



Guidance achieved in a challenging environment

Financial Highlights
Q4 & FY 2019



Forward-looking statements

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

Financial highlights FY 2019



+2.0%
Core volume
growth



€1.6bn
EBITDA



€473m
FOCF



€3.02
EPS



€2.40
Proposed
dividend per
share



8.4%
ROCE



Guidance achieved in a challenging environment



	Initial guidance FY 2019	Narrowed guidance FY 2019 ^(a)	FY 2019	Achievement
Core Volume Growth	Low- to mid-single-digit percentage increase Y/Y	Low-single-digit percentage increase Y/Y	+2.0%	✓
FOCF	€300 – 700m	€300 – 500m	€473m	✓
ROCE	8% – 13%	8% – 10%	8.4%	✓
EBITDA	€1,500 – 2,000m	€1,570 – 1,650m	€1,604m	✓

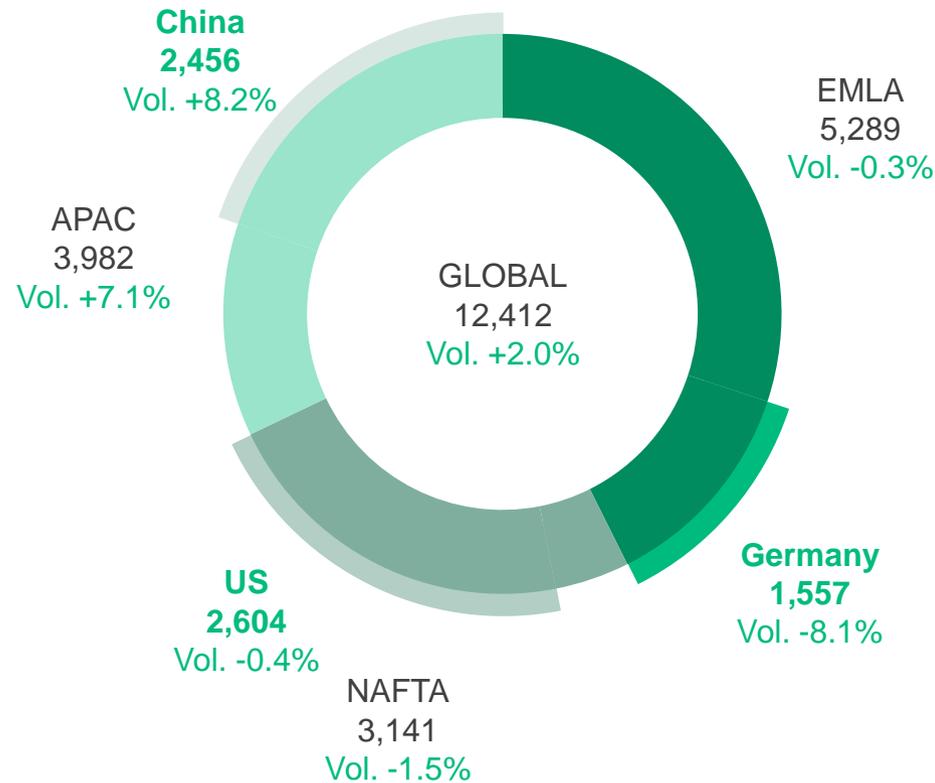
Solid core volume growth despite automotive weakness



FY 2019 – Regional split

Sales and core volume growth

in € million / changes Y/Y



Core volume growth Y/Y

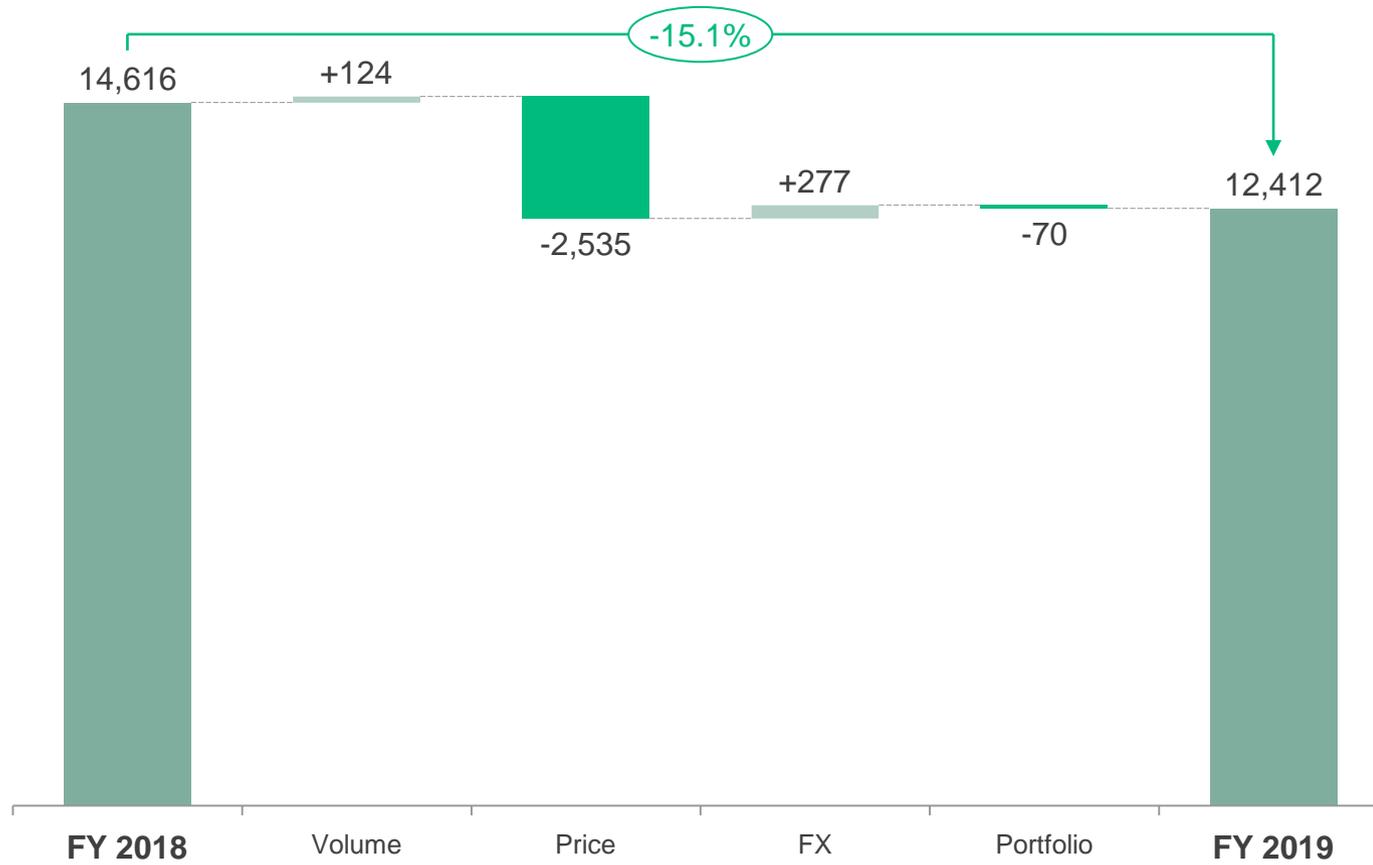
- **APAC:** double-digit growth in wood & furniture as well as strong growth in electronics and construction more than compensated a slight decline in automotive
- **EMLA:** pronounced weakness in automotive demand was almost counterbalanced by strong growth in wood & furniture
- **NAFTA:** negative development in automotive could not be fully compensated by strong growth in construction
- **Global:** strong growth in wood & furniture and in electronics coupled with solid growth in construction more than compensated high-single-digit decline in automotive

Sales development driven by price effects

FY 2019 – Sales bridge



in € million



Highlights

Negative pricing

- Lower selling prices, mainly in PUR and PCS, negatively impacted sales by -17.3% Y/Y

