



# Q3 on expectations, FY guidance narrowed

Financial highlights  
Q3 2019



# Forward-looking statements

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# K trade fair highlights

Focus on circular economy, digitalization and innovation



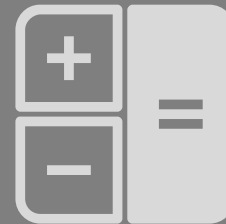
# Financial highlights Q3 2019



**+5.3%**  
Core Volume  
Growth



**€425m**  
EBITDA



**€243m**  
FOCF



**€0.80**  
EPS



**FY 19**  
Guidance  
narrowed



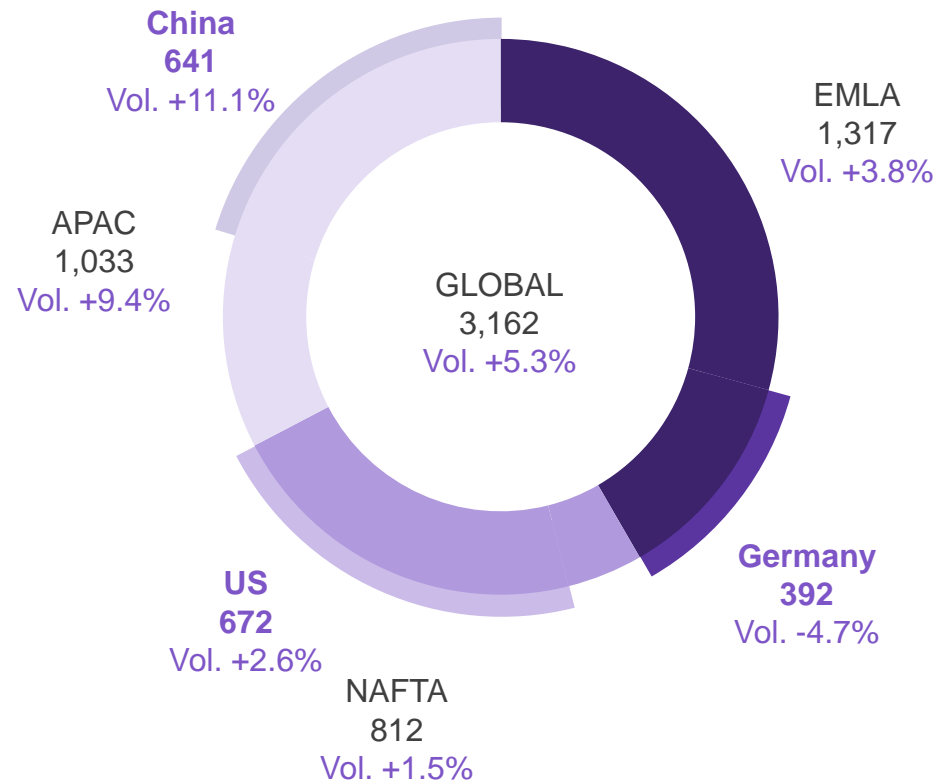
# Strong growth in a difficult environment

## Q3 2019 – Regional split



### Sales and Core Volume Growth

in € million / changes Y/Y



### Core Volume Growth Y/Y

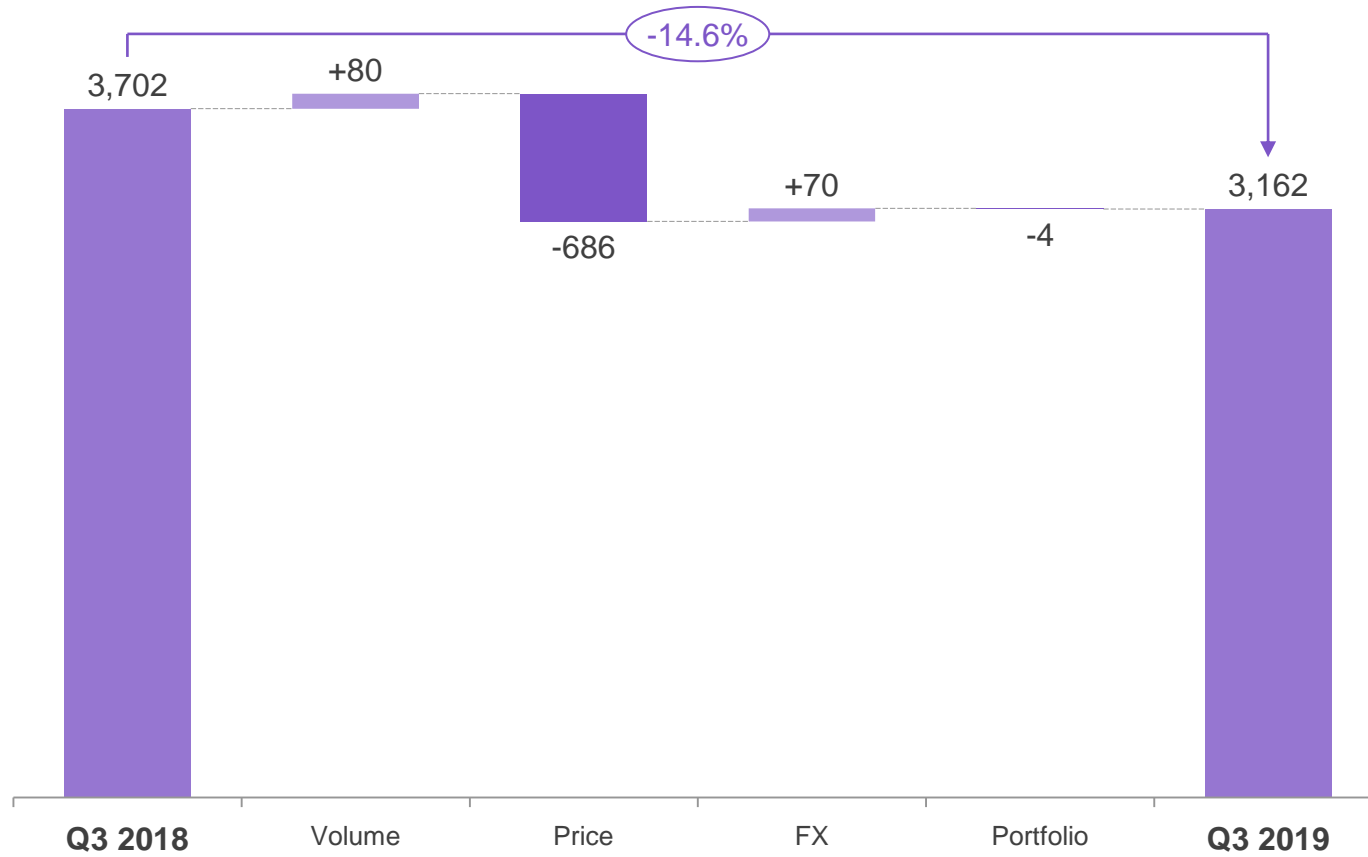
- APAC: double-digit growth in construction, electronics and wood/furniture
- EMLA: double-digit growth in wood/furniture and electronics compensate negative growth in automotive
- NAFTA: solid growth in construction and wood/furniture compensate negative growth in automotive
- Global: double-digit growth in wood/furniture and electronics as well as strong growth in construction more than compensate negative growth in automotive

