



# Managing the crisis

Financial Highlights  
Q1 2020



# Forward-looking statements

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# Financial highlights Q1 2020



**-4.1%**  
Core volume  
growth



**€254m**  
EBITDA



**€-249m**  
FOCF



**€0.11**  
EPS



**July 30**  
New date  
for AGM



**FY 20**  
Guidance  
updated

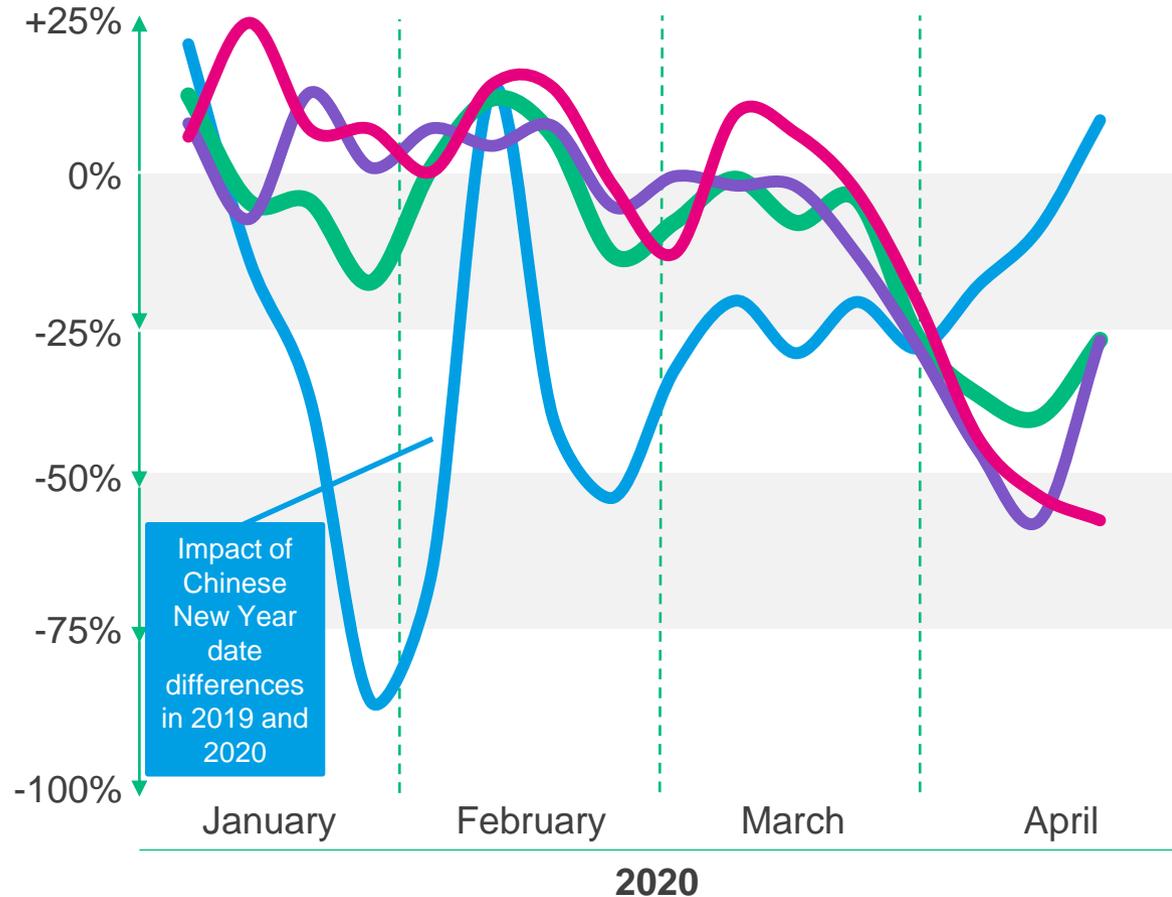


# Severe impact of pandemic with distinct regional differences



## Covestro core volume development versus prior year

Changes Y/Y, 7-day averages



### Global

- Strongest Y/Y decline mid of April, recently stabilizing

### China

- Earliest volume impact globally
- Strongest Y/Y decline in February, recovering since to pre-pandemic levels

