



# Continuing strong earnings performance

Roadshow presentation



- Covestro investment highlights**
- Group financials Q1'21
- Segment overview
- Acquisition DSM-RFM
- Background information

# Covestro is diversified across geographies and end-markets



## Key performance indicators and sales split



Sales  
2020



Core volume growth  
CAGR 2015 - 2020



FOCF  
2020

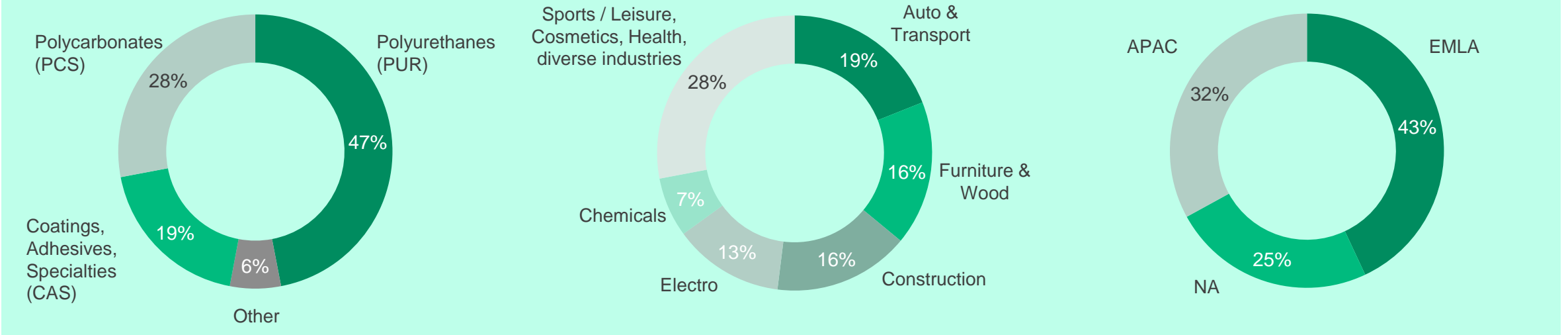


ROCE  
2020



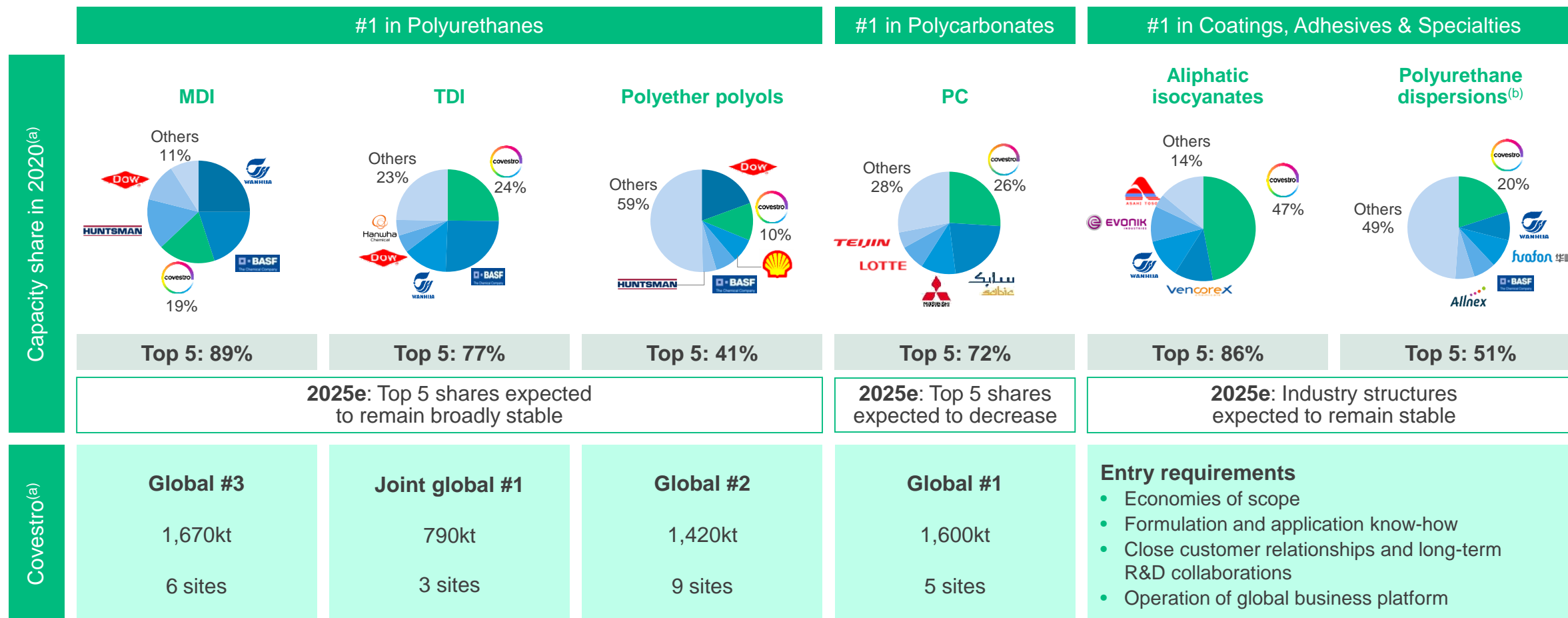
EBITDA  
2020

2020 sales



# Covestro is a global leader across its entire portfolio

## World-wide industry positions and production capacities





# 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

- ! **MILESTONE 2020**
- ! First alternative feedstock sourced

# Accelerate the transition to a fossil-free economy



We will be fully circular

## ALTERNATIVE RAW MATERIALS

### Replacing fossil resources

Example Bio-based car top coat



- Enabling customers to optimize the CO<sub>2</sub> footprint of their products
- New hardener for automotive coatings with carbon basis up to 70% from renewable raw materials
- No compromises with regards to protective functions and appearance
- Collaboration with automotive group Audi and the coating experts at BASF Coatings

## INNOVATIVE RECYCLING

### Energy-efficient technologies

Example Recycled polycarbonates



- New polycarbonate grades from post-consumer recycled (PCR) content, e.g. water bottles, CDs and automotive lighting
- Closed loop recycling system to collect, sort, shred and clean material
- Recycled granules are finally compounded with virgin resins
- PCR grades are used in various electr. applications for a second life

## RENEWABLE ENERGIES

### Wind energy

Example Ørsted wind energy supply



- World's largest corporate supply contract for offshore wind energy entered with Ørsted in Dec. 2019
- Starting in 2025, Ørsted to provide 100 MW of electricity for 10 years
- Newly built wind farm in North Sea, implemented without public funding
- Supply to cover c. 10% of electricity consumed by Covestro in Germany

## JOINT SOLUTIONS

### Cross-industry collaboration

Example PReSmart consortium



- PReSmart to seek ways of transition from current linear lifecycle of polyurethane (PU) products to a circular economy model
- Consortium as an end-to-end collaboration spanning the entire PU reprocessing value chain
- Nine partners from six different countries, coordinated by the Belgian company Recticel

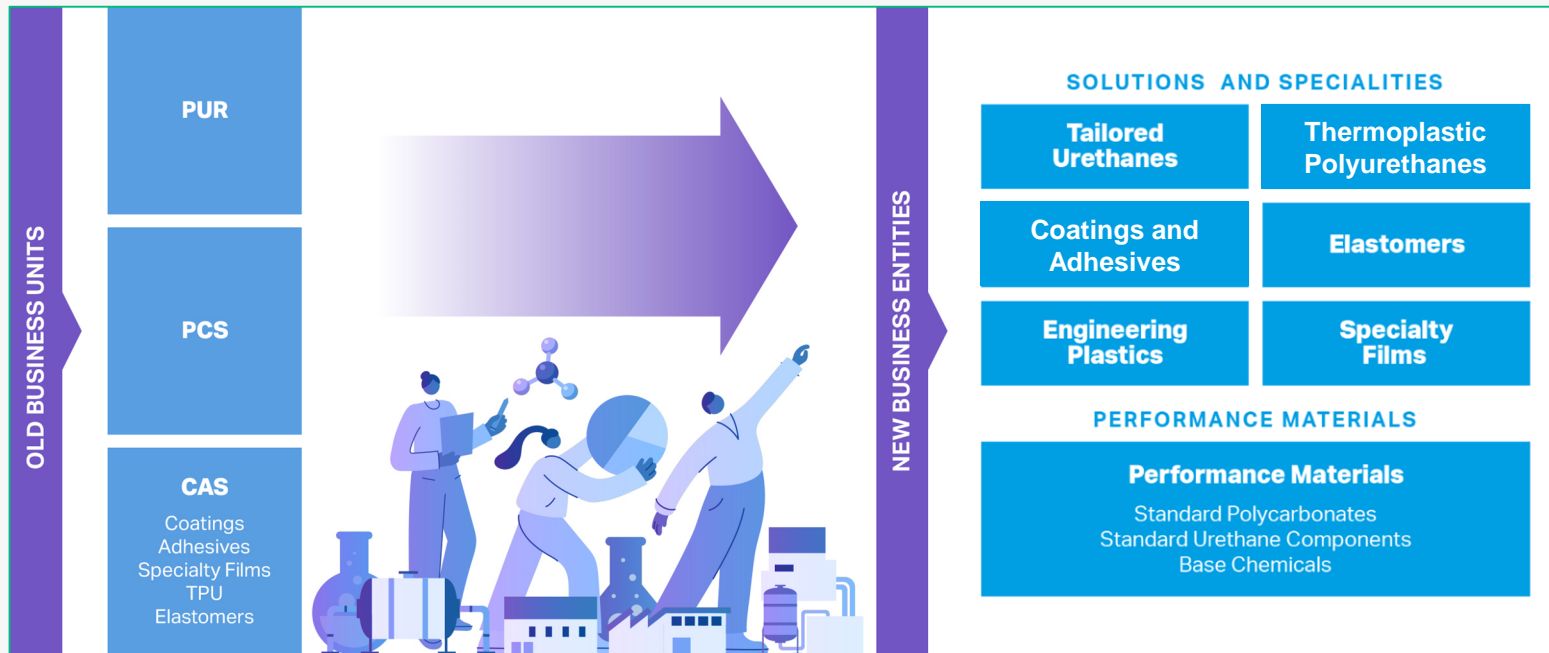
# Becoming more customer-centric

## 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

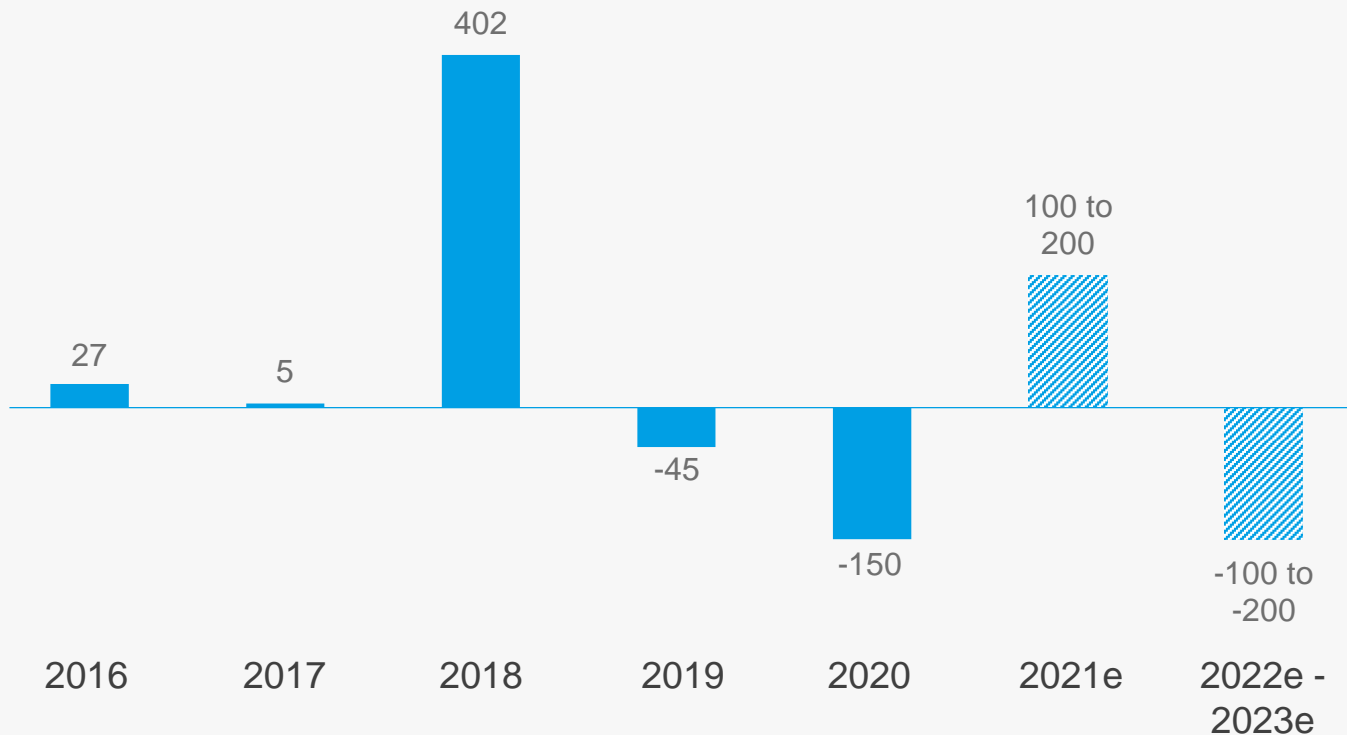
# Keeping fixed costs flat

## Transformation program LEAP in 2021-2023



### FIXED COST DEVELOPMENT Y/Y EXCLUDING INCENTIVE SCHEMES

in € million



### HIGHLIGHTS

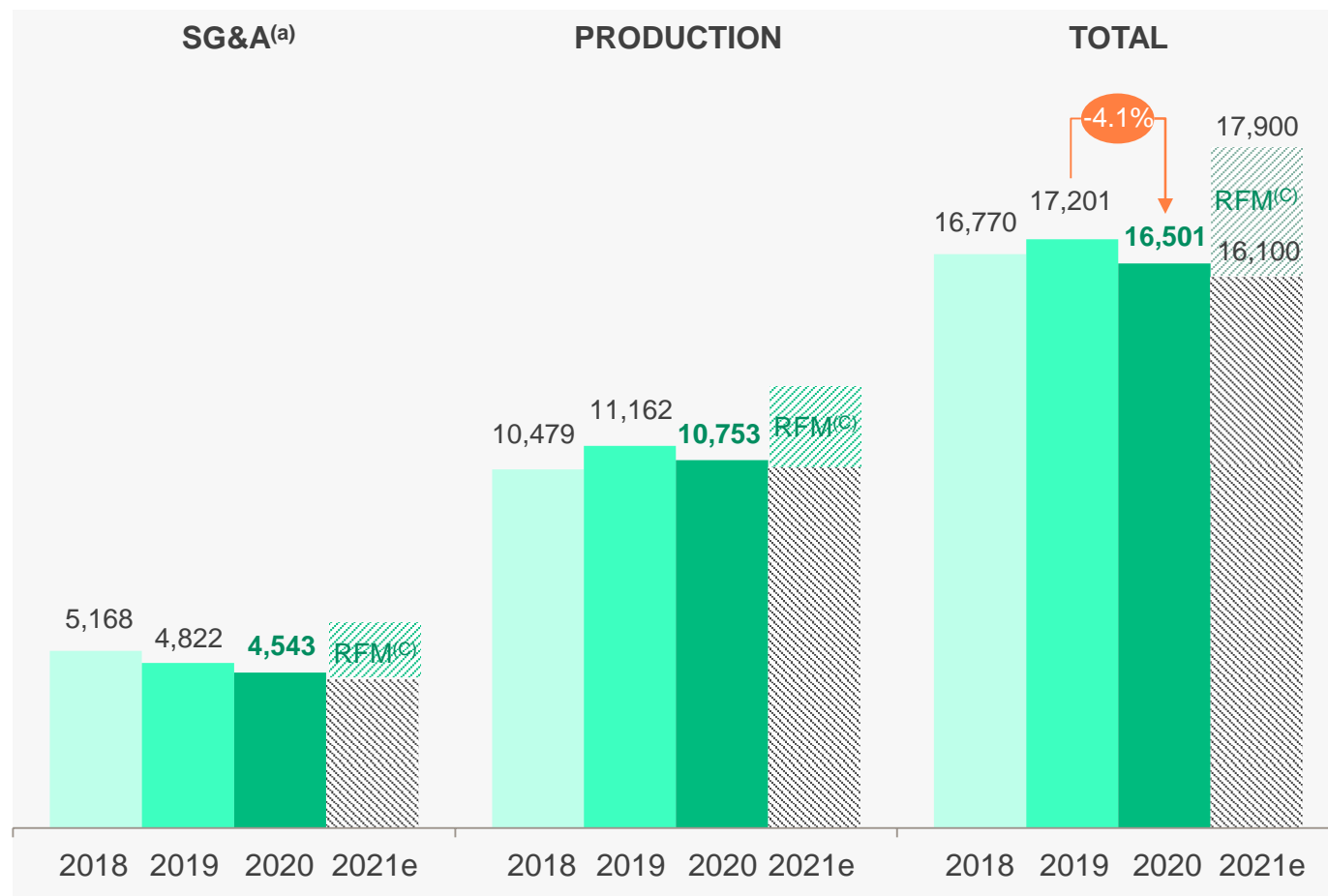
- Savings target: maintain fixed costs unchanged until 2023, excluding STI and LTI schemes, based on FY 2020
- Historical savings initiatives
  - ‘PEP’ initiated during IPO in 2015
  - ‘Perspective’ initiated end of 2018
  - ‘Short-term savings’ in 2020
- Investments into growth in 2018
- Cost in 2021e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



# Headcount 2020 reduced by 700 FTE, further reductions planned



## Development of full-time equivalent (FTE)



### HIGHLIGHTS

- Year end 2020 FTE reduced by 700 to ~16,500 beyond original target of 16,800 through execution of Perspective program
- Plan to further reduce by ~400 to ~16,100 FTE until year end 2021; 16,395 FTE as per March 31, 2021
- RFM acquisition to add ~1,800 FTE to total headcount in 2021e