# Negative price effects decrease sales despite positive volumes



## Q3 2019 – Sales bridge

in € million



### Highlights

#### Positive volume development

- Sales volume expansion (in €) by +2.1% Y/Y
- Sales volume expansion below core volume growth mainly due to declining non-core business and negative product mix effects

#### Negative pricing

- Lower selling prices negatively impacted sales by -18.5% Y/Y, driven by competitive pressure in PUR and PCS

#### Positive FX

- Sales benefited +1.9% Y/Y from FX mainly due to stronger USD and CNY

#### Portfolio impact

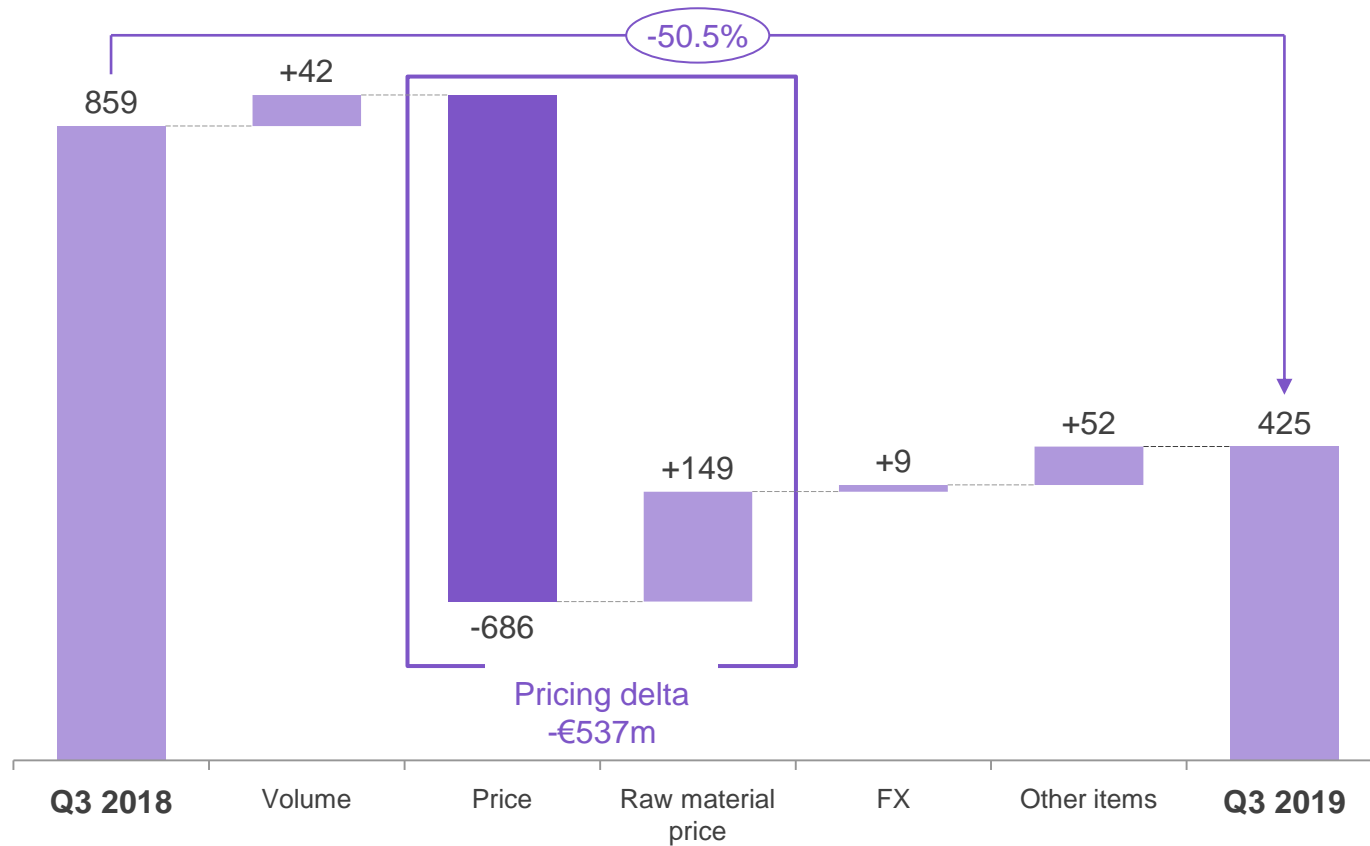
- Sales reduced by net effect of -0.1% Y/Y