### Europe

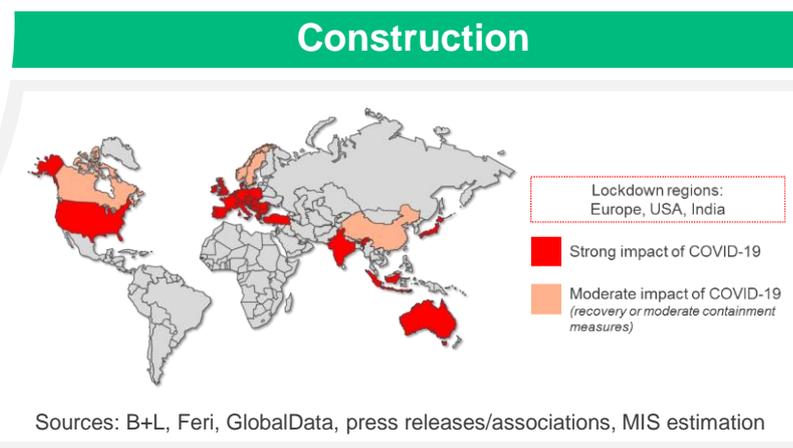
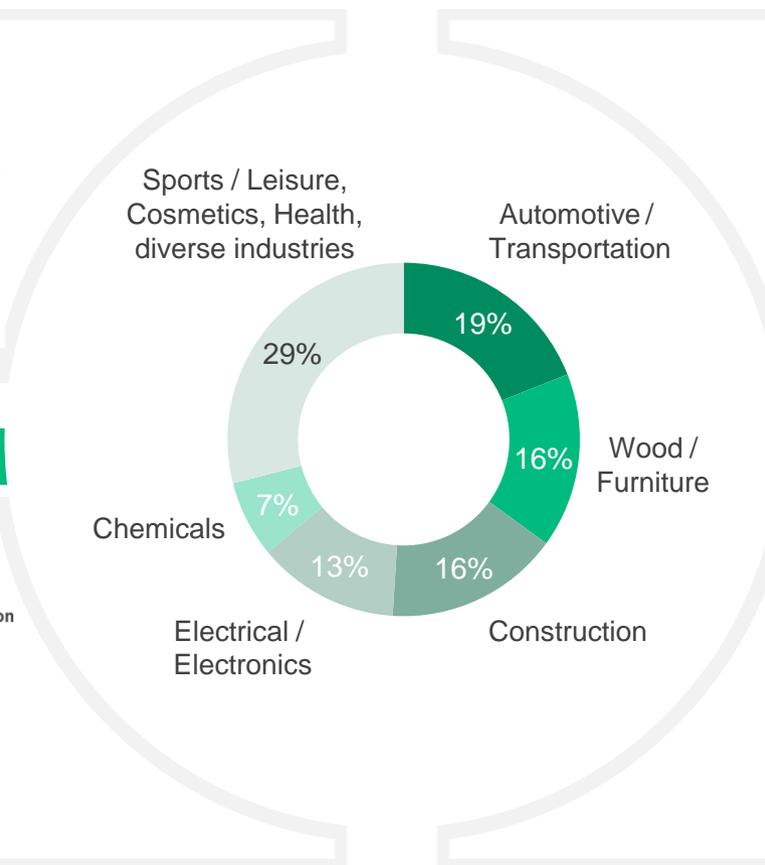
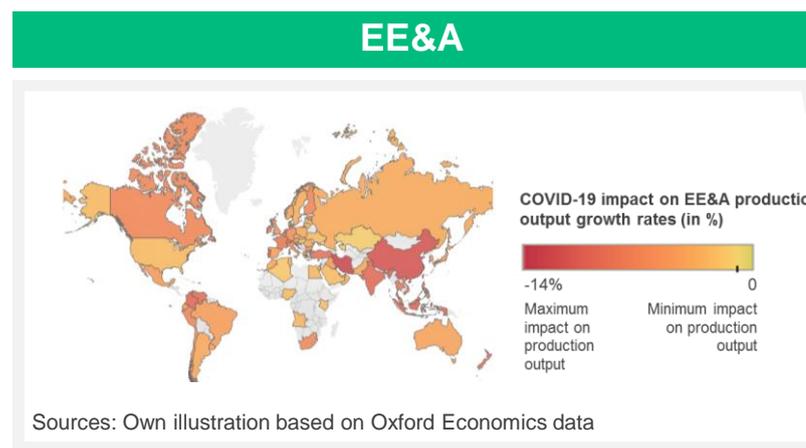
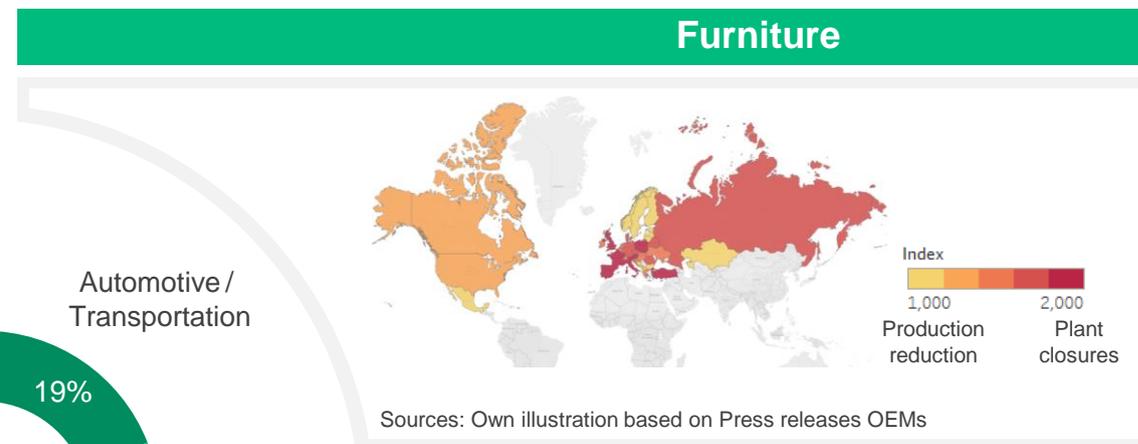
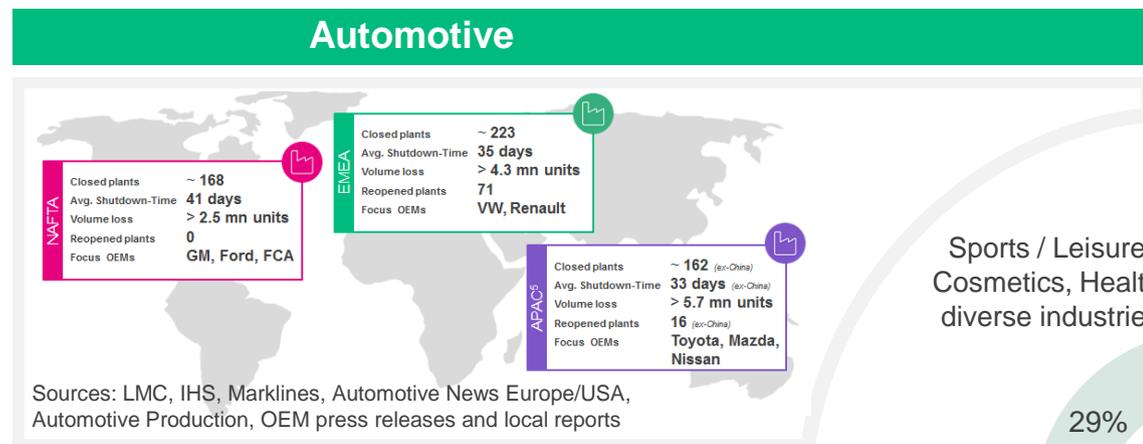
- Varying volume impacts by country
- Strongest Y/Y decline mid of April, recently stabilizing

### U.S.

- Latest volume impact globally
- Falling trend since mid of March

# Severe impact of pandemic across all industries

## Overview of Covestro key industries<sup>(a)</sup>



# Early and decisive measures taken to manage the crisis

## Coronavirus pandemic impact on Covestro



### Human resources

- 21 employees infected (14 in Germany, 7 RoW)
- 12 recovered
- Working from home mandatory for all non-production employees in Germany since mid of March<sup>(a)</sup>

### Current asset utilization

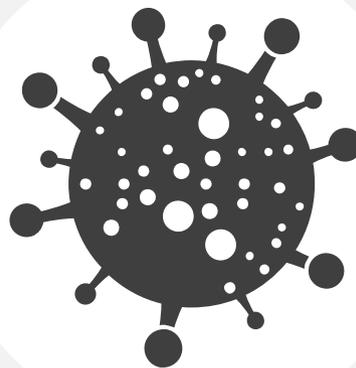
- EMLA: PUR & PCS at ~70%, CAS at reduced rates
- NAFTA: Baytown at reduced rates
- APAC: after achieving full rates mid of March now again with reduced rates

