



Leverkusen,  
October 27, 2020

Covestro AG  
Investor Relations  
51373 Leverkusen  
Germany

IR Contact  
Ronald Köhler  
Telephone  
+49 214 6009 5098  
Email  
ronald.koehler  
@covestro.com

IR Contact  
Ilia Kürten  
Telephone  
+49 214 6009 7429  
Email  
ilia.kuerten  
@covestro.com

IR Contact  
Carsten Intveen  
Telephone  
+49 214 6009 5861  
Email  
carsten.intveen  
@covestro.com

Upward trend stabilized: Demand recovery continues

## Covestro with significant growth in volume and earnings in third quarter

- **Core volumes up by 3.0%**
- **Group sales total around EUR 2.8 billion (–12.7%)**
- **EBITDA of EUR 456 million (+7.3%) driven by cost-cutting measures**
- **Net income of EUR 179 million (+21.8%)**
- **Free operating cash flow rises to EUR 361 million (+48.6%)**
- **Guidance on full-year earnings raised**
- **Announced acquisition makes Covestro one of the leading suppliers of sustainable coating resins**

In the third quarter of 2020, Covestro increased core volumes by 3.0% year-on-year as the result of a significant improvement in demand. This development was largely driven by volume growth in the APAC region, particularly in China. At the same time, Group sales were down by 12.7% to around EUR 2.8 billion due to lower selling prices. As communicated on October 9, 2020, as preliminary key financial figures, at the time of publication EBITDA outperformed capital market expectations for the third quarter of 2020. At EUR 456 million, this figure was up by 7.3% over the prior-year quarter. The increase is attributable mainly to a lower cost level achieved with cost-cutting measures. Net income rose by 21.8% to EUR 179 million, while free operating cash flow (FOCF) grew to EUR 361 million (+48.6%). This development resulted from an increase in operating cash flows and reduced cash outflows for additions to property, plant and equipment, as planned.

Covestro CEO Dr. Markus Steilemann: “Although the coronavirus pandemic is still causing uncertainty, we have reacted decisively and have taken the right measures, which are now paying off. In the third quarter, demand from our



customer industries experienced a strong rebound. The volume growth we achieved shows that we are meeting our customers' needs and offering the right solutions."

### **Full-year guidance specified; earnings guidance raised**

Covestro confirmed its full-year guidance for 2020 as adjusted on October 9, 2020. This assumes that economic activity will not be severely restricted again to curb the spread of the coronavirus pandemic. The Group now anticipates EBITDA at around EUR 1.2 billion in 2020 (previous: EUR 700 million to EUR 1.2 billion). In terms of core volume growth, Covestro continues to expect a year-on-year decline. The Group currently expects FOCF of between EUR 0 million and EUR 300 million (previous: EUR –200 million to EUR 300 million) and a return on capital employed (ROCE) in the mid-single-digit percentage range (previous: –1% to 4%).

"The recovery from the impact of the coronavirus pandemic has developed more dynamically than so far anticipated. In the third quarter, we were therefore able to significantly improve earnings," explained Covestro CFO Dr. Thomas Toepfer. "Due to our strict focus on efficiency, we have achieved higher cost savings and additionally benefited from positive margin development. We were able to raise our earnings guidance for 2020 on this basis. Accordingly, we look forward to the fourth quarter with confidence."

### **Acquisition announced: Covestro to be one of the leading suppliers of sustainable coating resins**

On September 30, 2020, Covestro signed an agreement to acquire the Resins & Functional Materials (RFM) business of DSM for a purchase price of EUR 1.61 billion. This deal marks an important step for Covestro in its long-term corporate strategy to strengthen its sustainable and innovation-driven businesses. Integrating RFM into the Coatings, Adhesives, Specialties segment significantly broadens the company's portfolio in the high-growth market for sustainable coating resins.

"The announced acquisition enhances the growth trajectory of our business and is truly a milestone on our way toward a circular economy: Along with RFM, we can meet global demand for sustainable products even better and drive innovations for the transition to a circular economy even more effectively," stated Steilemann.

On October 13, 2020, Covestro successfully completed a capital increase in connection with the announced acquisition comprising 10.2 million new no-par value ordinary bearer shares that were placed with institutional investors



through partial utilization of authorized capital. The gross proceeds amount to EUR 447 million and will be used to finance the acquisition.

### **Lower cost level in all segments; volume growth in Polyurethanes and Polycarbonates**

The Polyurethanes segment saw core volume growth of 4.3% in the third quarter of 2020. Sales declined by 11.0% to EUR 1.3 billion mainly due to competitive pressure on selling prices in the prior year and a persistent lower raw material price level. EBITDA in the Polyurethanes segment rose by 12.2% to EUR 220 million. The positive effect of volumes sold and reduced cost levels as a result of cost-cutting measures increased earnings.

In the Polycarbonates segment, core volumes were up by 3.6% in the third quarter of 2020. Sales decreased by 11.1% to EUR 801 million mainly due to the development of the selling price level as a result of lower raw material prices. EBITDA in the Polycarbonates segment increased by 12.1% to EUR 148 million. An improved cost level as a result of cost-cutting measures and higher margins had a positive effect on earnings.

In the third quarter of 2020, the Coatings, Adhesives, Specialties segment saw a decline in core volumes of 6.9% on account of weaker demand from the automotive and transport industries as well as the construction industry. Sales were down by 15.8% to EUR 495 million chiefly due to lower total volumes sold and lower average selling prices. EBITDA decreased by 10.8% to EUR 99 million in the third quarter of 2020. A negative effect on volumes sold and a slight decline in margins put downward pressure on earnings. Reduced cost levels as a result of cost-cutting measures were unable to compensate for these effects.

### **Nine-month figures below prior-year level due to pandemic**

After a challenging first half of 2020, Covestro saw demand from its main customer industries recover during the third quarter. On the whole, however, the results for the first three quarters of 2020 remained below the prior-year level. In the first nine months of 2020, core volumes declined by 7.9%, and Group sales were down by 19.4% to around EUR 7.7 billion. This was attributable mainly to reduced selling prices and lower total volumes sold. EBITDA therefore decreased by 37.0% to EUR 835 million, while net income amounted to EUR 147 million (-71.5%). FOCF was down, coming in at EUR 136 million (-4.9%).



**About Covestro:**

With 2019 sales of EUR 12.4 billion, Covestro is among the world's largest polymer companies. Business activities are focused on the manufacture of high-tech polymer materials and the development of innovative solutions for products used in many areas of daily life. The main segments served are the automotive, construction, wood processing and furniture, and electrical and electronics industries. Other sectors include sports and leisure, cosmetics, health and the chemical industry itself. Covestro has 30 production sites worldwide and employs approximately 17,200 people (calculated as full-time equivalents) at the end of 2019.

*The Quarterly Statement is also available online:*

<https://report.covestro.com/interim-statement-q3-2020/>

Find more information at [covestro.com/investors](https://www.covestro.com/investors).

**Forward-looking statements**

This investor news 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 at [www.covestro.com](http://www.covestro.com). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.