# Positive volumes and lower costs partly mitigate negative prices



## Q3 2019 – EBITDA bridge

in € million



### Highlights

#### Positive volume leverage

- Solid contribution at 53%<sup>(a)</sup>

#### Pronounced decline in contribution margin

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

#### Other items

- Prior year included €36m book gain from US polycarbonates sheets divestment
- Lower costs, with “Perspective” program on track
- Positive impact of €29m from accounting change (IFRS 16)

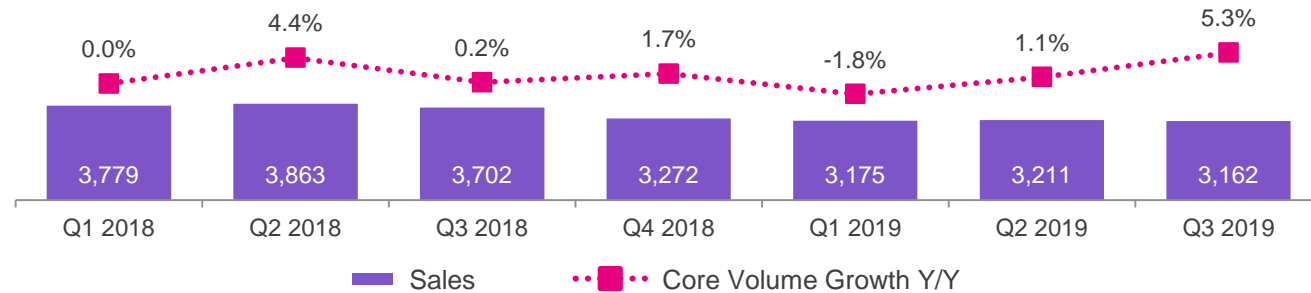
# Attractive Core Volume Growth

## Group results – Highlights Q3 2019



### Sales and Core Volume Growth

in € million / changes Y/Y

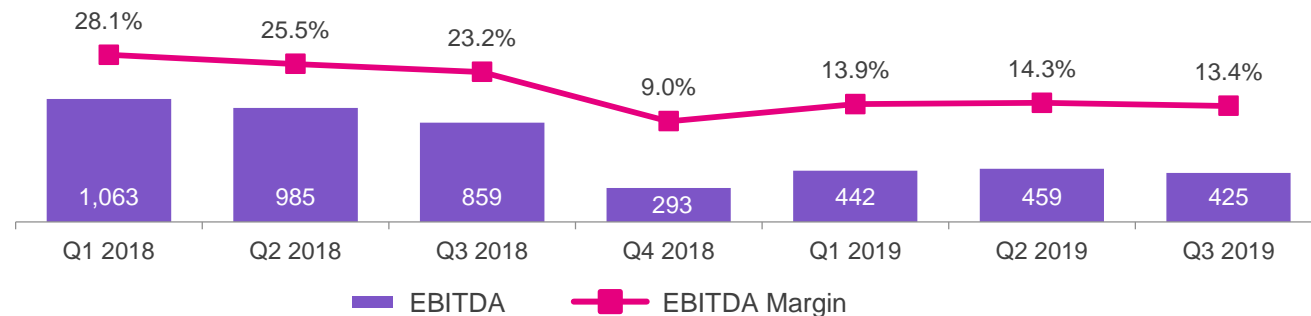


### Highlights

- Core Volume Growth of +5.3% Y/Y
- Strong Core Volume Growth Y/Y in PCS, solid growth in PUR overall, declining volumes in CAS
- Negative pricing with -18.5% Y/Y

### EBITDA and Margin

in € million / margin in percent



### Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Sequentially, EBITDA margin declined to 13.4% vs. 14.3%, mainly due to margin pressure in a continuing challenging industry environment



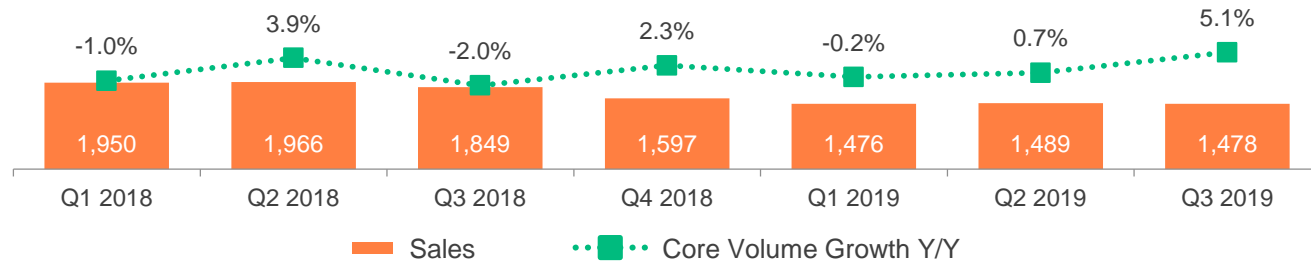
# Polyurethanes – stabilizing earnings below mid-cycle



