



# Solid performance and an increasingly challenging environment

Financial Highlights  
Q2 2022

# 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](http://www.covestro.com).

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

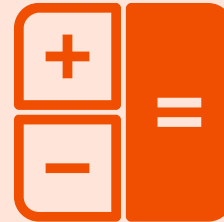
# Financial highlights Q2 2022



€4.7bn  
Sales



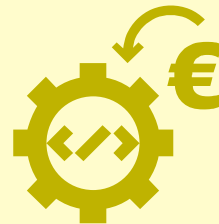
€547m  
EBITDA



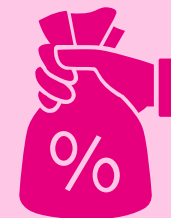
€-462m  
FOCF



FY 2022  
Guidance adjusted



€150m  
30% Share buyback  
completed

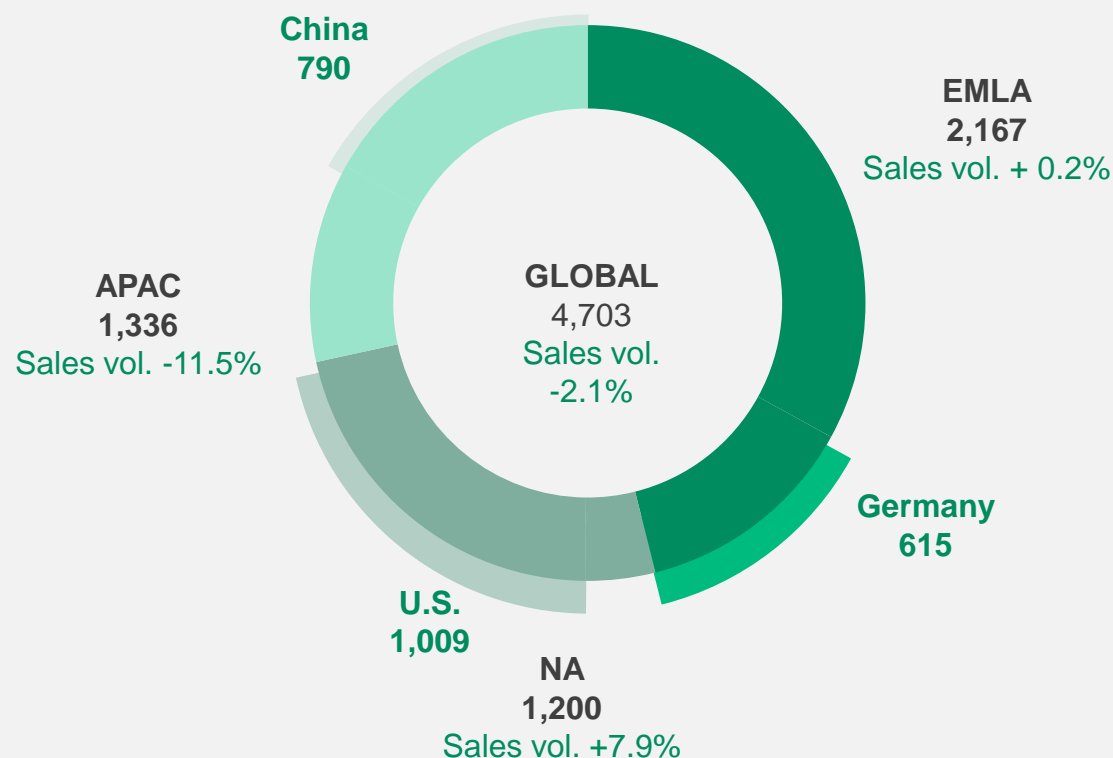


# Slight volume decline due to Covid lockdown in China

## Q2 2022 – Regional split



Sales in € million



### HIGHLIGHTS

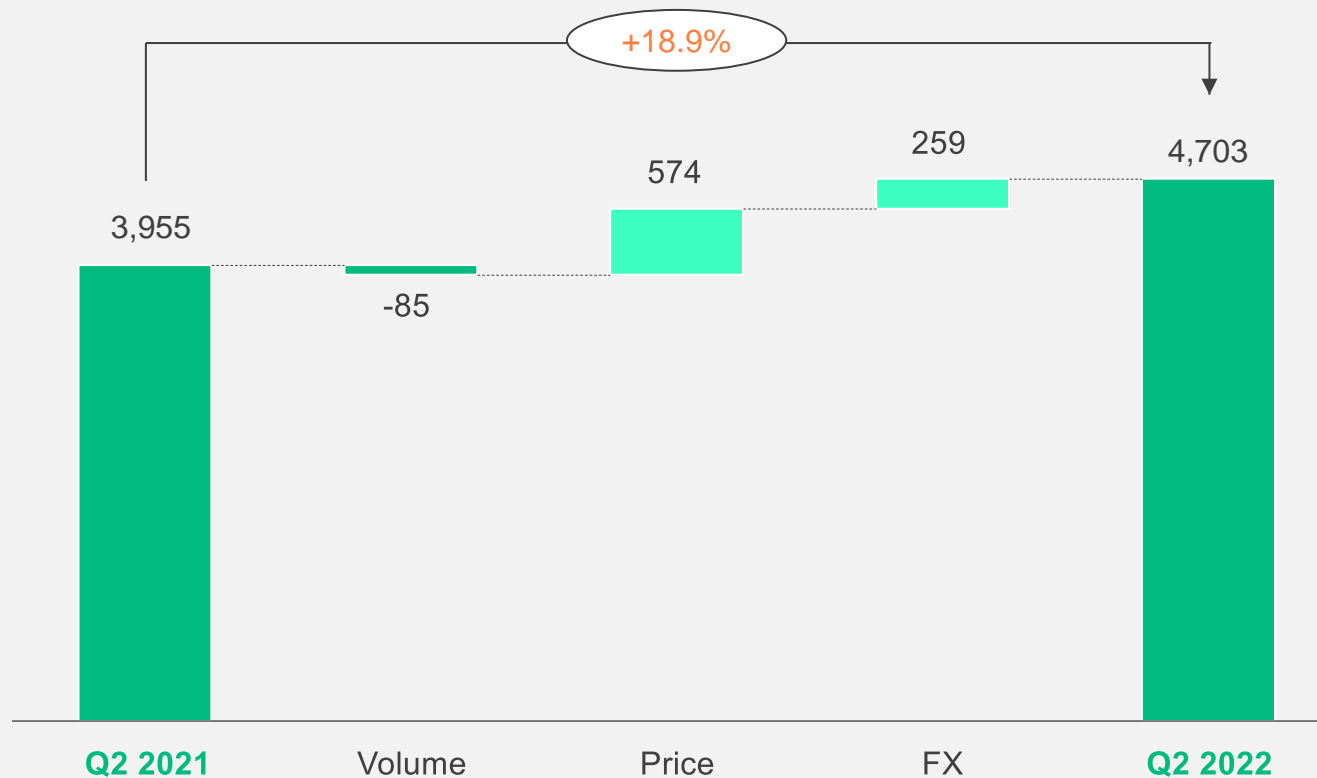
- Sales volume decline, driven by Covid lockdown in China:
  - Auto/transport low double-digit % decline
  - Furniture/wood low single-digit % decline
  - Electro low double-digit % decline
  - Construction flat to low single-digit % decline
- **NA:** Strong sales volume growth after the prior year had been impacted by winter storm Uri and mainly derived from volume growth in construction
- **EMLA:** Positive volume growth from polyol business in furniture benefitting from competitor outages offset by volume decline in auto/transport and appliances
- **APAC:** Due to the Shanghai Covid lockdown strong sales volume decline across all industries