### Financial impact in Q1 2020

- In China, core volumes declined by almost 30% Y/Y
- In Europe, core volumes started to decline end of March
- Estimated impact on global core volumes of -8% Y/Y and on EBITDA of around €-80m

### Management measures in 2020

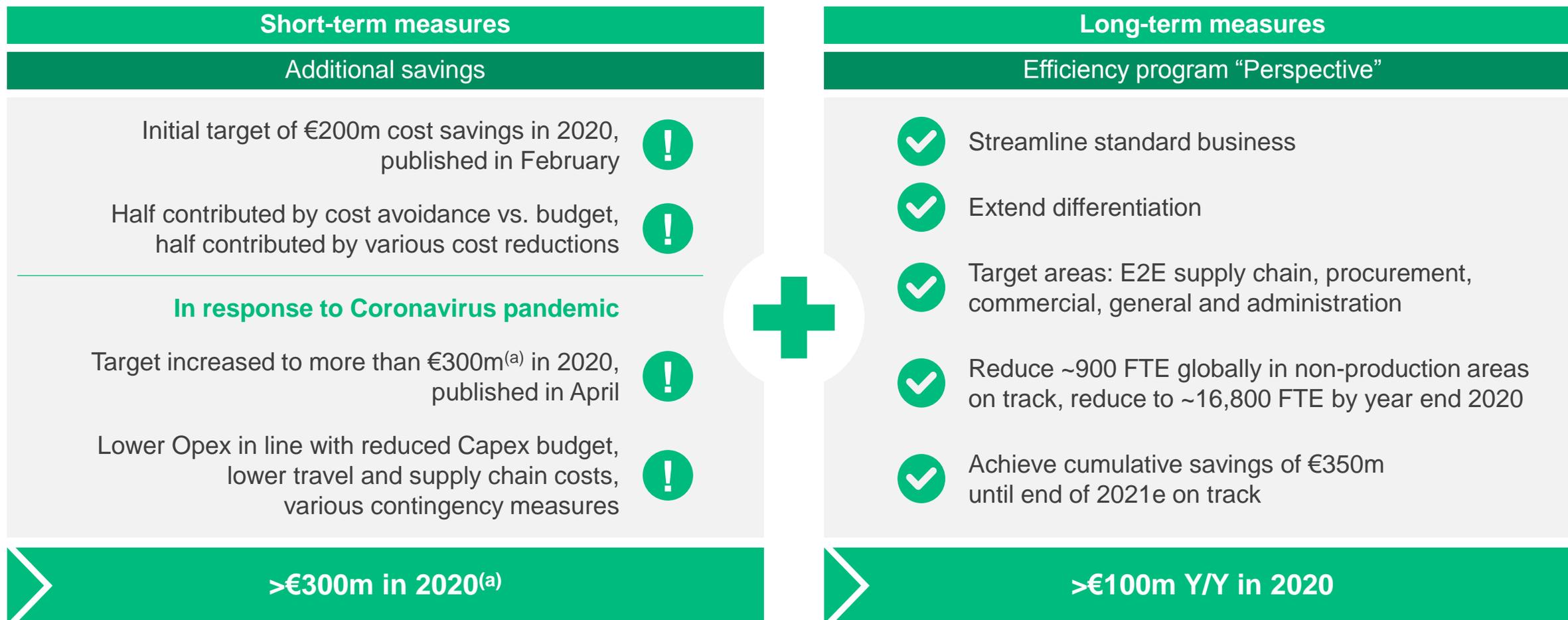
- Cost savings: additional >€100m short-term initiatives for 2020 (in total >€300m savings)
- Capex: reduction of €200m to €700m (in total €400m)
- Strong liquidity of €3.7bn secured (cash plus RCF)



# Early and decisive measures taken to manage the crisis



## Short- and long-term cost improvements



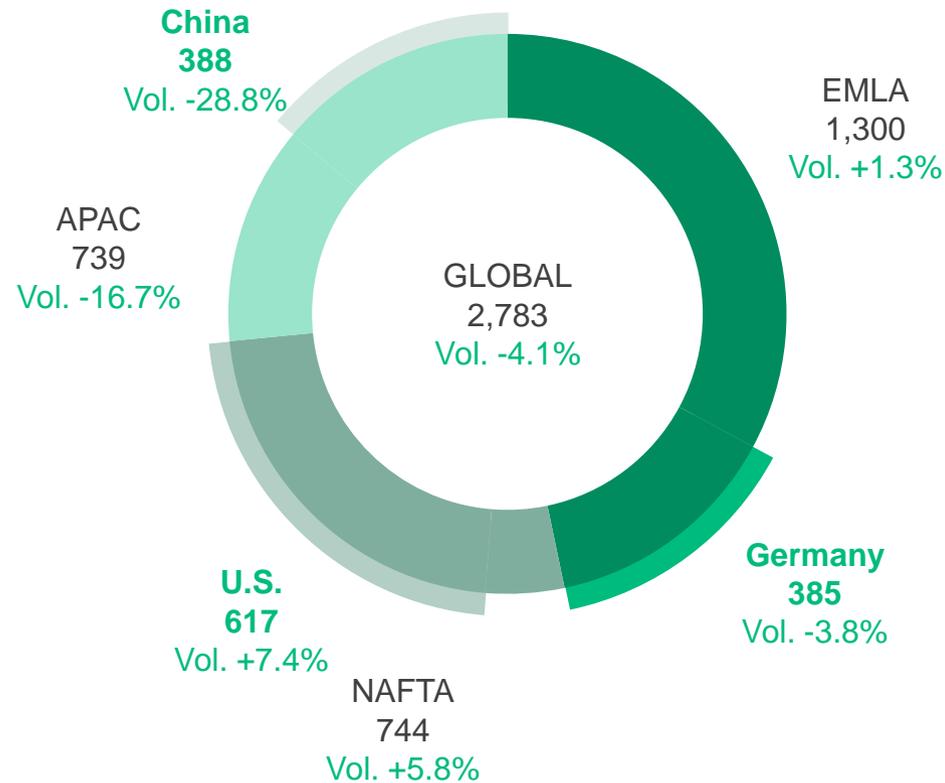
# Declining volumes due to Coronavirus pandemic in China