## PUR segment results – Highlights Q3 2019

### Sales and Core Volume Growth

in € million / changes Y/Y

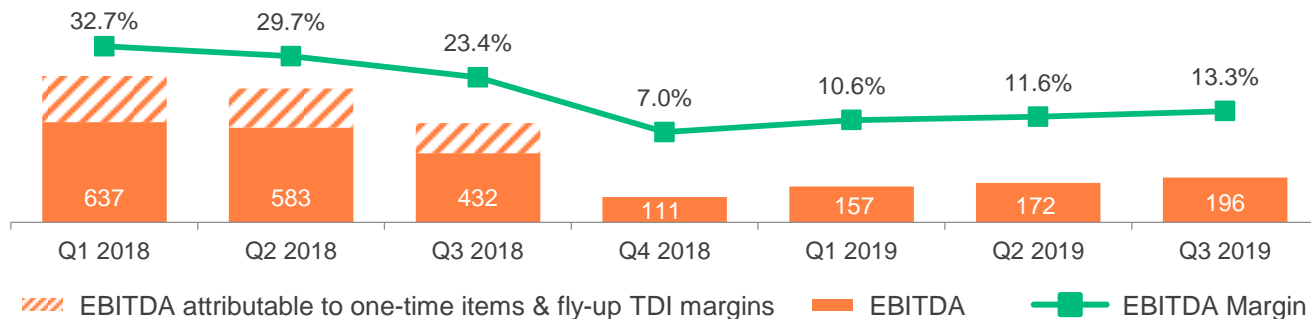


### Highlights

- Solid core volumes of +5.1% Y/Y, driven by all product groups and most industries except automotive
- Positive effects from volume (+2.1%) despite declining non-core volumes and FX (+1.9%)
- Sales decreased by -20.1% Y/Y, driven by price (-24.4%)

### EBITDA and Margin

in € million / margin in percent



### Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Sequentially, EBITDA margin increased to 13.3% vs. 11.6%, mainly driven by positive volumes and lower costs

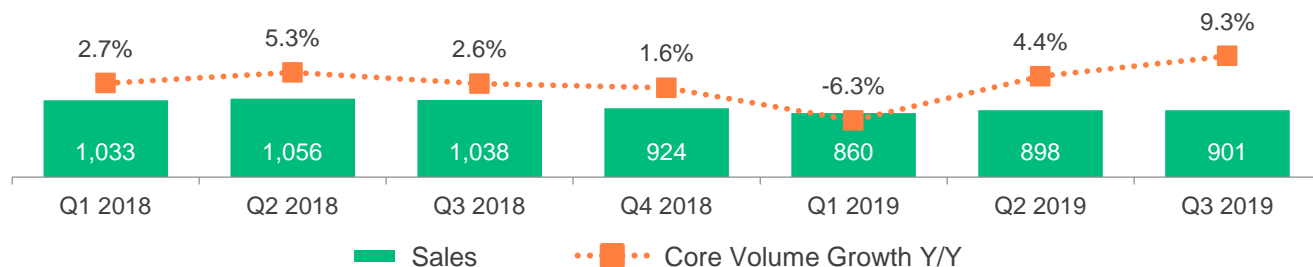
# Polycarbonates – strong volume growth

## PCS segment results – Highlights Q3 2019



### Sales and Core Volume Growth

in € million / changes Y/Y

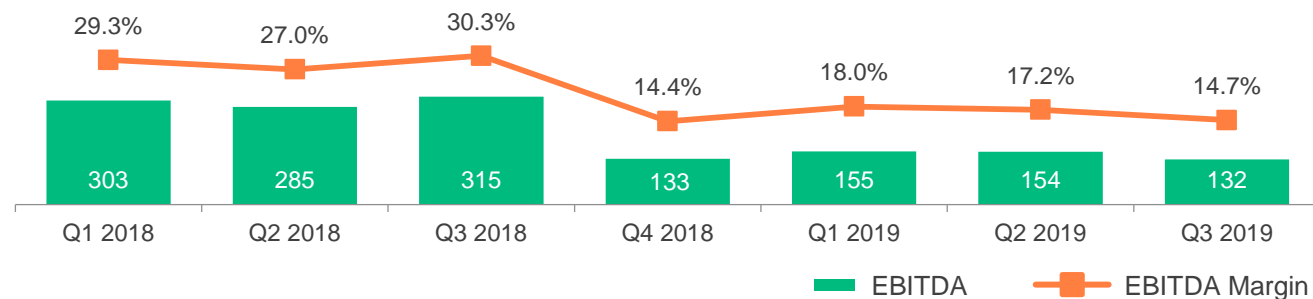


### Highlights

- Strong Core Volume Growth of +9.3% Y/Y driven by most industries except automotive
- Positive effects from volume (+6.8%) and FX (+2.0%)
- Sales decreased by -13.2% Y/Y driven by price (-20.7%) and portfolio (-1.3%)

### EBITDA and Margin

in € million / margin in percent



### Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Sequentially, EBITDA margin decreased to 14.7% vs. 17.2%, mainly driven by lower prices and negative product mix effects

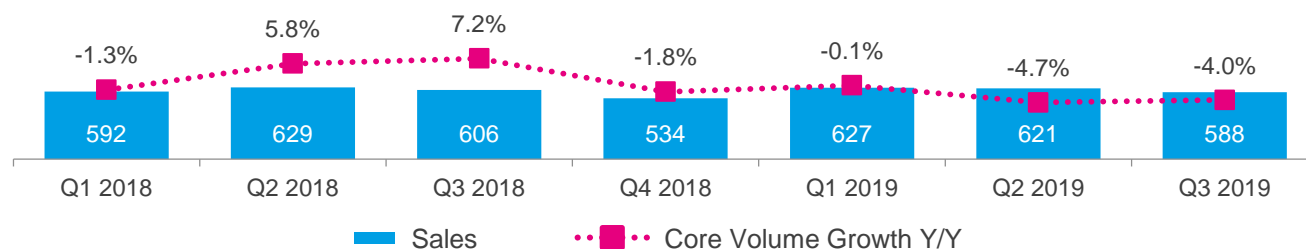
# Coatings, Adhesives, Specialties – disappointing demand