# Sales increase driven by price and FX

## Q2 2022 – Sales bridge



in € million



### HIGHLIGHTS

#### Volume slightly negative

- Volume contribution of -2.1% Y/Y

#### Pricing highly positive

- Higher selling prices largely compensating higher energy and raw material costs pushed sales up +14.5% Y/Y
- Strong price increases enforced by both PM (+17.5% Y/Y) and S&S (+11.8% Y/Y)

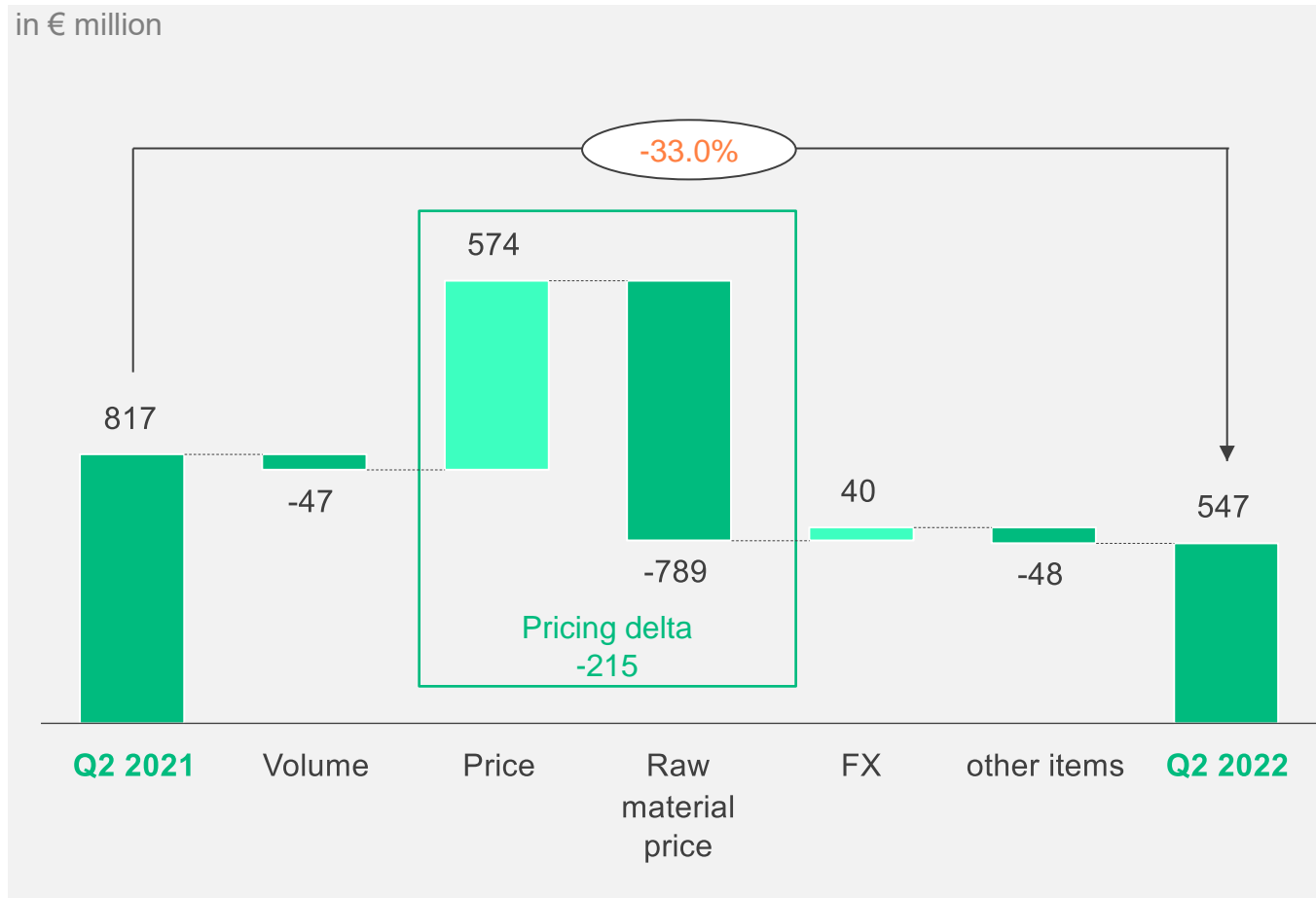
#### FX positive

- FX affected sales by +6.5% Y/Y mainly driven by stronger USD and RMB

# Earnings decreased mainly due to negative pricing delta



## Q2 2022 – EBITDA bridge



### HIGHLIGHTS

#### Negative volume leverage<sup>(1)</sup>

- Negative volume leverage of 55%

#### Negative pricing delta as expected

- Raw material and energy cost increases could to a meaningful extend be compensated by sales price increases

#### Other items driven by:

- Lower provisions for variable compensation of €73m
- Significant increase of fixed costs among other things due to freight and logistic, wage and R&D cost increases