## Q1 2020 – Regional split

### Sales and core volume growth<sup>(a)</sup>

in € million / changes Y/Y



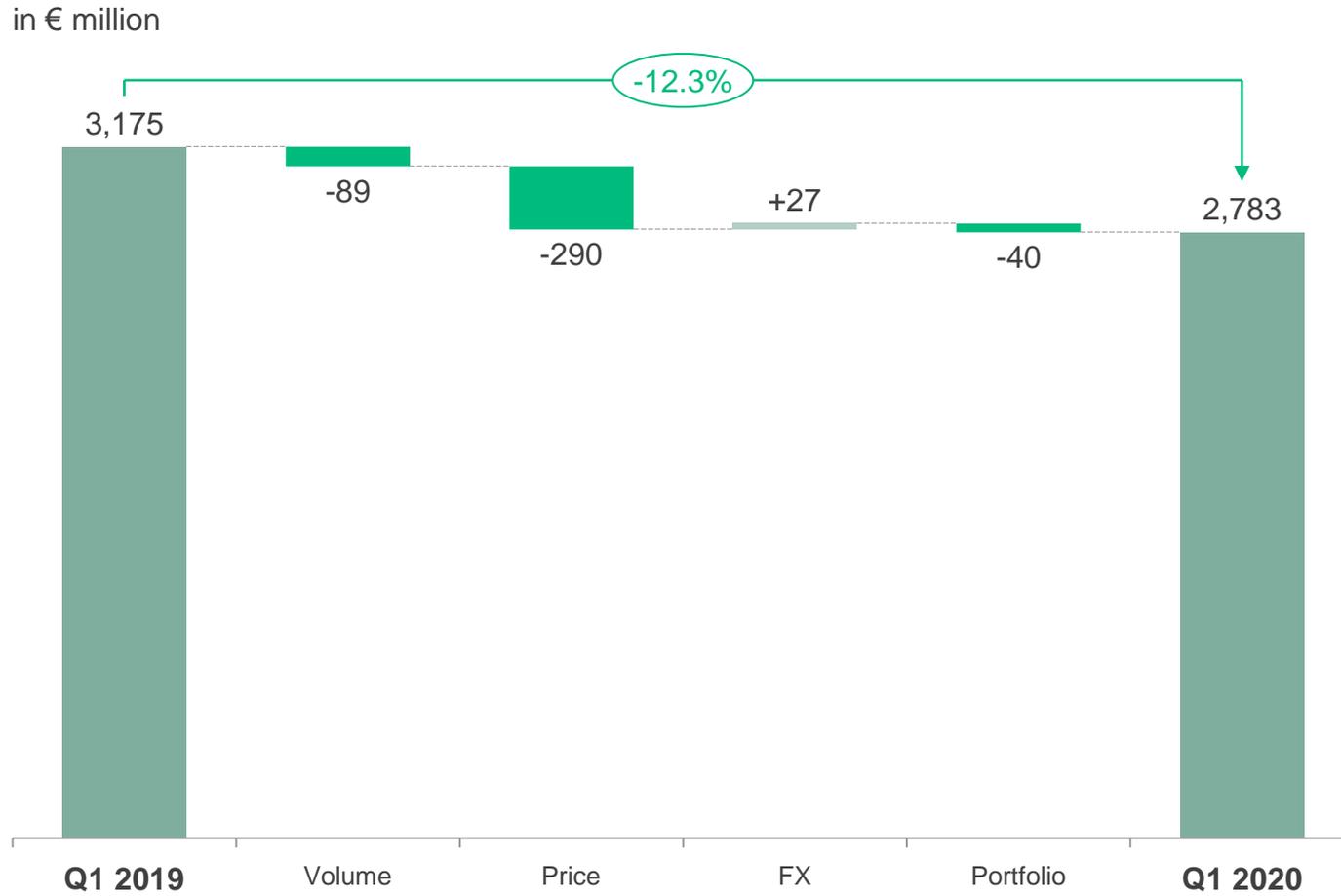
### Core volume growth Y/Y

- **APAC:** double-digit decline in all major customer industries due to peak of Coronavirus pandemic in China in February
- **EMLA:** pronounced weakness in automotive demand counterbalanced by strong growth in electronics and multiple other industries
- **NAFTA:** strong growth in wood & furniture and in construction compensated for negative development in automotive
- **Global:** double-digit decline in automotive and electronics could not be compensated by positive growth in multiple other industries
- Core volume growth not adjusted for portfolio changes, accounting for more than 1pp

# Significant sales decline driven by price and volume pressure



## Q1 2020 – Sales bridge



### Highlights

#### Negative pricing

- Lower selling prices, mainly in PUR and PCS, negatively impacted sales by -9.1% Y/Y