## CAS segment results – Highlights Q3 2019

### Sales and Core Volume Growth

in € million / changes Y/Y

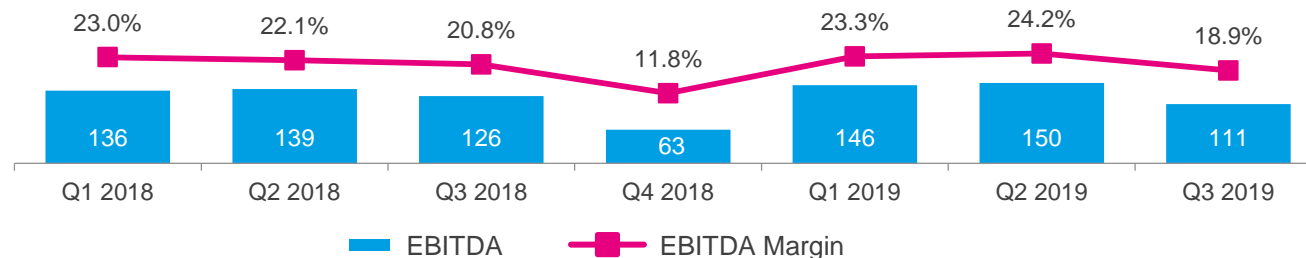


### Highlights

- Decline in core volumes of -4.0% Y/Y, due to weak demand broad-based in all industries
- Sales decreased by -3.0% Y/Y driven by volume (-4.7%) and price (-2.1%)
- Positive FX impact Y/Y (+2.2%)
- Positive portfolio impact Y/Y (+1.6%) from DCP<sup>(a)</sup>

### EBITDA and Margin

in € million / margin in percent



### Highlights

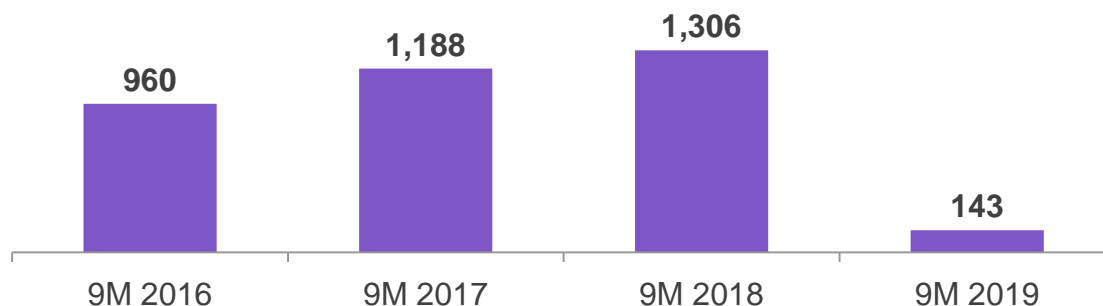
- Compared to prior year, EBITDA decreased due to lower volumes and margin pressure
- Sequentially, EBITDA margin decreased to 18.9% vs. 24.2%, mainly due to the negative volume leverage and decreasing prices

# FOCF on track to meet FY guidance

## Historical FOCF development – 9M 2019



in € million



	9M 2016	9M 2017	9M 2018	9M 2019
<b>EBITDA</b>	+1,624	+2,556	+2,907	+1,326
<b>Changes in working capital</b>	-250	-685	-568	-52
<b>Income taxes paid</b>	-259	-269	-505	-265
<b>Other effects</b>	+61	-131	-99	-263
<b>Capex<sup>(a)</sup></b>	-216	-283	-429	-603

### Highlights

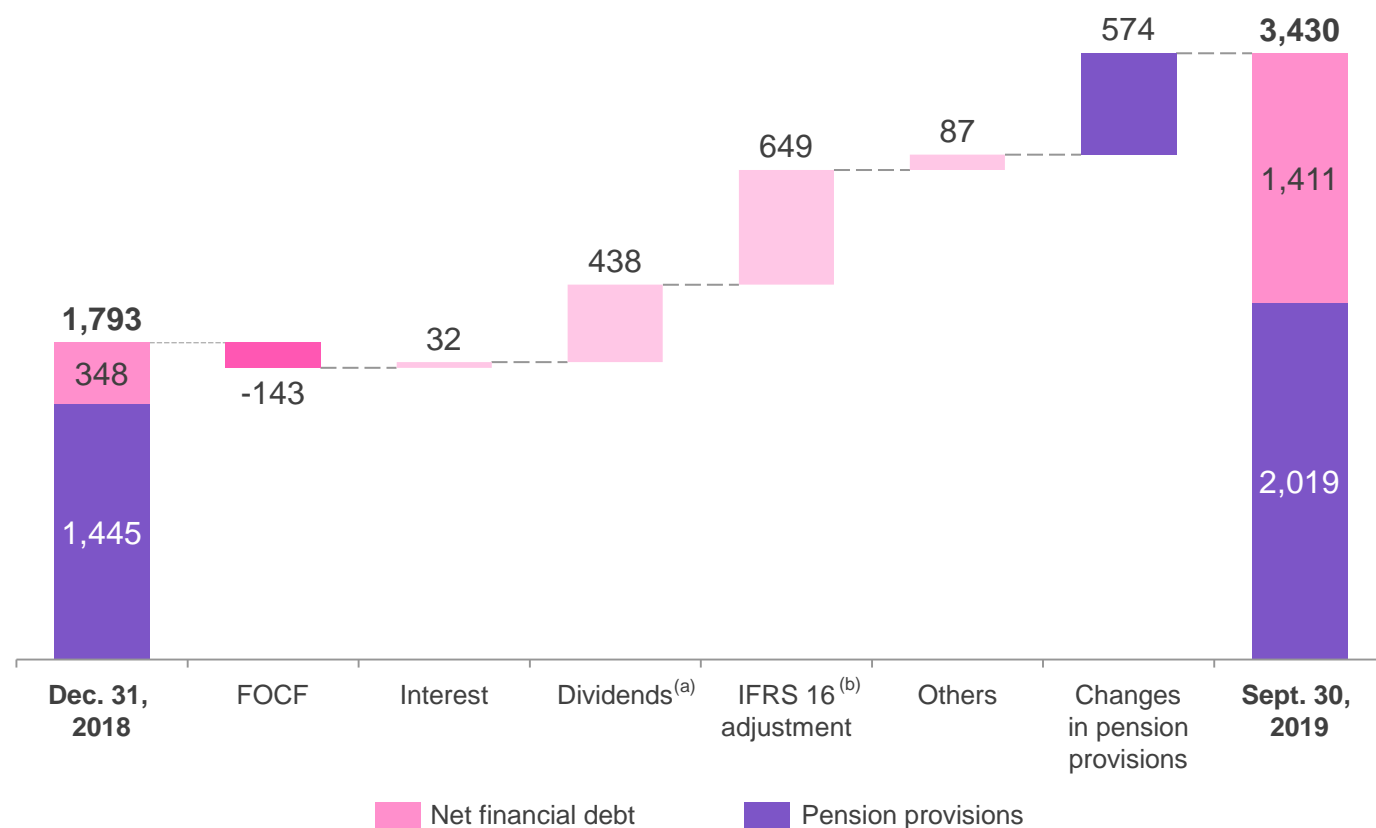
- FOCF of €243m in Q3 2019, leading to a positive FOCF of €143m for 9M 2019
- On track to deliver on FOCF guidance, narrowing the range between €300-500m for FY 2019
- Effective countermeasures limited seasonal working capital increase
- High cash tax rate of 38.2% above P&L tax rate of 25.2% due to phasing of tax payments
- Cash out for bonus payments amounted to ~€350m in Q2 2019
- Capex of €603m up Y/Y with focus on growth investments, in line with full year guidance