# ESG ambitions support growth strategy

## Covestro non-financial targets for 2025



1

80% of project expenditures for R&D go toward areas that contribute to UN SDGs

Achievement: 51% of R&D project expenditures in 2020



2

100% of our suppliers comply with our sustainability requirements

Achievement: 79% by end of 2020



3

Reduce specific greenhouse gas emissions by 50% from the benchmark in 2005

Achievement: -46.2% by end of 2020



4

Ten million people in underserved markets benefit from our solutions

Achievement: 1.1 million people by end of 2020



5

Extract the maximum benefit from carbon and increase carbon productivity

Achievement: Company vision to become fully circular announced in 2020, corporate goal setting under way

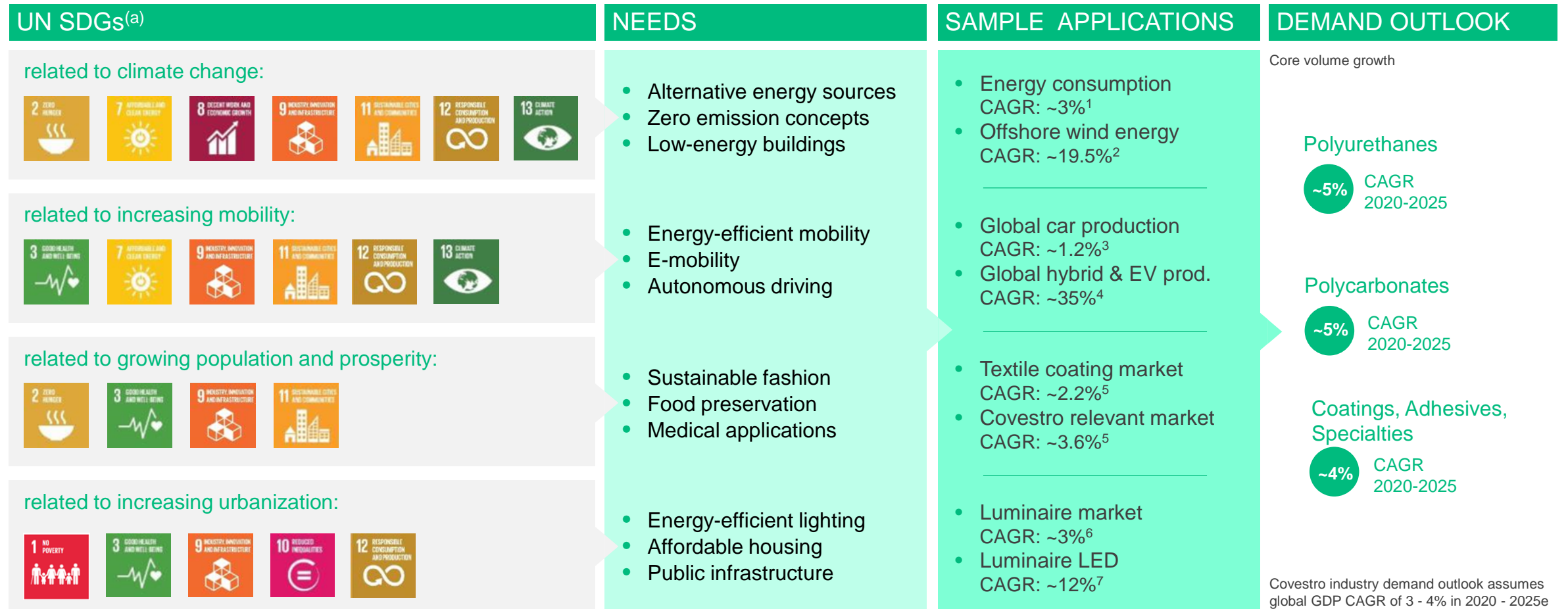




# Covestro innovative products tap into attractive new markets



## Structural growth drivers



Notes:

(a) Most impacted goals out of 17 Sustainable Development Goals, set by the United Nations' "2030 Agenda for Sustainable Development"

1) Covestro estimates for 2020-2025, based on BP, Energy Outlook, 2017 for 2015-2020 based on million tons oil equivalent

2) GWEC, Global Wind Executive Council: Annual-Wind-Report 2019 for 2020-2025

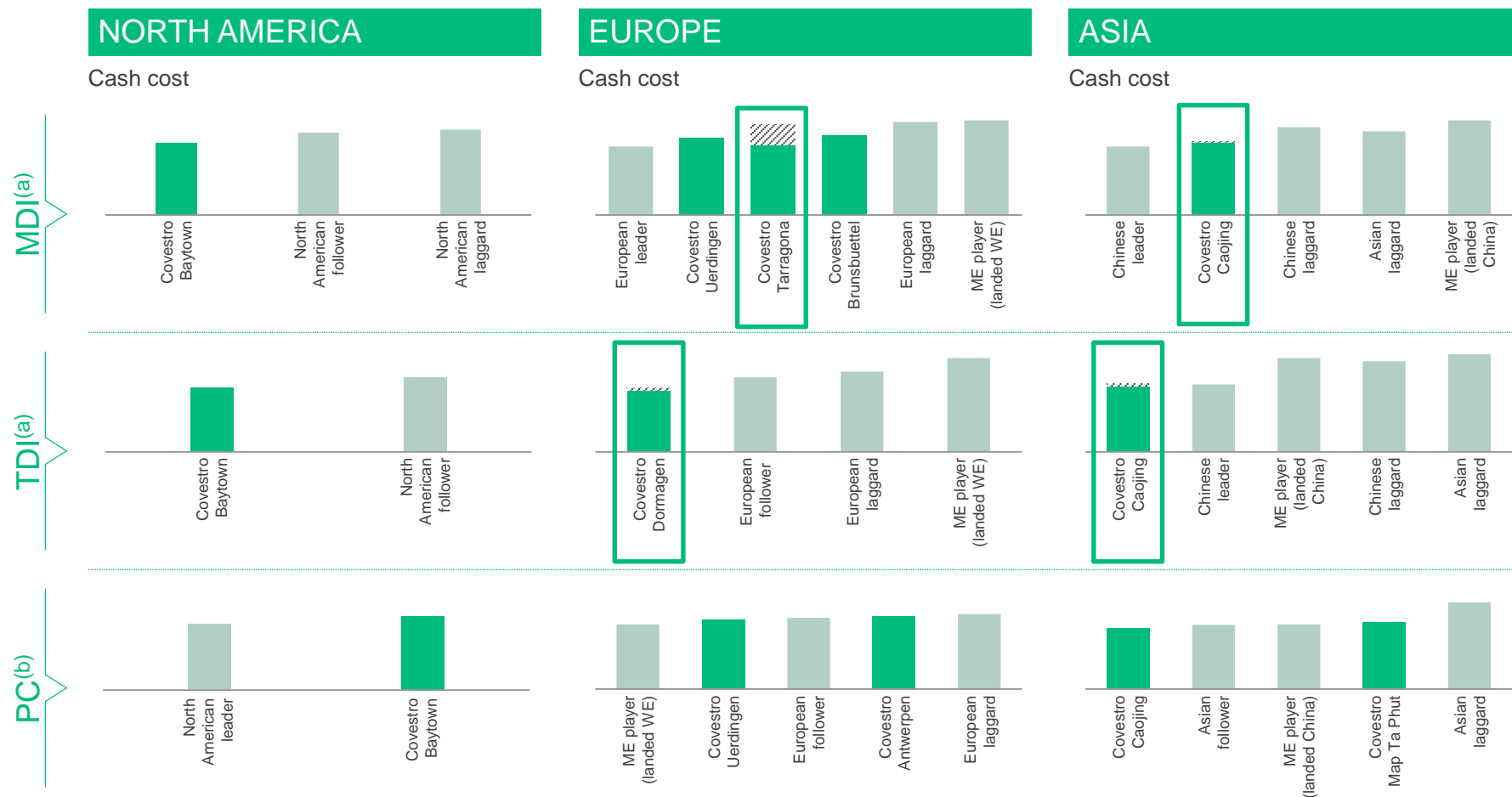
3) LMC, Aug 2020, for years 2019-2023; 4) LMC, Aug 2020, for years 2018-2023; 5) Covestro estimates for 2019-2023; 6) Covestro estimates for 2020-2025;

7) Covestro estimates based on LEDinside report H2 Y2020 (CAGR 2018-24) and Global Luminaires and Lighting Market Analysis and Forecast 2016, PennWell for 2015-2022

# Leading cost positions across business segments and regions



## Covestro cash cost positions



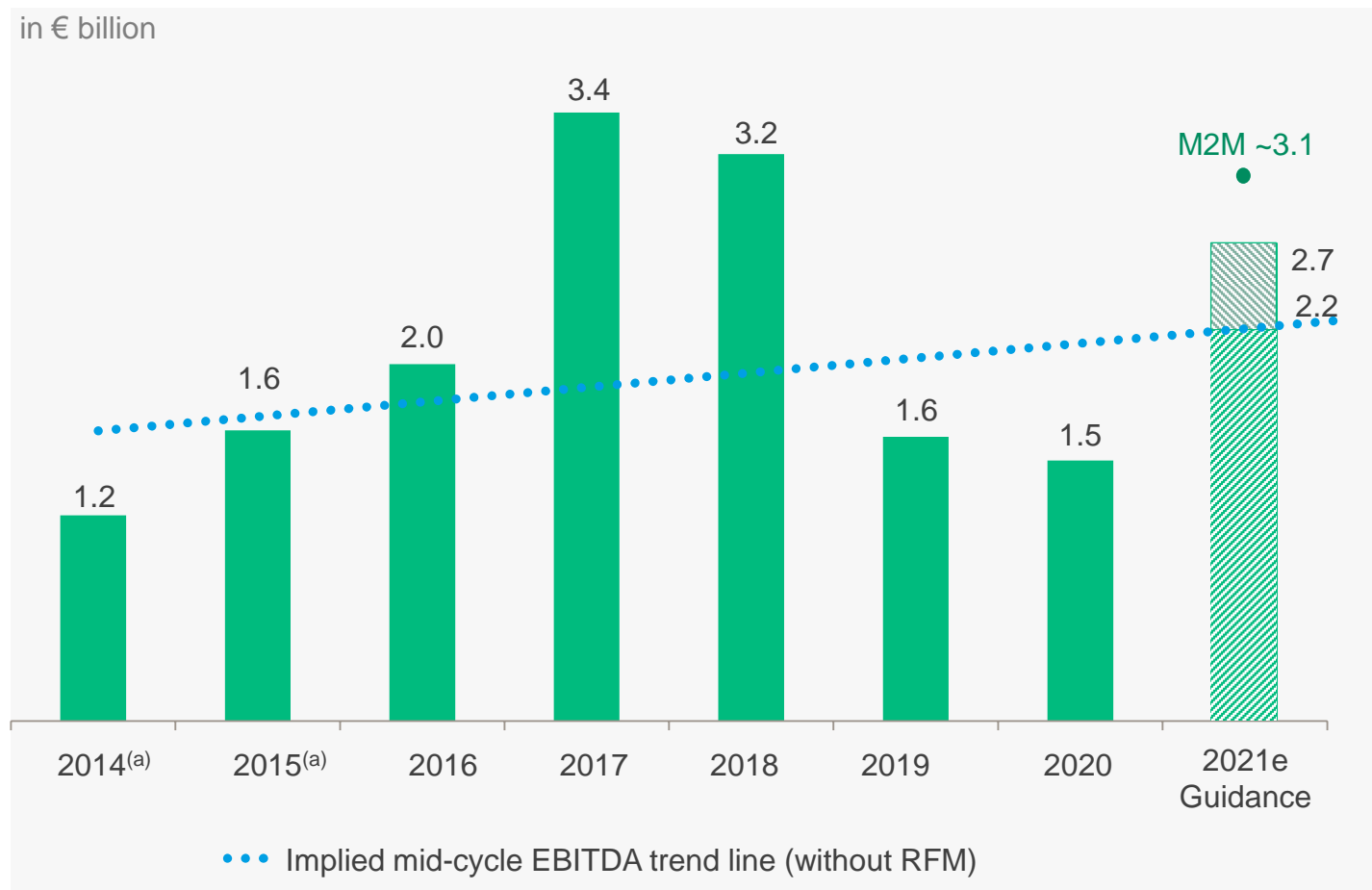
## HIGHLIGHTS

- **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 ~55% versus the average of 5 least competitive plants
- **Covestro Polycarbonates** is one of the two joint cost leaders with cost advantage of ~25% versus the average of 5 least competitive plants

/// Cash cost improvements based on investment projects

# Above mid-cycle earnings 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 €2,200m – 2,700m in FY 2021

- Upgraded earnings guidance reflects better than expected margin development in first half of 2021
- Includes RFM acquisition, closed on April 1, 2021
- Mark-to-market (M2M) EBITDA in FY 2021 of ~€3.1bn based on March 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

# Raised 2021 earnings outlook confirmed

Updated FY 2021 guidance including RFM acquisition, as of April 13, 2021



	FY 2020	Previous guidance FY 2021 (as of Feb. 23, 2021)	Updated guidance FY 2021 (as of April 13, 2021)
Core volume growth	-5.6%	10 – 15% (t/o ~6%p RFM)	10 – 15% (t/o ~6%p RFM)
FOCF	€530m	€900m – 1,400m	€1,300m – 1,800m
ROCE	7.0%	7 – 12%	12 – 17%





## Additional financial expectations

EBITDA FY	€1,472m	€1,700m – 2,200m	€2,200m – 2,700m
EBITDA Q2	€125m	n. a.	€730m – 870m
D&A	€776m	~€900m	~€900m
Financial result	€-91m	~€-100m	~€-100m
P&L (effective) tax rate	25.0%	24 – 26%	24 – 26%
Capex <sup>(a)</sup>	€704m	~€800m	~€800m
Average number of outstanding shares (in million)	184.9	193.2	193.2

# Majority of cash allocated to growth

## Balanced use of cash

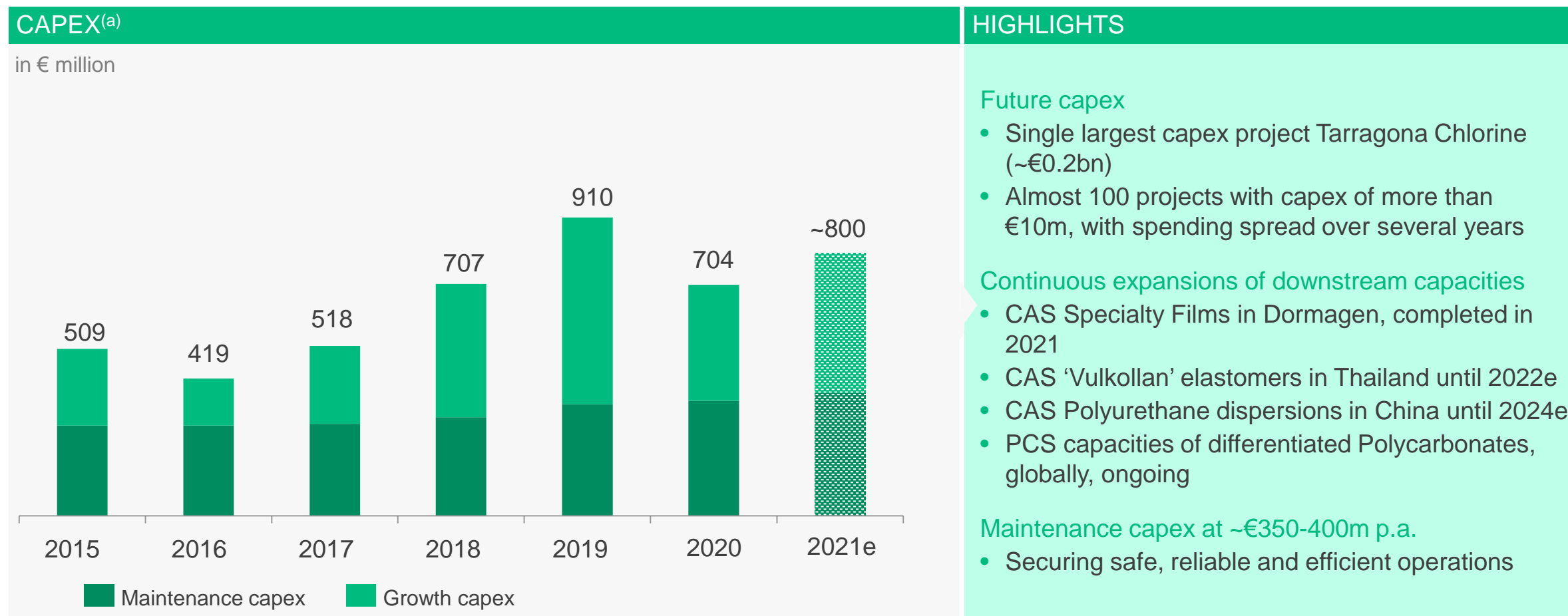


<h3>CAPEX</h3> 	<h3>DIVIDEND</h3> 	<h3>PORTFOLIO</h3> 	<h3>SHARE CAPITAL</h3> 
<ul style="list-style-type: none"><li>• Covestro's industry and cost leadership make growth investment the most value-creating use of cash</li><li>• Maintenance capex to secure safe, reliable and efficient operations</li></ul>	<ul style="list-style-type: none"><li>• New policy: 35-55% payout of net income</li><li>• 2020 dividend of €1.30 per share</li><li>• Dividend yield 2020 of 2.6%<sup>(a)</sup></li></ul>	<ul style="list-style-type: none"><li>• Targeting value-enhancing acquisitions with attractive IRR</li><li>• Acquisition of DSM's Resins and Functional Material (RFM) business for EV €1.55bn with attractive high margins (~€1.0bn sales)</li><li>• Less attractive low-margin businesses divested (~€0.6bn sales)</li></ul>	<ul style="list-style-type: none"><li>• Capital increase of €447m executed in 2020 in context of RFM acquisition</li><li>• Share buy-back of €1.5bn executed in 2017-2018</li><li>• 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</li></ul>
<b>€3.2bn invested in capex</b>	<b>€1.5bn dividends</b>	<b>€1.5bn net investments</b>	<b>€1.1bn share capital reduced</b>