Slight volume increase

- Sales volume expansion (in €) by +0.8% Y/Y

Positive FX

- FX benefited sales by +1.9% Y/Y mainly due to a stronger USD

Portfolio changes

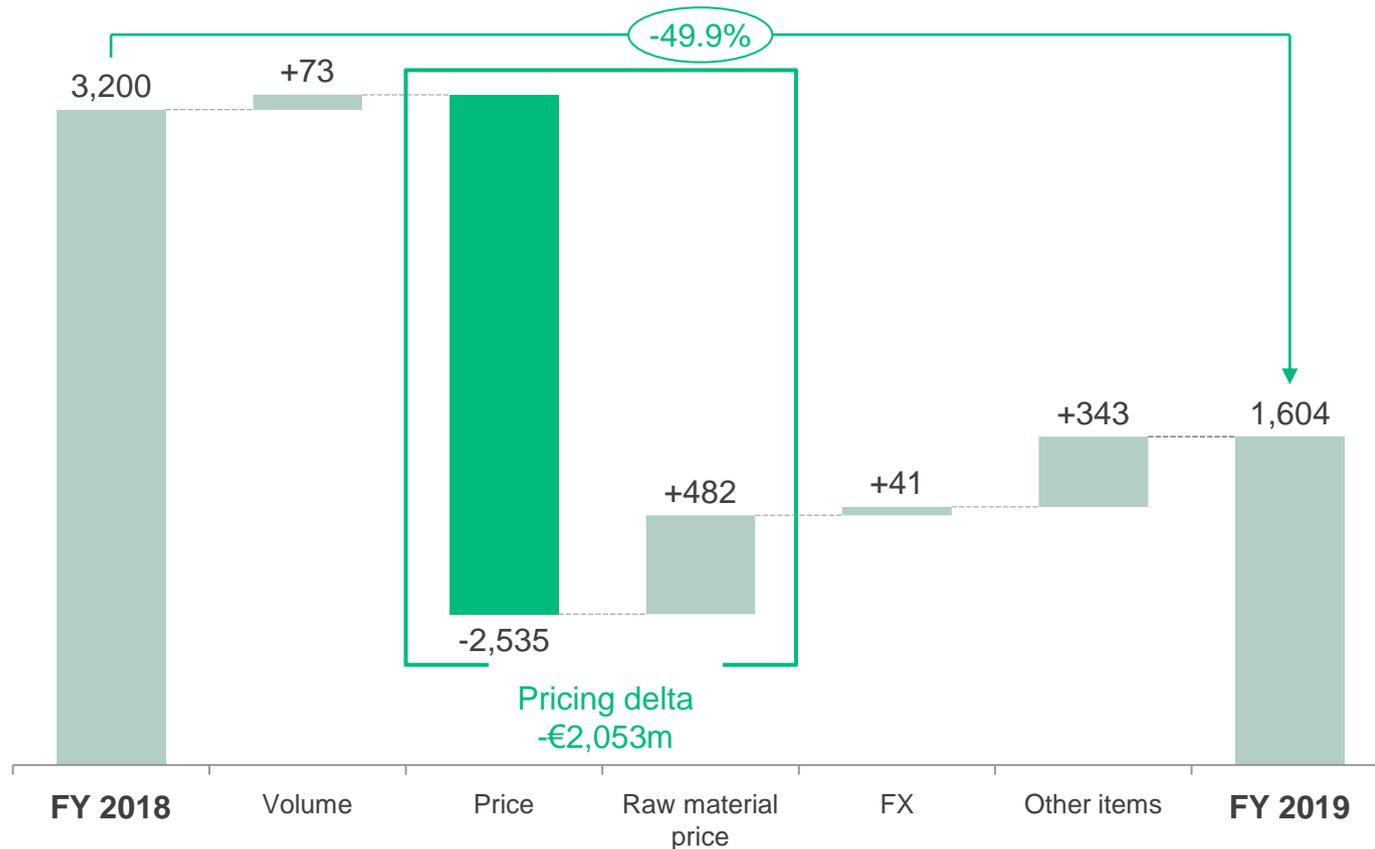
- US PC sheets divested as of 1st August 2018 (FY sales of ~€150m)
- Thermoplastic PU business DCP^(a) fully consolidated as of 1st April 2019 (FY sales of ~€40m)
- European PU system houses divested as of 1st November 2019 (FY sales of ~€230m)
- European PC sheets divested as of 2nd January 2020 (FY sales of ~€130m), relevant in FY 2020

Continuing pressure on prices and margins

FY 2019 – EBITDA bridge



in € million



Highlights

Positive volume leverage

- Solid contribution at 59%^(a)

Pronounced decline in contribution margin

- Negative pricing delta, mainly in PUR and PCS, due to intense competitive pressure

Other items

- Lower bonus provisions of ~€300m
- Positive impact of €131m from IFRS 16
- Higher costs driven by inflation, increasing number of employees for production and engineering as well as investments into digitalization
- Book gains €53m from DCP and European PU system houses transactions compare to book gains of €36m from PC sheets business divestment in FY 2018
- Insurance reimbursements of €63m vs. €29m in FY 2018

Polyurethanes – margin declining towards trough levels



Segment results – Highlights FY 2019

Sales and core volume growth^(a)

in € million / changes Y/Y

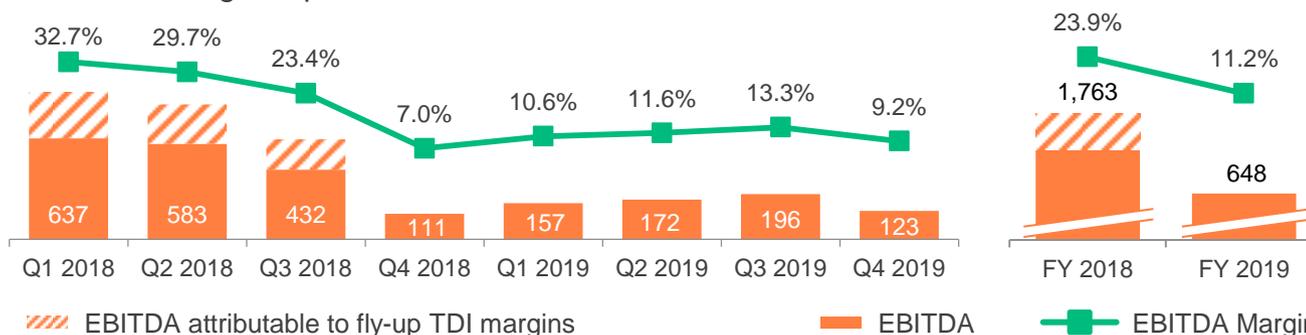


Highlights

- Solid core volume growth (in kt) of +2.3% Y/Y, driven by MDI and TDI
- Growth in all key industries except automotive
- Increasing sales volumes (in €) of +1.5% Y/Y, FX added +1.8%
- Sales decreased by -21.5% Y/Y, driven by price (-24.7%)

EBITDA and Margin

in € million / margin in percent



Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- In Q4 2019, EBITDA margin declined to 9.2% vs. 13.3% in Q3 2019 due to seasonally lower volumes and continuing margin pressure
- Book gain of €34m from divestment of European PU system houses in Q4 2019