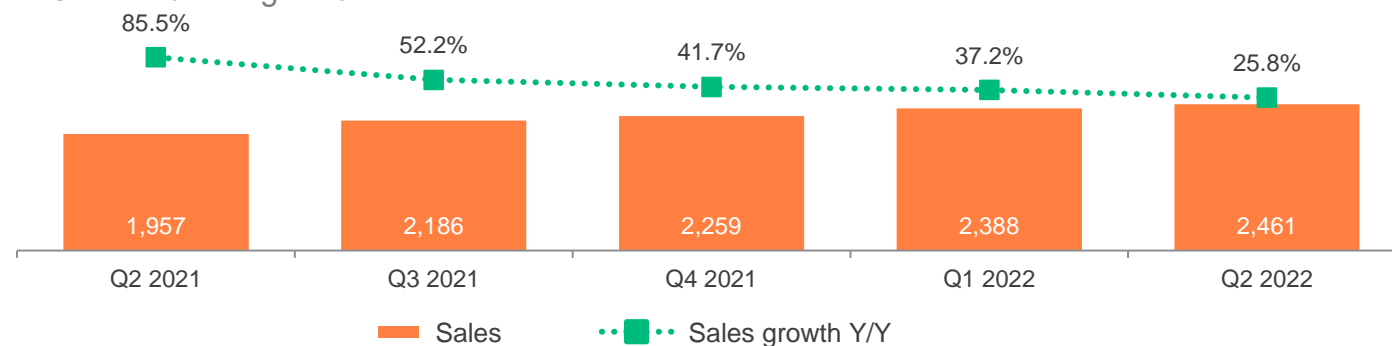
# Performance Materials – significantly declining EBITDA



## Segment results – Highlights Q2 2022

### SALES<sup>(1)</sup>

in € million / changes Y/Y

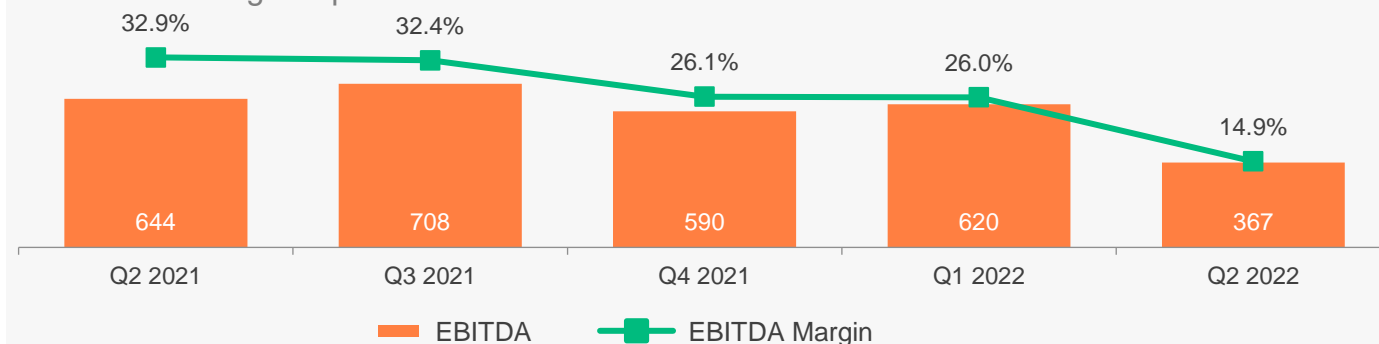


### HIGHLIGHTS

- Sales increased by +25.8% Y/Y driven by price (+17.5%), volume (+1.6%) and FX (+6.7%)
- Sales volume growth of 1.6% Y/Y supported by growth in NAFTA & EMEA and burdened by Covid lockdown in China

### EBITDA AND MARGIN<sup>(1)</sup>

in € million / margin in percent



### HIGHLIGHTS

- Compared to prior year, EBITDA decrease mainly driven by negative pricing delta mitigated by positive FX and volume growth

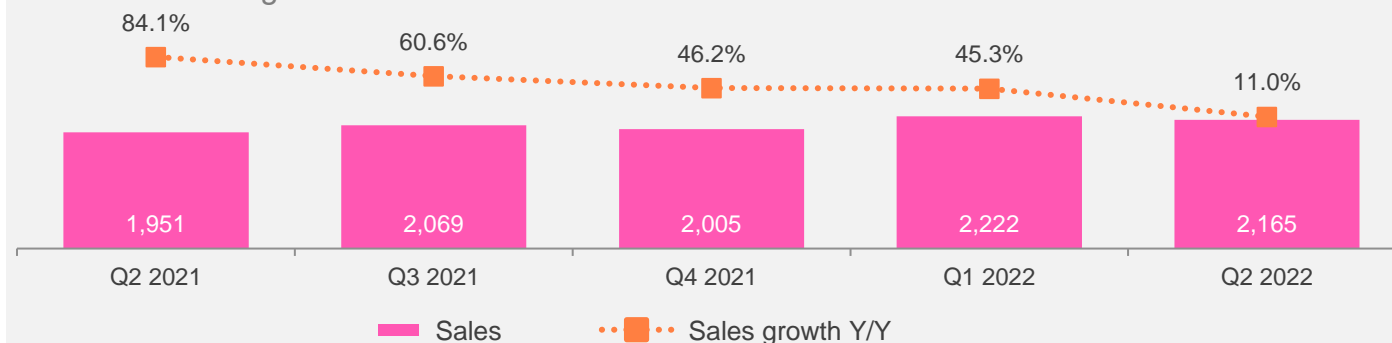
# Solutions & Specialties – resilient earnings development



## Segment results – Highlights Q2 2022

### SALES<sup>(1)</sup>

in € million / changes Y/Y

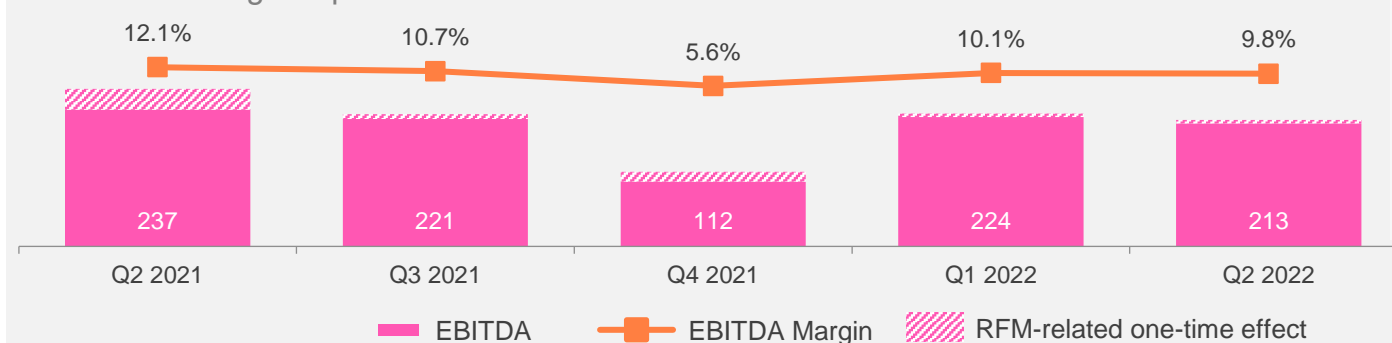


### HIGHLIGHTS

- Sales grew by +11.0% Y/Y, price (+11.8% Y/Y), FX (+6.5%) and volume (-7.3%)
- Sequential sales decline due to significantly lower volumes despite favorable pricing and FX