# Investment into organic growth to deliver attractive returns



## Covestro capex development

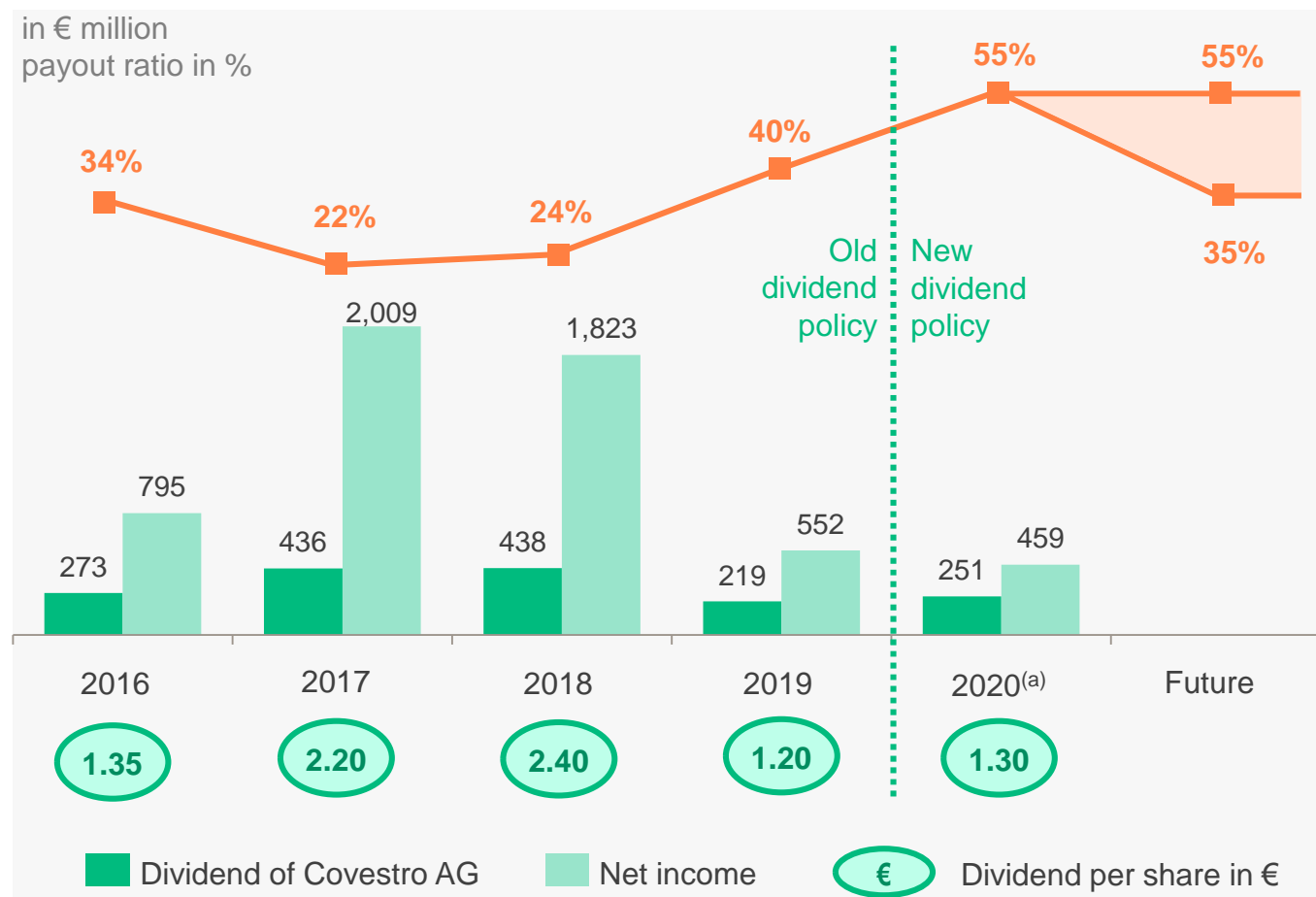




# New dividend policy: 35-55% payout ratio of net income



## 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, paid dividend of €1.30 per share
- Corresponding FOCF of €530m in FY 2020 fully covers dividend payout of €251m

# Securing profitable growth



## Why invest in Covestro

1

Leading and defensible global industry positions  
as innovation and cost leader

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2

Sustainable volume growth above GDP  
driven by innovation and sustainability trend

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3

Transformation program LEAP to exploit Covestro's full potential  
maintaining fixed costs unchanged until 2023

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4

"We will be fully circular"  
accelerating the transition to a fossil-free economy aligned with ESG criteria

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5

Capital allocation focused on value creation  
with commitment to profitable growth



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- **Group financials Q1'21**
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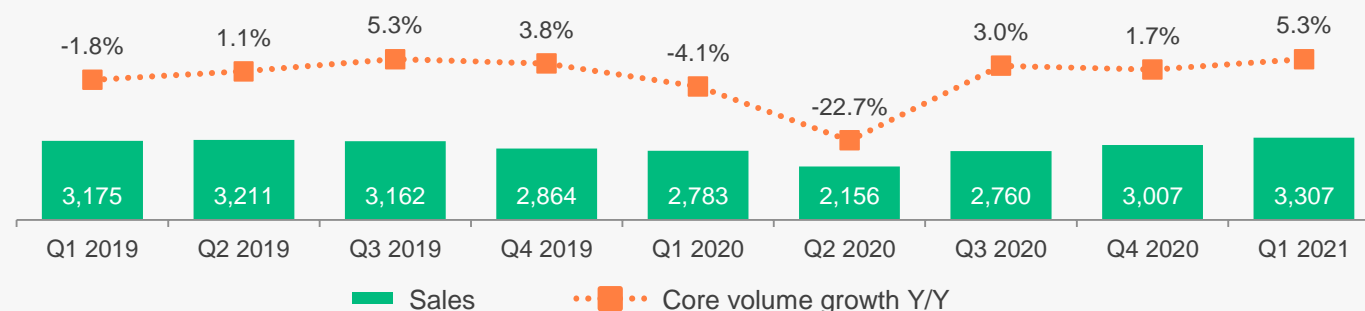
# Group results well above pre-pandemic levels of 2019



## Group results – Highlights Q1 2021

### SALES AND CORE VOLUME GROWTH<sup>(a)</sup>

in € million / changes Y/Y

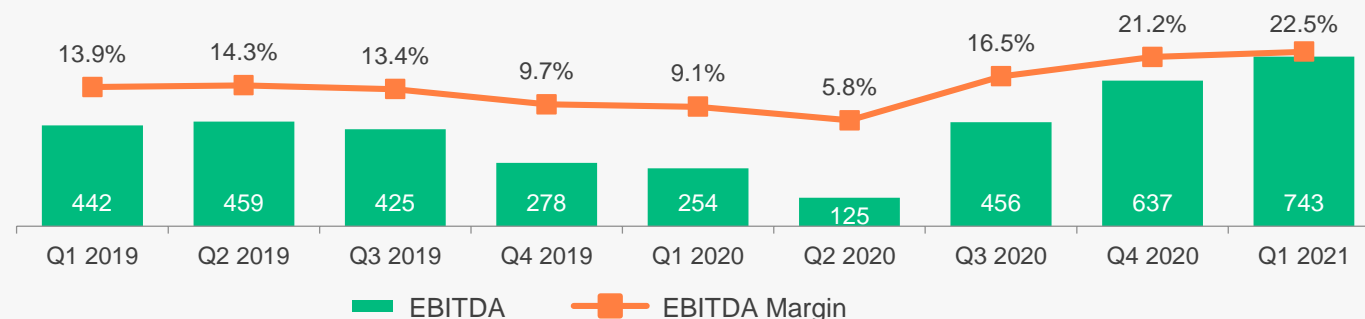


### HIGHLIGHTS

- Sales increased by 18.8% Y/Y driven by price (+20.2%), whereas volume (+3.4%) was limited by availability; negatively affected by FX (-4.8%)
- Q1 2020 impacted by coronavirus pandemic, mainly in APAC
- Q1 2021 sales +4.2% and volumes +1.0% compared to pre-pandemic levels of Q1 2019

### EBITDA AND MARGIN

in € million



### HIGHLIGHTS

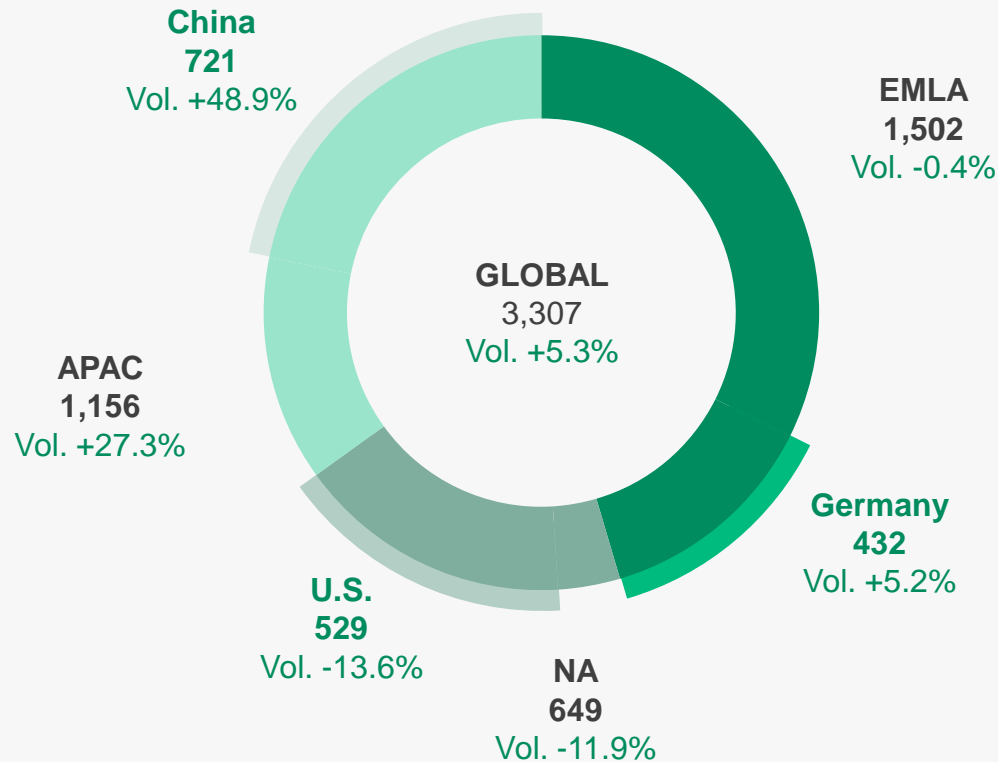
- Compared to Q1 2020, EBITDA strongly benefitted from positive pricing delta as well as from higher volumes, compensating accordingly higher provisions for variable compensation
- In Q1 2021, highest EBITDA margin for nine quarters, but still well below historic margin peak of 28.1% in Q1 2018

# Strong demand rebound limited by availability



## Q1 2021 – Regional split

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

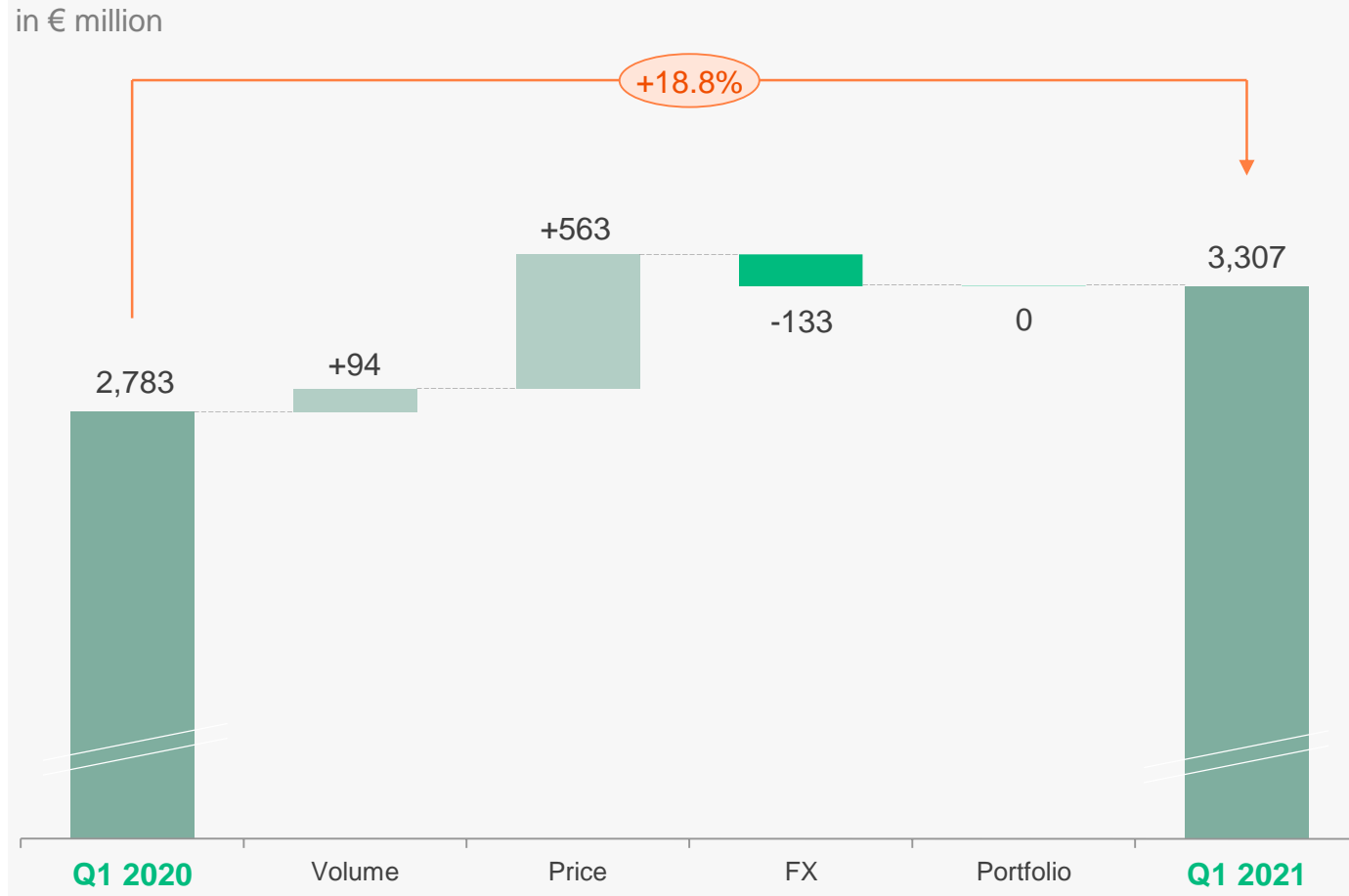


### CORE VOLUME GROWTH Y/Y

- Globally strong demand but ability to grow core volumes was constrained by product availability:
  - Furniture/wood c. -1%, while APAC up 28%
  - Construction c. +3%, driven by EMLA and APAC
  - Auto/transport c. +14%, as APAC up 51%
  - Electro c. +20%, with growth in all regions
  - Divers c. -2%, including medical c. +12%
- APAC: double-digit growth rates in all key industries, clearly driven by demand rebound in China; all comparing against low previous year basis
- EMLA: single-digit growth in all key industries, except single-digit decline in furniture/wood as a consequence of limited polyols availability
- NA: declining volumes as a result of constrained availability in all product groups after US winter storm Uri, while underlying demand was solid

# Higher prices drive sales growth

## Q1 2021 – Sales bridge



### HIGHLIGHTS

#### Volume positive

- Volume increased by +3.4% Y/Y (in €) driven by all three segments
- Difference to core volume growth of 5.3% Y/Y (in kt) mainly due to declining non-core volumes and unfavorable product mix effect
- Volume growth was limited by constrained product availability, mainly owing to US winter storm Uri

#### Pricing highly positive

- Higher selling prices, mainly in PUR and PCS, drove sales by +20.2% Y/Y

#### FX negative

- FX affected sales by -4.8% Y/Y mainly driven by weaker USD, CNY, BRL, MXN and INR

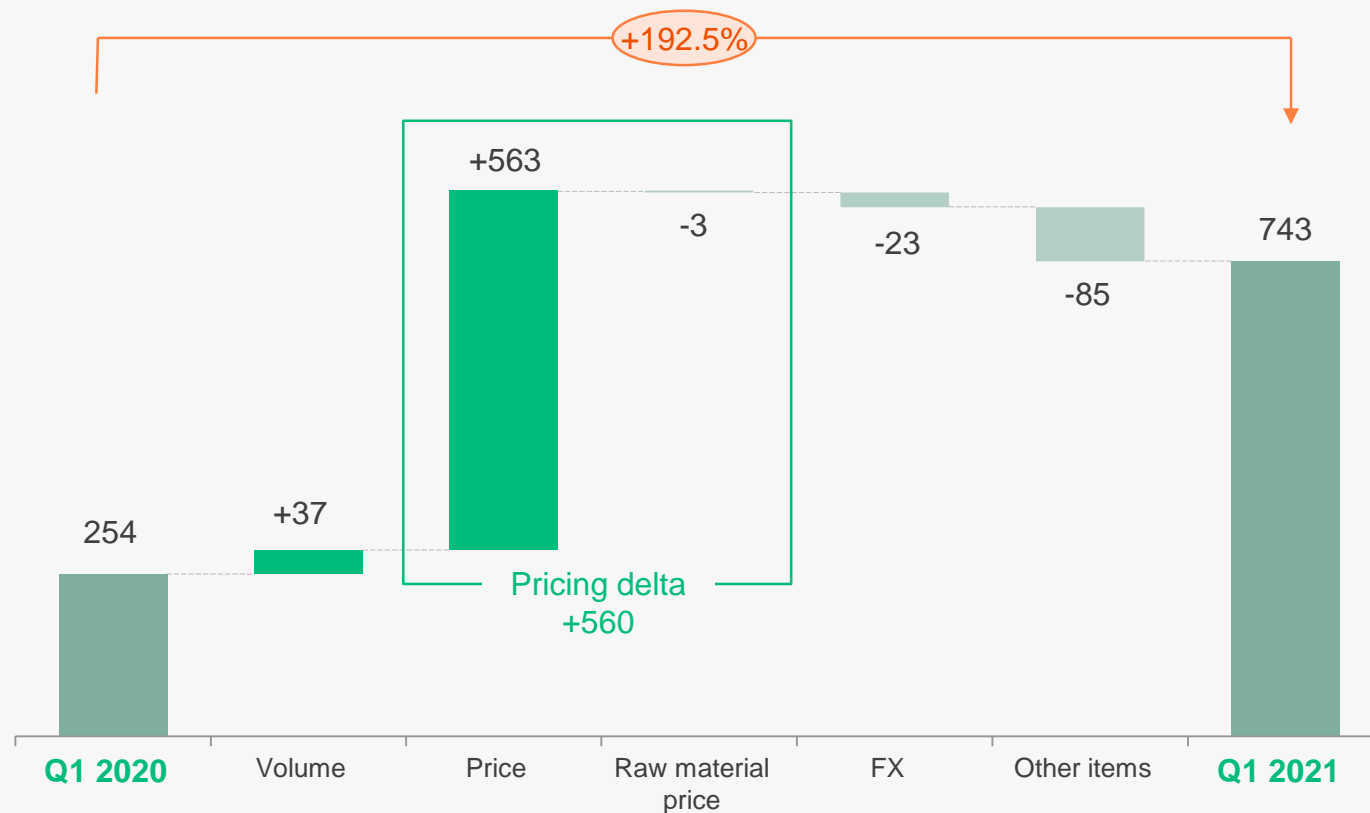


# EBITDA tripled due to positive pricing delta

## Q1 2021 – EBITDA bridge



in € million



### HIGHLIGHTS

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

- Volume leverage limited to 39% due to unfavorable product and regional mix effect