#### Slight volume decrease

- Triggered by Coronavirus pandemic, sales volume decrease (in €) of -2.7%

#### Positive FX

- FX benefited sales by +0.8% Y/Y mainly due to a stronger USD

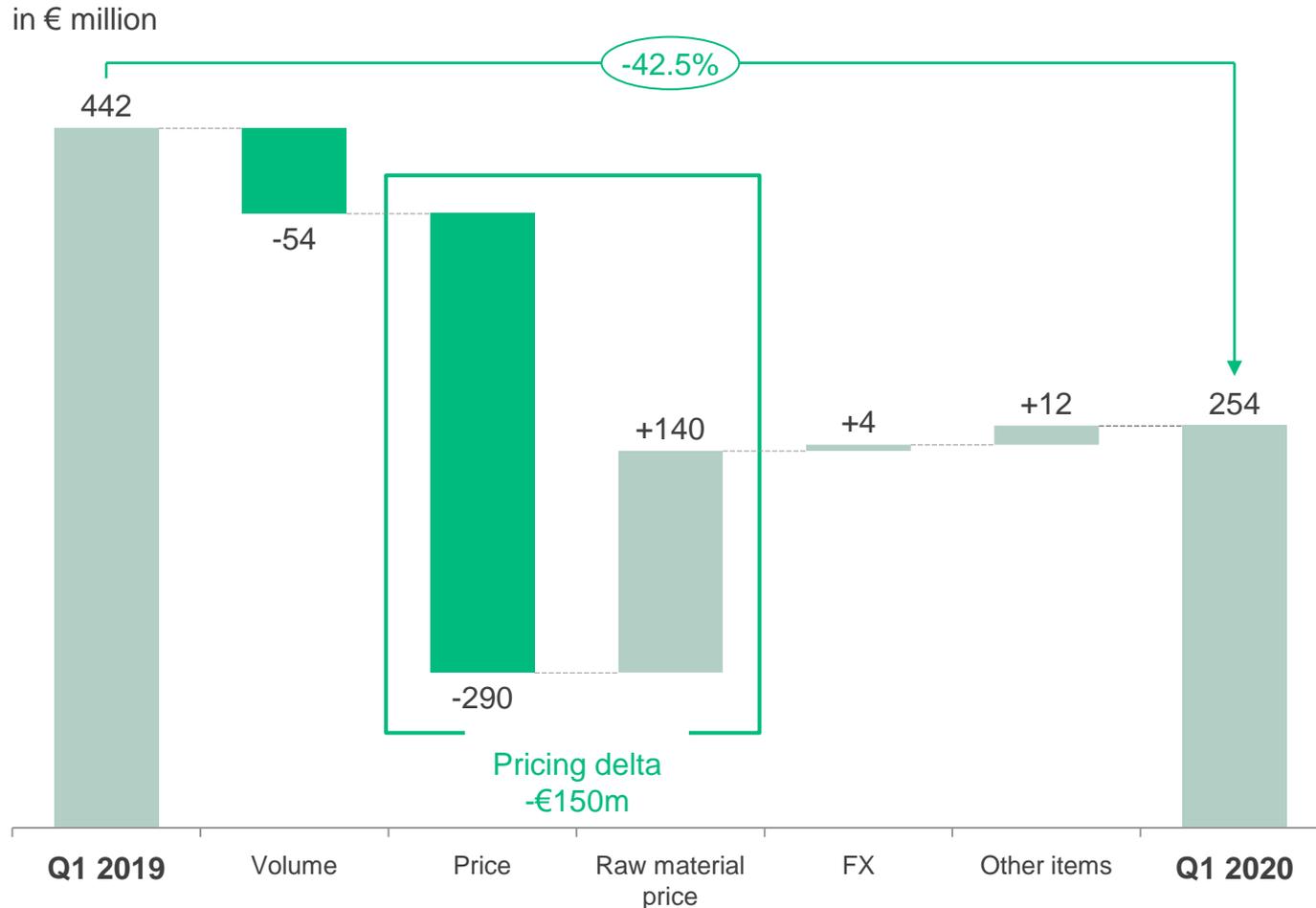
#### Portfolio changes

- Slight negative impact of -1.3% Y/Y
- *CAS: Thermoplastic PU business DCP<sup>(a)</sup> fully consolidated as of 1<sup>st</sup> April 2019 (Q1 2020 impact of €+7m)*
- *PUR: European system houses divested as of 1<sup>st</sup> November 2019 (Q1 2020: €-16m)*
- *PCS: European sheets divested as of 2<sup>nd</sup> January 2020 (Q1 2020: €-31m)*

# EBITDA hit by continuing margin pressure and lower volumes



## Q1 2020 – EBITDA bridge



### Highlights

#### Pronounced decline in contribution margin

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

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

- Impact of €54m

#### Positive FX

- Positive effect of +0.8% Y/Y mainly due to a stronger USD

#### Other items

- Short-term cost savings partly counterbalanced by provisions for restructuring program

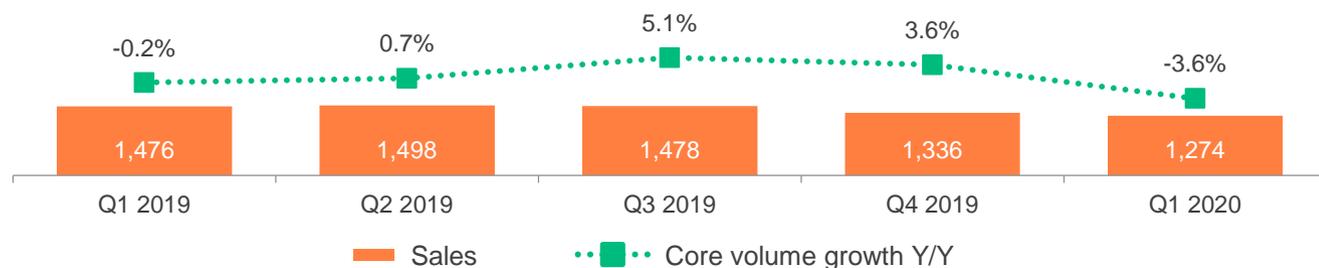
# Polyurethanes – margin declining towards trough levels



## Segment results – Highlights Q1 2020

### Sales and core volume growth

in € million / changes Y/Y

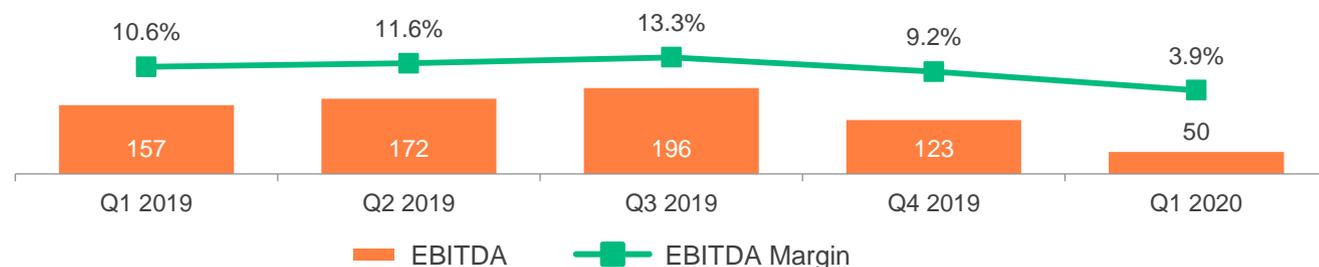


### Highlights

- Core volume decline (in kt) of -3.6% Y/Y, mainly driven by MDI and TDI
- Demand growth in key industries hampered by Coronavirus pandemic effect
- Sales decreased by -13.7% Y/Y, driven by price (-10.8%) and volume (-2.5%)

### EBITDA and Margin

in € million / margin in percent



### Highlights

- Compared to prior year, EBITDA declined due to lower volumes and pronounced negative pricing delta
- Sequentially, EBITDA margin declined to 3.9% vs. 9.2% in Q4 2019 due to lower volumes and continuing margin pressure