Polycarbonates – increasing margin pressure

Segment results – Highlights FY 2019



Sales and core volume growth^(a)

in € million / changes Y/Y

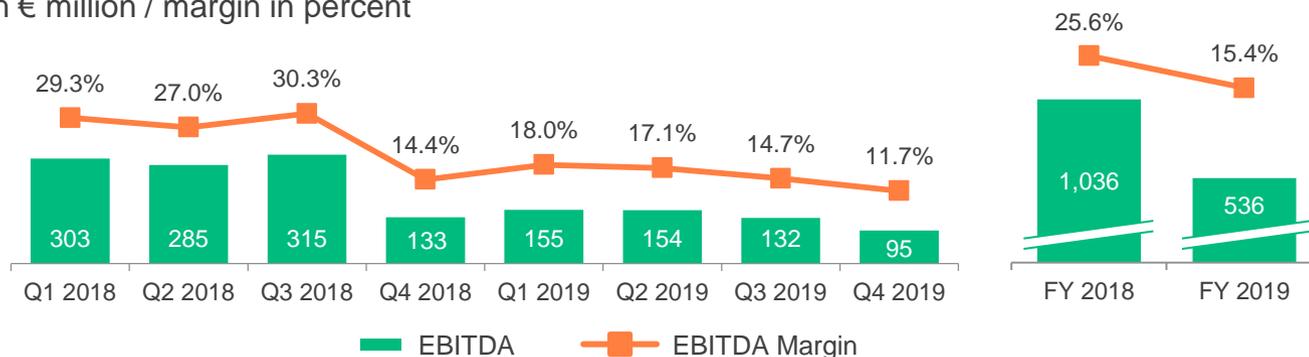


Highlights

- Solid core volume growth (in kt) of +2.7% Y/Y driven by all key industries except automotive
- Increasing sales volumes (in €) of +2.4% Y/Y, FX added +2.0%
- Sales decreased by -14.3% Y/Y, driven by price (-16.5%)

EBITDA and Margin

in € million / margin in percent



Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- In Q4 2019, EBITDA margin decreased to 11.7% vs. 14.7% in Q3 2019, mainly driven by the seasonally negative volume leverage

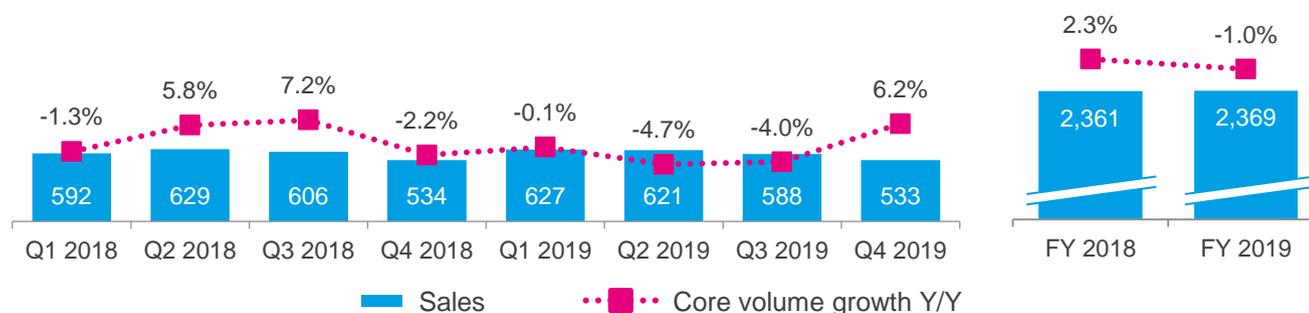
Coatings, Adhesives, Specialties – weak end markets



Segment results – Highlights FY 2019

Sales and core volume growth^(a)

in € million / changes Y/Y

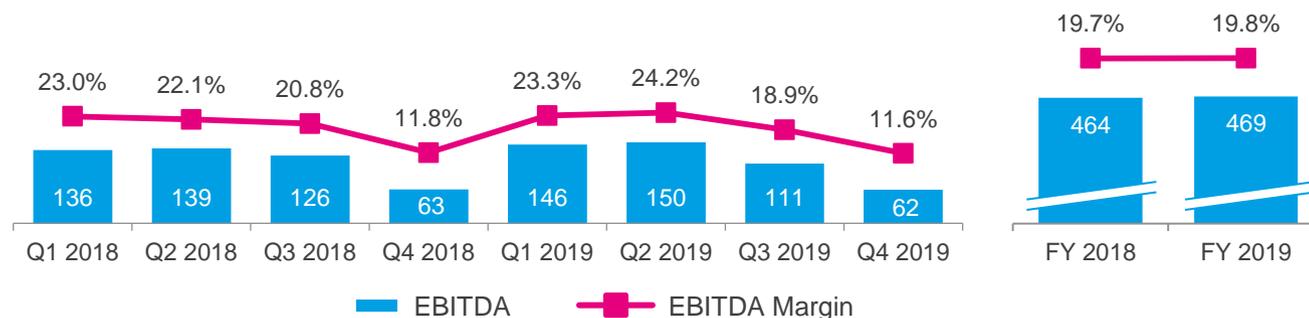


Highlights

- Disappointing demand for industrial coatings burdened core volume growth (-1.0% Y/Y)
- Core volume rebound in Q4 helped by full consolidation of DCP and weak comparison basis
- Stable sales development at +0.3% Y/Y driven by FX (+2.3%) and portfolio (+1.2%) despite weaker sales volumes in € (-2.1%) and prices (-1.1%)

EBITDA and Margin

in € million / margin in percent



Highlights

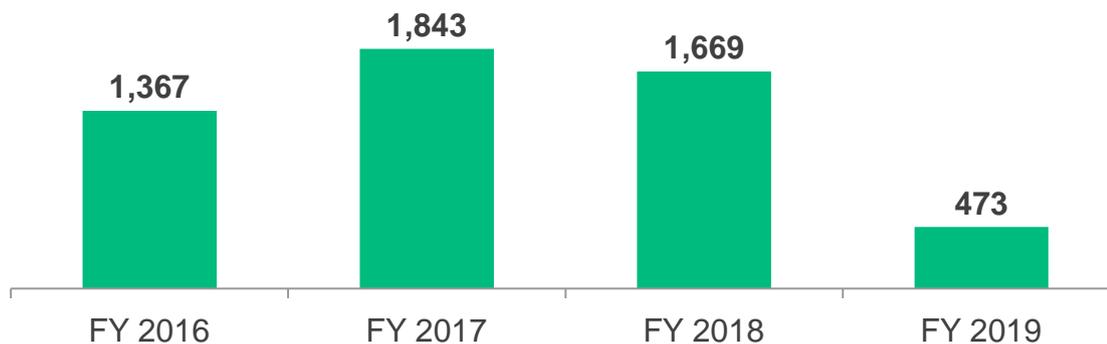
- Compared to prior year, stable EBITDA despite the negative volume leverage helped by decreasing costs and book gain from DCP revaluation (€19m)
- In Q4 2019, EBITDA margin decreased to 11.6% vs. 18.9% in Q3 2019, mainly driven by the seasonally negative volume leverage

FOCF guidance achieved

Historical FOCF development – FY 2019



in € million



EBITDA	+2,014	+3,435	+3,200	+1,604
Changes in working capital	+25	-475	-167	+411
Income taxes paid	-418	-510	-574	-296
Other effects	+165	-89	-83	-336
Capex^(a)	-419	-518	-707	-910

