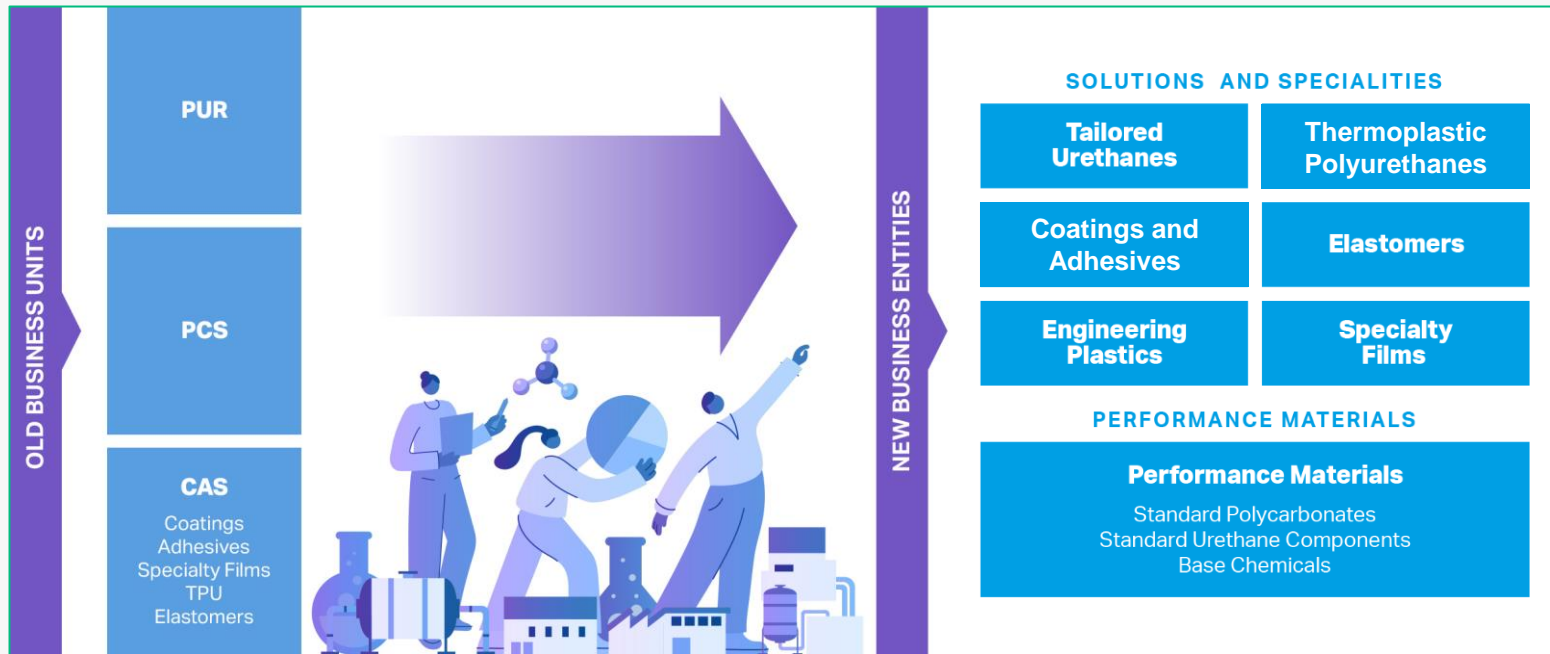
Becoming more customer-centric

Transformation program LEAP in 2021-2023



LEAP

“Become the best of who we are”



HIGHLIGHTS

- Comprehensive redesign of structures and processes as well as management and governance mechanisms
- By July 2021, new organizational set-up to be implemented
- Bundle entities based on business specifics and customer needs while fostering entrepreneurship:
 - **Solutions and specialties** differentiated chemical products and application technology services, with focus on innovation and customer interaction
 - **Performance materials** focus on reliable supply of standard products at competitive market prices with lowest internal costs