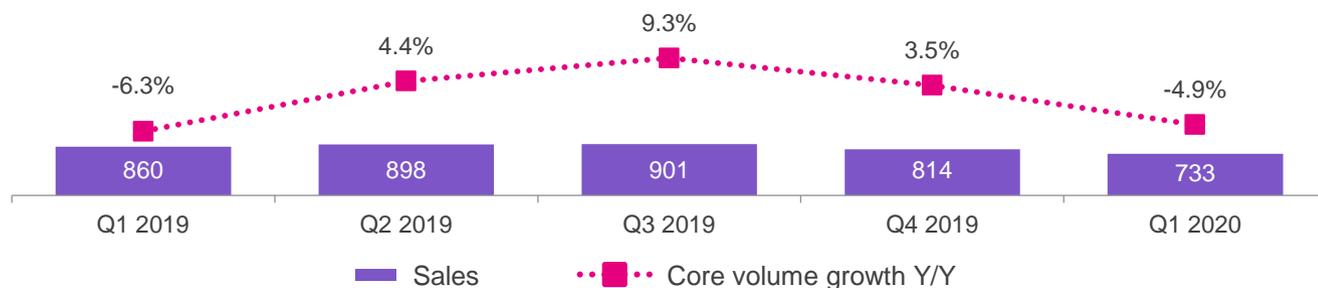
# Polycarbonates – sequential margin improvement



## Segment results – Highlights Q1 2020

### Sales and core volume growth

in € million / changes Y/Y

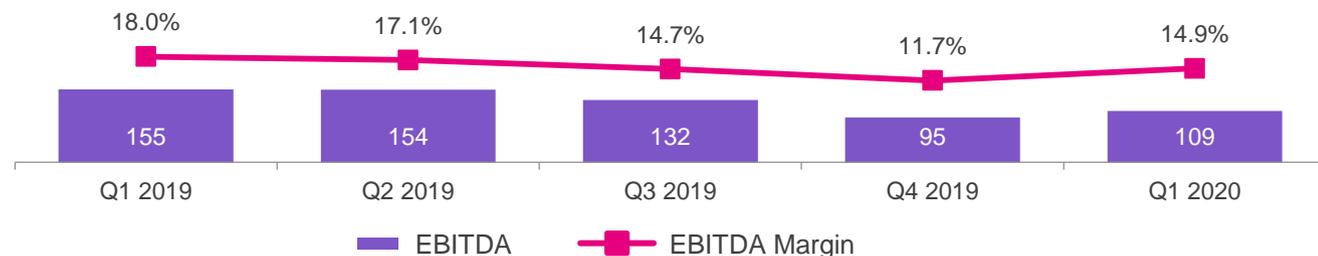


### Highlights

- Core volume decline (in kt) of -4.9% Y/Y driven by all key industries except construction
- Double-digit volume decline in APAC as a result from Coronavirus pandemic in China
- NAFTA and EMLA with positive volume growth
- Sales decreased by -14.8% Y/Y, driven by price (-9.6%) and volume (-2.6%)

### EBITDA and Margin

in € million / margin in percent



### Highlights

- Compared to prior year, EBITDA decreased Y/Y due to pronounced negative pricing delta and lower volumes
- Sequentially, EBITDA margin increased Q/Q to 14.9% vs. 11.7% driven by slightly positive pricing delta and lower cost

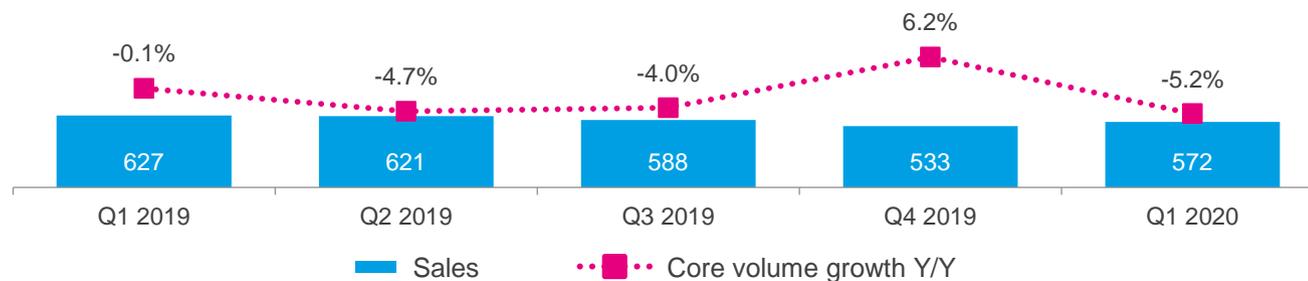
# Coatings, Adhesives, Specialties – high margin level defended



## Segment results – Highlights Q1 2020

### Sales and core volume growth

in € million / changes Y/Y

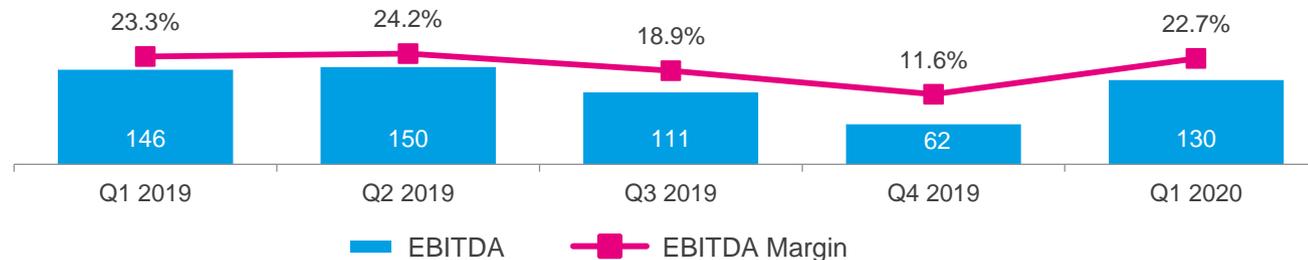


### Highlights

- Demand burdened by Coronavirus pandemic and continued automotive weakness led to negative core volume growth of -5.2%
- Sales decreased by -8.8% Y/Y driven by volume (-7.1%) and price (-3.9%)