# Total net debt impacted by IFRS 16 and pension provisions

September 30<sup>th</sup> 2019 – Total net debt



in € million



## Highlights

- Positive FOCF contribution reduced net financial debt
- Total net debt to EBITDA ratio<sup>(c)</sup> of 2.1x end of Q3 2019 vs. 0.6x end of 2018, mainly due to IFRS 16 adoption and increase in pension provisions
- Application of IFRS 16 increased net financial debt by €649m
- Pension provisions increased by €574m, mainly resulting from the lower discount rate in Germany

# Full year guidance narrowed

## FY 2019 guidance



	FY 2018	Previous guidance FY 2019	Guidance FY 2019
<b>Core Volume Growth</b>	+1.6%	Low- to mid-single-digit percentage increase Y/Y	Low-single-digit percentage increase Y/Y
<b>FOCF</b>	€1,669m	€300 – 700m	€300 – 500m
<b>ROCE</b>	29.5%	8% – 13%	8% – 10%
<b>Additional financial expectations</b>	FY 2018	Previous guidance FY 2019	Guidance FY 2019
<b>EBITDA FY</b>	€3,200m	€1,500 – 2,000m	€1,570 – 1,650m
<b>D&amp;A</b>	€620m	~€750m	~€770m
<b>Financial result</b>	€-104m	€-100 to -120m	€-80 to -100m
<b>P&amp;L (effective) tax rate</b>	26.1%	24 - 26%	26 - 28%
<b>Capex<sup>(a)</sup></b>	€707m	≥€900m	~€900m

# Q3 on expectations, full year guidance narrowed

## Highlights Q3 2019



1

Strong growth across most industries  
compensating automotive weakness

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2

EBITDA significantly below mid-cycle level  
in a continuously challenging environment

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3

Free operating cash flow development on track  
supported by active working capital measures

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4

FY 2019 guidance narrowed  
inside the initial range helped by strict cost discipline

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5

K trade fair highlights  
demonstrate our commitment to circular economy, digitalization and innovation

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# Appendix



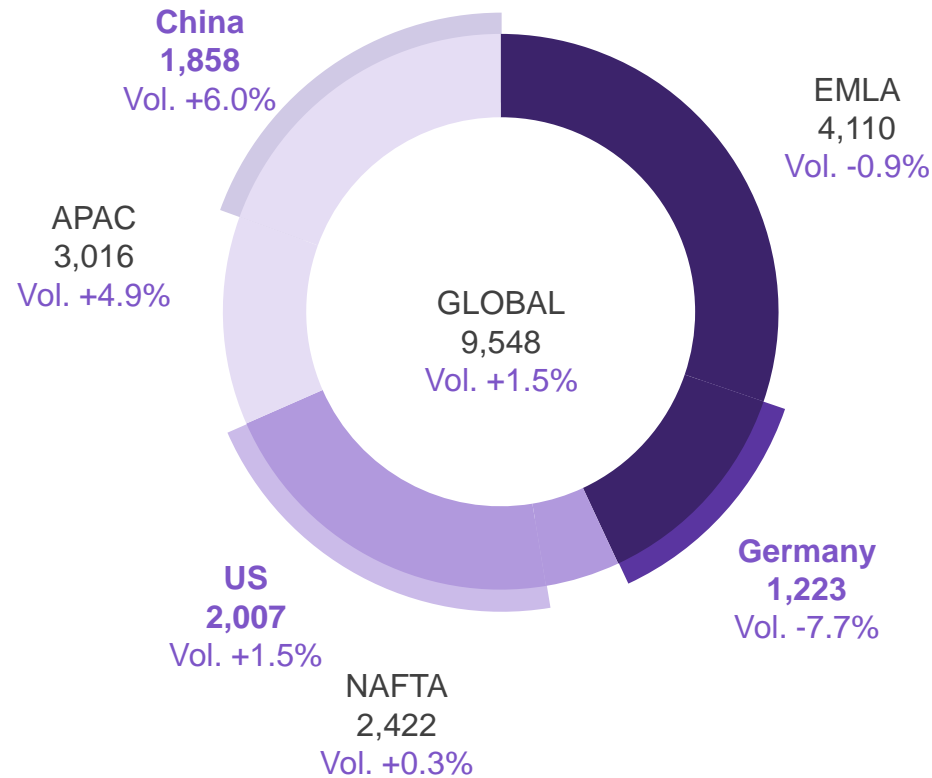
# Positive core volume growth year-to-date