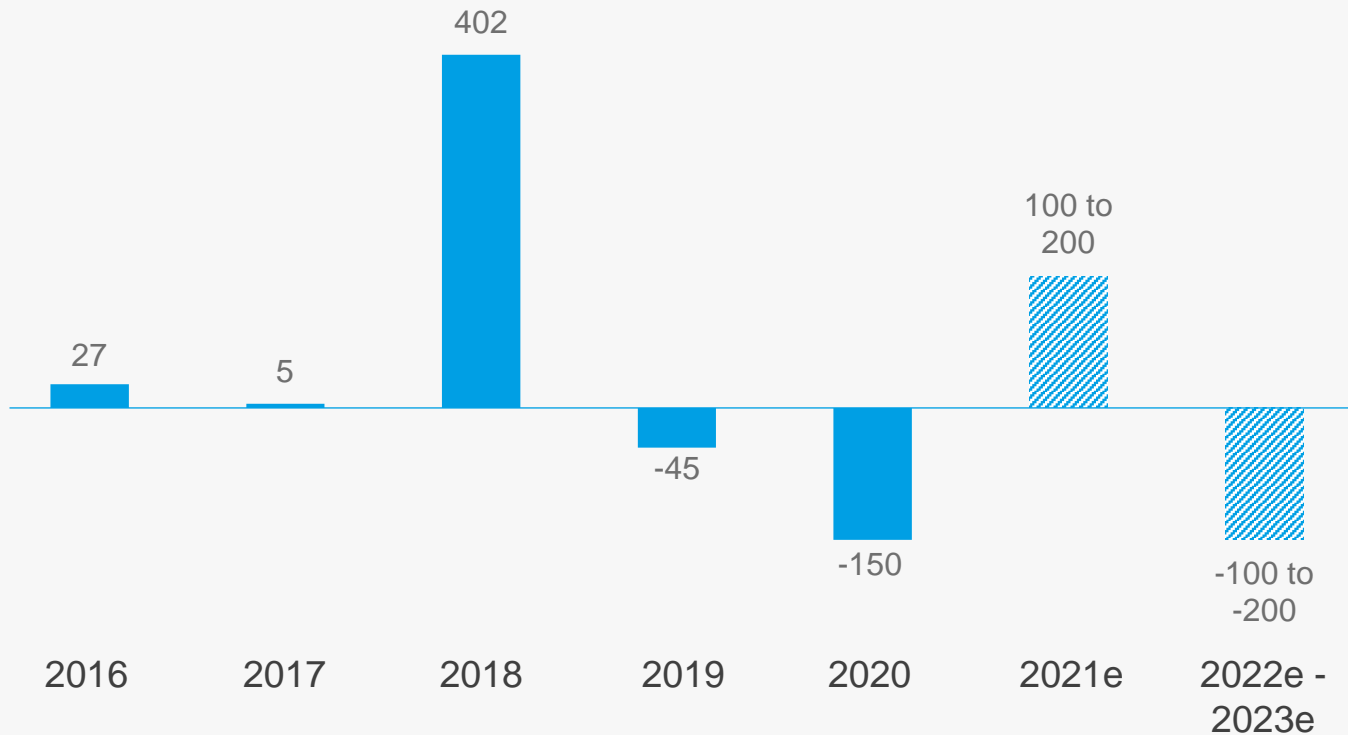
Keeping fixed costs flat

Transformation program LEAP in 2021-2023



FIXED COST DEVELOPMENT Y/Y EXCLUDING INCENTIVE SCHEMES

in € million



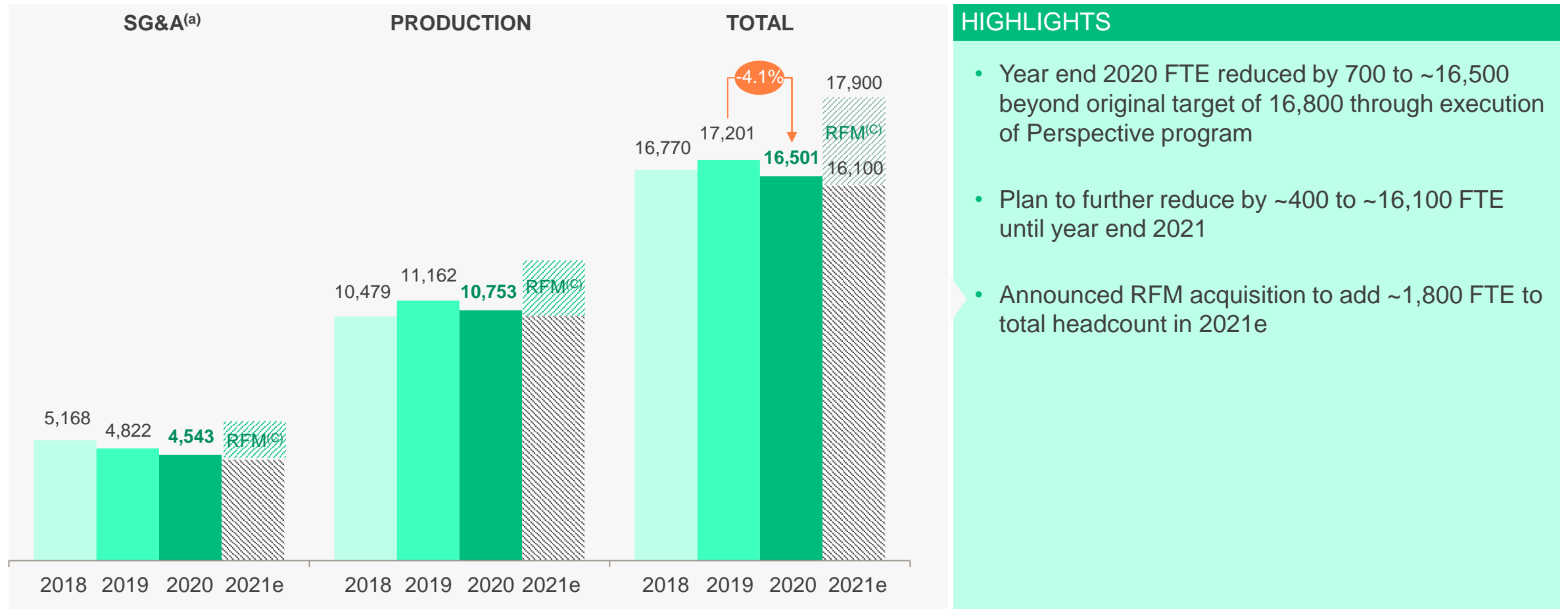
HIGHLIGHTS

- Savings target: maintain fixed costs unchanged until 2023, excluding STI and LTI schemes, based on FY 2020
- Historical savings initiatives
 - ‘PEP’ initiated during IPO in 2015
 - ‘Perspective’ initiated end of 2018
 - ‘Short-term savings’ in 2020
- Investments into growth in 2018
- Cost in 2021e mainly driven by higher maintenance costs, merit increase, investments in digitalization and circularity
- LEAP cost savings to be realized in 2022e and 2023e
- Counterbalancing fix costs inflation, like merit increases, until 2024