### EBITDA and Margin

in € million / margin in percent



### Highlights

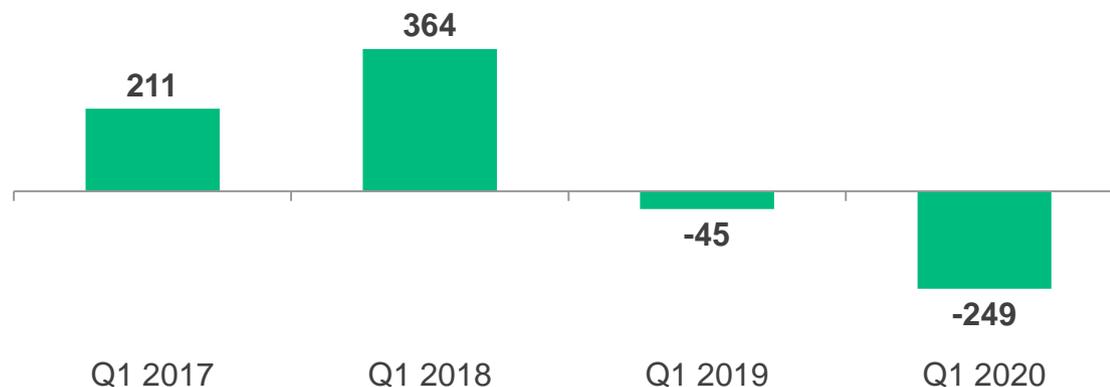
- Compared to prior year, EBITDA decreased by 11% due to negative volume leverage and lower prices
- Sequentially, EBITDA margin increased to 22.7% vs. 11.6% in Q4 2019 driven by lower costs

# Cash flow burdened by seasonal working capital increase



## Historical FOCF development per quarter

in € million



	Q1 2017	Q1 2018	Q1 2019	Q1 2020
<b>EBITDA</b>	+846	+1,063	+442	+254
<b>Changes in working capital</b>	-441	-544	-257	-281
<b>Capex<sup>(a)</sup></b>	-74	-88	-165	-139
<b>Income tax paid</b>	-29	-56	-79	-90
<b>Others</b>	-91	-11	+14	+7

### Highlights

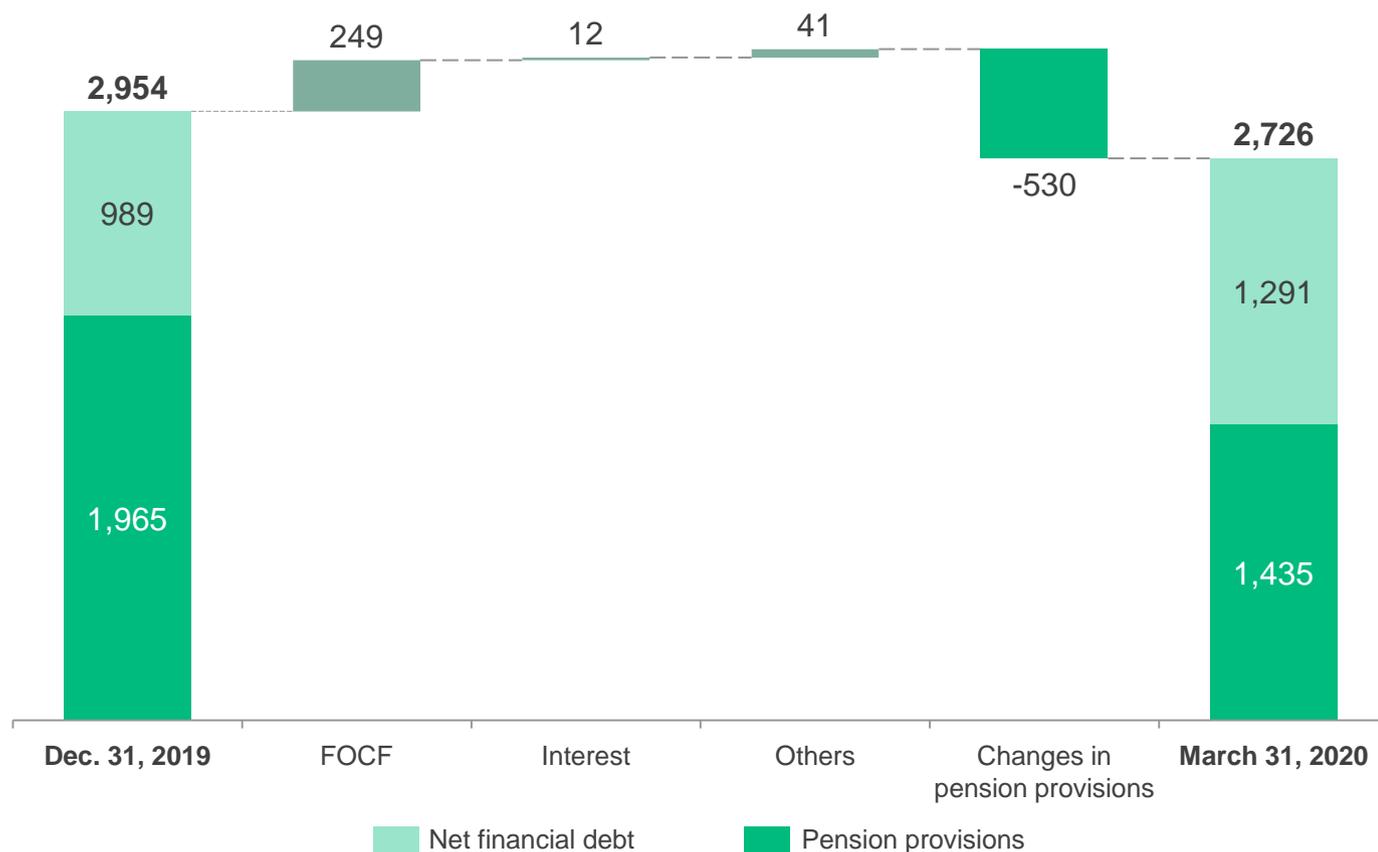
- Usual seasonal working capital increase while continuing strict inventory management
- Working capital to sales ratio<sup>(b)</sup> at 18.7%
- Slight reduction of inventories in kilotons Y/Y
- Capex of €139m on high level, but below run rate for full year guidance
- High cash tax rate above P&L tax rate of 25.0% due to phasing of tax payments