#### Highly positive pricing delta

- Vast majority contributed by PUR

#### Slightly negative FX

- Mainly translational effects

#### 'Other items' include:

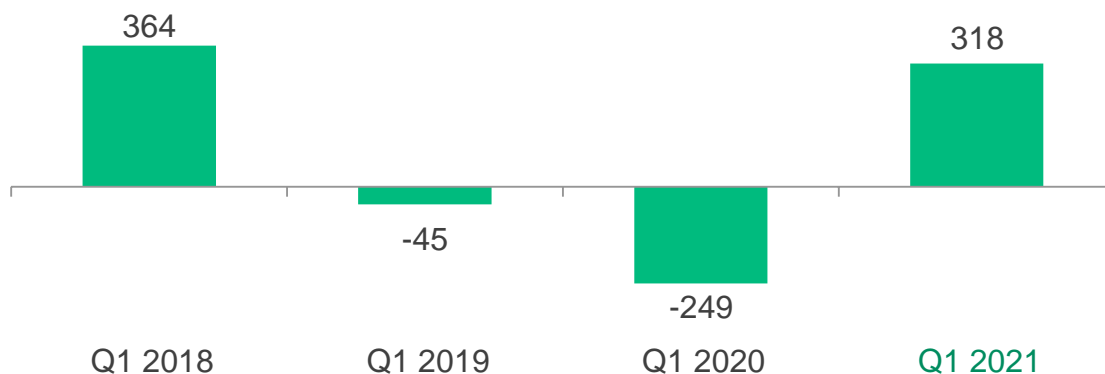
- €-105m linked to higher provisions for variable compensation
- First time inclusion of €-16m negative one-time effects related to LEAP transformation program

# €0.6bn higher quarterly cash flow

## Historical FOCF development



in € million



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

### HIGHLIGHTS

- FOCF increased to €318m (€-249m in Q1'20) driven by significantly higher earnings
- Working capital to sales ratio<sup>(b)</sup> at 21.1%, temporarily above 15-17% target corridor
- Capex of €110m on budget and in line with FY 2021 guidance
- Income tax paid of €50m reflect lower income level in previous quarters
- 'Other effects' reflect provisions for variable compensation, cash-effective only in 2022

Note:

Working capital includes changes in inventories, trade accounts receivable and trade accounts payable

(a) Cash-relevant capex

(b) Method of calculation: Working Capital on March 31, 2021, divided by sales of last four quarters

(c) Prior year figure restated following change in presentation for rebates granted to customers, affecting trade accounts payable

# Strong liquidity position in preparation for RFM closing

March 31, 2021 – Total net debt



## HIGHLIGHTS

- Pension provisions decreased by €348m mainly resulting from higher discount rates in Germany
- Total net debt to EBITDA ratio<sup>(a)</sup> of 0.95x at end of Q1 2021 vs. 1.9x at end of Q1 2020
- Equity ratio of 47% at end of Q1 2021 vs. 44% at end of FY 2020
- Committed to a solid investment grade rating

### Liquidity at attractive rates

- Balance sheet with ~€2.8bn in cash, cash equivalents and current financial assets
- Strong liquidity position in preparation for RFM acquisition, closed on April 1, 2021
- Undrawn syndicated revolving credit facility (RCF) of €2.5bn in place with ESG element



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# Number one producer globally and inventor of PU<sup>(a)</sup>

## Polyurethanes (PUR) at a glance



### PRODUCTS

Polyurethane rigid foam is an excellent insulation material and adds to high energy efficiency in cooling units and buildings.

As soft foam polyurethane provides comfort, for example in mattresses, car seats and upholstery.

Covestro develops and produces the components of this versatile material.

### KEY CUSTOMER INDUSTRIES:



### SAMPLE APPLICATIONS



For comfortable cars



For sustainable houses



For cozy furniture



For highly efficient appliances

1.4%

Core volume  
CAGR in 2015 - 2020<sup>(b)</sup>

€5.0bn

Sales  
2020

€625m

EBITDA  
2020

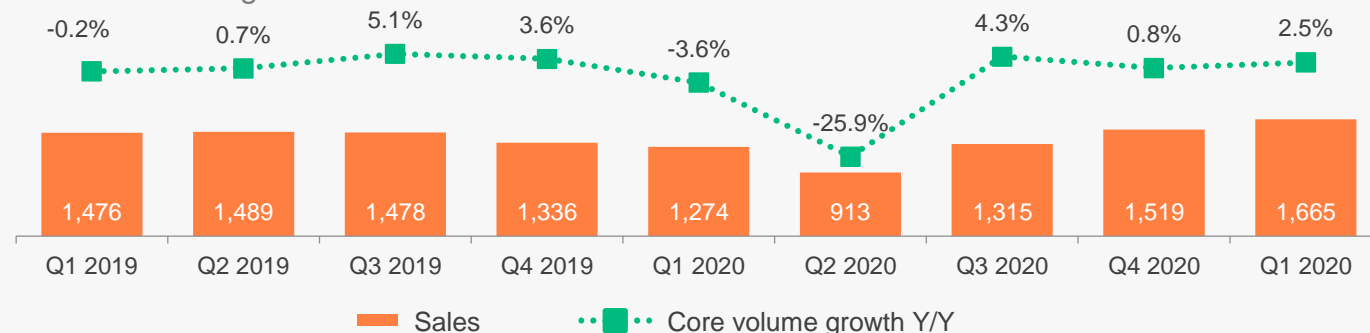
# Polyurethanes – constrained industry supply drives earnings



## Segment results – Highlights Q1 2021

### SALES AND CORE VOLUME GROWTH<sup>(a)</sup>

in € million / changes Y/Y

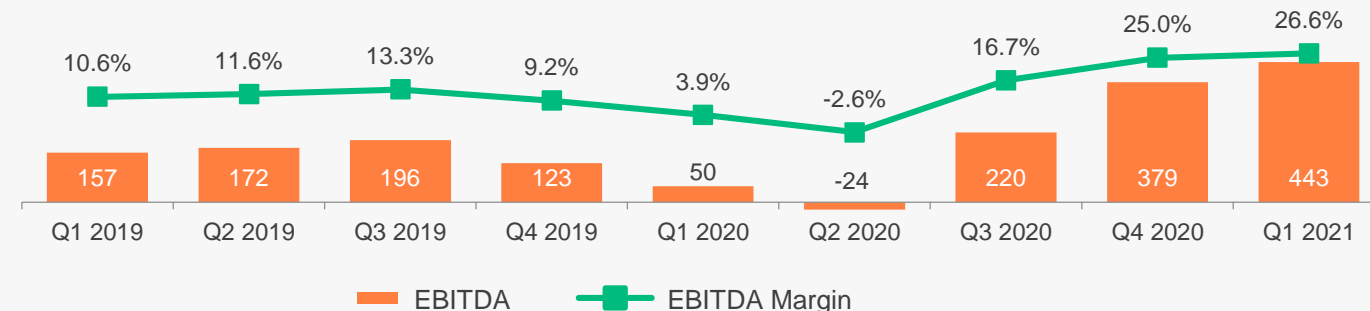


### HIGHLIGHTS

- Core volume growth (in kt) of +2.5% Y/Y, burdened by constrained availability, mainly owing to US winter storm Uri and, as a result, continuing shortages of feedstocks
- Sales increased by 30.7% Y/Y driven by price (+36.1%), whereas volume (+0.2%) was limited by availability; negatively affected by FX (-5.6%)

### EBITDA AND MARGIN

in € million / margin in percent



### HIGHLIGHTS

- Compared to prior year, EBITDA increase driven by strong positive pricing delta in all three product groups, compensating higher provisions for variable compensation
- Sequentially, earnings increase vs. Q4 2020 driven by positive pricing delta
- EBITDA margin of 26.6% in Q1 2021 still well below historic peak of 32.7% in Q1 2018



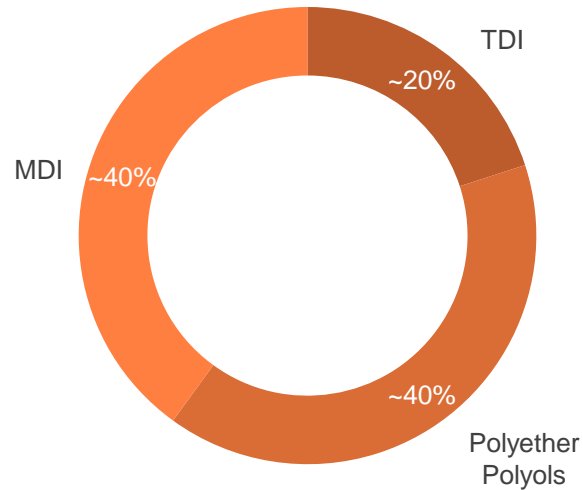
# Polyurethanes broadly positioned for growth



## Sales by business, end-markets and regions

### SALES SPLIT BY BUSINESS

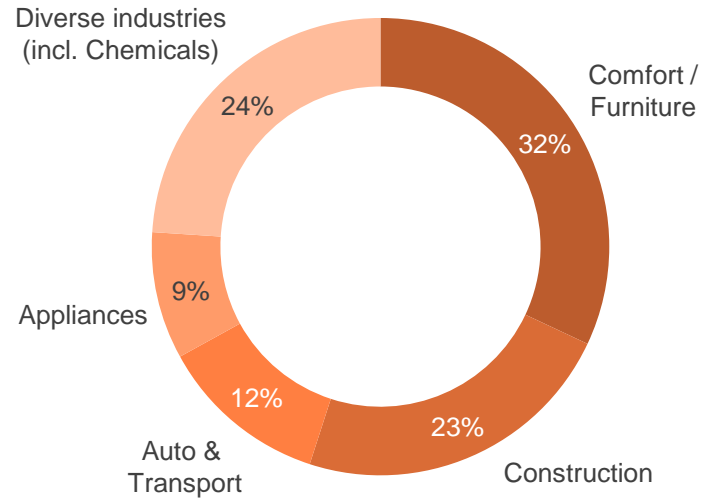
% of 2020 PUR sales



Growth driven by MDI and TDI

### SALES SPLIT BY END-MARKETS

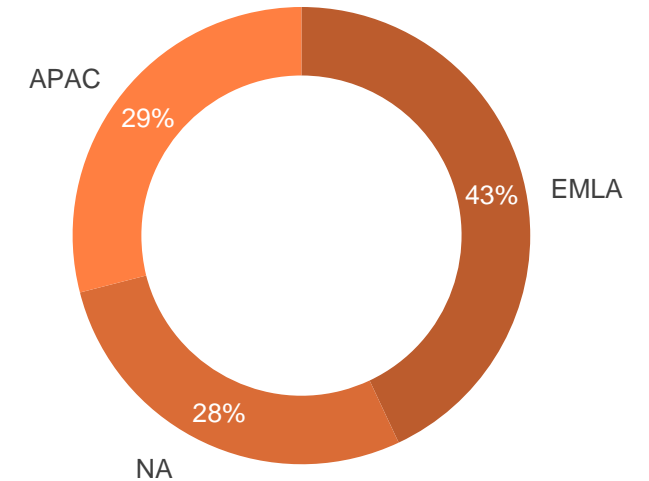
% of 2020 PUR sales



Growth driven by several industries

### SALES SPLIT BY REGIONS

% of 2020 PUR sales



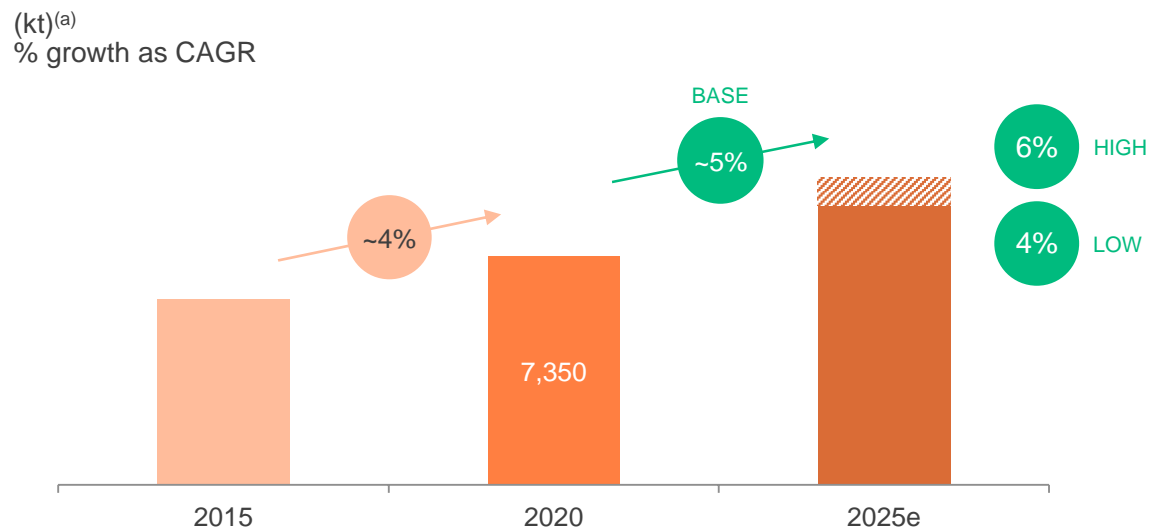
Growth driven by all regions

# MDI industry supply and demand ongoing favorable

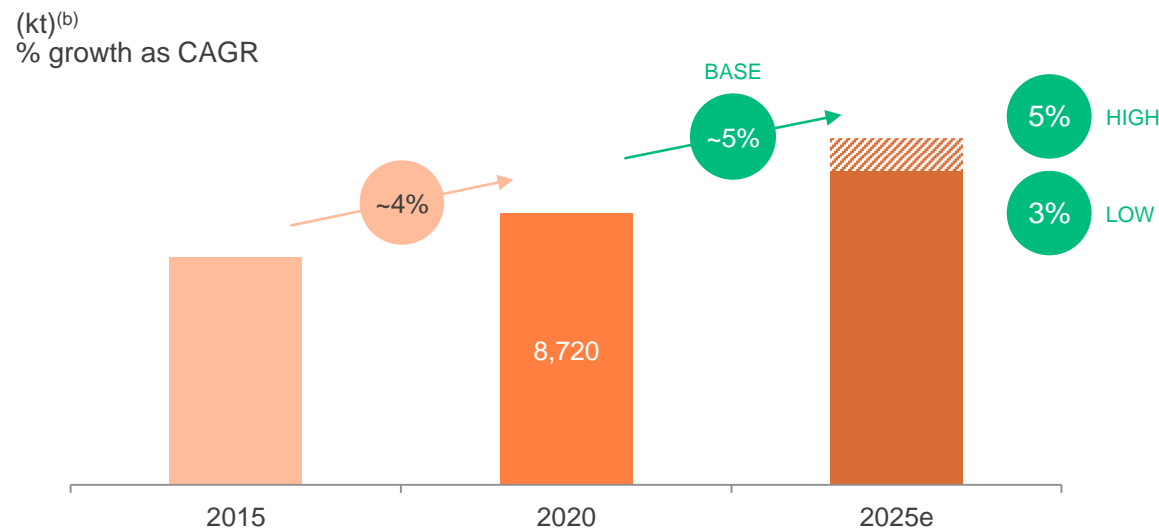


## Historical industry development and outlook

### MDI DEMAND DEVELOPMENT (2015 - 2025e)



### MDI SUPPLY DEVELOPMENT (2015 - 2025e)



### INDUSTRY HIGHLIGHTS

- Structurally sound demand of ~5% based on global GDP growth and substitution trends, European Green Deal could add another percentage point to annual demand growth once fully materializing
- Additions<sup>(c)</sup> expected until 2025e: Wanhua/Connel/BorsodChem (1,600kt), Juli Heshan (400kt in China), BASF (200kt in USA) and Kumho Mitsui (200kt in South Korea)
- Covestro additions: Caojing, PRC (100kt, 2021e) and Tarragona, Spain (50kt, 2023e)

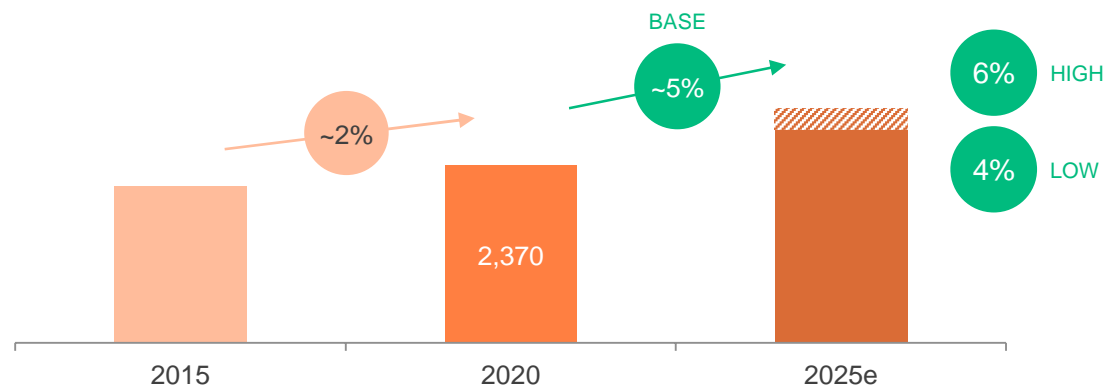
# TDI industry absorbing oversupply over time

## Historical industry development and outlook



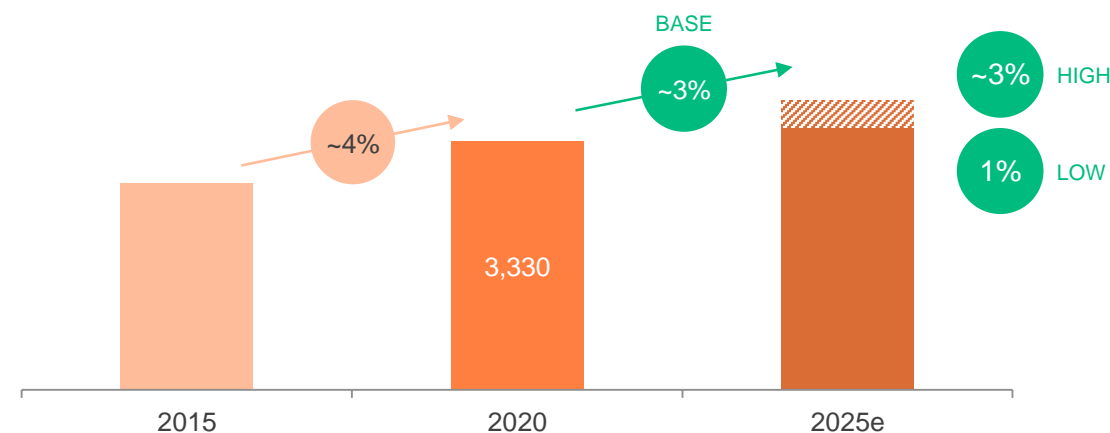
### TDI DEMAND DEVELOPMENT (2015 - 2025e)

(kt)<sup>(a)</sup>  
% growth as CAGR



### TDI SUPPLY DEVELOPMENT (2015 - 2025e)

(kt)<sup>(b)</sup>  
% growth as CAGR



### INDUSTRY HIGHLIGHTS

- Structurally sound demand of ~5% based on global GDP growth supported by low basis due to Coronavirus pandemic in 2020
- Major additions<sup>(c)</sup> expected until 2024e: Wanhua-Fujian (150kt in China)
- Announced Cangzhou Dahua plant (+200kt) expected as of 2025e

# Number one producer globally and inventor of PC<sup>(a)</sup>

## Polycarbonates (PCS) at a glance



### PRODUCTS

As a true high-tech material, polycarbonate is not only very robust, break-proof and light-weight, but also offers a high degree of design flexibility.