Headcount reduced by 700 FTE, further reductions planned

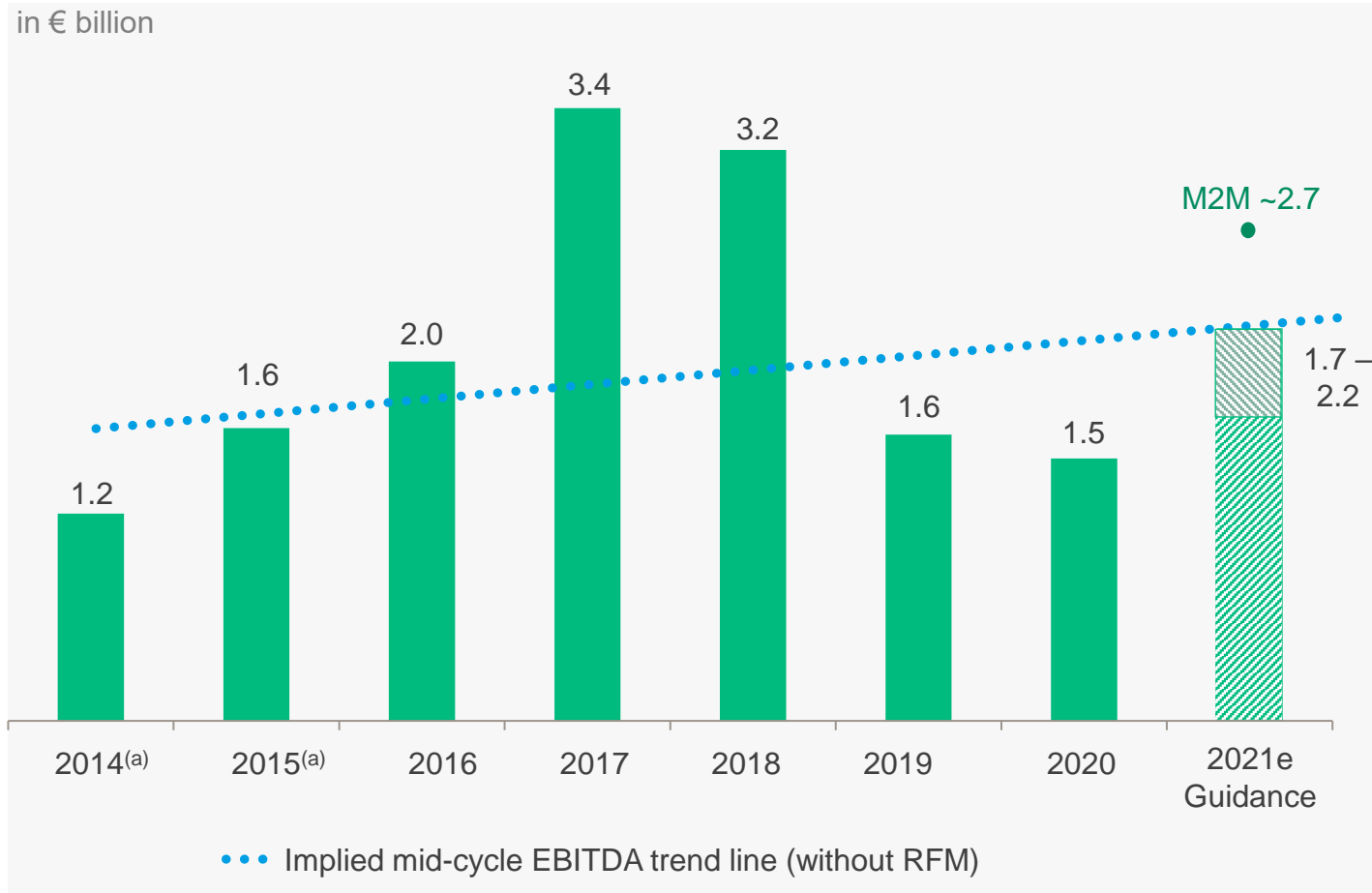


Development of full-time equivalent (FTE)



Approaching mid-cycle level in 2021

EBITDA development between 2014 and 2021e



HIGHLIGHTS

Historic development

- Cyclicity driven by supply-demand balance
- 2017 peak due to very high industry utilization
- 2020 burdened by globally declining GDP

EBITDA guidance of €1,700m – 2,200m in FY 2021

- Includes announced RFM acquisition
- Mark-to-market (M2M) EBITDA in FY 2021 of ~€2.7bn based on January 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

2021 expected above pre-pandemic level of 2019

FY 2021 guidance including announced RFM acquisition



	FY 2019	FY 2020	Guidance FY 2021e
Core volume growth	+2.0%	-5.6%	10 – 15% (t/o ~6%p RFM)
FOCF	€473m	€530m	€900m – 1,400m
ROCE	8.4%	7.0%	7 – 12%





Additional financial expectations

EBITDA FY	€1,604	€1,472m	€1,700m – 2,200m
EBITDA Q1	€442m	€254m	€700m – 780m
D&A	€752m	€776m	~€900m
Financial result	€-91m	€-91m	~€-100m
P&L (effective) tax rate	26.8%	25.0%	24 – 26%
Capex ^(a)	€910m	€704m	~€800m
Average number of outstanding shares (in million)	182.7	184.9	193.2

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• Maintenance capex to secure safe, reliable and efficient operations	<ul style="list-style-type: none">• New policy: 35-55% payout of net income• 2020 dividend of €1.30 per share proposed to upcoming AGM• Dividend yield 2020 of 2.6%^(a)	<ul style="list-style-type: none">• Targeting value-enhancing acquisitions with attractive IRR• Announced acquisition of DSM's Resins and Functional Material (RFM) business for EV €1.55bn with attractive high margins (~€1.0bn sales)• Less attractive low-margin businesses divested (~€0.6bn sales)	<ul style="list-style-type: none">• Capital increase of €447m executed in 2020 in context of announced RFM acquisition• Share buy-back of €1.5bn executed in 2017-2018• Authorization for share buy-back program for up to 10% of share capital in place, to be used in an opportunistic and anti-cyclical way
€3.2bn invested in capex	€1.5bn dividends	€1.5bn net investments	€1.1bn share capital reduced