9M 2019 – Regional split



## Sales and Core Volume Growth

in € million / changes Y/Y



## Core Volume Growth Y/Y

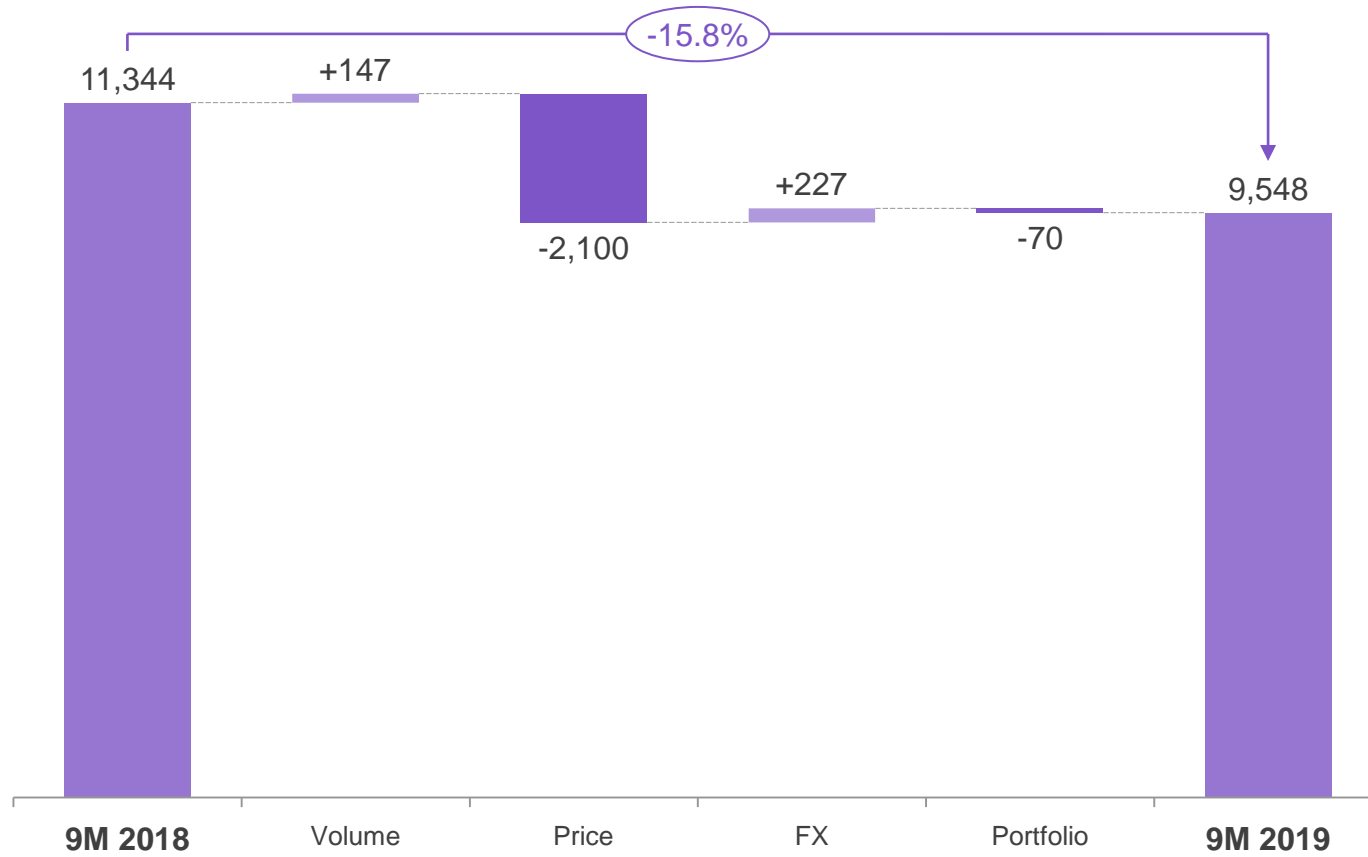
- APAC: double-digit growth in wood/furniture and electronics, solid growth in construction more than compensate negative growth in automotive
- EMLA: strong growth in wood/furniture and solid growth in construction counterbalance negative growth in automotive
- NAFTA: strong growth in construction and solid growth in wood/furniture compensate negative growth in automotive
- Global: strong growth in wood/furniture and electronics compensate negative growth in automotive

# Negative price effects decrease sales

## 9M 2019 – Sales bridge



in € million



### Highlights

#### Slight volume increase

- Sales volume expansion (in €) by +1.3% Y/Y

#### Negative pricing

- Lower selling prices negatively impacted sales by -18.5% Y/Y, driven by PUR and PCS