Highlights

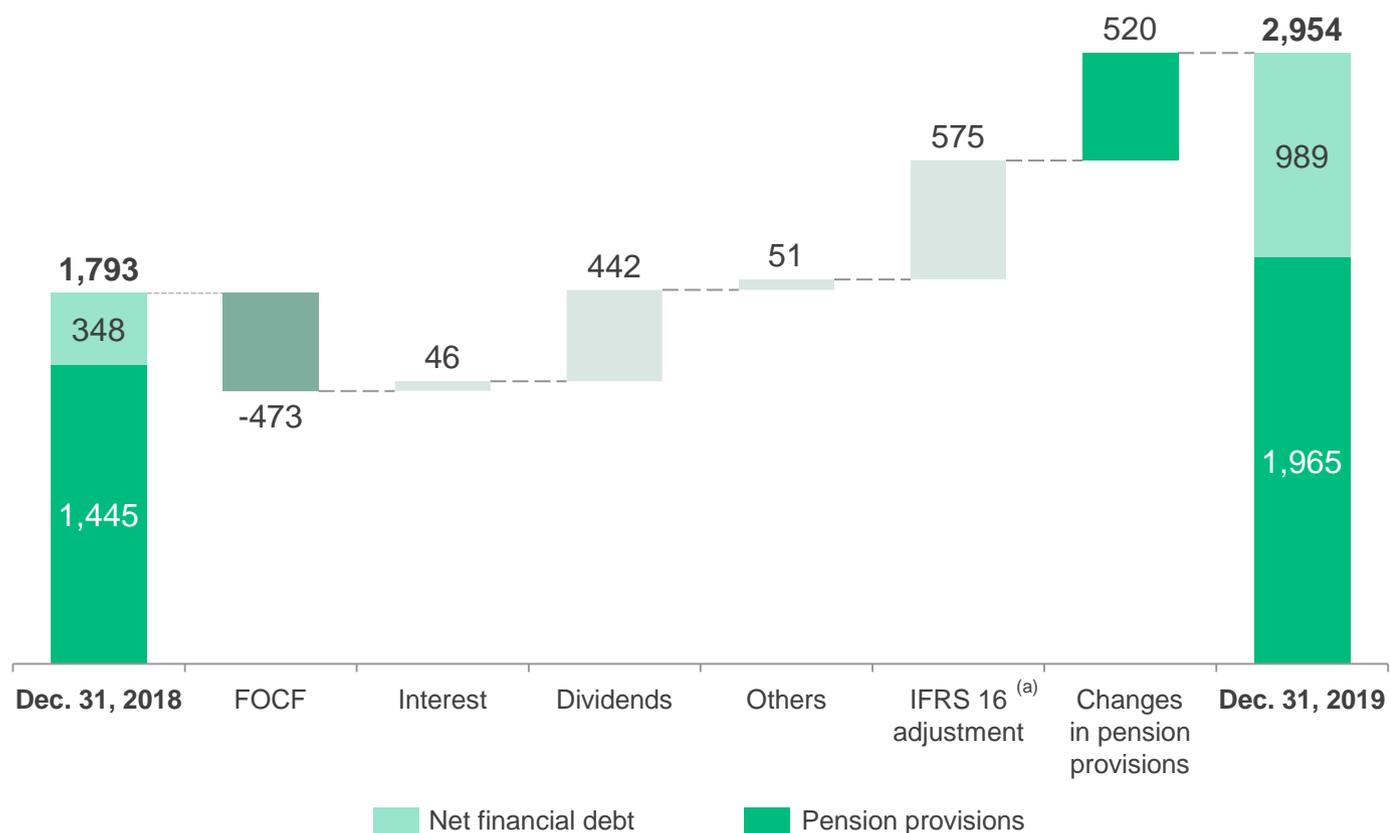
- FY 2019 FOCF of €473m largely driven by the expected strong finish in Q4 (FOCF of €330m)
- FOCF at the upper end of the narrowed guidance of €300m to €500m and in line with the initial guidance of €300m to €700m
- Strict inventory management coupled with decreasing receivables (driven by lower price levels) led to significant release of funds in trade working capital
- High cash tax rate of 38.9% due to retroactive tax payments for FY 2018, above P&L tax rate of 26.8%
- Other effects include provision releases of ~€350m related to bonus payments for FY 2018
- Capex of €910m up Y/Y with focus on growth investments, in line with full year guidance

Solid balance sheet despite accounting effects

December 31st, 2019 – Total net debt



in € million



Highlights

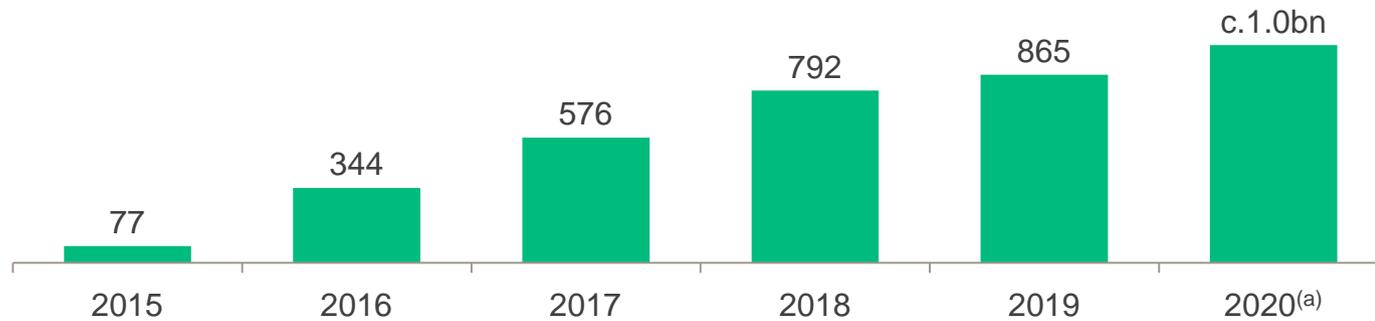
- Increase of net financial debt mainly due to IFRS 16 adoption
- Pension provisions increased by €520m, mainly resulting from a lower discount rate in Germany of 1.0% (prev. 1.8%)
- Almost stable equity ratio of 46% end of 2019 vs. 48% end of 2018
- Total net debt to EBITDA ratio of 1.8x end of 2019 vs. 0.6x end of 2018
- Committed to a solid investment grade rating

Volume leverage almost offset by pricing delta

Cumulative volume growth and pricing delta contribution in EBITDA

Volume effect in EBITDA

in € million

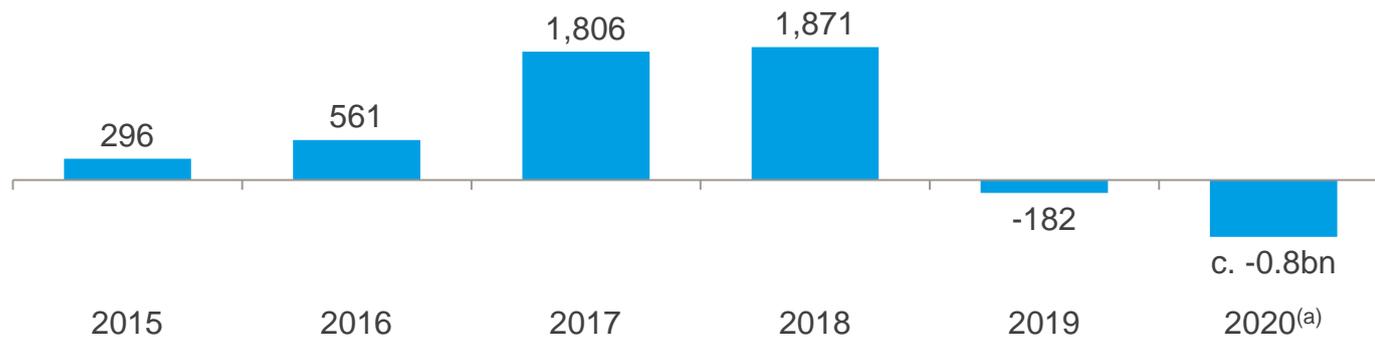


Highlights

- Continuous EBITDA contribution by volume leverage
- Average volume leverage of 50%
- Between 2015 and 2019, core volumes increased by around 0.8mt; equivalent to growth capex of around €2.4bn^(b)

Pricing delta effect in EBITDA = price - raw materials price

in € million



Highlights

- Fluctuating EBITDA contribution by pricing delta driven by industry supply / demand balance
- Cumulative volume growth contribution almost offset by cumulative pricing delta contribution
- Mark-to-market pricing delta for FY 2020 approaching historical trough level for all three supply / demand driven businesses