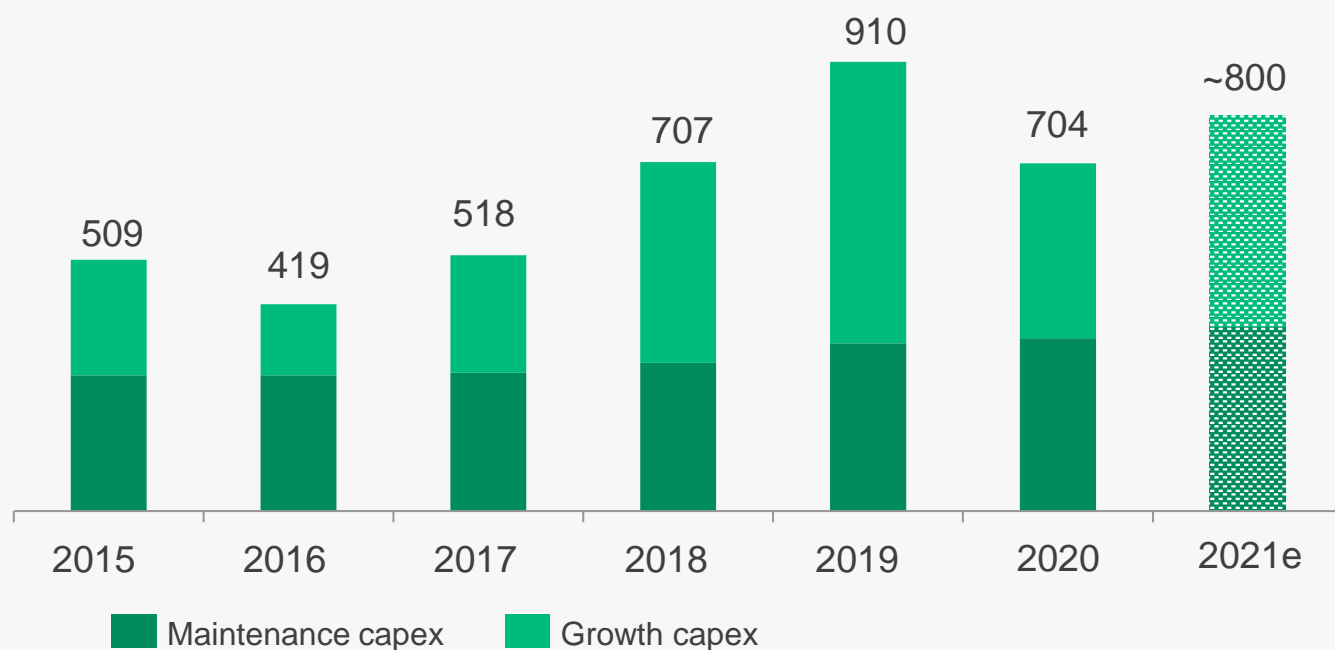
Investment into organic growth to deliver attractive returns

Covestro capex development



CAPEX^(a)

in € million



HIGHLIGHTS

Future capex

- FY 2021e includes announced RFM acquisition
- Single largest capex project Tarragona Chlorine (~€0.2bn)
- Almost 100 projects with capex of more than €10m, with spending spread over several years

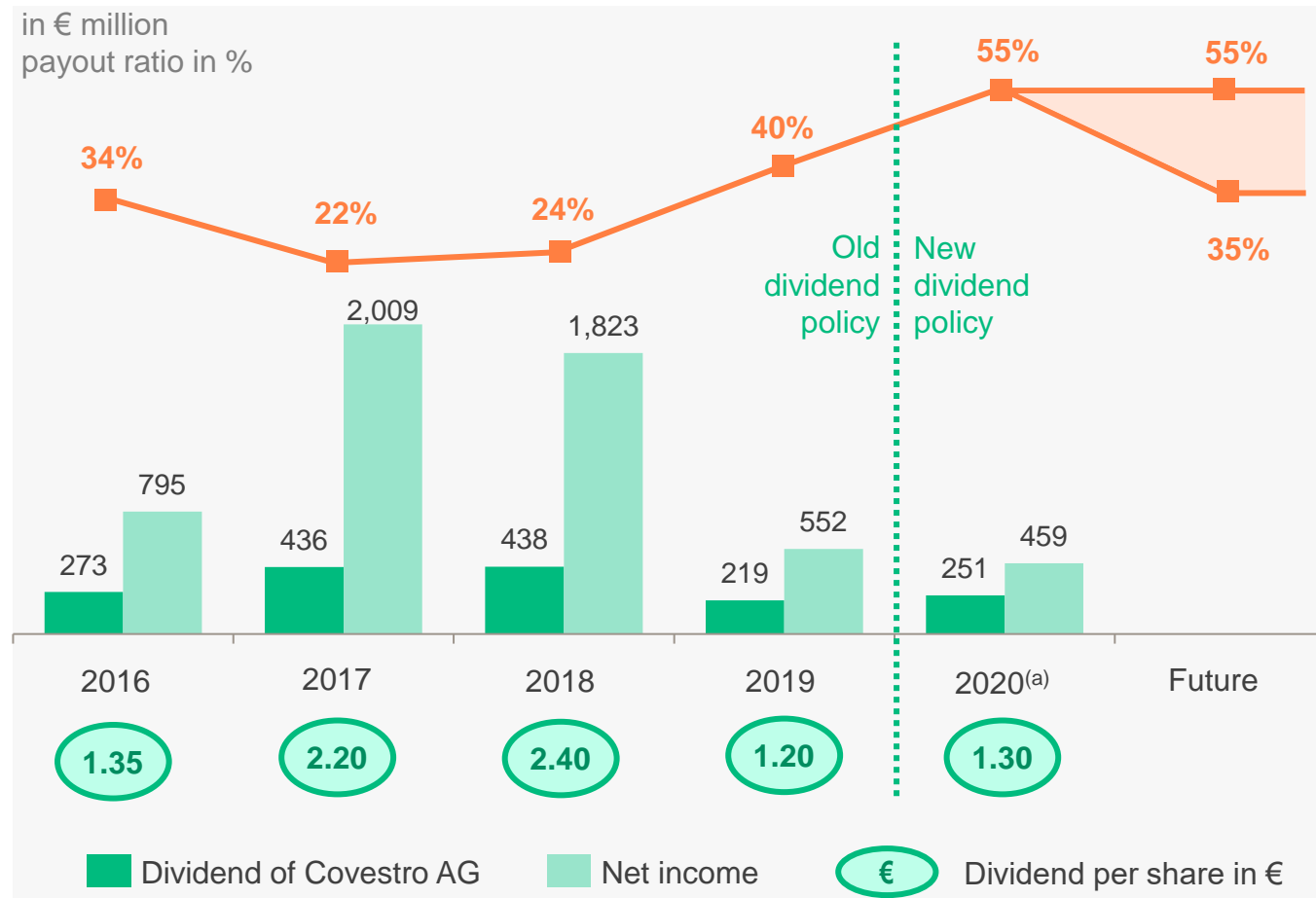
Maintenance capex at ~€350-400m p.a.