Polycarbonate is available in all colors ranging from crystal clear to deep black. It is an excellent substitute for traditional material such as glass or metal.

This allows for a wide variety of application possibilities ranging from vehicles to smartphones and laptops as well as lenses or large roofs.

### KEY CUSTOMER INDUSTRIES:



### SAMPLE APPLICATIONS



For trendy smartphones



For bright buildings



For light-weight cars



For safe medical products

3.5%

Core volume  
CAGR in 2015 - 2020<sup>(b)</sup>

€3.0bn

Sales  
2020

€553m

EBITDA  
2020

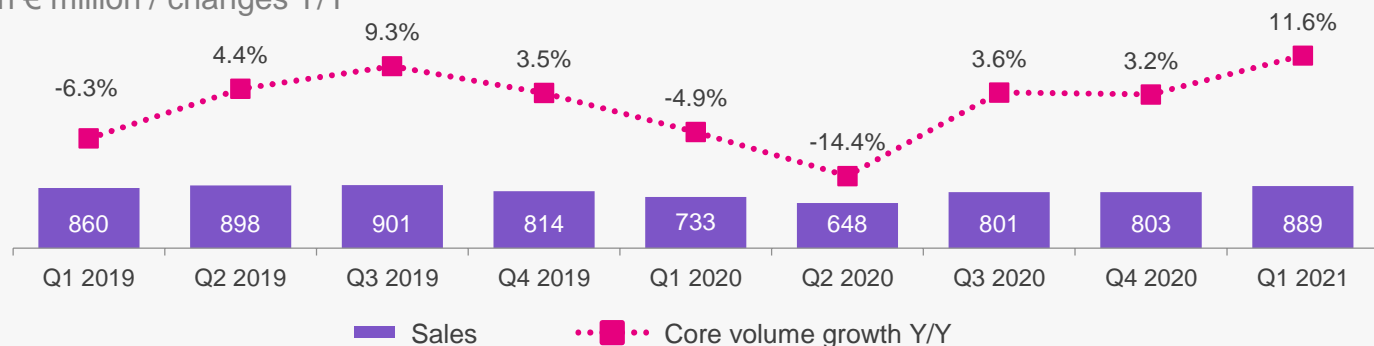
# Polycarbonates – margin driven by improving product mix



## Segment results – Highlights Q1 2021

### SALES AND CORE VOLUME GROWTH<sup>(a)</sup>

in € million / changes Y/Y

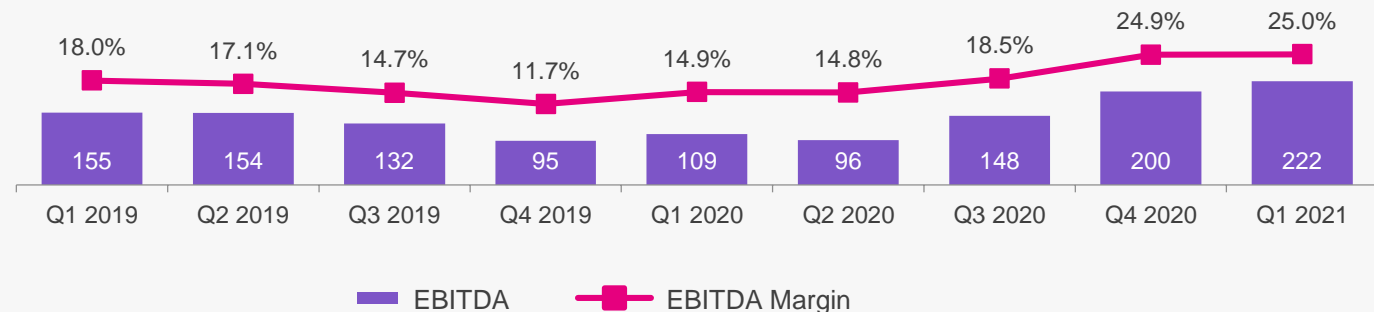


### HIGHLIGHTS

- Core volume growth (in kt) of 11.6% Y/Y driven by electro and auto/transport
- Sales grew by +21.3% Y/Y driven by price (+13.8%) and volume (+12.5%); negatively affected by FX (-5.0%)

### EBITDA AND MARGIN

in € million / margin in percent



### HIGHLIGHTS

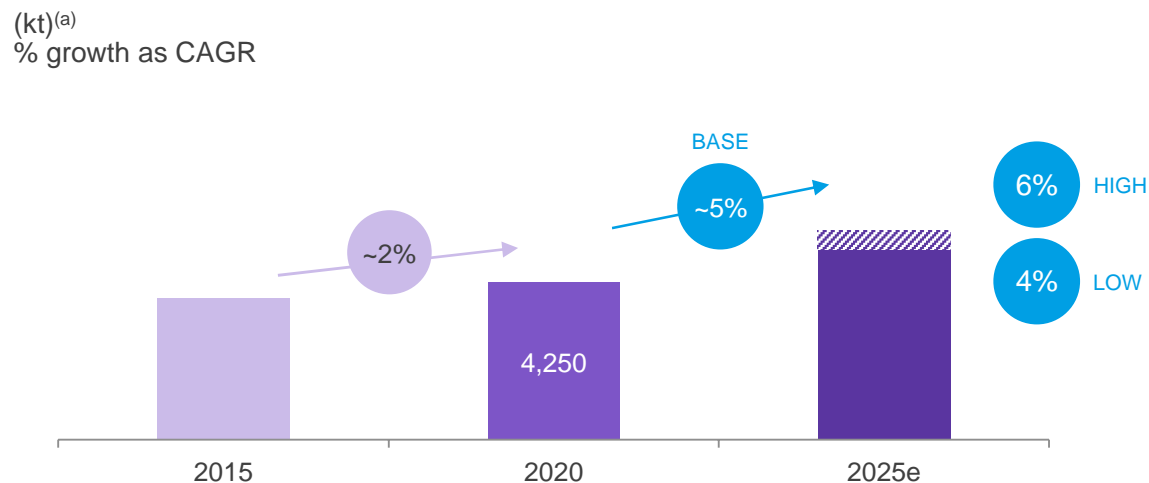
- Compared to prior year, EBITDA increased mainly due to positive pricing delta and higher volumes, compensating higher provisions for variable compensation
- Sequentially, further EBITDA and margin increase supported by improving product mix
- EBITDA margin of 25.0% in Q1 2021 still well below historic peak of 30.3% in Q3 2018

# Execution risks may limit future capacity additions

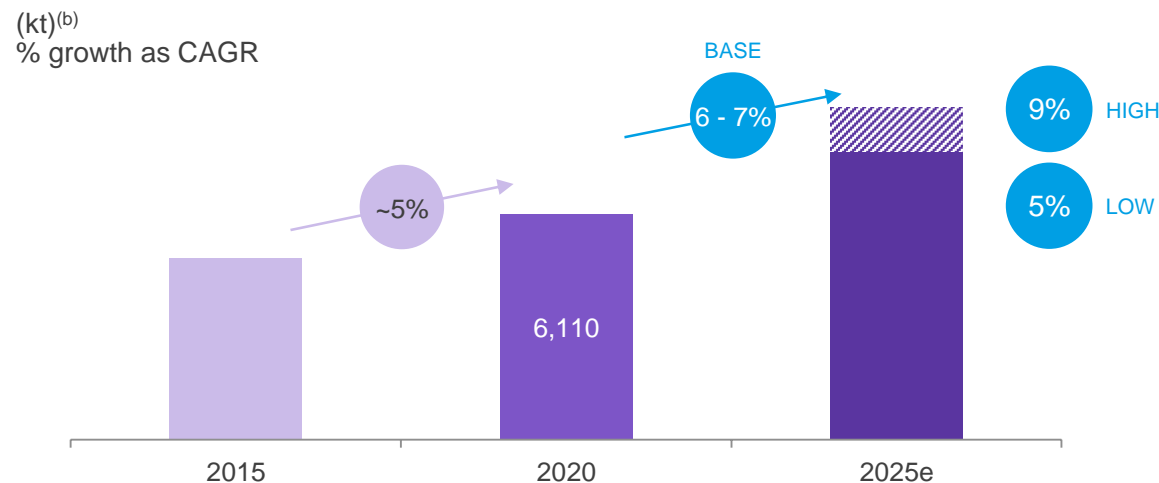


## Historical industry development and outlook

### PC DEMAND DEVELOPMENT (2015 - 2025e)



### PC SUPPLY DEVELOPMENT (2015 - 2025e)



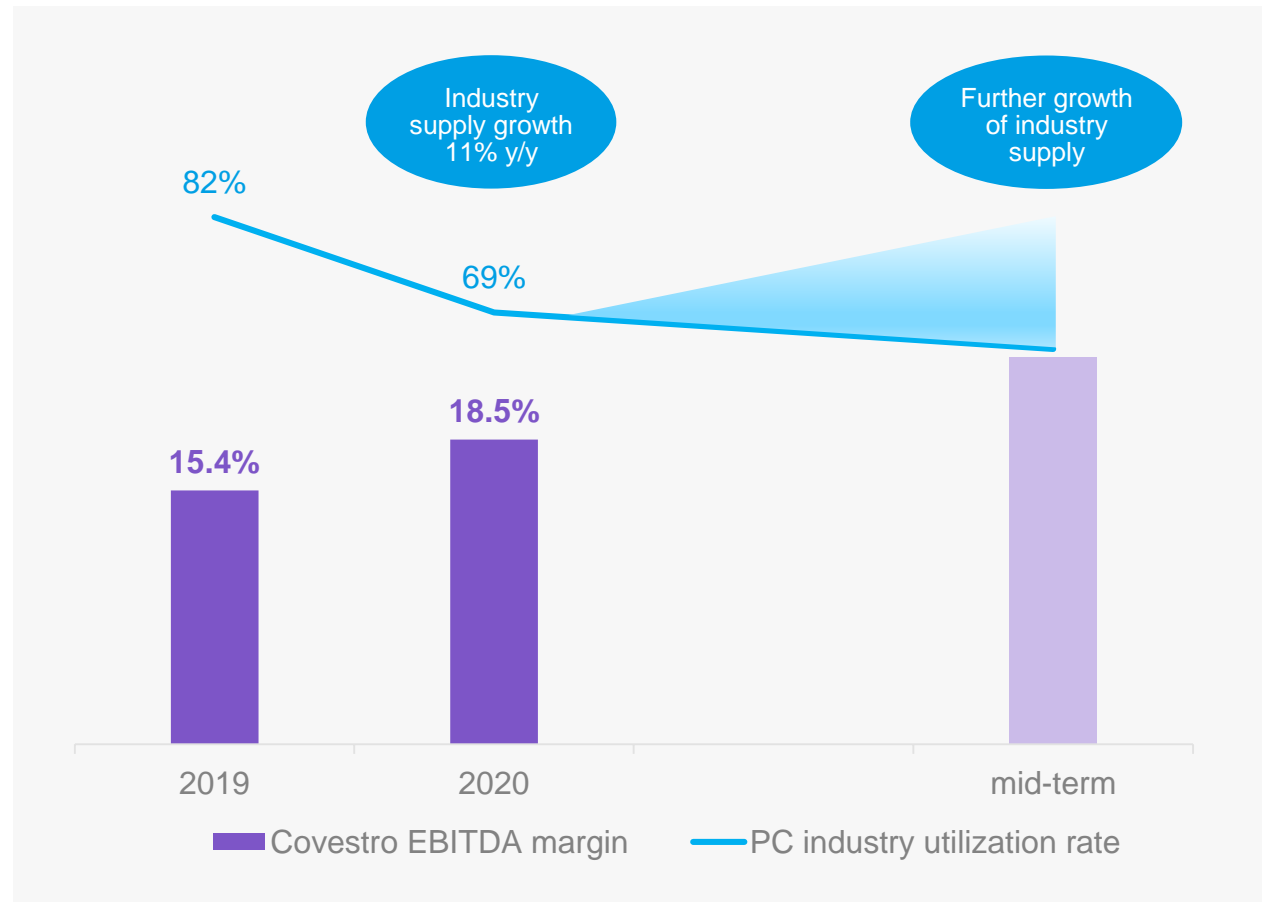
### INDUSTRY HIGHLIGHTS

- Structurally sound demand growth of ~5% based on global GDP growth supported by low basis due to Coronavirus pandemic in 2020
- Major additions<sup>(c)</sup> expected until 2025e: Hainan Huasheng, ZPC, SABIC-Sinopec, Wanhua, Shemna
- Numerous announced projects with high uncertainties regarding actual timing and scope
- Covestro additions: Mid-term expansion plans generally accomplished, current focus on strengthening differentiated business

# EBITDA margin increase despite industry utilization deteriorating



## PCS portfolio management



### PRODUCT PORTFOLIO IMPROVEMENT

- Covestro performance detaching from development of overall PC industry utilization by outgrowing the industry in differentiated (high-value) applications
- Differentiated business with more than 500 different PC grades and prices ranging up to eight times higher than standard grades
- Industry newcomers need – if they succeed at all – many years to enter the differentiated segment
- Possibility to reallocate volumes among customer industries allows high asset utilization and EBITDA margin also in case of single industry's weakness like automotive in 2020
- Mid-term, goal to further increase differentiated portion of PC volumes with structural improvement of average contribution margin and standard business as remainder for high asset utilization
- Focus on differentiated business with further detachment from mid-term further declining industry utilization



# Performance materials for coatings, adhesives and specialties



## Coating, Adhesives, Specialties (CAS) at a glance

### PRODUCTS

There is a vast application range of coatings and finishes made of Covestro polyurethane raw materials. They are used for protection and decoration.

In addition, the company produces pre-products for adhesives, sealants and elastomers as well as specialty films.

Coating, Adhesives, Specialties (CAS) also supplies materials for cosmetics, textiles and medical goods.