#### Positive FX

- FX benefited sales by +2.0% Y/Y mainly due to stronger USD and CNY

#### Portfolio impact

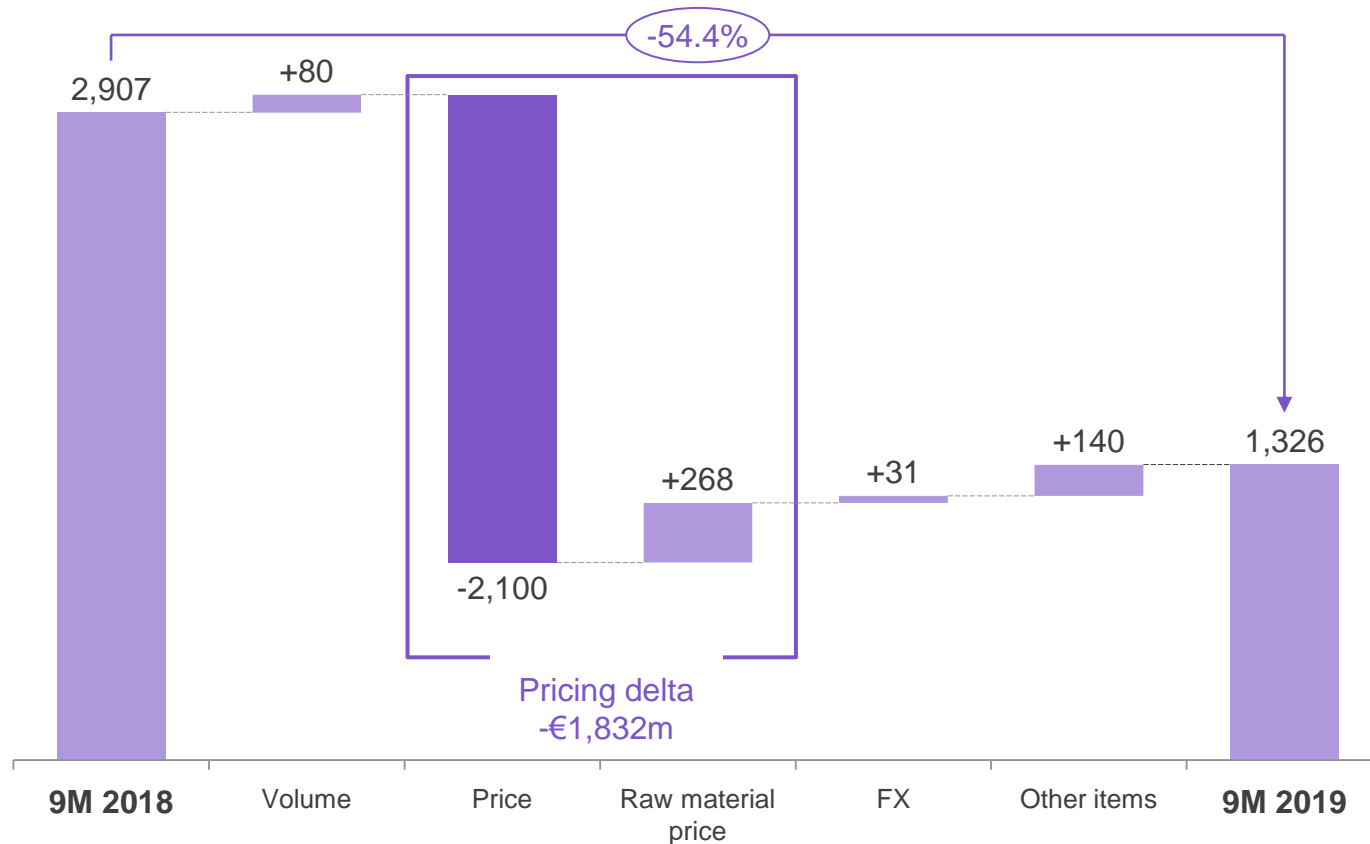
- Sales reduced by -0.6% Y/Y, mainly due to disposal of US PC sheets as of 1<sup>st</sup> August 2018
- Positive effect from stake increase in DCP, a thermoplastic PU business, as of 1<sup>st</sup> April 2019

# Pronounced negative pricing delta burdens 9M earnings



## 9M 2019 – EBITDA bridge

in € million



### Highlights

#### Positive volume leverage

- Solid contribution at 54%<sup>(a)</sup>

#### Pronounced decline in contribution margin

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

#### Other items

- Lower costs
- Positive impact of €91m from accounting change (IFRS 16)
- Remeasurement gains of €19m from DCP
- Negative impact from restructuring costs

# IFRS 16 impact on main KPIs in 9M 2019



Changes in accounting as a result of the initial application of IFRS 16<sup>(a)</sup>

## Balance Sheet (as of September 30, 2019)

Net debt	+649m
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## P&L

EBITDA	€+91m
EBIT	€0m
Financial result	€-16m
Income after income taxes	€-12m

## Cash Flow

FOCF	€+90m
Financing CF	€-90m

# Upcoming IR events



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

## Reporting dates

- |                     |                           |
|---------------------|---------------------------|
| • February 19, 2020 | Annual Report 2019        |
| • April 29, 2020    | Q1 2020 Interim Statement |
| • July 23, 2020     | Half-year Report 2020     |

## Sellside event

- |                    |  |
|--------------------|--|
| • November 4, 2019 | Sellside Round Table with CEO & CFO, Frankfurt |
|--------------------|--|

## Broker conferences

- |                     |   |
|---------------------|---|
| • November 12, 2019 | UBS European Conference, London                             |
| • November 13, 2019 | Société Générale, European ESG & SRI Conference, Paris      |
| • December 3, 2019  | Crédit Suisse, Chemicals and Agriculture Conference, London |
| • December 4, 2019  | Société Générale, Premium Review Conference, Paris          |
| • January 14, 2020  | Commerzbank, German Investment Seminar, New York            |
| • January 20, 2020  | Kepler Cheuvreux, German Corporate Conference, Frankfurt    |

## Annual General Meeting

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