

Press Release



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Covestro's 2021 Annual General Meeting

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Covestro is setting the right course for the future

- **Strong finish to an exceptional year 2020**
- **Continued growth trajectory: earnings outlook raised**
- **2021 in the light of new strategy: aligned structure as of July**
- **Board of Management compensation linked to sustainability**
- **Proposed dividend of EUR 1.30 per share, new dividend policy**
- **Lise Kingo proposed as a new member of the Supervisory Board**

“We demonstrated last year that Covestro can masterfully manage a crisis. But we will not simply be content with this. Not at all. We are actively setting the right course for the future,” said CEO Dr. Markus Steilemann at the Group’s Annual General Meeting this year.

According to Steilemann’s assessment, Covestro has successfully navigated through 2020, a year dominated by the coronavirus pandemic, thanks to the measures the Group took early on and also the team spirit among the entire workforce. Apart from cost-saving measures and bolstering its liquidity position, the company and employees’ representatives agreed on a special act of solidarity: For the German companies a voluntary cut in wages and salaries was combined with reduced work hours. International Covestro locations devised similar, country-specific measures. In the second half of the year, Covestro benefited from its consistent crisis management and in December 2020 the Group made a bonus payment that equaled the total amount of wages and salaries that each individual had given up.

CFO Dr. Thomas Toepfer highlighted the strong results for the exceptional year 2020 in his comments at the Annual General Meeting. Despite declines in the volumes sold due to the pandemic the Group benefited from its broad range of measures and a strong rebound in demand from mid-year onwards. Covestro



limited the overall decline in EBITDA to 8.2 percent year-over-year and generated earnings of approximately EUR 1.5 billion, i.e almost at prior-year level. Net income reached EUR 459 million, while free operating cash flow (FOCF) increased to EUR 530 million.

New strategy and structure pave the way to a circular economy

Covestro had previously presented its realigned Group strategy at the Annual Press Conference in February 2021. The focus of the strategy called “Sustainable Future” is on increased customer orientation and sustainable growth. The Group’s long-term vision is to become fully circular.

Covestro is creating an optimal starting point for that with a streamlined Group structure. From July 1, 2021, the company will manage its business with seven operating business entities – with a setup based on their individual success factors and geared to the individual needs of their customers and the requirements of their markets. Covestro will distinguish between two business areas in the future: Performance Materials as well as Solutions and Specialties.

“With our new strategy, we combine sustainability and efficiency,” stated Steilemann in his presentation to the shareholders. “By investing in attractive and sustainable market segments, we are systematically fueling the development of a future-proof portfolio. We will also cluster our products according to specific customer requirements and will become an even better partner for our customers.”

Successful start to 2021: RFM acquisition completed

A major contribution to the implementation of the new Group strategy is marked by the successful completion of the acquisition of the Resins & Functional Materials business (RFM) of DSM on April 1, 2021. Steilemann emphasized at the Annual General Meeting: “This transaction represents an important step on our way to more sustainable business practices.” The Group is now one of the world’s market leaders when it comes to sustainable coating resins. The acquisition means that Covestro will expand its revenues by around EUR 1 billion and its production network by 20 locations. Covestro expects permanent synergy effects to build-up to about EUR 120 million per annum from full integration by 2025.

Continued growth trajectory: earnings outlook raised

Covestro entered the fiscal year 2021 with good impetus. After a better than previously expected start to the year, the Group raised its guidance for the



current fiscal year on April 13, 2021. Toepfer accordingly expressed his optimism at the Annual General Meeting: “Covestro is very solidly positioned and has a robust liquidity reserve. Demand for our products remains intact and we are benefiting from a very positive margin development. All in all, we expect a significant increase over our pre-pandemic results from 2019.”