### KEY CUSTOMER INDUSTRIES:



### SAMPLE APPLICATIONS



For long-lasting cosmetics



For robust floors



For fancy cars



For functional textiles

**-1.2%**

Core volume  
CAGR in 2015 - 2020<sup>(a)</sup>

**€2.0bn**

Sales  
2020

**€341m**

EBITDA  
2020

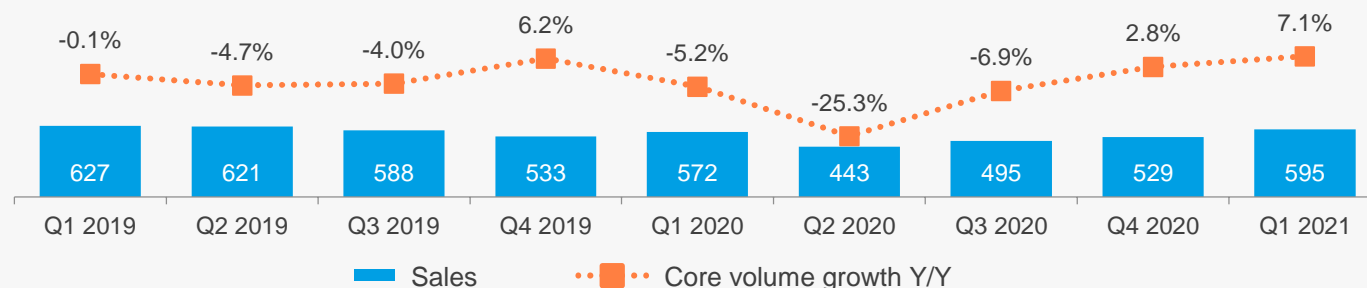
# Coatings, Adhesives, Specialties – strong volume growth



## Segment results – Highlights Q1 2021

### SALES AND CORE VOLUME GROWTH<sup>(a)</sup>

in € million / changes Y/Y

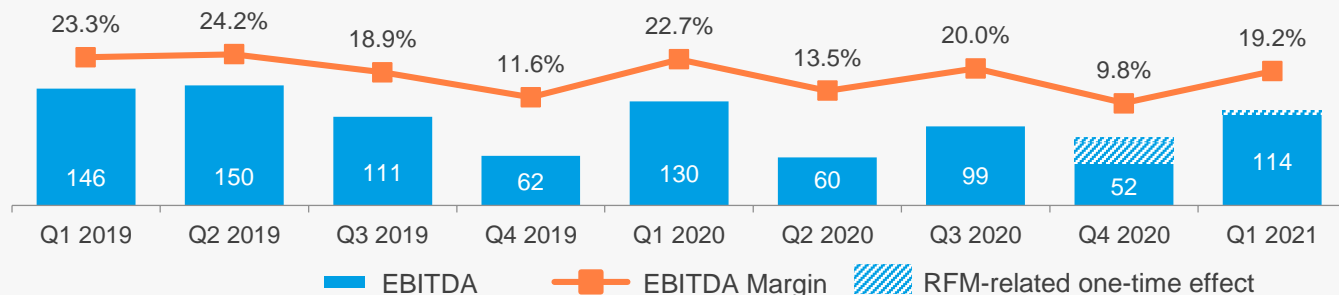


### HIGHLIGHTS

- Core volume growth (in kt) of 7.1% Y/Y driven by growth in all key industries
- Sales grew by +4.0% Y/Y, helped by volume (+5.6%) and price (+2.4%); negatively affected by FX (-4.0%)

### EBITDA AND MARGIN

in € million / margin in percent



### HIGHLIGHTS

- Q1'21 EBITDA includes negative one-time effects of €-2m related to RFM acquisition
- EBITDA decreased -12.3% Y/Y mainly due to higher provisions for variable compensation, while volume growth contributed positively

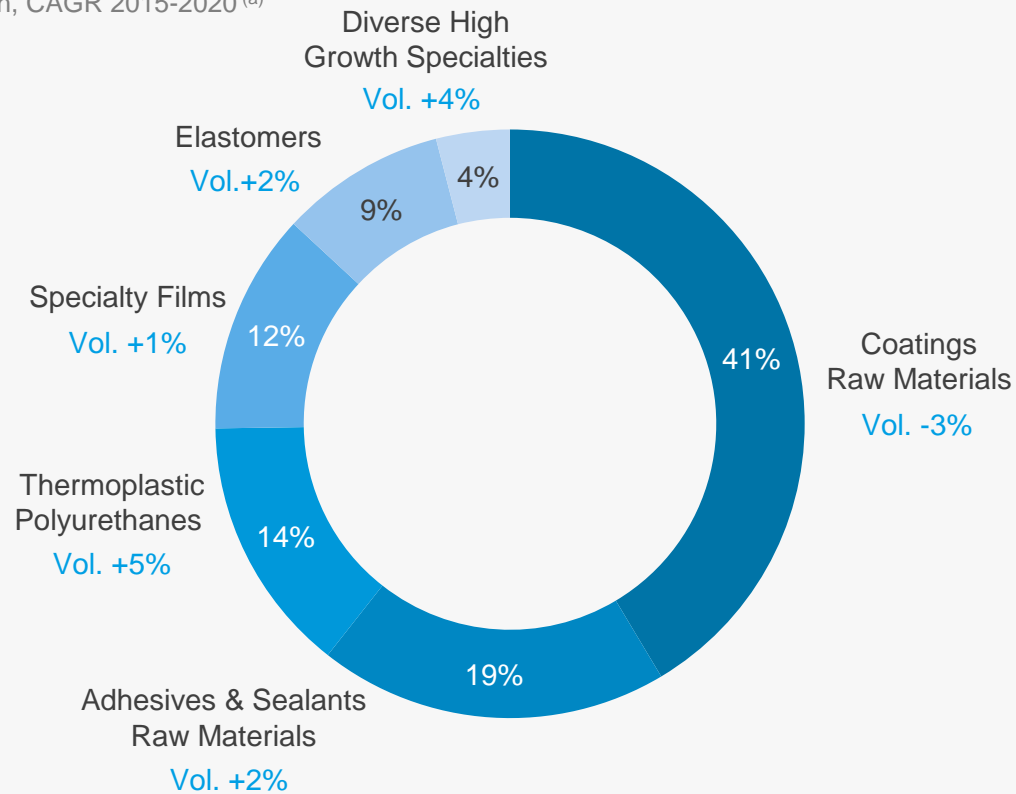
# Growth determined by coronavirus pandemic

## Outperformance of High Growth Specialties business



### CAS SALES SPLIT BY BUSINESSES

Covestro sales share FY 2020  
Core volume growth, CAGR 2015-2020<sup>(a)</sup>



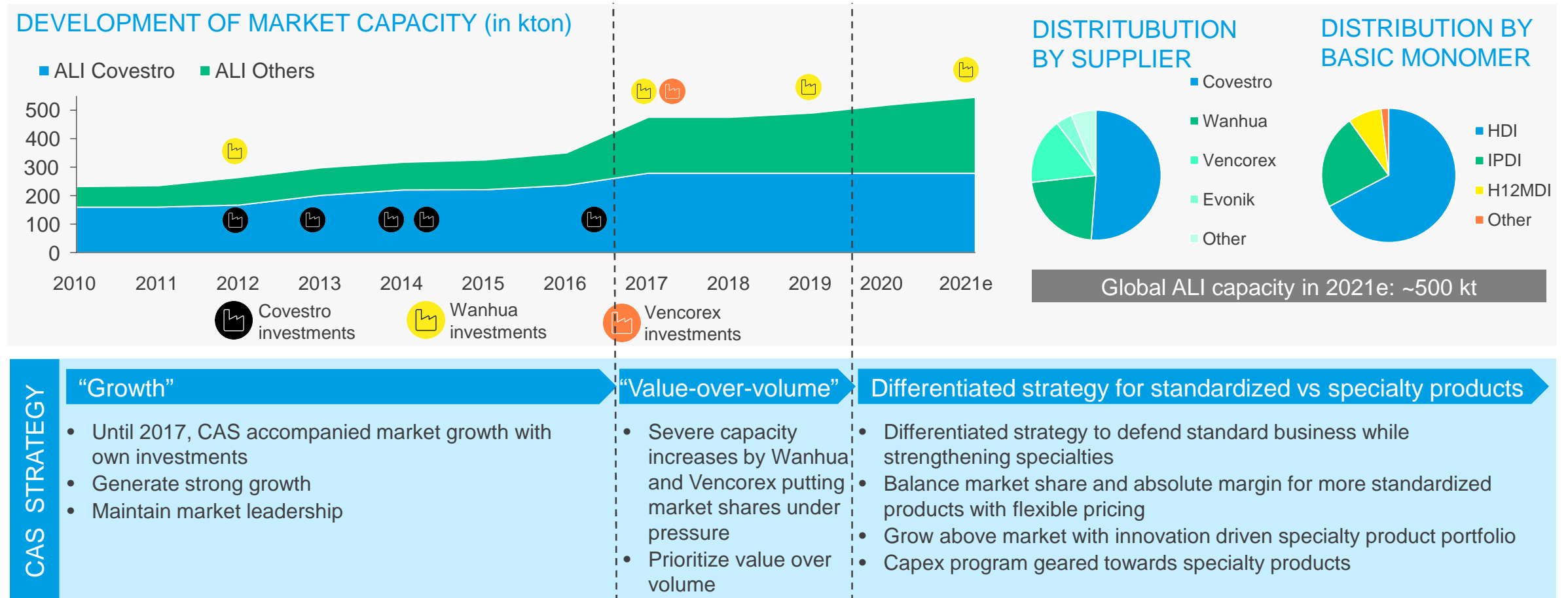
### HIGHLIGHTS

- Flat core volume CAGR in 2015-2020<sup>(a)</sup> with negative core volume growth in 2020 impacted by the Coronavirus pandemic
- Coatings Raw Materials particularly burdened by Coronavirus impact in 2020 with weak end-markets, particularly Automotive
- High Growth Specialties businesses generate ~39% of sales: Thermoplastic Polyurethanes, Specialty Films and Elastomers
- Solid growth of High Growth Specialties despite Coronavirus set-back

# Grow above market with innovative specialty products



## CAS Aliphatic isocyanates strategies





- Covestro investment highlights
- Group financials Q1'21
- Segment overview
- **Acquisition DSM-RFM**
- Background information

# Building a leading sustainable coating resins player



## Transaction overview

### TRANSACTION VALUE



- Enterprise value of €1.55bn
- 10x EV / 2021 Budget EBITDA
- 6x EV / 2021 Budget EBITDA including full synergies

### FINANCIAL IMPACT



- Acquisition of Resins & Functional Materials (RFM) and innovation ventures
- RFM sales of €916m and EBITDA of €138m in 2020
- Innovation ventures Additive Manufacturing, NIAGA and Advanced Solar Coatings with sales of €24m and EBITDA of €-30m in 2020
- €120m synergies by 2025

### FINANCING



- Covestro is committed to a solid investment grade rating (Moody's confirmed solid investment grade rating after acquisition announcement)
- Refinancing includes €447m of new equity, successfully realized on Oct 13, and own cash

### TIMING



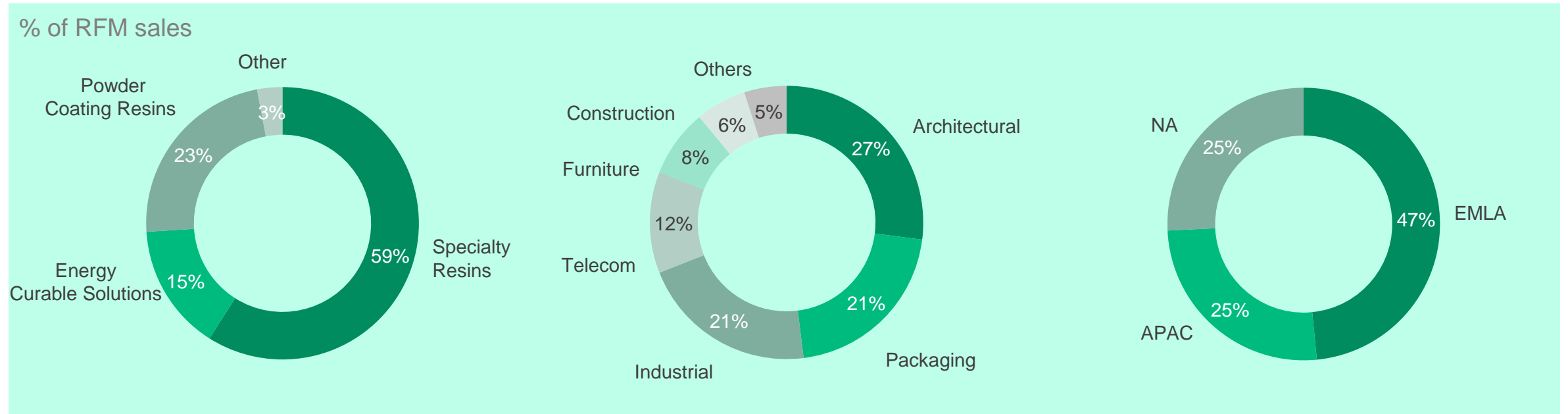
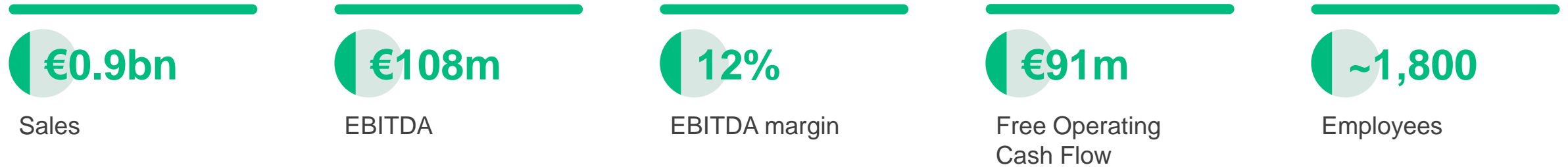
- Acquisition agreed on Sep 30, 2020
- Acquisition closed on April 1, 2021
- Integration ongoing, acquisition EPS-accretive from 2022 onwards



# Resins & Functional Materials and innovation ventures



## Key financials in 2020



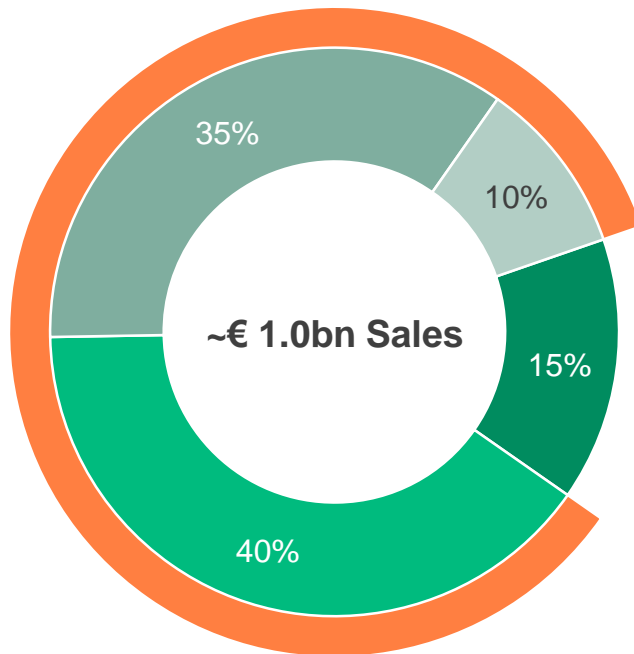


# RFM serves high growth areas driven by sustainability

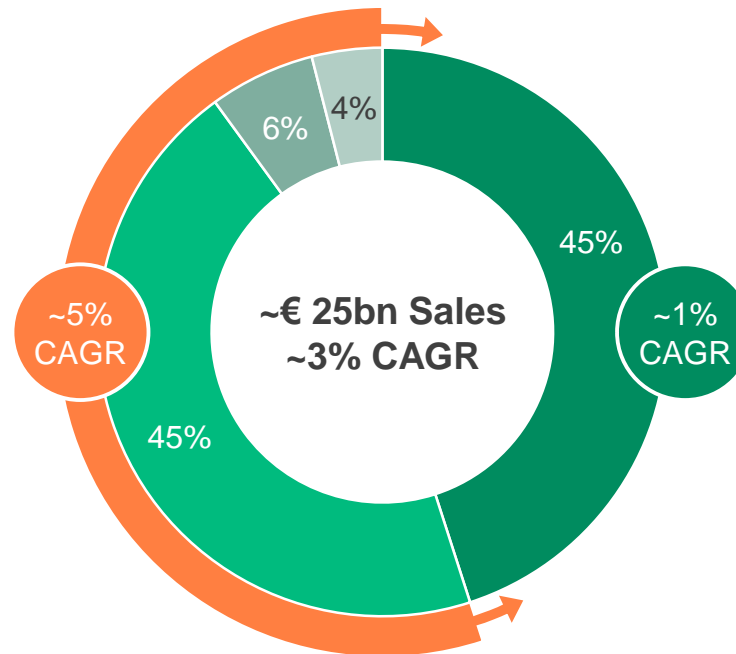


## Coating Resins market by technology in 2019

### RFM TECHNOLOGY SPLIT



### MARKET TECHNOLOGY SPLIT



### HIGHLIGHTS

- ~€25bn global coating resins market in 2019 with expected growth rate of ~3% p.a. between 2020 and 2025
- Solvent-based market share expected to decline due to VOC regulation and environmental issues
- Consumer preference for greener and non-toxic ingredients as well as stricter environmental regulations expected to lead to market growth of ~5% p.a. for sustainable coating resins (water-based, powder and UV coating resins) between 2020 and 2025
- RFM & CAS combined are a leading supplier of sustainable and high-quality products with low environmental impact

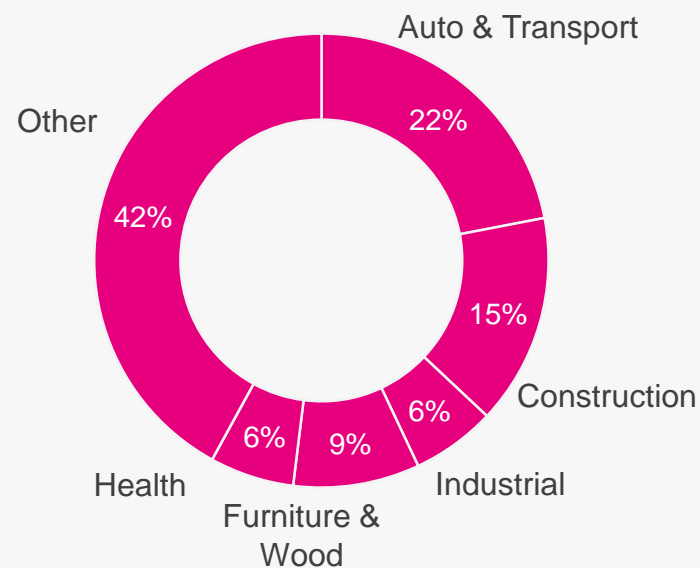
■ Solvent-based  
 ■ Water-based  
 ■ Powder  
 ■ UV curing  
 ■ Sustainable technologies

# Bolt-on acquisition diversifies industry portfolio

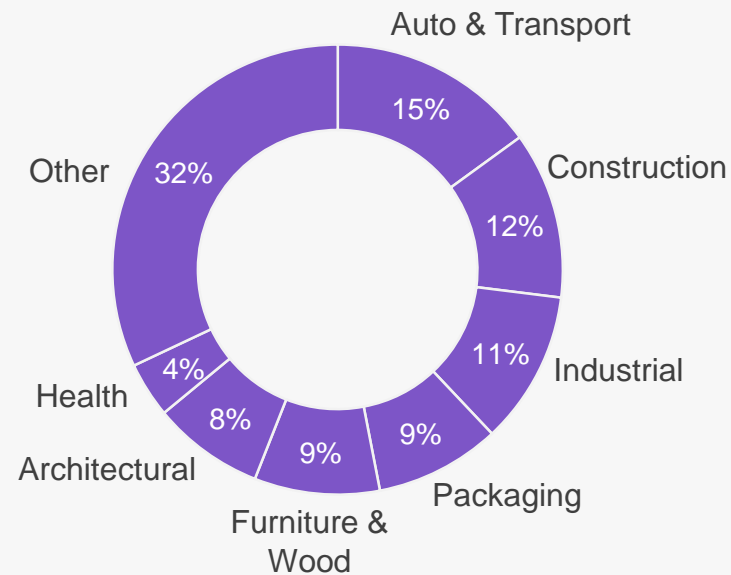
## CAS by industries



CAS SALES ~€2.0bn (2020)



CAS/RFM SALES ~€2.9bn (2020 pro-forma)