### EBITDA AND MARGIN<sup>(1)</sup>

in € million / margin in percent



### HIGHLIGHTS

- Q2 2022 EBITDA includes €-6m one-time effects related to RFM<sup>(2)</sup>
- Compared to prior year, EBITDA decreased slightly due to negative volume effect which could not be fully compensated by lower fixed cost



# Covestro strengthens Solutions & Specialties



With investments in high-margin areas

## COATINGS & ADHESIVES INVESTS IN DISPERSIONS



- Invest: mid double-digit million €
- Production readiness: ramp-up 2024
- Expected EBITDA contribution: low to mid double-digit million €

- Business Entity Coatings and Adhesives adds new plant for water-based polyurethane dispersions (PUD) in Caojing (China)
- Environmentally compatible coatings and adhesives support sustainable customer growth
- Plant comprises line for polyester resins as raw material and PUD production line producing versatile portfolio of products
- Technology for PUDs combines know-how of Covestro and the recently acquired RFM business

## ELASTOMERS INVESTS IN COMPLEMENTING ASSETS



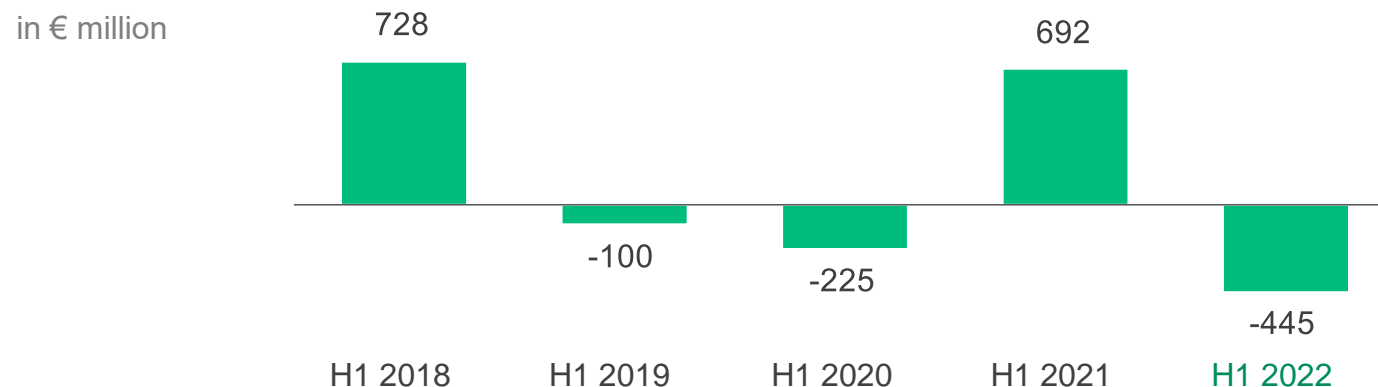
- Invest: high double-digit million €
- Production readiness: 3 steps 2022-2024
- Expected EBITDA contribution: low to mid-double digit million €

- Business Entity Elastomers complements production infrastructure for high-value products
- Announcement of naphthylene diisocyanate (NDI) expansion in Map ta Phut (Thailand) end 2020
- NDI prepolymer line operational at our Barcelona site (Spain) since May 2022
- Groundbreaking new elastomer line in Caojing (China) in Q2'22
- Expansions to support customer growth in high-performance elastomers Baytec® and Vulkollan®

Covestro strives to deliver a 17% EBITDA margin in 2024

# Temporarily high working capital to sales ratio

## Historical FOCF development



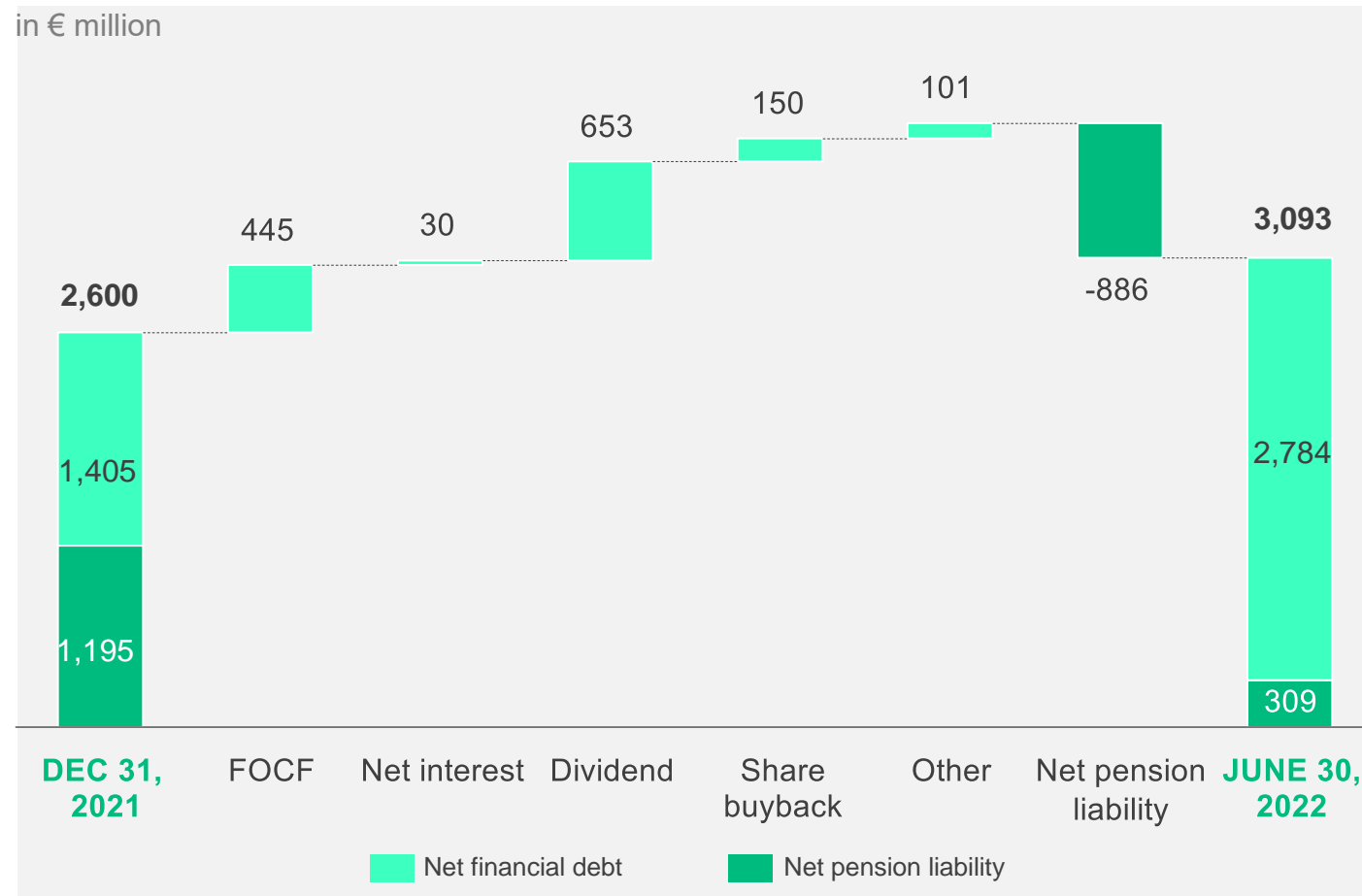
|   | H1 2018 | H1 2019             | H1 2020             | H1 2021 | H1 2022 |
|---|---------|---------------------|---------------------|---------|---------|
| <b>EBITDA</b>                                     | +2,048  | +901                | +379                | +1,560  | +1,353  |
| <b>Changes in working capital<sup>(1,4)</sup></b> | -625    | -30 <sup>(4)</sup>  | -187 <sup>(4)</sup> | -580    | -695    |
| <b>Capex<sup>(2)</sup></b>                        | -241    | -384                | -286                | -289    | -330    |
| <b>Income tax paid</b>                            | -335    | -223                | -102                | -176    | -360    |
| <b>Other effects<sup>(4)</sup></b>                | -119    | -364 <sup>(4)</sup> | -29 <sup>(4)</sup>  | +177    | -413    |

