

Press Release



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Actively managing the crisis: Covestro adapts to current conditions

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Covestro meets guidance for first quarter despite coronavirus impact

- **Core volumes decrease by 4.1%**
- **Group sales total approximately EUR 2.8 billion (– 12.3%)**
- **EBITDA at EUR 254 million in line with guidance (– 42.5%)**
- **Net income at EUR 20 million (– 88.8%)**
- **Free operating cash flow at minus EUR 249 million as expected**
- **2020 AGM rescheduled to July 30**

Covestro has met its EBITDA guidance for the first quarter of 2020 in a business environment strongly impacted by the coronavirus. Core volumes decreased by 4.1% compared to the prior-year quarter. This is mainly the result of significantly weaker demand in China due to coronavirus-related interruptions of production at local customers in February and March 2020. Coupled with a worldwide decline in selling prices, mainly driven by increased competitive pressure in the Polyurethanes and Polycarbonates segments, this led to lower Group sales of around EUR 2.8 billion (– 12.3%). EBITDA stood at EUR 254 million (– 42.5%), which was in the expected range for the first quarter. Net income declined to EUR 20 million (– 88.8%). At minus EUR 249 million, free operating cash flow (FOCF) was in negative territory, as expected.

“The coronavirus pandemic is an exceptional situation and has reinforced the existing global uncertainties even further,” CEO Dr. Markus Steilemann said. “Protecting the health of our employees and their families as well as our business partners is our top priority. In addition, Covestro is doing everything it can to continue to be a reliable supplier for its customers during this crisis. We are confident that we will successfully master this challenge with our absolute focus on customers, strict cost awareness and strong team spirit.”



Full year guidance already adjusted for coronavirus impact

Covestro had already adjusted its previous annual guidance in mid-April as a consequence of the foreseeable negative effects of the coronavirus pandemic on the global economic development and therefore also on future business performance. “Updating our guidance was necessary in view of the serious impact of the coronavirus pandemic on global markets,” explained Dr. Thomas Toepfer, Covestro’s CFO. “Covestro has a solid position and still has a strong balance sheet and high liquidity. We continue to rely on our operational efficiency, cost cutting programs and ongoing review of our investments to safeguard our stable financial foundation during these challenging times.”

For fiscal year 2020, Covestro anticipates core volume growth below the previous year. FOCF is expected to total between minus EUR 200 million and EUR 300 million, with return on capital employed (ROCE) amounting to between minus 1% and 4%. EBITDA is projected at between EUR 700 million and EUR 1.2 billion. In addition to the existing efficiency and effectiveness program launched in October 2018, Covestro increased the target for additional short-term cost savings by another EUR 100 million to EUR 300 million for the current fiscal year. Current investments are being reduced by around EUR 200 million bringing total investments to some EUR 700 million.

The Annual General Meeting originally scheduled for April 17, 2020, has been canceled due to the coronavirus pandemic. In accordance with the adapted legal framework, the AGM is now to be held without physical presence on July 30, 2020 as a fully virtual event.

Liquidity secured, focus on sustainability and innovation unchanged

In March 2020, Covestro replaced its existing credit facility of EUR 1.5 billion with a new, as yet undrawn syndicated revolving credit facility amounting to EUR 2.5 billion to maintain the company’s financial flexibility and secure liquidity. The interest component is linked to an ESG (environmental, social, governance) rating, which provides Covestro with financial incentives for sustainable business development. Additionally, the company has signed short-term working capital facilities amounting to EUR 500 million, which have been fully drawn in the meantime.

In addition, Covestro was able to secure a loan of EUR 225 million from the European Investment Bank (EIB). The loan is being used to strengthen Covestro’s research and development activities in the areas of sustainability and circular economy within the European Union. Details on the strategic program



for a comprehensive orientation towards the circular economy are expected to be provided in the second quarter of 2020.