Execute cost-cutting, reduce headcount in non-production areas



Expected cumulative savings and restructuring costs

Progress on “Perspective” program

Approximations, in € million

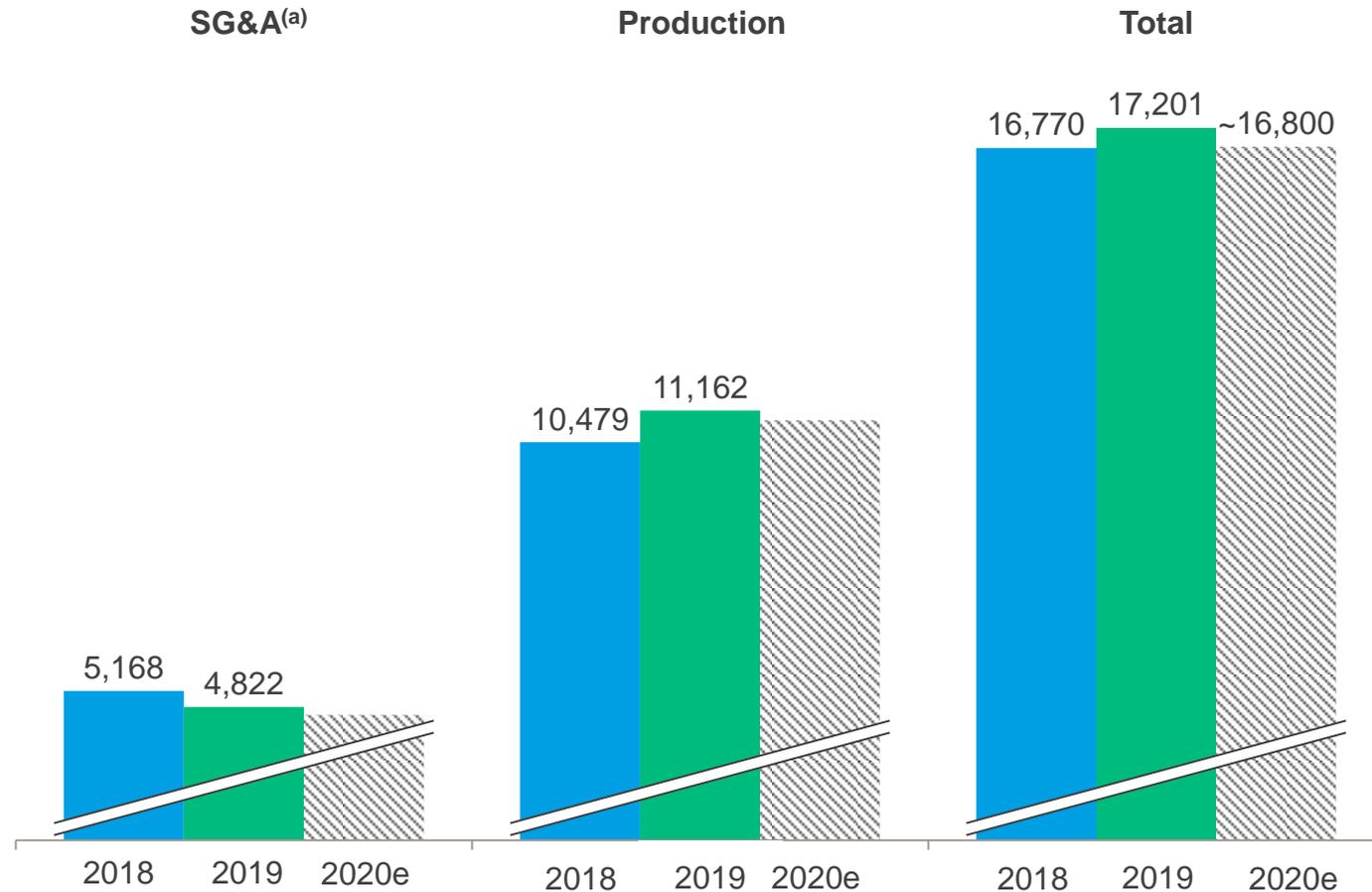


Highlights

- Accelerated delivery in 2019 (+€10m) and higher planned savings in 2020 (+€20m)
- Cumulative savings of around €350m planned until end of 2021e
- Reduction of ~900 FTE^(a) globally in non-production areas, to be carried out by way of socially acceptable solutions
- Functional areas: E2E supply chain, procurement, commercial, general and administration
- Driving efficiency by adapting business unit and corporate level structure to market needs: streamline standard businesses, extend differentiation and maximize portfolio synergies

Target to reduce headcount to 2018 level

Development of full-time equivalent (FTE)



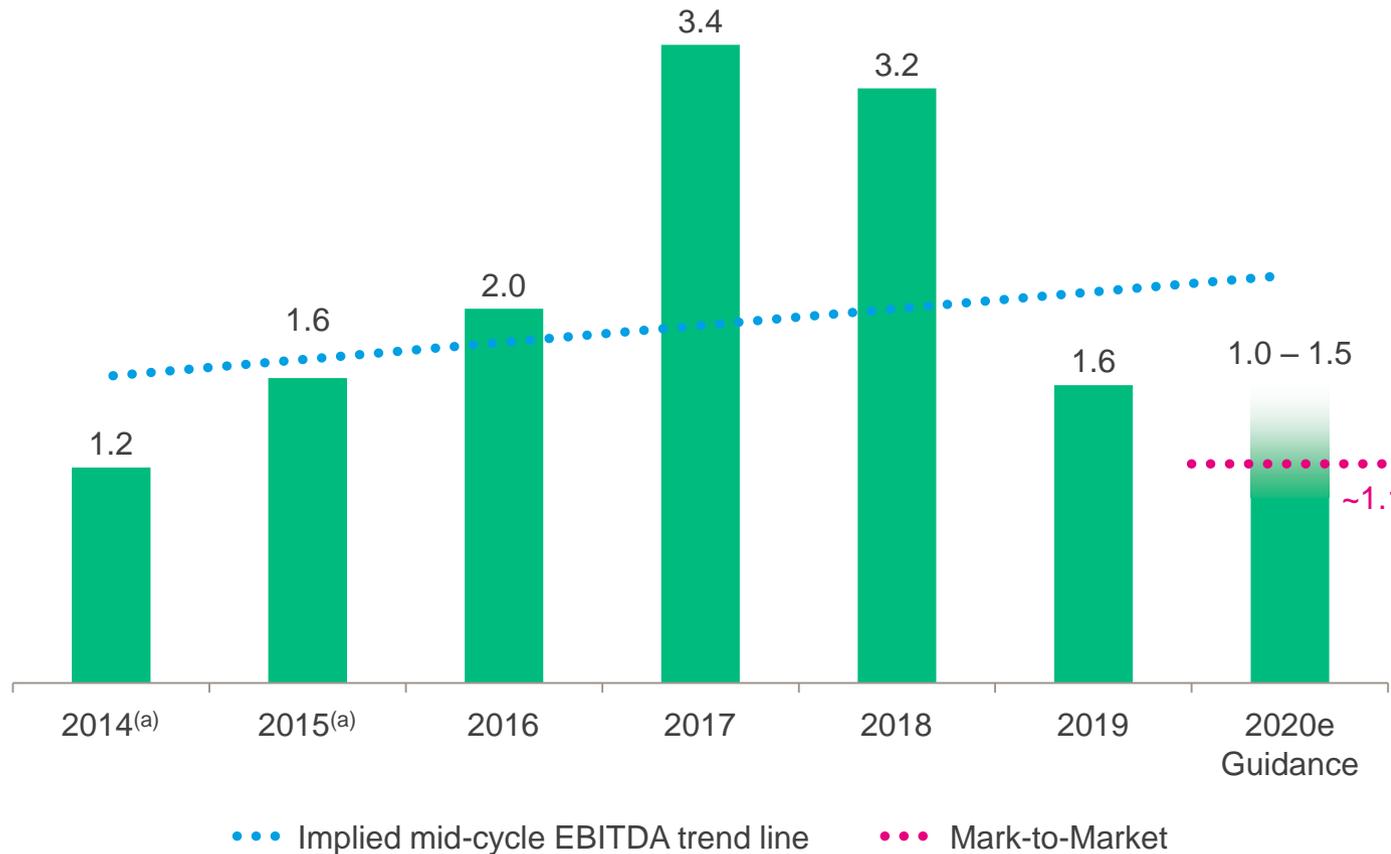
Highlights

- Marketing and general administration FTE reduced in 2019 as a result of Perspective restructuring
- Production personnel increased in 2019 to equip extended production facilities and to enable growth projects as well as to compensate for upcoming retirements
- Plan to reduce year end 2020 FTE to ~16,800 through further execution of Perspective program