### HIGHLIGHTS

- FOCF decreased to €-445m, including €475m bonus payout for FY 2021
- Working capital to sales ratio<sup>(3)</sup> increased to 21.3%, driven by higher sales and raw material prices impacting receivables and inventories while last twelve months' sales based on lower average prices
- Capex of €330m on budget and in line with FY 2022 guidance
- Income tax paid of €360m reflects unfavorable geographical mix and higher pre-payments that were based on taxable income in 2021

# Seasonally high total debt after dividend and bonus payments

June 30, 2022 – Total net debt



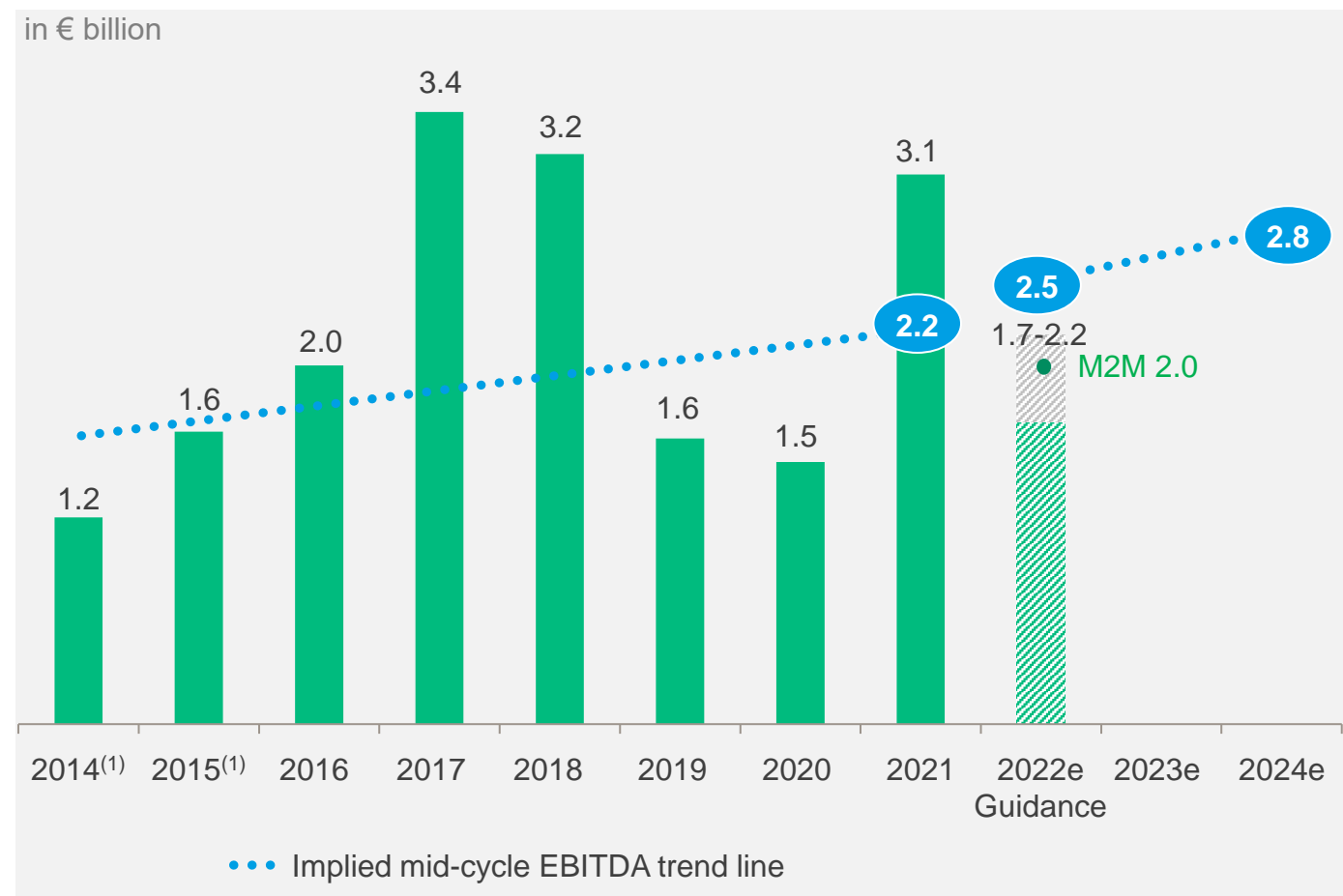
## HIGHLIGHTS

- Net pension liability as difference of pension provisions of €473m and net defined benefit assets of €164m decreased by €886m, mainly due to higher interest rates
- Net pension liability as difference of pension provisions of €473m and net defined benefit assets of €164m
- Total net debt to EBITDA ratio<sup>(1)</sup> of 1.1x at the end of Q2 2022 compared to 1.2x at the end of Q2 2021.
- Committed to a solid investment grade rating
- Payout of €651m dividend to Covestro shareholders following the AGM resolution
- Two-year share buyback of €500m, €150m executed
- Undrawn syndicated revolving credit facility (RCF) of €2.5bn in place with ESG element