# Solid balance sheet

March 31<sup>st</sup>, 2020 – Total net debt



in € million



## Highlights

- Pension provisions decreased by €530m mainly resulting from higher discount rates in Germany
- Total net debt to EBITDA ratio<sup>(a)</sup> of 1.9x end of Q1 2020 vs. 1.8x end of 2019
- Solid equity ratio of 47% end of Q1 2020 vs. 46% end of 2019
- Committed to an solid investment grade rating

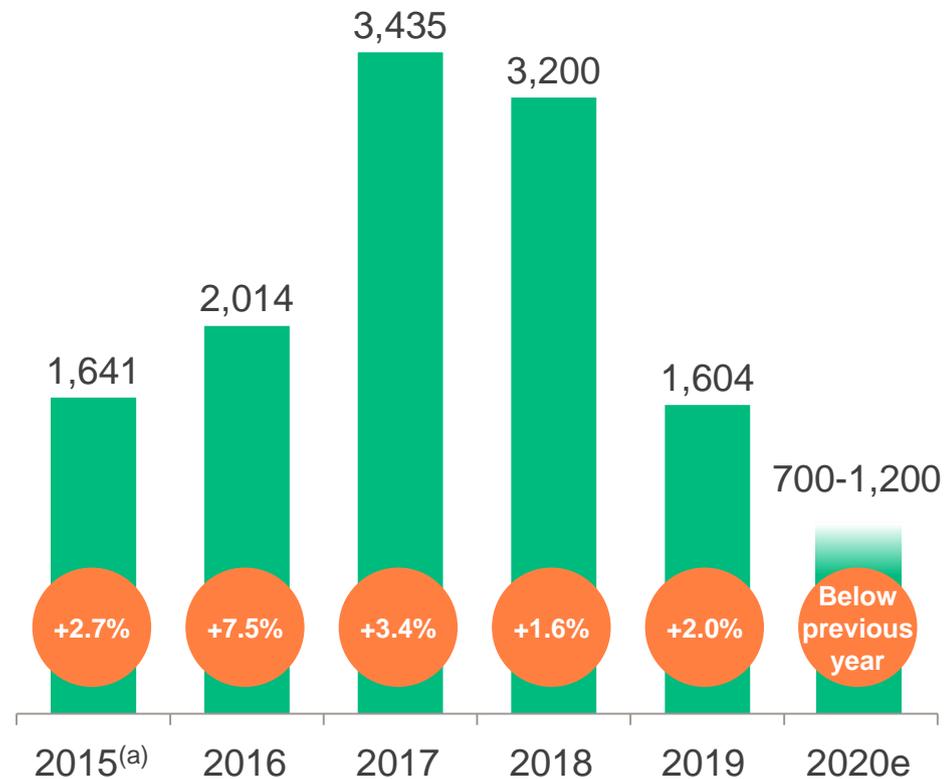
## Liquidity at attractive rates

- Balance sheet with €1.2bn in cash and cash equivalents, partially funded through:
  - short-term working capital lines of €500m
  - European investment bank (EIB) €225m loan for R&D activities
- Undrawn syndicated revolving credit facility (RCF) of €2.5bn in place with ESG element for the first time

# Approaching trough levels

## Historical EBITDA development and FY 2020 guidance

in € million,  
Core volume growth in %



### EBITDA bridge assumptions for FY 2020

EBITDA reference FY 2019: €1.6bn

- Pricing delta: minus ~€0.4bn<sup>(b)</sup>
- Others: plus ~€0.1bn
- FX: neutral

EBITDA based on stable volumes Y/Y: ~€1.3bn

- Volume leverage: 1pp change in core volumes equals around +/- €50m
- FX sensitivity: 1pp change equals +/- €6m for CNY/EUR and +/- €4m for USD/EUR

### Core Volume Growth and margin development scenarios

#### High-end scenario

- Core volumes decline mid-single-digit Y/Y and margin slightly up<sup>(b)</sup>

#### Low-end scenario

- Core volumes decline low-double-digit Y/Y and margin slightly down<sup>(b)</sup>

# Guidance update due to current circumstances

## Updated FY 2020 guidance



	FY 2019	Initial guidance FY 2020	Updated guidance FY 2020
<b>Core volume growth</b>	+2.0%	Low-single-digit percentage range increase Y/Y	Below previous year
<b>FOCF</b>	€473m	€0 – 400m	€-200 to +300m
<b>ROCE</b>	8.4%	2 – 7%	-1% to +4%
<b>Additional financial expectations</b>	FY 2019	Initial guidance FY 2020	Updated guidance FY 2020
<b>EBITDA FY</b>	€1,604m	€1,000 – 1,500m	€700 – 1,200m
<b>D&amp;A</b>	€752m	~€770m	~€770m
<b>Financial result</b>	€-91m	~€-105m	~€-105m
<b>P&amp;L (effective) tax rate</b>	26.8%	24 – 26%	24 – 26%
<b>Capex<sup>(a)</sup></b>	€910m	~€900m	~€700m

# Managing the crisis

## Highlights Q1 2020



1

Spreading Coronavirus pandemic drives core volumes down with numerous country lockdowns severely impacting demand

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2

EBITDA guidance achieved despite higher than expected impact from decreasing volumes due to Coronavirus pandemic

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3

Early and decisive measures taken to manage the crisis taking care of employees' safety, increase short-term cost savings and further reduce capex

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4

FY 2020 guidance updated now incorporating full year impact of Coronavirus pandemic

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5

Annual General Meeting with new date and format to now take place virtually on July 30, 2020

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# Upcoming IR events



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

## Reporting dates

- |                     |                                 |
|---------------------|---------------------------------|
| • July 23, 2020     | Half-Year Financial Report 2020 |
| • October 27, 2020  | Q3 2020 Interim Statement       |
| • February 23, 2021 | Annual report 2020              |

## Annual General Meeting (new date)

- |                 |  |
|-----------------|--|
| • July 30, 2020 | Annual General Meeting, virtual format |
|-----------------|--|

## Sellside event

- |                |   |
|----------------|---|
| • May 27, 2020 | Sellside Round Table with CEO and CFO, virtual format |
|----------------|---|

## Broker conferences

- |                   |   |
|-------------------|---|
| • May 14-15, 2020 | Citi Chemical Conference, virtual format                  |
| • May 20, 2020    | Morgan Stanley ChemTech Day, virtual format               |
| • June 3-4, 2020  | Deutsche Bank, dbAccess Berlin Conference, virtual format |
| • June 8, 2020    | JP Morgen, European Materials Conference, virtual format  |
| • June 10, 2020   | Exane, European CEO Conference, virtual format            |