### HIGHLIGHTS

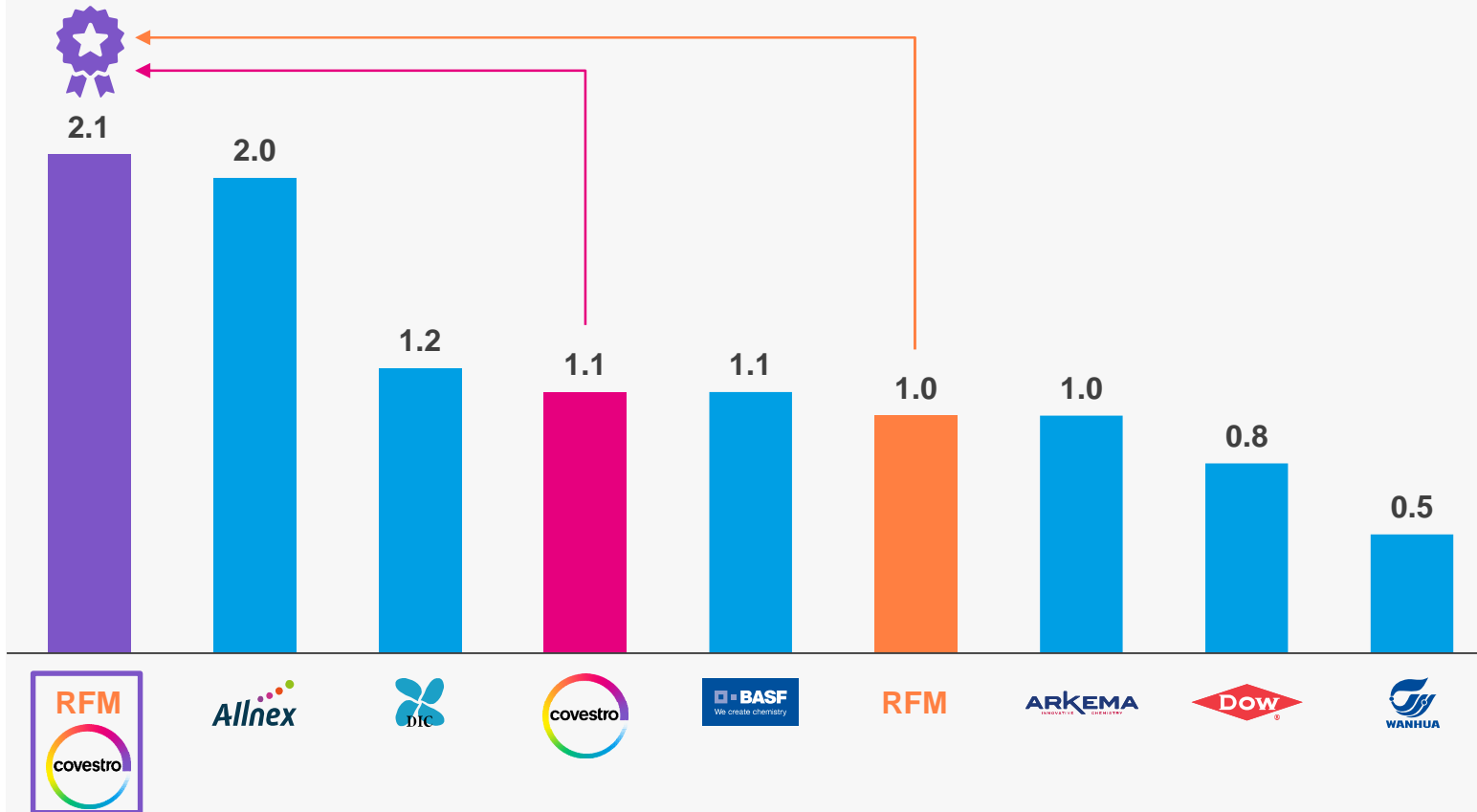
- In 2020, RFM would have increased CAS sales by 45% to €2.9bn (27% of Covestro sales<sup>(a)</sup>) with complimentary product portfolio
- Significant step in Covestro's long-term corporate strategy, strengthening sustainable and innovation-driven business
- Covestro with well established position in water-based polyurethane dispersions, acquisition adds complete range of water-based polyacrylate resins

# Creates a leading coating resins supplier

## Industry position in coating resins



Revenue est. (in € billion, 2019)



### HIGHLIGHTS

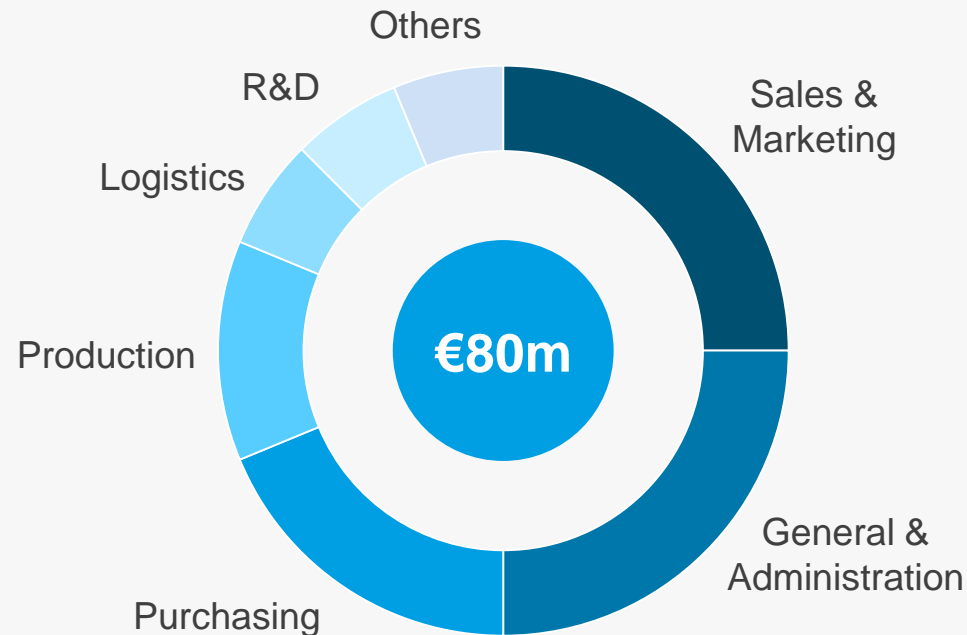
- Covestro now is a global leader in attractive growth market for coating resins
- Covestro with one of the most comprehensive and innovative product portfolios enabling compelling customer value proposition

# Significant cost synergies of €80m

Identified cost synergies by 2025



## DISTRIBUTION OF COST SYNERGIES



## HIGHLIGHTS

### Sales & Marketing

- Bundle sales and marketing functions for same applications and customers

### General & Administration

- Integrate respective RFM functions into existing Covestro support structures

### Purchasing

- Use most favorable conditions of RFM and Covestro
- Intensify in-house sourcing

### Production

- Optimize production by efficiently using both asset bases

### Logistics

- Apply and combine best practice and processes as priorly used by RFM and Covestro

### Research & Development

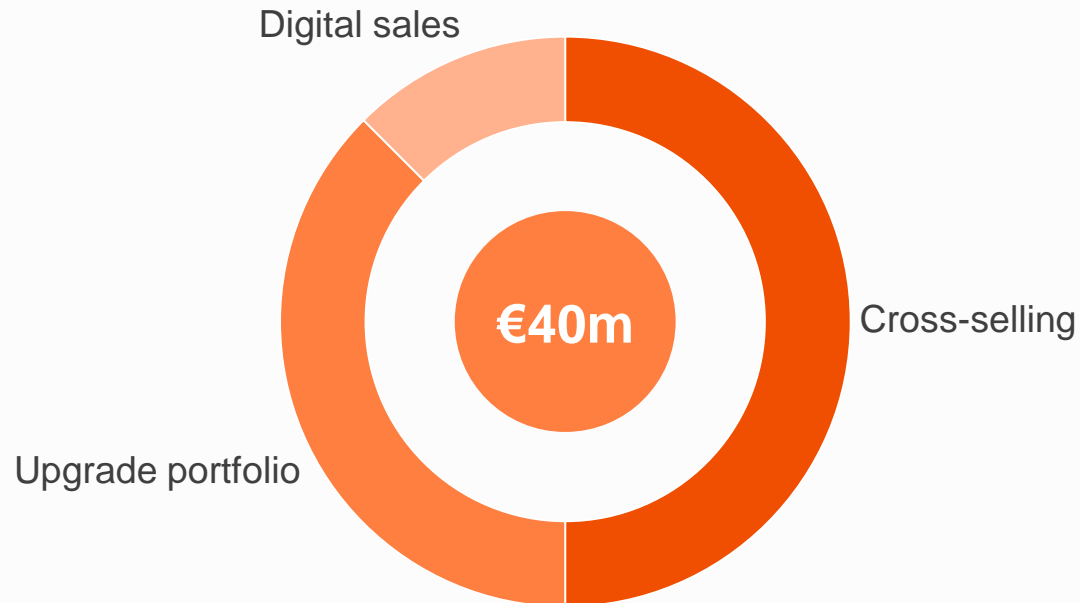
- Combine R&D activities and optimize project pipeline for overlapping topics

# Significant revenue synergies of €40m

Identified revenue synergies by 2025



## DISTRIBUTION OF REVENUE SYNERGIES



## HIGHLIGHTS

### Cross-selling

- Increase share of wallet at customers with cross-selling opportunities
- Expand regional presence of RFM by leveraging existing Covestro set-up

### Upgrade portfolio

- Combined broader portfolio of resin systems and tailor-made hardener-resin-systems
- New product developments based on combined portfolio and technologies

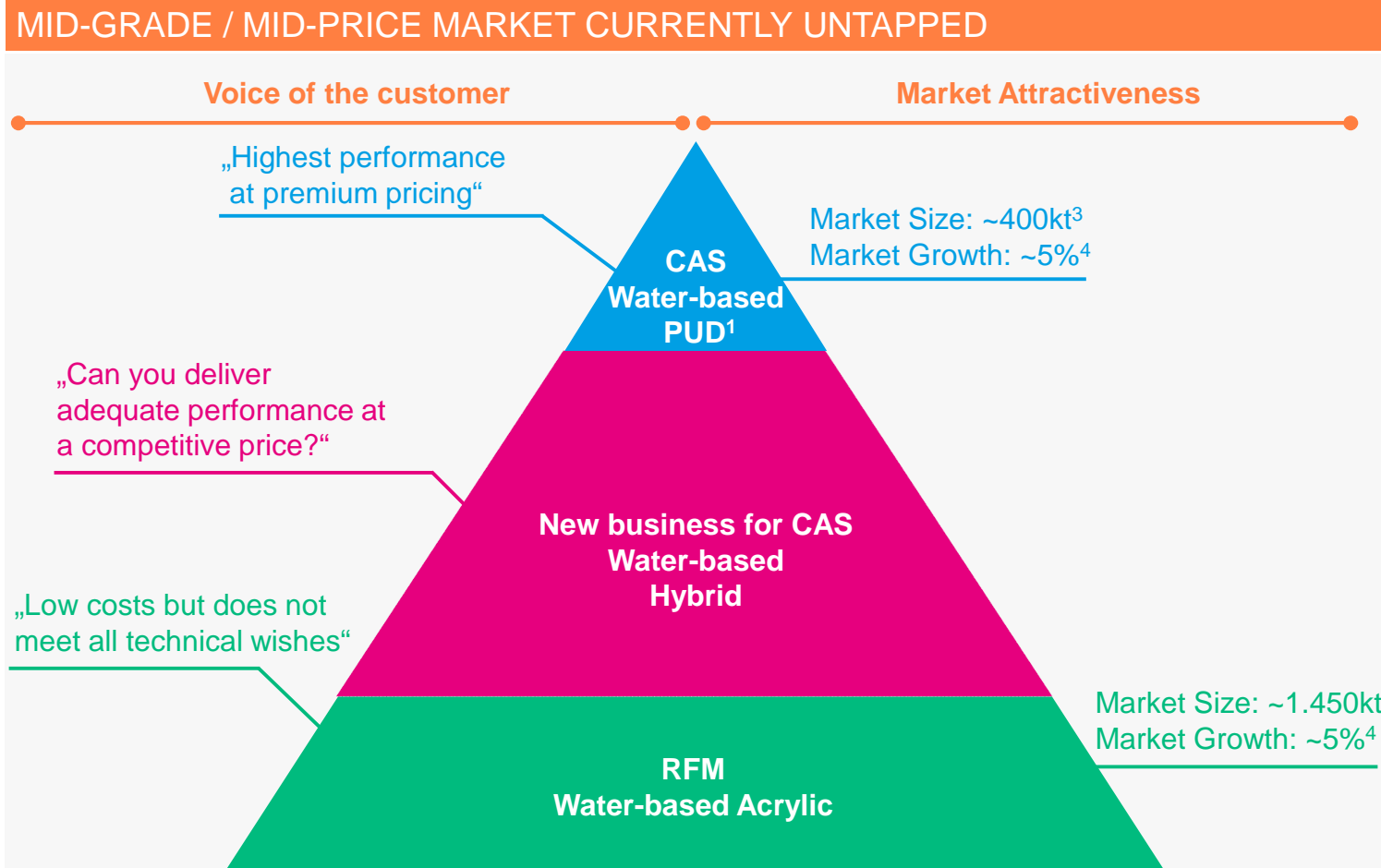
### Digital sales

- Speed up digitalization via new business models
- More attractive online store

# Combined product portfolio generates additional customer range



## Upgrade portfolio



## COMBINING CAS & RFM COATING RESINS

**COV** | PUD<sup>1</sup> mainly addresses industries with higher grade requirements at higher prices



Combination of both PUD-based and Acrylate-based coating resins will create an additional business which will open a new range of customers

Serving the full range by blending PUD-based resins and Acrylate based resins at every desired ratio

Between coating resins of high price/grade and low price/grade also offering any mid price/grade combination within a so far largely untapped market for CAS



**DSM** | WB<sup>2</sup> Acrylics mainly addresses industries with lower grade requirements at lower prices



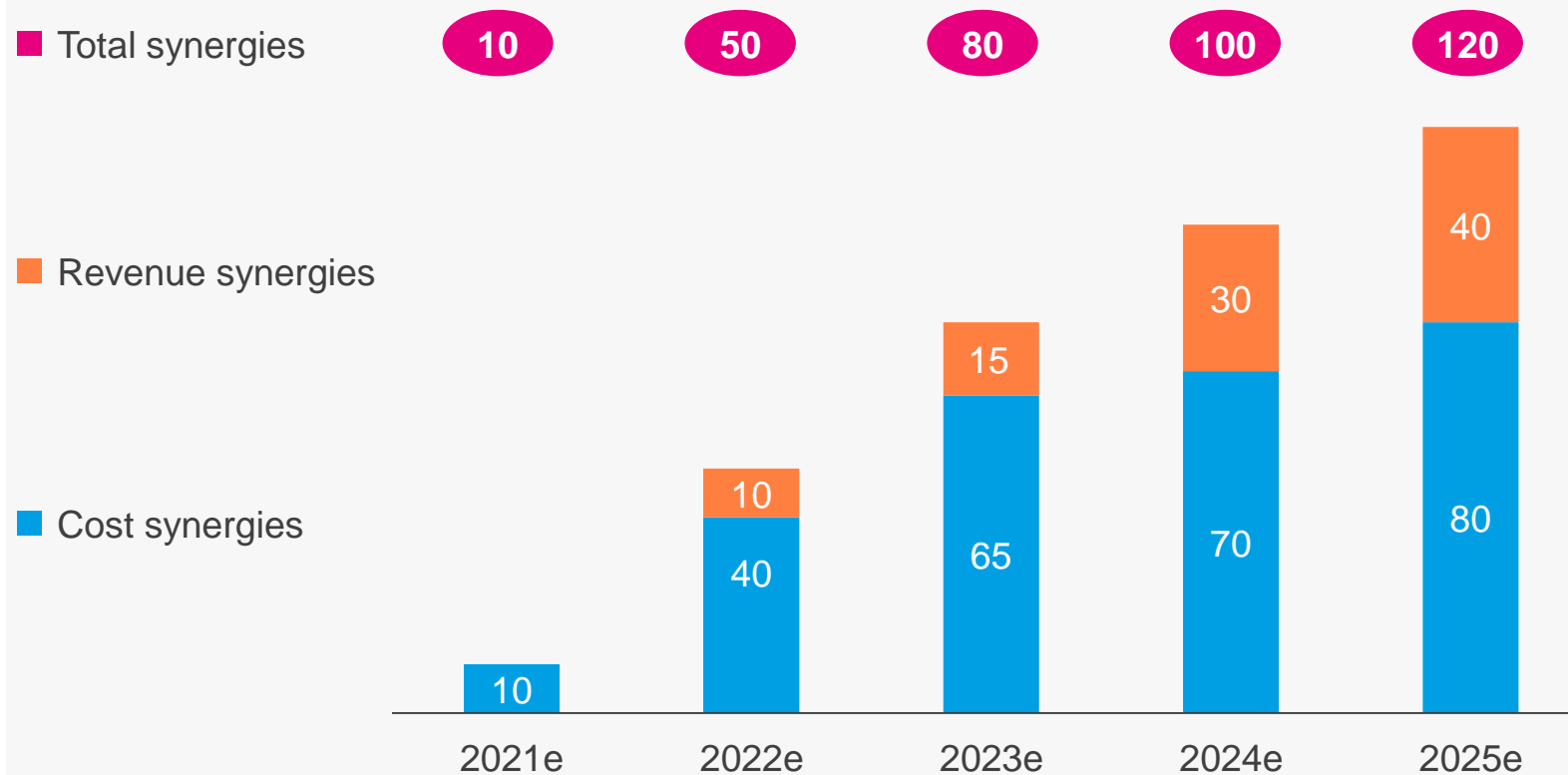
# Full synergies of €120m expected until 2025

## Synergy ramp-up



### SYNERGIES AND IMPLEMENTATION COST

In € million



### HIGHLIGHTS

- Identified synergies amount to €120m, 12% of RFM sales
- Total implementation cost of €140m (mainly in 2021) to realize annual synergies of €120m
- Realization of full synergies by 2025 with two third of synergies materializing already by 2023
- Quick realization of cost synergies while time reserved for revenue synergies from portfolio updates