# Guidance revision reflects higher energy cost & lower GDP



## EBITDA development between 2014 and 2022e



### HIGHLIGHTS

EBITDA guidance of €1,700m - 2,200m in FY 2022

- Adjusted Earnings guidance reflects currently prevailing risks in a volatile environment
- Mark-to-market (M2M) EBITDA in FY 2022 of ~€2.0bn as of July 2022

Assumptions for FY 2022 guidance:

- Global GDP of ~2%<sup>(2)</sup>
- €/USD around 1.10 level
- Energy cost around €2.2bn
- No severe impact from a potential gas curtailment

### EBITDA sensitivities

- 2017-2021 average volume sensitivity: 1pp change in sales volume (in €) equals around +/- €70m
- 2022 FX sensitivity: 1pp change equals +/- €9m for CNY/EUR and +/- €4m for USD/EUR

# EBITDA guidance update due to deteriorating environment

## Revised FY 2022 guidance



|                                | FY 2021   | Updated guidance<br>FY 2022<br>(as of May 3, 2022) | Updated guidance<br>FY 2022<br>(as of July 29, 2022) |
|--------------------------------|-----------|--|--|
| EBITDA                         | €3,085m   | €2,000m – 2,500m                                   | €1,700m – 2,200m                                     |
| FOCF                           | €1,429m   | €400m – 900m                                       | €0 – 500m  |
| ROCE above WACC <sup>(1)</sup> | 12.9pp    | 1 – 5pp  | -2 – +2pp  |
| GHG emissions (scope 1 and 2)  | 5.2m tons | 5.5m – 6.0m tons                                   | 5.3m – 5.8m tons                                     |

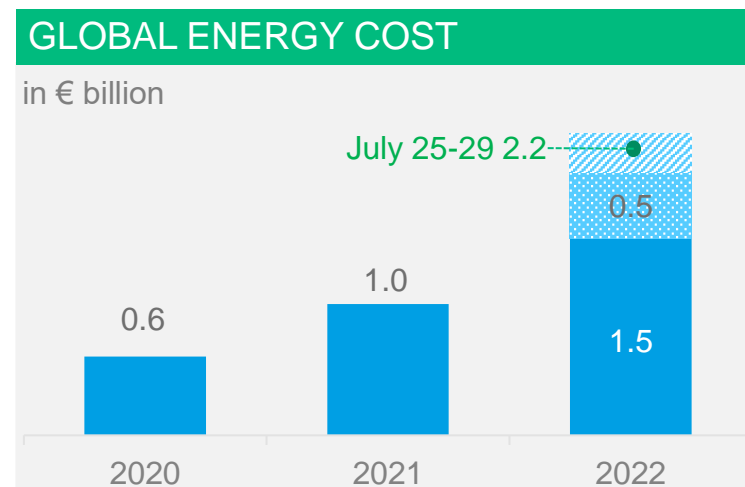
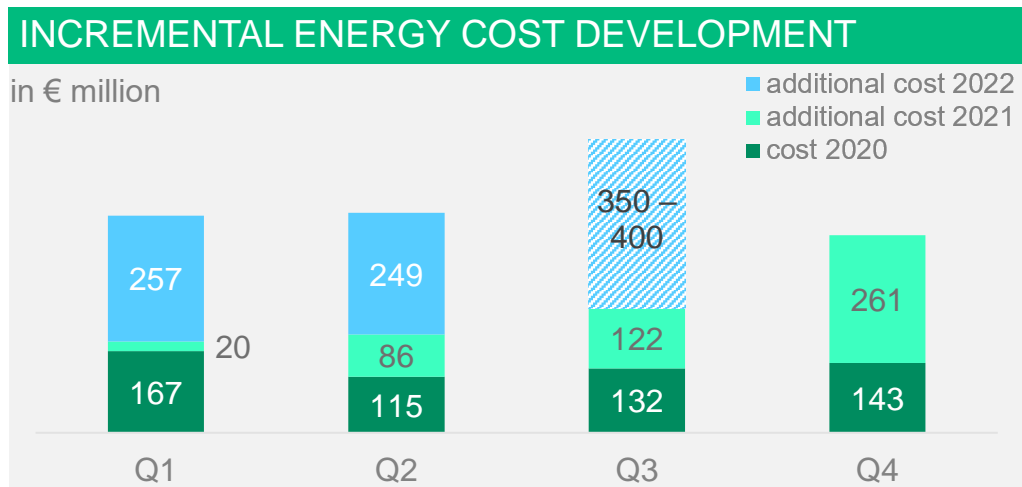
### Additional financial expectations

|                          |       |          |              |
|--------------------------|-------|----------|--------------|
| EBITDA Q3                | €862m | -        | €300m – 400m |
| D&A                      | €823m | ~€950m   | ~€950m       |
| Financial result         | €-77m | ~€-90m   | ~€-140m      |
| P&L (effective) tax rate | 25.9% | 24 – 26% | 24 – 26%     |
| Capex <sup>(2)</sup>     | €764m | ~€1,000m | ~€1,000m     |