- Securing safe, reliable and efficient operations
- Including announced RFM acquisition

New dividend policy: 35-55% payout ratio of net income



Historical dividend development



HIGHLIGHTS

- Commitment to a payout ratio of 35% to 55%, related to dividend over net income
 - Higher payout in years with peak earnings, while ratio towards lower end
 - Lower payout in years with trough earnings, while ratio towards upper end
- For FY 2020 dividend, proposal of €1.30 per share to the upcoming AGM on April 16, 2021
- Corresponding FOCF of €530m in FY 2020 fully covers dividend payout of €251m

A challenging year successfully managed

Highlights FY 2020



1

Volumes above pre-pandemic levels in H2 2020
despite constrained product availability

2

Earnings delivered in line with guidance
with significant upside momentum towards year end

3

Cost savings significantly supported earnings,
delivering short-term savings and successfully completing 'Perspective' program

4

2021 earnings expected above pre-pandemic level of 2019
assuming a strong rebound from depressed 2020 level

5

New strategy introduced
with focus on transforming the company, sustainable growth and circularity



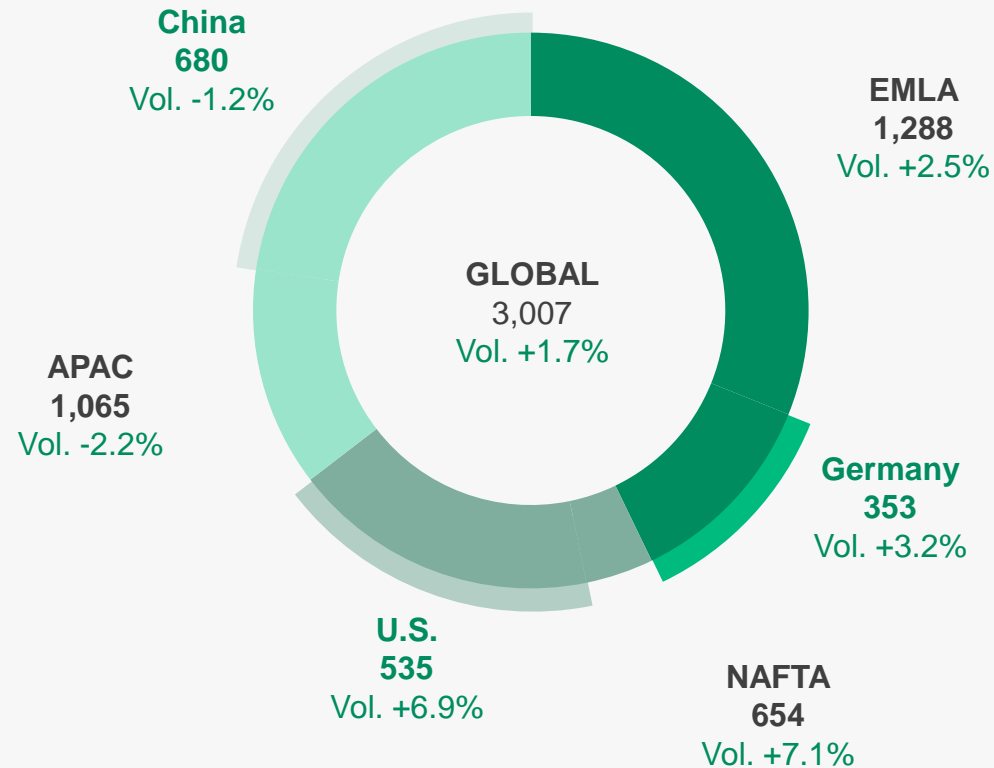
Appendix

Volume growth despite constrained supply

Q4 2020 – Regional split



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