# Adoption of 5G to drive significant acceleration in demand



## Further operational opportunity

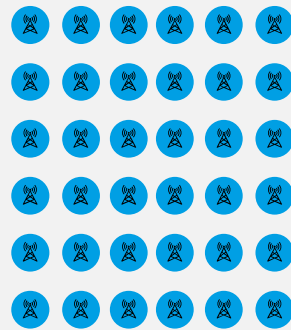
### 5G INVESTMENTS

Investments driven  
by higher frequencies



#### 4G Base Station

Baseband: 700Mhz - 2,100Mhz  
Typical range: 2km



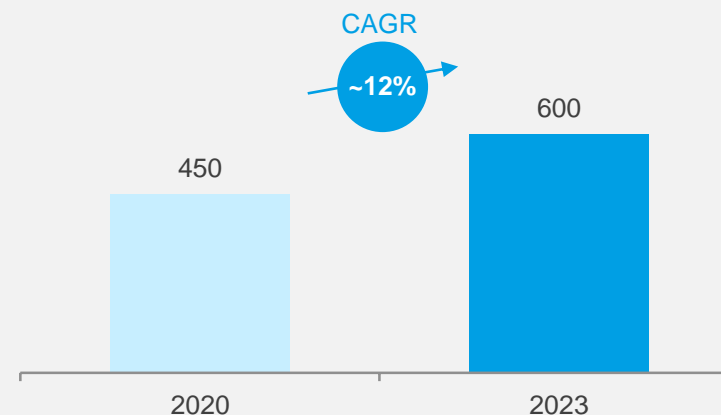
#### 5G Base Station

Baseband: ~4Ghz, ~26Ghz  
Typical range: 0.5km

### WORLD OPTICAL FIBER INSTALLATIONS

Forecast\*

Million fiber kilometers installed per year



### 5G ROLLOUT

- 4G investments tailing off in anticipation of 5G
- Implementation of 5G from telecom networks and governments
- 5G will be enabling applications like self-driving cars, IoT, AI
- Key benefits vs. 4G: Higher bandwidth (>10,000x more traffic), more devices (10-100x) and much lower latency
- Requires different network infrastructure compared to 4G (5G base stations)

# Building a leading sustainable coating resins player



## Acquisition highlights



Creating a global leader in coating resins

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Diversifying CAS portfolio towards a more balanced product and industry mix

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Shifting CAS portfolio to high growth markets driven by sustainability

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Significant synergies leading to attractive valuation multiple

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Committed to a solid investment grade rating



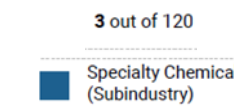
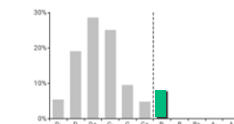
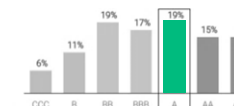
-  Covestro investment highlights
-  Group financials Q1'21
-  Segment overview
-  Acquisition DSM-RFM
-  **Background information**

# Covestro's rating results and index memberships

as of April 2021



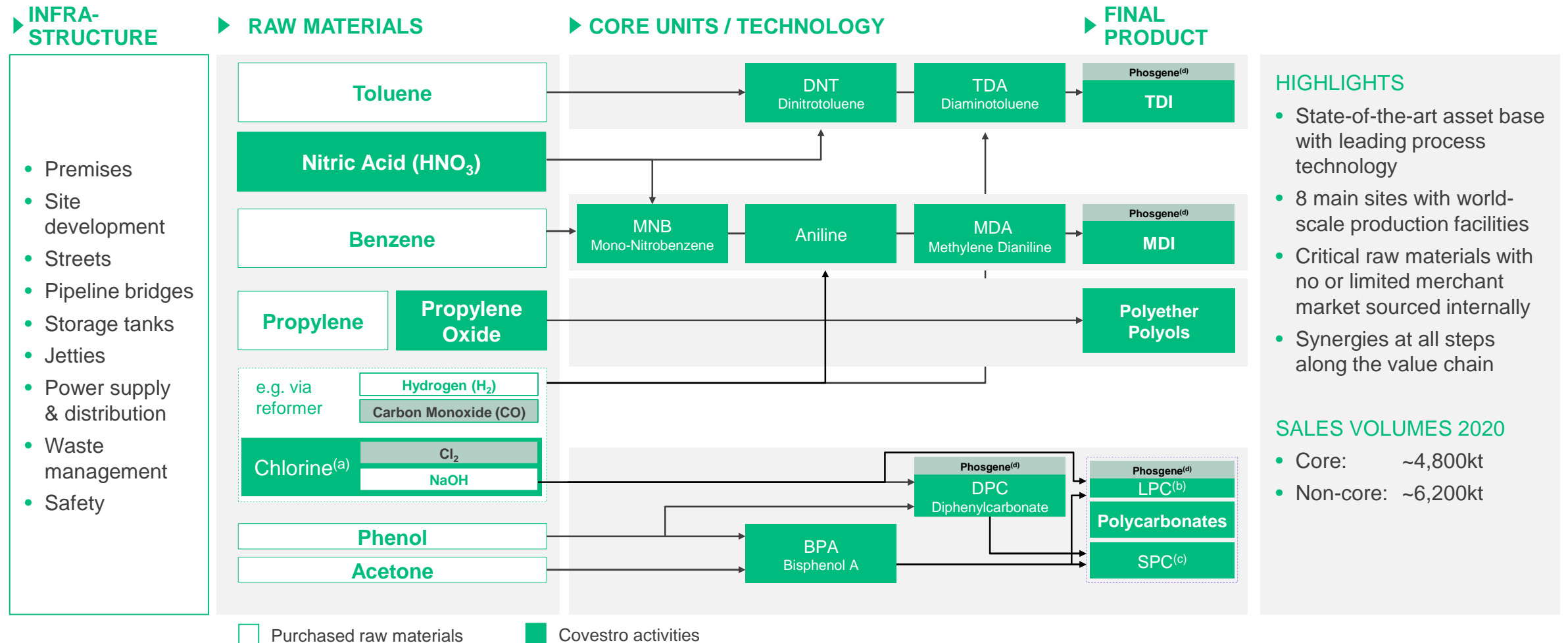
RATING / INDEX	2016	2017	2018	2019	2020	SCORING	BENCHMARK
	BBB	BBB	A	A	A	AAA - CCC	in Specialty Chemicals
	B-		B-		B-	A+ - D-	Prime Status
<p>New methodology<sup>(a)</sup></p>	74	75	80	23.3	20.0	max. 100 Points 0 - 100 Points (the lower the better)	in Specialty Chemicals
	73		80			max. 100 Points	Gold Ranking
							Inclusion in FTSE4Good Index <sup>(b)</sup>



# Synergies in scale, process technology and chemical know-how



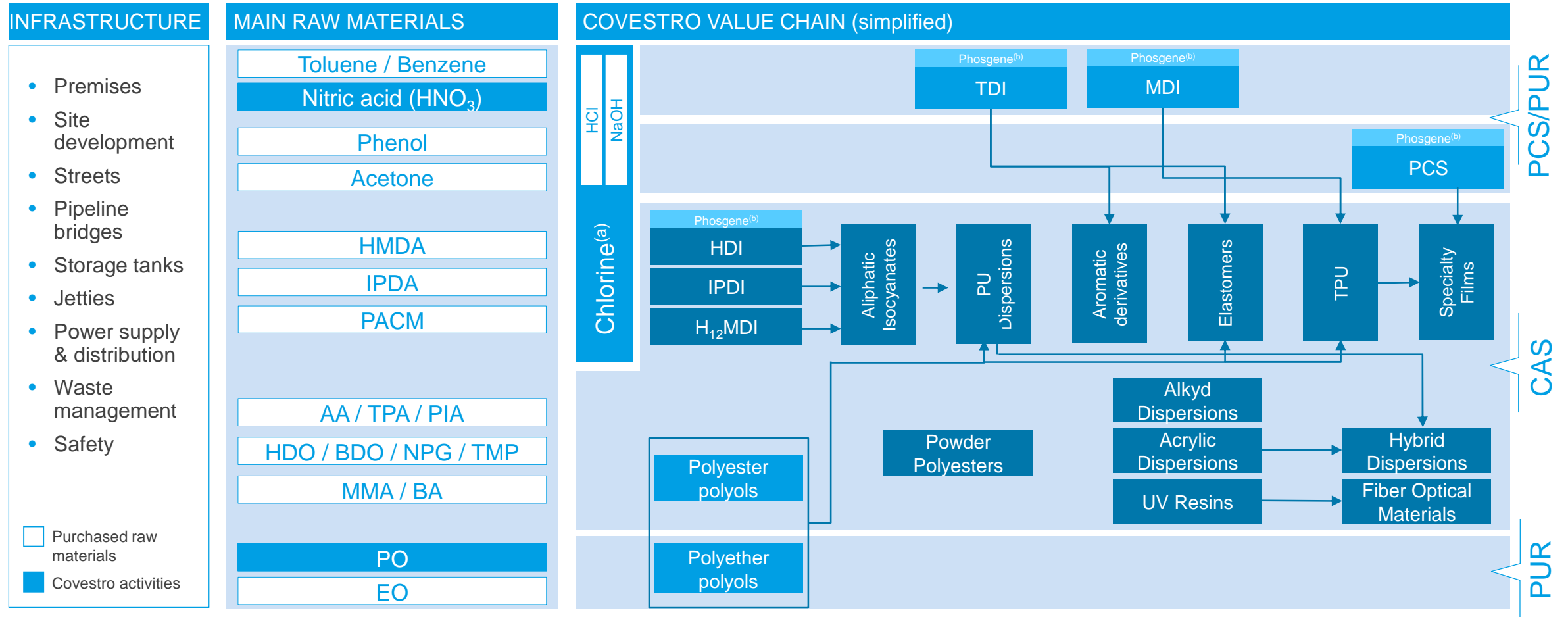
## One chemical backbone across all segments





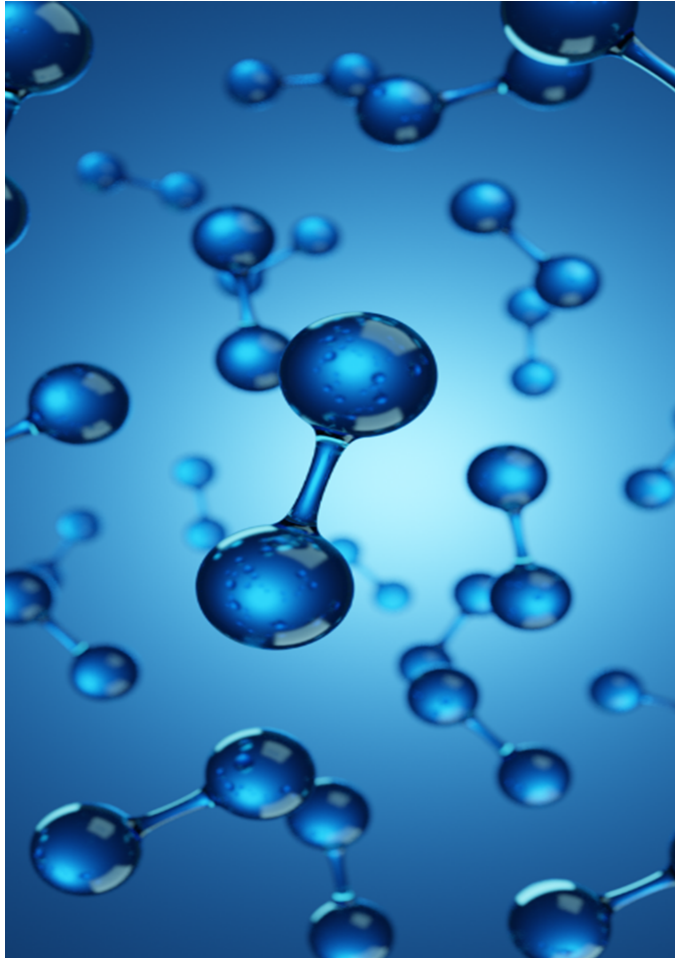
# Synergies from chemical backbone and complementary technologies

## CAS backward integration and value chain



# Covestro has long experience in hydrogen

## Opportunity of new industrial eco-system



Hydrogen is an important molecule for Covestro, Board member Dr. Klaus Schäfer represents the chemical industry on the German Hydrogen Council



As part of the chlorine electrolysis Covestro has decades of experience in the production and use of hydrogen



As of 2022, Covestro will be one of the first companies certified to produce green hydrogen efficiently using green electricity



Covestro actively develops and promotes business opportunities for excess hydrogen



Covestro production sites offer the environment to successfully integrate hydrogen players, start-ups and initiatives into the industrial eco-system

# Covestro develops overarching systems for hydrogen application



## Selected projects under development

### ENABLING HYDROGEN ECO-SYSTEM



- Hydrogen production at all major German Covestro production sites
- Covestro provides hydrogen, land, infrastructure and site services for industrial partners
- Covestro will supply green hydrogen for world-largest plant for storing in Liquid Organic Hydrogen Carrier, operated by Hydrogenious
- Covestro Dormagen will host Hydrogenious research activities

### ENABLING GREEN TRANSPORTATION



- Covestro barge fleet for salt transport to be converted to green hydrogen as fuel
- Green hydrogen provided out of Covestro chlorine electrolysis
- Covestro is partner of RH2INE Project to develop a carbon-free Rhine-Alpine corridor
- Covestro will supply hydrogen filling stations along the river Rhine

### ENABLING HYDROGEN INFRASTRUCTURE



- Covestro chlorine electrolysis connected to existing hydrogen pipeline grids
- High-pressure filling stations completing the existing hydrogen infrastructure in NRW sites
- Enabling the filling of tanks for hydrogen shipment
- Allowing on-site fueling of hydrogen-driven ships, trucks and trains

### ENABLING GREEN CHEMICALS PRODUCTION



- Covestro applied for a funded project in Brunsbüttel
- Herein, together with E.ON, Covestro aims to install water electrolysis for green hydrogen and oxygen for use in Covestro chemical production

# Become the Best of Who we are



Increase our production output by 200kt from existing assets

## TRANSFORM PRODUCTION TO EXPLOIT FULL POTENTIAL

- „Maximize Asset Availability“ to increase our production output by 200kt from existing assets until 2024 across all segments by reducing and avoiding outage times

## INCREASE EFFECTIVENESS AND EFFICIENCY OF FACILITIES

- Implementing the “right scope of work” with needed inspections, preventive maintenance and repair work
- Executing the “right scope of work” with shortest possible turnaround duration

## DIGITALIZATION AND TECHNICAL PROGRESS AS SUPPORTING LEVERS

- Eliminating recurring technical failures by technical improvements
- Implementing digital approaches for asset monitoring to early detect anomalies



“Only assets that are available contribute to capacity utilization

“Outstanding asset availability is essential for Covestro’s sustainable growth

# Entire organization aligned for performance

Full STI annual target achievement requires EBITDA above €2bn

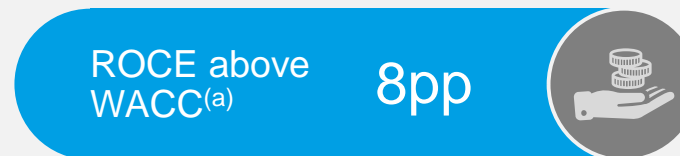
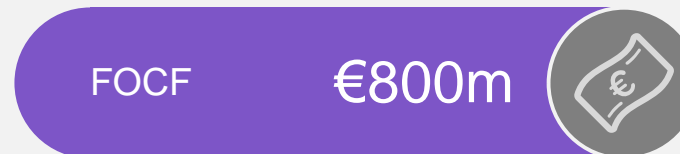
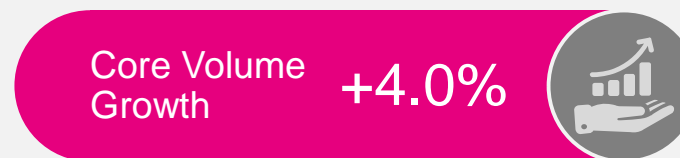


## UNIFORM BONUS SYSTEM

- Full alignment of all employees (including board) along the same KPIs
- Criteria with full focus on performance and shareholder value creation
- 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, ~€180m and ~€450m, respectively
- Fixed hurdle rates for 2019 - 2021 reflect KPI values in mid-cycle conditions, based on historical review and expected future development

## EQUALLY WEIGHTED GROUP METRICS

- Targets for 100% achievement:



- For each metric, payout can range from 0% to 300% relating to Core Volume Growth between 1.5% and 9.0% / FOCF between €400m and €1,600m / ROCE above WACC between 0pp and 24pp
- Max. payout capped at 250%

## TRANSPARENT AMBITION

- Future core volume growth goal of 4% requires growth capex
- 100% target achievement for ROCE and FOCF implies mid-cycle EBITDA above €2bn for 2019 - 2021e



# Significant value creation since IPO

## Development of last five years



		2016	2017	2018	2019	2020
<b>Core Volume Growth</b>	(%)	7.5	3.4	1.5	2.0	-5.6
<b>Sales</b>	(€ million)	11,904	14,138	14,616	12,412	10,706
<b>EBITDA</b>	(€ million)	2,014	3,435	3,200	1,604	1,472
• <i>Polyurethanes</i>		881	2,179	1,763	648	625
• <i>Polycarbonates</i>		704	854	1,036	536	553
• <i>Coatings Adhesives Specialties</i>		500	486	464	469	341
<b>Earnings per Share</b>	(€)	3.93	9.93	9.46	3.02	2.48
<b>Capex</b>	(€ million)	419	518	707	910	704
<b>Free operating cash flow (FOCF)</b>	(€ million)	1,367	1,843	1,669	473	530
<b>ROCE</b>	(%)	14.2	33.4	29.5	8.4	7.0
<b>Net financial debt</b>	(€ million)	1,499	283	348	989	366
<b>Employees <sup>(a)</sup></b>	(FTE)	15,579	16,176	16,770	17,201	16,501

# Upcoming IR events



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

## REPORTING DATES

- |                    |                                 |
|--------------------|---------------------------------|
| • August 6, 2021   | 2021 Half-Year Financial Report |
| • November 8, 2021 | Q3 2021 Quarterly Statement     |

## ANNUAL GENERAL MEETING

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

## BROKER CONFERENCES

- |                 |  |
|-----------------|--|
| • May 6, 2021   | Metzler Dialog (virtual)   |
| • May 20, 2021  | Citi, Chemicals Conference (virtual)   |
| • June 1, 2021  | Kepler Cheuvreux 2 <sup>nd</sup> Digital Pan European ESG Conference (virtual)       |
| • June 2, 2021  | Credit Suisse, 2021 Chemicals & Agriculture, Packaging & Cement Conference (virtual) |
| • June 16, 2021 | Deutsche Bank, dbAccess Berlin Conference (virtual)                                  |





# 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](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.