Earnings approaching trough levels

EBITDA development between 2014 and 2020e

in € billion



Highlights

- 2014 below mid-cycle levels due to excess industry supply
- 2017 and parts of 2018 with strong demand growth and favorable industry supply / demand balance
- 2019 below mid-cycle levels as an unfavorable industry supply / demand balance led to significant margin pressure
- Year-end margins 2019 close to historical trough levels determine expected mark-to-market level for 2020
- Mark-to-market EBITDA 2020 of €1.1bn includes ~€200m additional short-term savings

Earnings approaching trough level in challenging environment

FY 2020 guidance



	FY 2019	Guidance FY 2020
Core volume growth	+2.0%	Low-single-digit percentage range increase Y/Y
FOCF	€473m	€0 – 400m
ROCE	8.4%	2 – 7%
Additional financial expectations	FY 2019	Guidance FY 2020
EBITDA FY	€1,604m	€1,000 – 1,500m
EBITDA Q1	€442m	€200 – 280m
D&A	€752m	~€770m
Financial result	€-91m	~€-105
P&L (effective) tax rate	26.8%	24 – 26%
Capex^(a)	€910m	~€900m

Clear set of priorities

Use of cash



Commitment

Dividend policy



- Progressive policy: increase or keep at least stable

€1.7bn paid in dividends^(a)

since January 2016

Focus

Capex



- Covestro's industry and cost leadership make growth investment the most value-creating use of cash
- Growth capex focuses mainly on CAS, MDI and PCS
- Maintenance capex to secure safe, reliable and efficient operations

€2.6bn invested in capex

Opportunities

Portfolio



- Disciplined and focused approach
- Targeting value-enhancing acquisitions with attractive IRR
- Ongoing portfolio optimization, including successful execution of disposals

€0.6bn of sales divested

Return to shareholders



- Return excess cash to shareholders
- Authorization for share buy-back program for up to 10% of share capital in place

€1.5bn of shares bought back

Dividend policy: increase or keep at least stable



Historical dividend development

in €



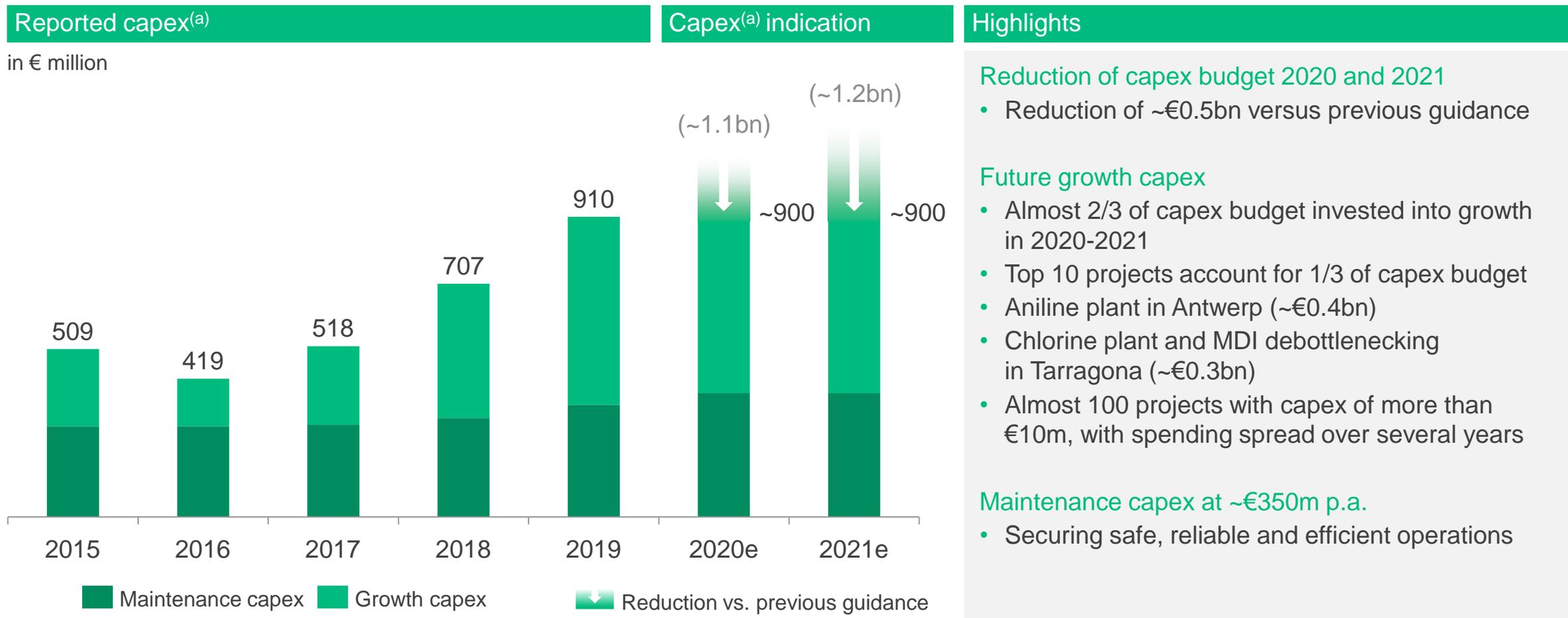
Highlights

- Commitment to progressive policy: increase or keep at least stable
- Stable dividend payment proposed for FY 2019 despite decreasing EPS
- For FY 2019 dividend, proposal of €2.40 per share at the next AGM, on April 17th, 2020
- Dividend yield of 6.1%^(c)
- Corresponding FOCF of €473m in FY 2019 covers dividend payment of €438m^(d)
- Balance sheet was strengthened by reducing net debt by €1.1bn between 2015 and 2019

Investment into organic growth to deliver attractive returns



Covestro Group capex^(a) development 2015 – 2021e



Continuous progress on strategic focus topics

Highlights 2019



Sustainability

- Initiative for circular economy
- Use of alternative raw materials (biomass, carbon dioxide)
- Green electricity for production (Ørsted wind farm)



Portfolio optimization

- Disposal of European and US Polycarbonates sheet businesses
- Disposal of European PU system houses
- Increase of shares in joint venture DIC Covestro Polymer (DCP)



Expansion of production network

- Expansion of MDI production Brunsbüttel, Germany
- Expansion of specialty film production
- Pilot projects for the maintenance of plants using AI



Innovation

- Product innovations for megatrends such as 5G or e-mobility
- Digital chemistry (use of AI and big data)
- Covestro Start-Up Challenge



Guidance achieved in a challenging environment

Highlights 2019



1

Solid market growth across all key industries
except automotive industry

2

EBITDA significantly below mid-cycle level
due to an unfavorable supply / demand balance

3

Solid free operating cash flow
supported by active working capital measures

4

FY 2019 guidance achieved
as strict cost discipline counterbalances stronger than expected price pressure

5

Another challenging year expected in 2020
given historically low margins per ton at year end 2019