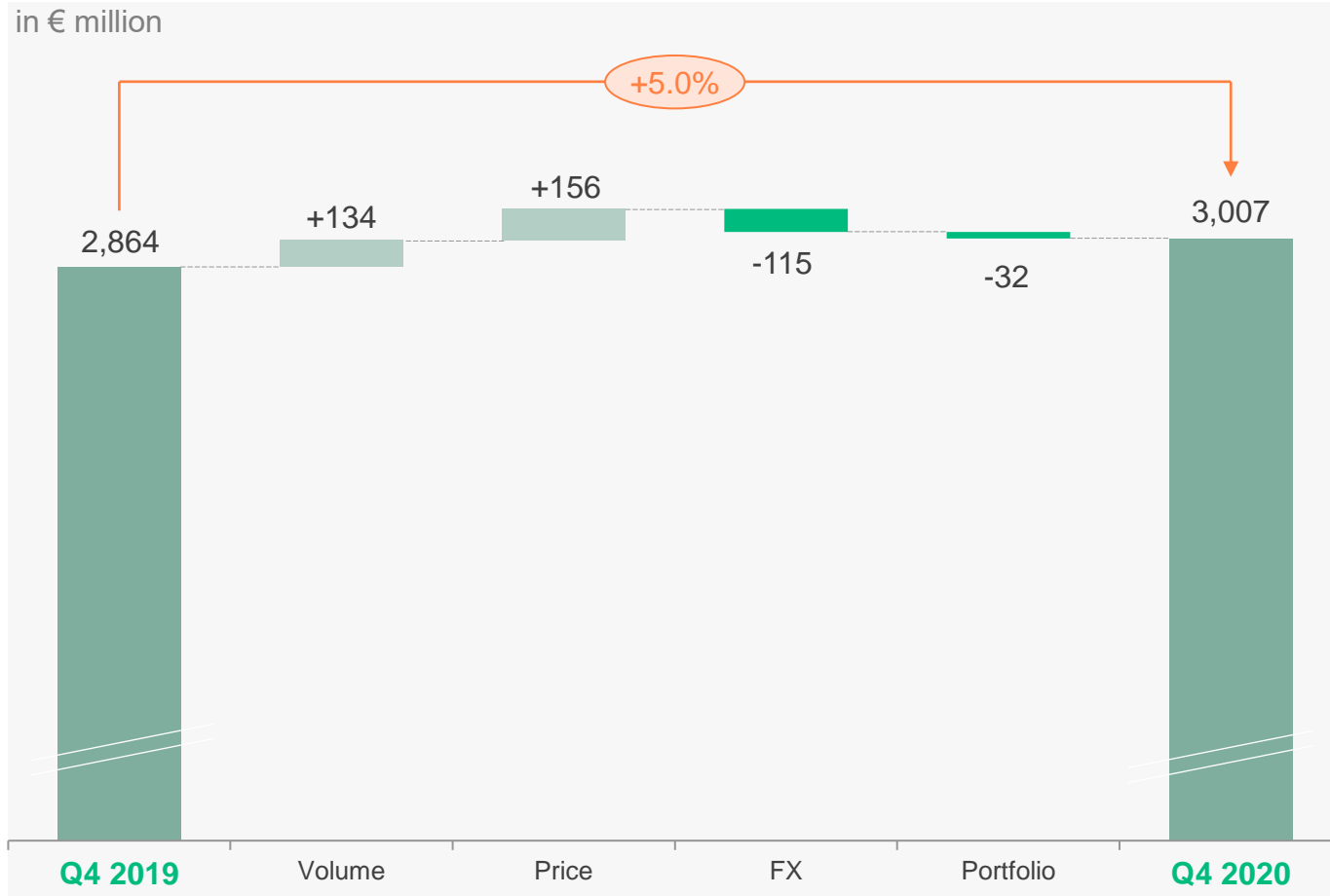


CORE VOLUME GROWTH Y/Y

- While demand in Q4 was robust globally, supply was constrained and limited volume growth:
 - Furniture/wood c. -1%, while NAFTA up double-digit
 - Construction c. +2%, driven by EMLA
 - Auto/transport c. +6%, growth in all regions
 - Electro c. +8%, growth in all regions
 - Divers c. -3% including medical c. +11%
- APAC: declining volumes in furniture/wood and diverse industries, while volumes in auto and electro grew
- EMLA: all key industries grew, except furniture/wood
- NAFTA: highest growth of all regions, with positive contributions from all key industries; double-digit growth rates in furniture/wood and electro

Higher prices and volumes push sales growth

Q4 2020 – Sales bridge



HIGHLIGHTS

Volume positive

- Growth of +4.7% Y/Y (in €) driven by all three segments, with largest contribution from PCS

Positive pricing

- Higher selling prices in PUR were partly compensated by lower prices in PCS and CAS, positively impacted sales by +5.4% Y/Y

Negative FX

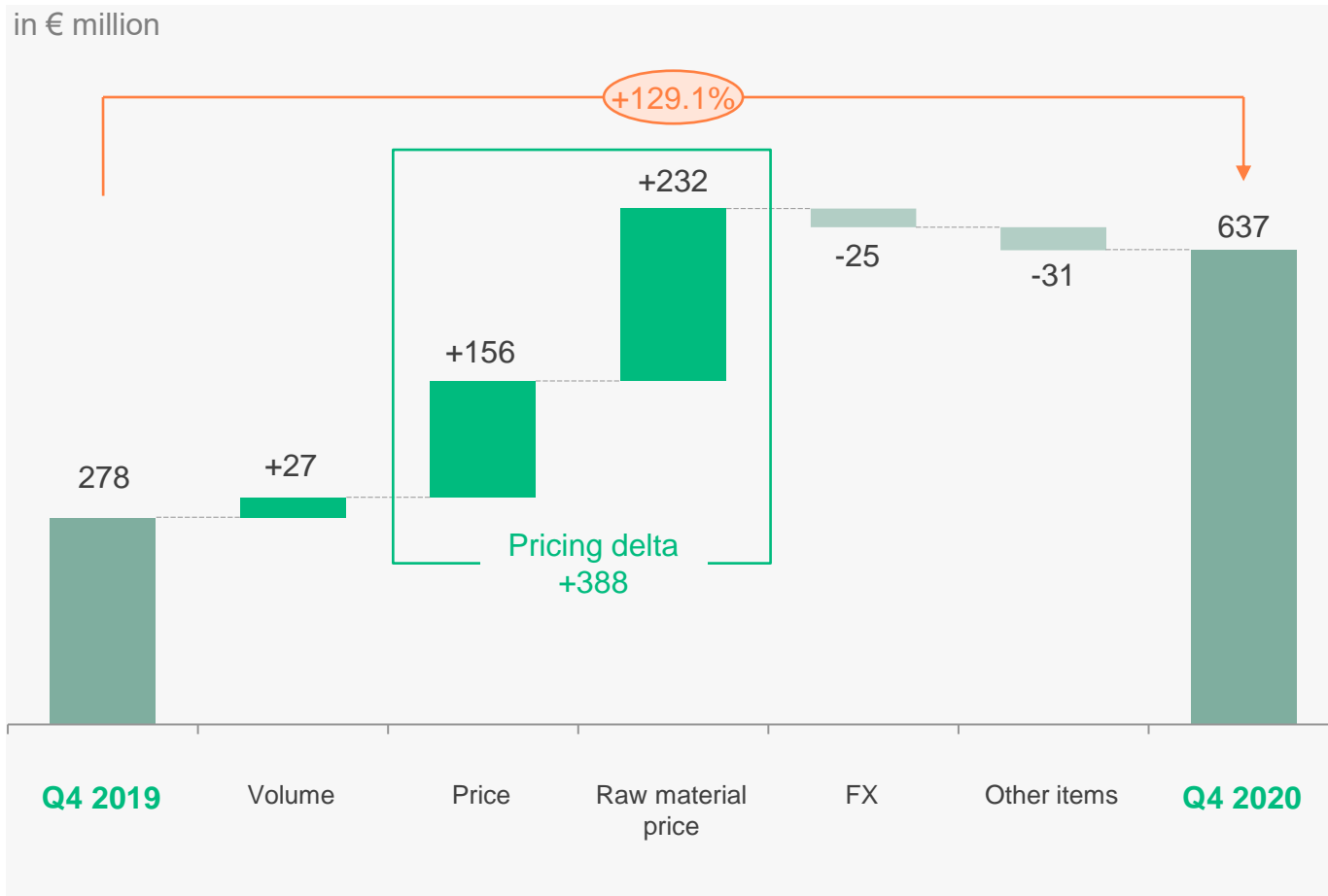
- FX affected sales by -4.0% Y/Y mainly driven by a weaker USD

Portfolio changes

- Slightly negative impact of -1.1% Y/Y
- PUR: European systems houses divested as of 1st November 2019 (Q4 2020: €-8m)
- PCS: European sheets divested as of 2nd January 2020 (Q4 2020: €-24m)