In order to further build the company's capacity for innovation, Covestro expanded its strategic partnerships with start-ups early this year. The company is pursuing the Covestro Venture Capital (COVeC) approach to invest in young companies in five technological focus areas. The latest example is Covestro's equity investment in French tech start-up Crime Science Technology (C.S.T.). As a stockholder, Covestro pushes the development of sustainable innovation as a long-term growth driver in its core businesses.

Segment results impacted by coronavirus pandemic

In the first quarter of 2020, Covestro's business in all segments was affected by the significant impact of the coronavirus pandemic, particularly in China.

The Polyurethanes segment saw core volumes decline by 3.6% compared with the prior-year quarter during this period. This is mainly attributable to the downturn in volumes in the electrical, electronics and household appliances sector and the automotive industry. As a result of increased competition worldwide and the change in total volumes sold, sales were down to around EUR 1.3 billion (– 13.7%). EBITDA fell to EUR 50 million (– 68.2%) due to the decline in margins.

Core volumes in Polycarbonates declined by 4.9% from the prior-year quarter. This was due to considerably lower volumes sold in the electrical, electronics and automotive industry. A low level of selling prices and decreased volumes drove sales in the Polycarbonates segment down to EUR 733 million (– 14.8%). Lower margins caused EBITDA to decline to EUR 109 million (– 29.7%).

Core volumes in the Coatings, Adhesives, Specialties segment fell 5.2% compared to the prior-year quarter. This development was driven by weaker demand for coating precursors in all key customer industries, particularly the automotive industry. Sales were down 8.8% to EUR 572 million due to a decline in total volumes sold and lower average selling prices. EBITDA fell to EUR 130 million (–11.0%) due to negative volume effects and weaker margins. Lower costs enabled the EBITDA margin in the Coatings, Adhesives, Specialties segment to rise to 22.7% despite the effects of the coronavirus.



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.

This press release is available for download from the Covestro press server at www.covestro.com.

Note to editors:

Below, please find a table showing key data for Covestro Group for the first quarter of 2020.

The Interim Statement is also available as an online version:

<https://report.covestro.com/interim-statement-q1-2020>

Find more information at **www.covestro.com**.

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Forward-looking statements

This news release 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. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.



Covestro Group Key Data

	1st quarter 2019	1st quarter 2020	Change
	€ million	€ million	in %
Covestro Group			
Core Volume Growth	-1.8%	-4.1%	
Sales	3,175	2,783	-12.3
Change in Sales			
Volume	+0.9%	-2.7%	
Price	-18.3%	-9.1%	
Currency	+2.4%	+0.8%	
Portfolio	-1.0%	-1.3%	
EBITDA	442	254	-42.5
EBIT	264	67	-74.6
Net Income	179	20	-88.8
Free Operating Cash Flow	(45)	(249)	>400
Polyurethanes			
Core Volume Growth	-0.2%	-3.6%	
Sales	1,476	1,274	-13.7
Change in Sales			
Volume	+3.0%	-2.5%	
Price	-29.4%	-10.8%	
Currency	+2.1%	+0.7%	
Portfolio	0.0%	-1.1%	
EBITDA	157	50	-68.2
EBIT	57	(51)	.
Free Operating Cash Flow	(98)	(170)	+73.5
Polycarbonates			
Core Volume Growth	-6.3%	-4.9%	
Sales	860	733	-14.8
Change in Sales			
Volume	-2.9%	-2.6%	
Price	-12.8%	-9.6%	
Currency	+2.6%	+1.0%	
Portfolio	-3.6%	-3.6%	
EBITDA	155	109	-29.7
EBIT	105	54	-48.6
Free Operating Cash Flow	99	6	-93.9
Coatings, Adhesives, Specialties			
Core Volume Growth	-0.1%	-5.2%	
Sales	627	572	-8.8
Change in Sales			
Volume	+1.1%	-7.1%	
Price	+1.7%	-3.9%	
Currency	+3.1%	+1.1%	
Portfolio	0.0%	+1.1%	
EBITDA	146	130	-11.0
EBIT	118	100	-15.3
Free Operating Cash Flow	(12)	15	.