Appendix

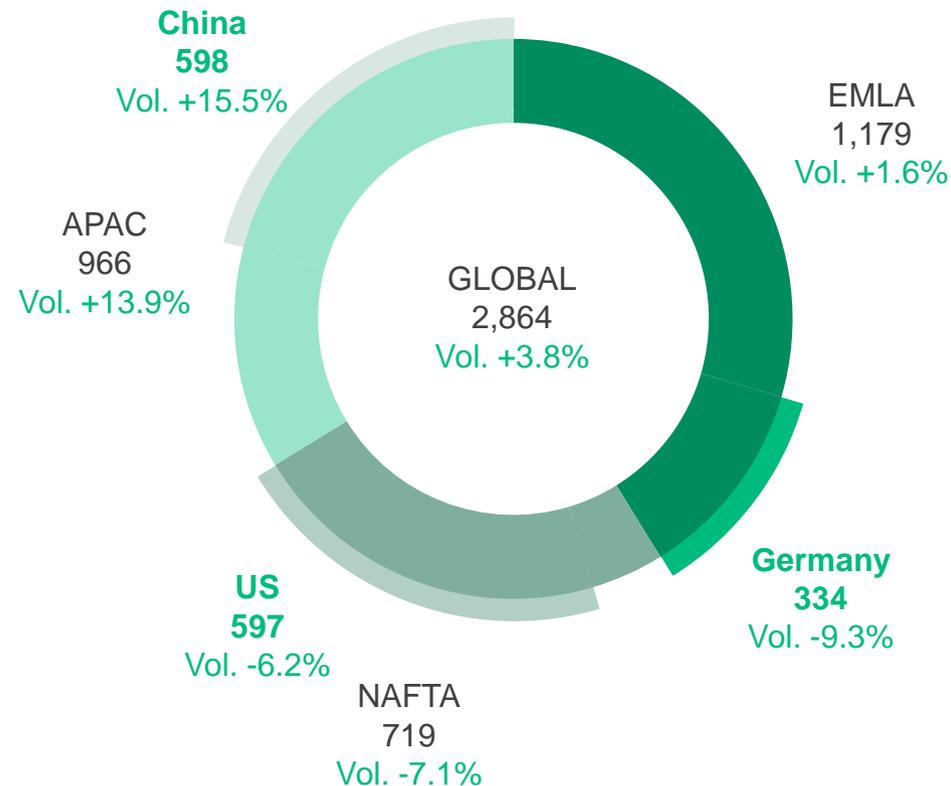
Solid core volume growth in a difficult environment

Q4 2019 – Regional split



Sales and core volume growth

in € million / changes Y/Y



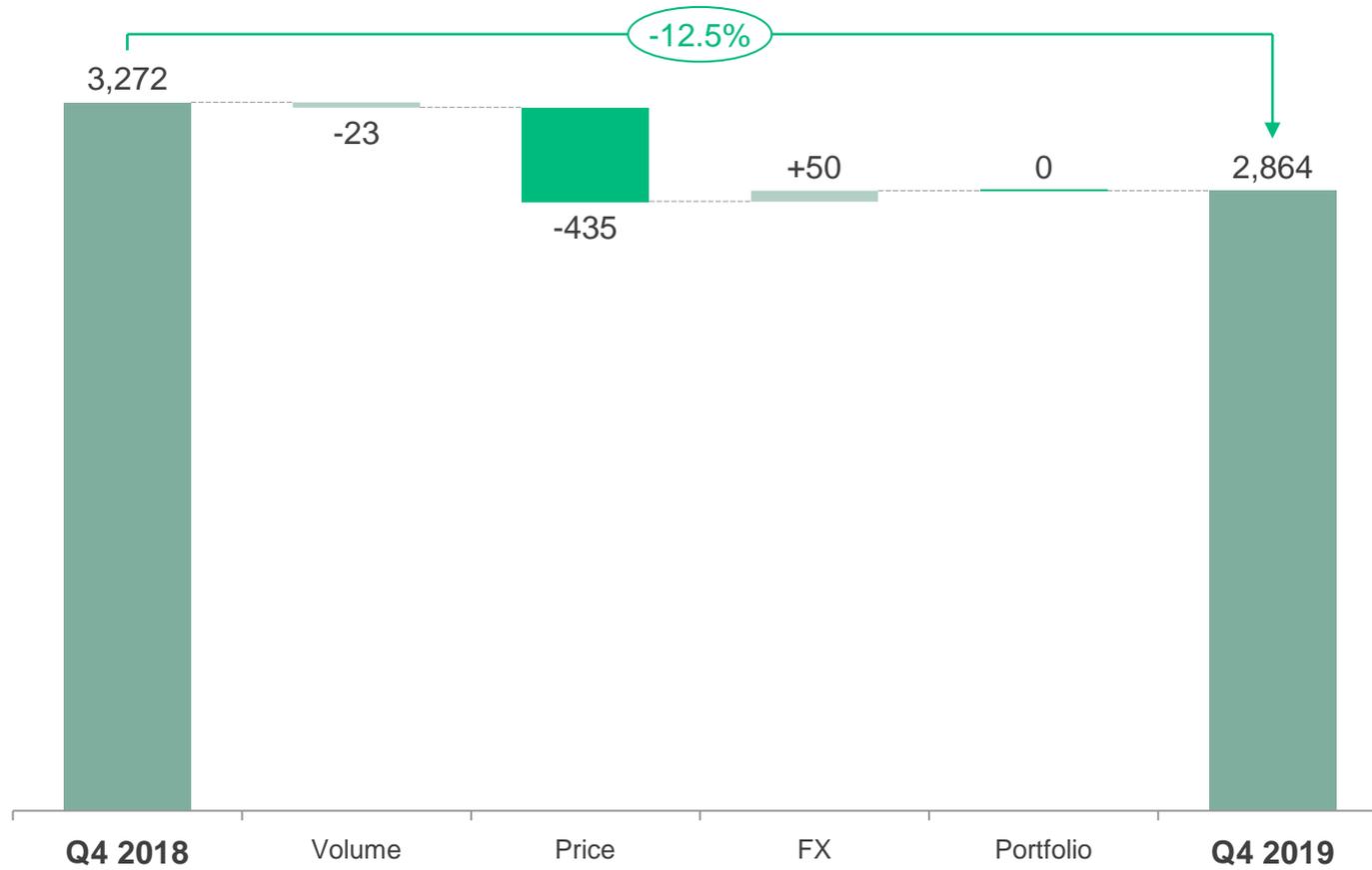
Core volume growth Y/Y

- **APAC:** double-digit growth in automotive, wood/furniture and diverse industries, strong growth in construction
- **EMLA:** strong growth in electronics, wood & furniture and diverse industries more than compensate negative growth in automotive and construction
- **NAFTA:** negative growth across all industries due to constrained product availability
- **Global:** double-digit growth in wood & furniture, strong growth in diverse industries as well as solid growth in electronics more than compensate negative growth in automotive