Strong positive pricing delta drives EBITDA growth

Q4 2020 – EBITDA bridge



HIGHLIGHTS

Positive volume leverage^(a)

- Relatively low volume leverage of 20% due to unfavorable product mix effect

Contribution margin largely increased

- Strong positive pricing delta as a result of lower raw material prices and higher selling prices, with majority contribution from PUR

Slightly negative FX

- Mainly translational effects

Other items

- Cost saving measures contributed positively
- Negative one-time effect of €-33m related to announced RFM acquisition
- Previous year included positive one-time effect of book gain from PUR divestment (€+34m)

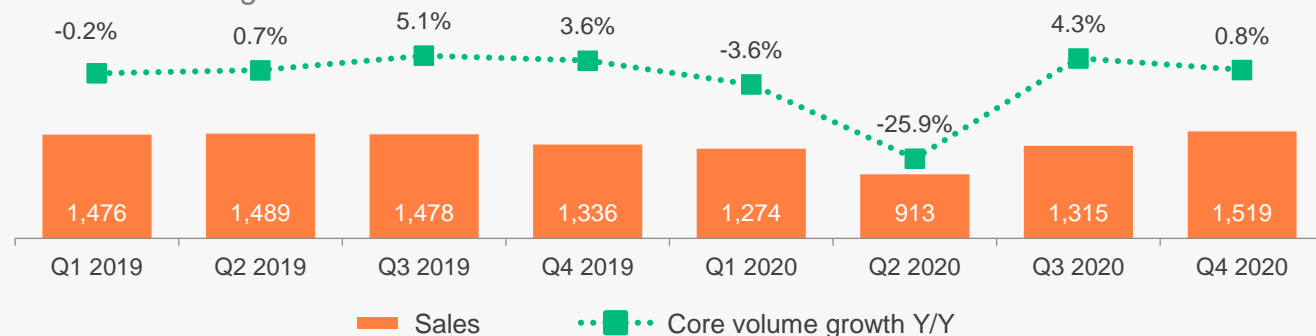
Polyurethanes – earnings strongly up on higher margin



Segment results – Highlights Q4 2020

SALES AND CORE VOLUME GROWTH

in € million / changes Y/Y

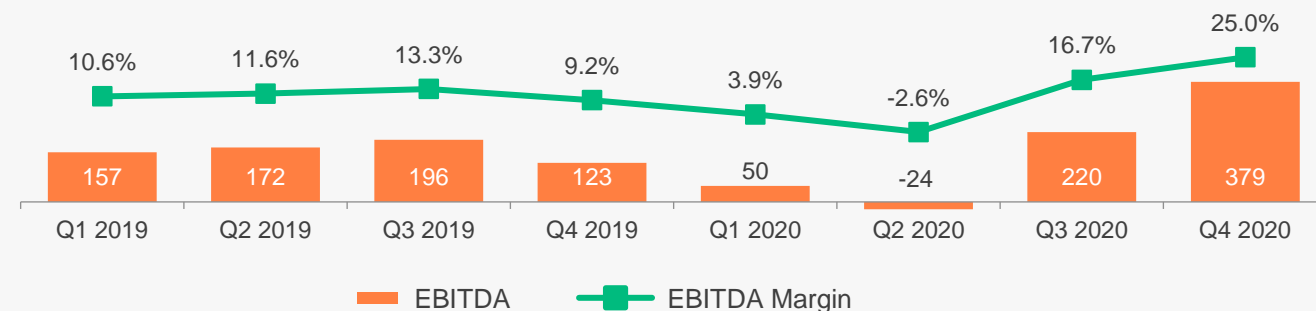


HIGHLIGHTS

- Core volume growth (in kt) of +0.8% Y/Y, driven by polyols while MDI and TDI supply was constrained
- Core volume growth in auto and appliances, while furniture/wood and construction declined slightly
- Sales increased by 13.7% Y/Y as price (+16.2%) and volume (+2.9%) contributed positively, while FX (-4.8%) and portfolio (-0.6%) were negative

EBITDA AND MARGIN

in € million / margin in percent



HIGHLIGHTS

- Strong sequential EBITDA and margin development
- Compared to prior year, EBITDA increased mainly due to a strong positive pricing delta in all three product groups MDI, TDI and polyols
- Effects from FX slightly negative (Y/Y)

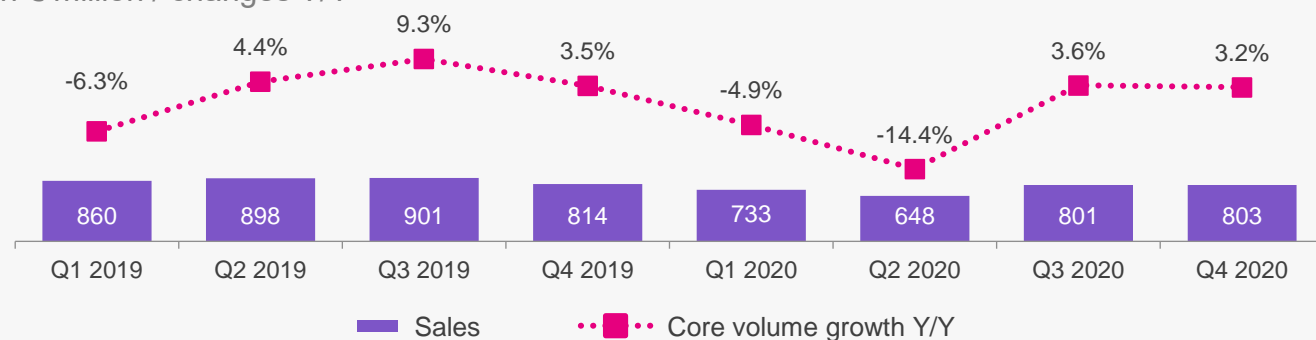
Polycarbonates – margin driven by improving product mix