# Global energy cost more than tripled within two years

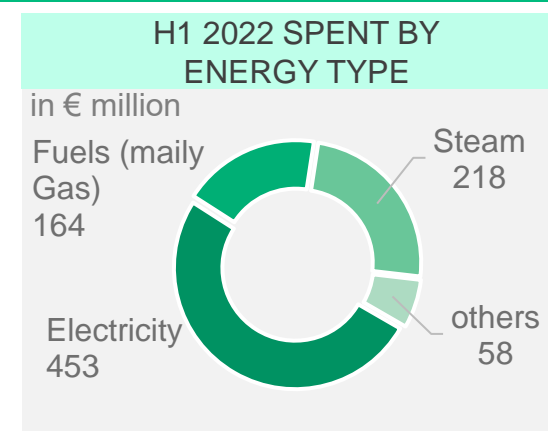
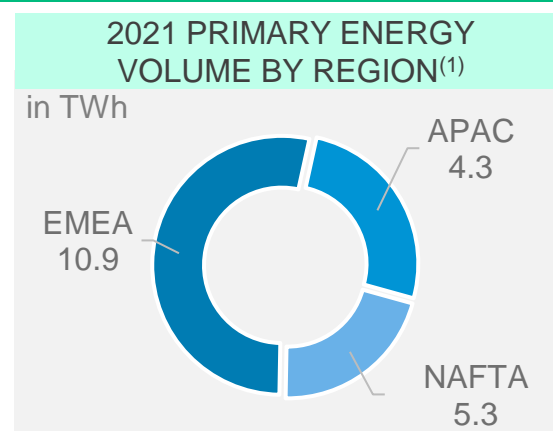
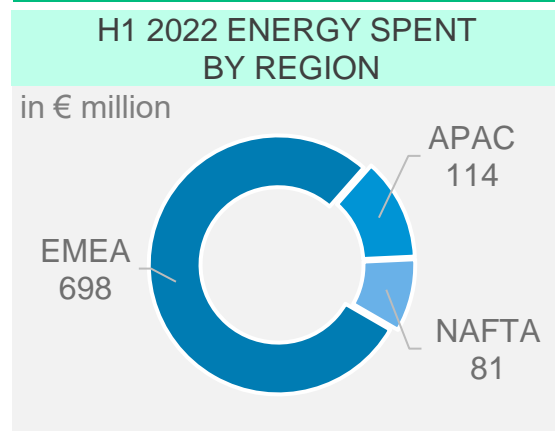


## Energy cost development



## HIGHLIGHTS

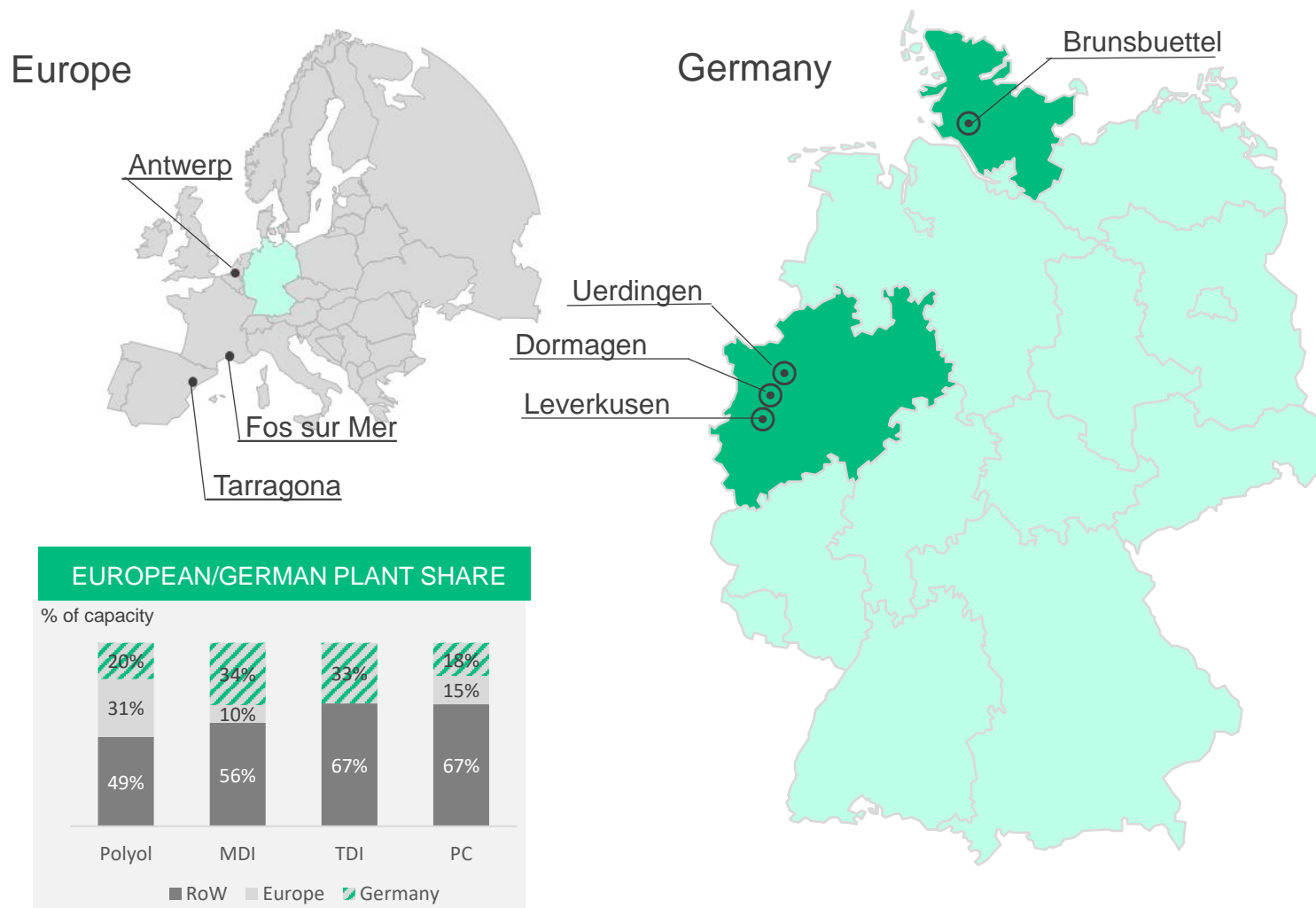
- Global energy bill in 2022 initially estimated at €1.5bn, up to €2.0bn has been imbedded in our revised forecast of May, as of July 2022 a further increase to around €2.2bn is included
- Total energy cost of €2.2bn based on the average prices of the week July 25-29, 2022, flat forward
- Situation in EU remains extremely volatile
- Covestro purchases energy under spot market conditions with no hedges



# Potential impact of gas supply curtailment on German sites



## European major sites locations



### HIGHLIGHTS

- Covestro runs multiple large production sites for its core products in Europe
- A potential gas shortage situation will predominantly effect the German sites<sup>(1)</sup>
- Gas distribution would be allocated by the Federal Network Agency – no curtailment has been introduced yet
- Covestro sites in Germany represent ~25% of global Covestro production capacity in Covestro core products
- Curtailment of 10-40% possible, based on a scenario with ~25% reduction of gas supply to the German plants would have an estimated low to mid-double-digit € million EBITDA impact per month<sup>(2)</sup>
- Covestro plants in Belgium, France and Spain expected to be affected at limited extend only<sup>(1)</sup>