Covestro now expects EBITDA to total between EUR 2.2 billion and EUR 2.7 billion for fiscal year 2021 (previous outlook: between EUR 1.7 billion and EUR 2.2 billion). Core volume growth is still forecasted between 10 percent and 15 percent. The Group anticipates that the free operating cash flow (FOCF) will be between EUR 1.3 billion and EUR 1.8 billion (previous outlook: between EUR 900 million and EUR 1.4 billion), while the return on capital employed (ROCE) is expected to be 12 percent to 17 percent (previous outlook: between 7 percent and 12 percent). Covestro expects to generate EBITDA of EUR 743 million for the first quarter of 2021, the report on which will be published on April 28, 2021, and EBITDA of between EUR 730 million and EUR 870 million for the second quarter of 2021.

Board of Management compensation linked to sustainability

Covestro is underscoring its commitment to sustainable development by linking part of the Board of Management’s variable compensation to its sustainability targets. Since the start of the year, 25 percent of the Board of Management’s long-term variable compensation has been tied to reductions in the Group’s greenhouse gas emissions. The compensation system for employees who participate in the long-term variable compensation program has similarly been expanded to include this climate protection component. Yet these adaptations are just the beginning. Covestro intends to include further non-financial targets in its compensation systems in the future.

Proposed dividend of EUR 1.30 per share

The Board of Management and the Supervisory Board are proposing a dividend of EUR 1.30 per share for the past fiscal year 2020, thus ensuring that shareholders participate in the company’s success. Covestro thus achieves a payout ratio of 55 percent of its net income.

Covestro also announced in February 2021 that it is setting its dividend policy on a new basis and thus creates a stronger link to the Group’s overall business situation. In the future, Covestro would like to distribute between 35 percent and 55 percent of its net income to shareholders. The payout ratio will tend to be around the lower end of the scale in years with high earnings and at the higher end of the scale in challenging years.



Change on the Supervisory Board: Lise Kingo proposed as successor

The election of a new member of the Supervisory Board is also on the agenda of the 2021 Annual General Meeting. Lise Kingo has been nominated as the new member. Among other things, she is an independent member of the Board of Directors at Sanofi SA and until June 2020 was CEO and Executive Director of the United Nations Global Compact, the world's largest corporate sustainability initiative. "We are convinced that Lise Kingo is an excellent choice for our Supervisory Board. Backed by her expertise and experience specifically in the area of sustainable corporate development, she will make a big mark and support the path of Covestro to become fully circular," said Dr. Richard Pott, Chairman of Covestro's Supervisory Board, at the Annual General Meeting.

Lise Kingo would succeed Ferdinando Falco Beccalli, who will resign from his mandate effective the end of the 2021 Annual General Meeting. In his speech to the shareholders, Pott acknowledged the services of Beccalli, who is a member of the Supervisory Board since 2015.

Covestro is broadcasting the Annual General Meeting, including the presentations by CEO Dr. Markus Steilemann and CFO Dr. Thomas Toepfer, the report of the Supervisory Board and responses to the questions the shareholders have previously submitted, live starting at 10 a.m. CEST via the following [link](#). The presentations by CEO Dr. Markus Steilemann and CFO Dr. Thomas Toepfer will also be broadcast live on LinkedIn, YouTube, Twitter and Facebook. The manuscripts of the presentations have been online [here](#) since April 9, 2021. The voting results will also be published there after the Annual General Meeting.

About Covestro:

With 2020 sales of EUR 10.7 billion, Covestro is among the world's leading polymer companies. Business activities are focused on the manufacture of high-tech polymer materials and the development of innovative, sustainable solutions for products used in many areas of daily life. Covestro is gearing itself completely to the circular economy. The company's main customers are from the automotive and transportation; construction; furniture and wood processing; and electrical, electronics, and household appliances industries. Other sectors include sports and leisure, cosmetics, health, and the chemical industry itself. Covestro has 33 production sites worldwide and employs approximately 16,500 people (calculated as full-time equivalents) as of the end of 2020.



Note to editors:

This press release and images of the Annual General Meeting 2021 are available in the digital press kit at: <https://www.covestro.com/press>. Please acknowledge the source of the material when using images.

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Forward-looking statements

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