Negative price effects decrease sales

Q4 2019 – Sales bridge

in € million



Highlights

Negative pricing

- Lower selling prices in PUR and PCS negatively impacted sales by -13.3% Y/Y

Slightly negative volume development

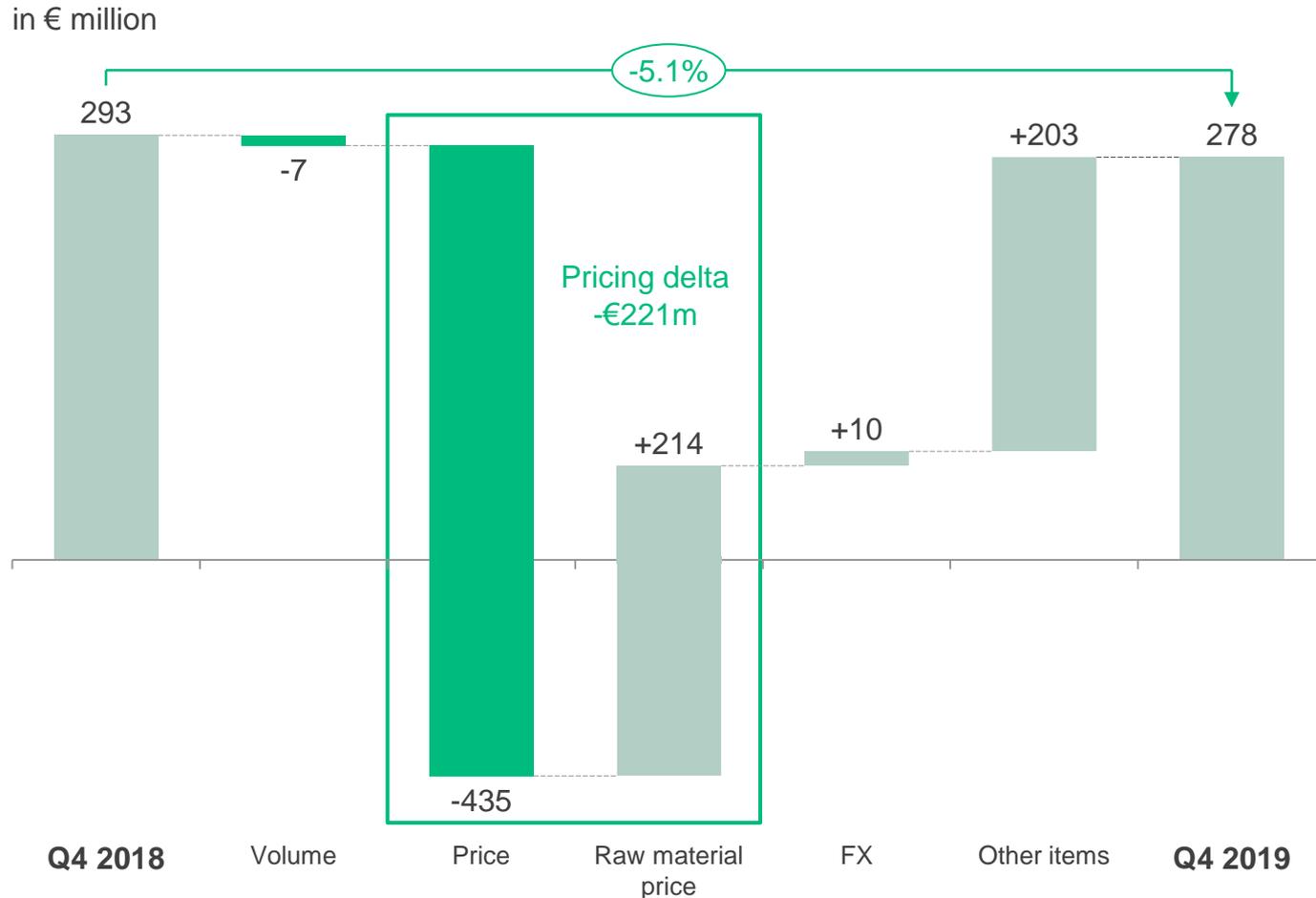
- Sales volume expansion (in €) by -0.7% Y/Y
- Sales volume expansion below core volume growth of +3.8% mainly due to declining non-core business

Positive FX

- Sales benefited +1.5% Y/Y from FX mainly due to stronger USD and CNY

Other items compensate pronounced negative pricing delta

Q4 2019 – EBITDA bridge



Highlights

Pronounced decline in contribution margin

- Negative pricing delta in PUR and PCS mainly resulting from higher competitive pressure

Other items

- Positive impact of €40m from accounting change (IFRS 16)
- Book gain of €34m from European PU system houses divestment

Positive FX

- Positive effect of +3.4% Y/Y mainly due to a stronger USD and CNY

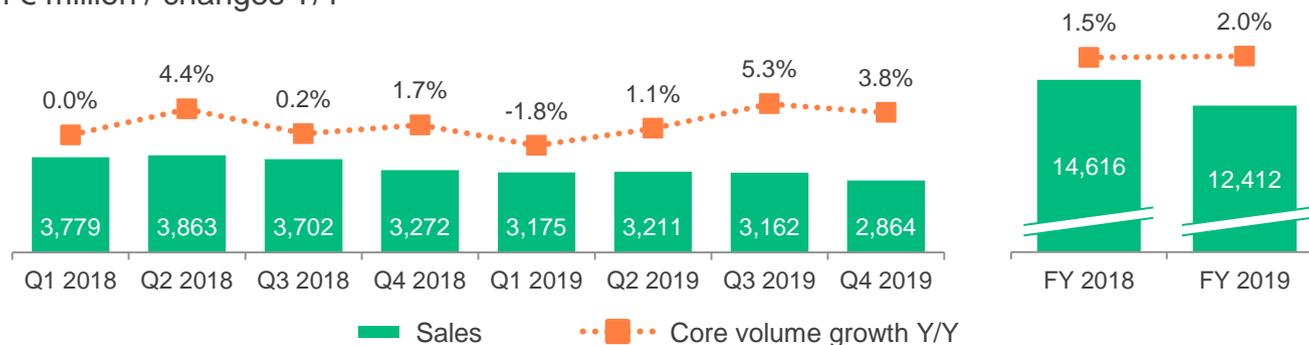
Solid core volume growth in a challenging environment

Group results – Highlights FY 2019



Sales and core volume growth^(a)

in € million / changes Y/Y

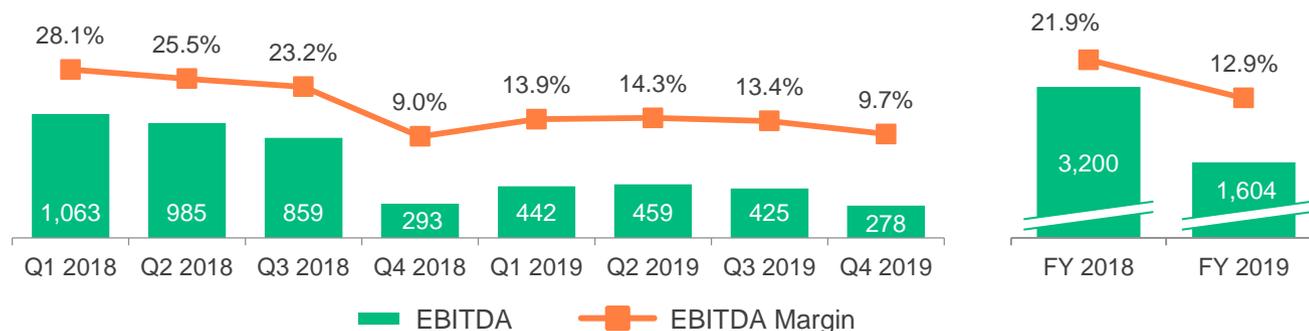


Highlights

- Solid core volume growth (in kt) of +2.0% Y/Y
- Solid growth in PUR and PCS while CAS volumes decline slightly
- Overall asset utilization rate remains high

EBITDA and Margin

in € million / margin in percent



Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- In Q4 2019, EBITDA margin declined to 9.7% vs. 13.4% in Q3 2019 due to normal seasonality, coupled with ongoing margin pressure in a continuing, challenging industry environment

IFRS 16 impact on main KPIs in FY 2019



Changes in accounting as a result of the initial application of IFRS 16^(a)

Balance Sheet (as of December 31, 2019)		P&L		Cash Flow	
Net debt	€+575m	EBITDA	€+131m	FOCF	€+130m
Capital employed	€+570m	EBIT	€+7m	Financing CF	€-130m
ROCE	-0.7pp	Financial result	€-21m		
		Income after income taxes	€-10m		

Upcoming IR events



Find more information on covestro.com/en/investors

Reporting dates

- | | |
|--------------------|---------------------------------|
| • April 29, 2020 | Q1 2020 Interim Statement |
| • July 23, 2020 | Half-Year Financial Report 2020 |
| • October 27, 2020 | Q3 2020 Interim Statement |

Annual General Meeting

- | | |
|------------------|------------------------------|
| • April 17, 2020 | Annual General Meeting, Bonn |
|------------------|------------------------------|

Capital Markets Day

- | | |
|-------------------|------------|
| • October 1, 2020 | Leverkusen |
|-------------------|------------|

Sellside event

- | | |
|----------------|---------------------------------------|
| • May 27, 2020 | Sellside Round Table with CFO, London |
|----------------|---------------------------------------|

Broker conferences

- | | |
|------------------|--|
| • March 3, 2020 | Morgan Stanley Corporate Day, Madrid |
| • March 12, 2020 | Goldman Sachs Annual European Chemicals Conference, London |
| • April 1, 2020 | Mainfirst Corporate Conference, Copenhagen |