Segment results – Highlights Q4 2020

SALES AND CORE VOLUME GROWTH

in € million / changes Y/Y

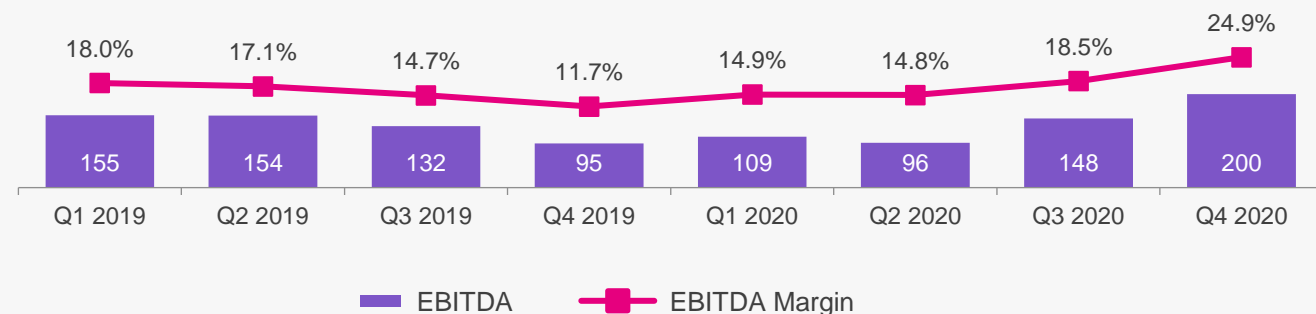


HIGHLIGHTS

- Core volume growth (in kt) of 3.2% Y/Y driven by all key industries; double-digit growth in construction including protective gear
- Sales decreased by -1.4% Y/Y as positive volume effect (+7.4%) was compensated by FX (-3.7%), portfolio (-3.0%) and price (-2.1%)
- Difference of core volume growth and volume effect in sales due to favorable product mix

EBITDA AND MARGIN

in € million / margin in percent



HIGHLIGHTS

- Strong sequential EBITDA growth, margin further improved driven by improving product mix
- Compared to prior year, EBITDA increased Y/Y mainly as a result of (i) positive pricing delta due to lower feedstock prices and (ii) higher volumes

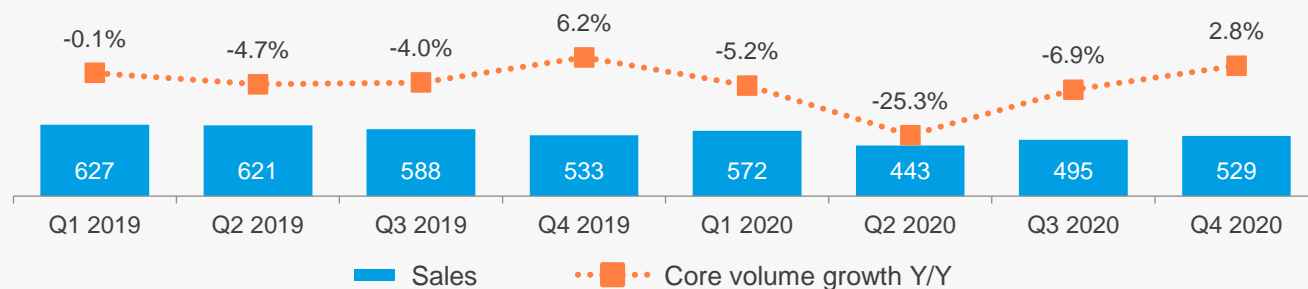
Coatings, Adhesives, Specialties – back to volume growth



Segment results – Highlights Q4 2020

SALES AND CORE VOLUME GROWTH

in € million / changes Y/Y

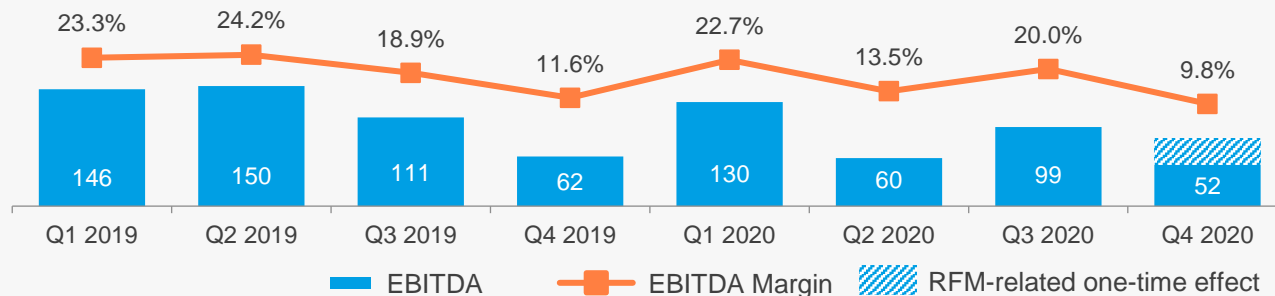


HIGHLIGHTS

- Core volume growth (in kt) of 2.8% Y/Y driven by growth in all key industries except construction
- Sales decreased by -0.8% Y/Y, as positive volume effect (+7.5%) was compensated by price (-4.9%) and FX (-3.4%)
- Difference of core volume growth and volume effect in sales due to favorable product mix

EBITDA AND MARGIN

in € million / margin in percent



HIGHLIGHTS

- Q4'20 EBITDA includes negative one-time effect of €-33m related to announced RFM acquisition^(a)
- Q4'20 EBITDA of €85m and margin at 16.1% excluding RFM-related one-time effects
- Compared to prior year, volume growth contributed positively to EBITDA while pricing delta was negative

Upcoming IR events



Find more information on covestro.com/en/investors

REPORTING DATES

- | | |
|--------------------|---------------------------------|
| • April 28, 2021 | Q1 2021 Quarterly Statement |
| • July 27, 2021 | 2021 Half-Year Financial Report |
| • October 26, 2021 | Q3 2021 Quarterly Statement |

ANNUAL GENERAL MEETING

- | | |
|------------------|----------------------------------|
| • April 16, 2021 | Annual General Meeting (virtual) |
|------------------|----------------------------------|

BROKER CONFERENCES

- | | |
|------------------|--|
| • March 11, 2021 | Goldman Sachs Annual European Chemicals Conference (virtual) |
| • March 23, 2021 | Morgan Stanley Madrid Corporate Day (virtual) |
| • March 25, 2021 | Stifel German Corporate Conference Copenhagen (virtual) |
| • March 25, 2021 | Société Générale Energy Transition & Renewable Energy Conference (virtual) |