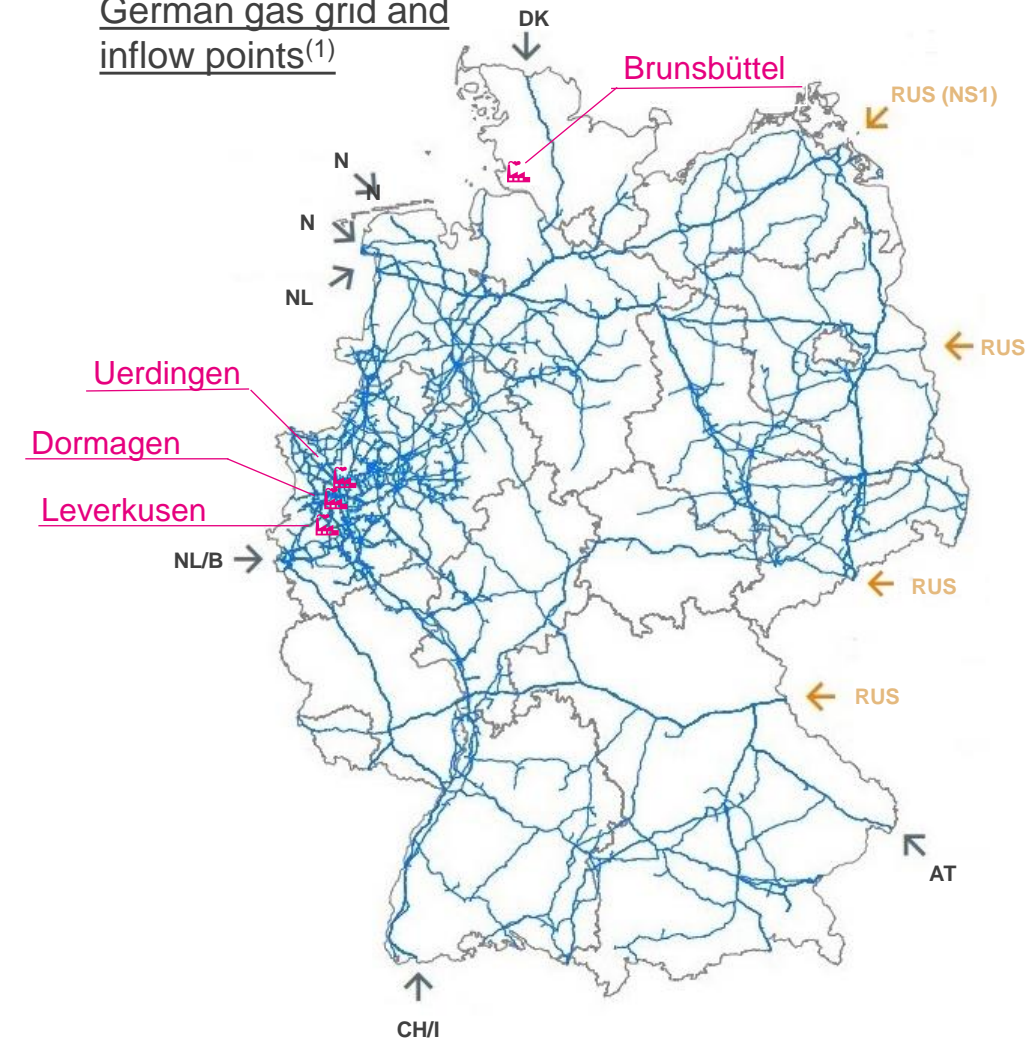


# Production sites of Covestro located in favorable position

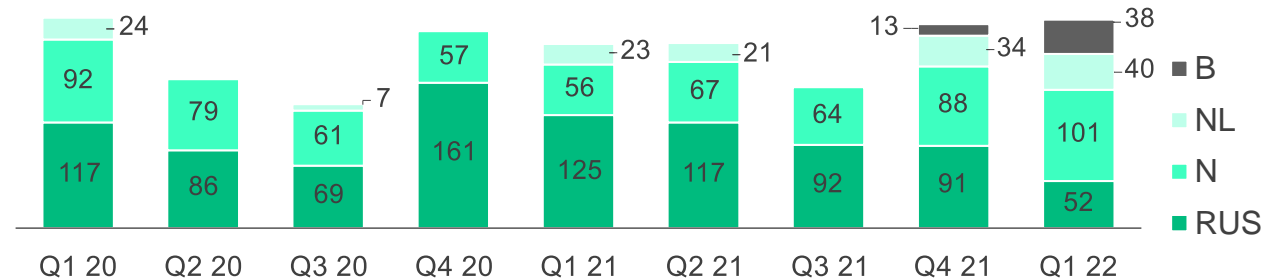


## Gas supply infrastructure and location of German sites

German gas grid and inflow points<sup>(1)</sup>



QUARTERLY NET GAS IMPORTS TO GERMANY BY SOURCE<sup>(2)</sup>



### HIGHLIGHTS

- New gas supply situation shows increased imports from Benelux and Nordic countries to cover for reduced imports from Russia
- Gas grid setup is based on the old flow pattern (East to West), an inverted flow direction with own LNG terminals and increased imports from N/NL/B needs to be simulated/tested and might result in necessary infrastructure adjustments first
- Covestro sites in Germany are in a favorable location in North Rhine Westfalia (West) and Schleswig Holstein (North) compared to the average industrial consumer



# Solid performance - increasingly challenging environment



## Highlights

1

Record sales of €4.7bn in Q2 2022

driven by significant price increases mitigating extraordinary inflationary pressure

2

EBITDA above guidance range in Q2 2022

due to faster than expected normalization of Covid situation in China

3

Guidance revision reflects challenges in H2 2022

EBITDA guidance reduced from €2.0 – 2.5bn to €1.7 – 2.2bn

4

Record dividend payout of €3.40 per share

payout ratio of 40%

5

Two-year share buyback of €500m

with €150m bought back during the first four months



# Appendix

# Upcoming IR events

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



## REPORTING DATES

- |                    |                             |
|--------------------|-----------------------------|
| • October 25, 2022 | Q3 2022 Quarterly Statement |
| • March 2, 2023    | 2022 Annual Report          |
| • April 28, 2023   | Q1 2023 Quarterly Statement |

## ANNUAL GENERAL MEETING

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

## BROKER CONFERENCES

- |                      |  |
|----------------------|--|
| • September 6, 2022  | ODDO BHF Corporate Conference, Frankfurt                             |
| • September 14, 2022 | Crédit Suisse Annual Specialties & Basics Conference, New York       |
| • September 19, 2022 | Berenberg & Goldman Sachs Annual German Corporate Conference, Munich |
| • September 21, 2022 | Baader Investment Conference, Munich                                 |