



Q1 in line with expectations, FY guidance confirmed

Financial highlights
Q1 2019



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Financial highlights Q1 2019



-1.8%
Core Volume
Growth



€442m
EBITDA



€-45m
FOCF



€0.98
EPS



FY 19
Guidance
confirmed



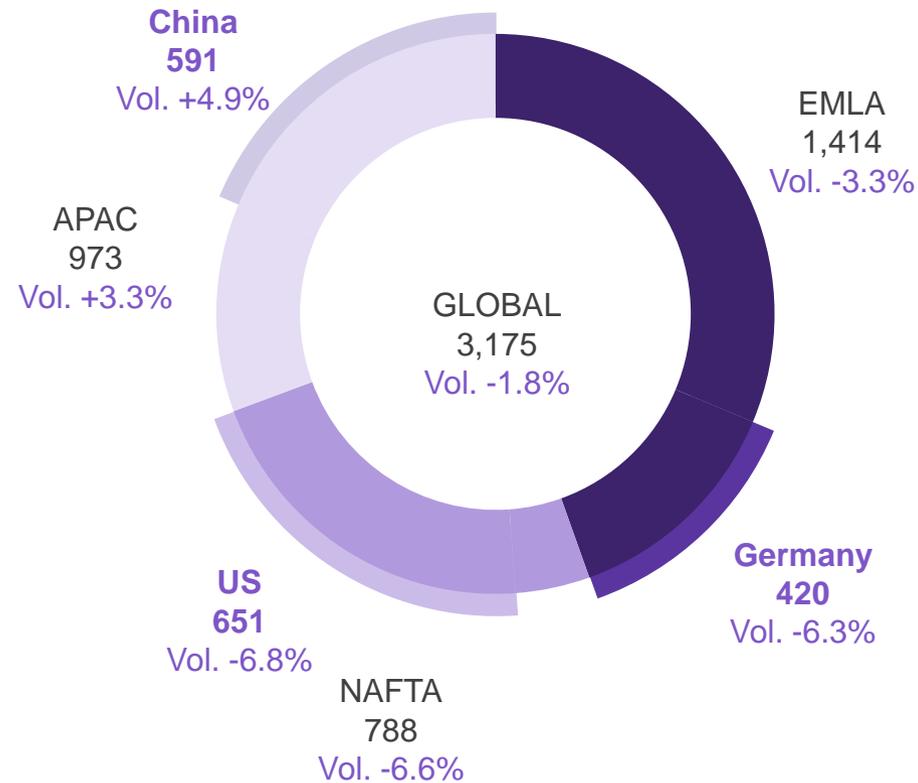
Asia stabilizes global core volumes

Q1 2019 – Regional split



Sales and Core Volume Growth

in € million / changes Y/Y



Core Volume Growth

- APAC: better than expected development, although impacted by negative growth in automotive and construction
- EMLA: impacted by demand dip in automotive and maintenance shut-down for polyether polyols
- NAFTA: impacted by negative growth in automotive and the mattress industry
- Solid growth in global electronics Y/Y
- Positive growth in global construction, wood/furniture and medical Y/Y

Negative price effects decrease sales despite stable volumes



Q1 2019 – Sales bridge

in € million



Highlights

Stable volumes

- Sales volume expansion (in €) by +0.9% Y/Y
- Sales volume expansion above core volume growth mainly due to product mix effects

Negative pricing

- Lower selling prices negatively impacted sales by -18.3% Y/Y, driven by PUR and PCS
- Positive pricing development in CAS

Positive FX

- FX benefited sales by +2.4% Y/Y mainly due to stronger USD and CNY

Portfolio impact

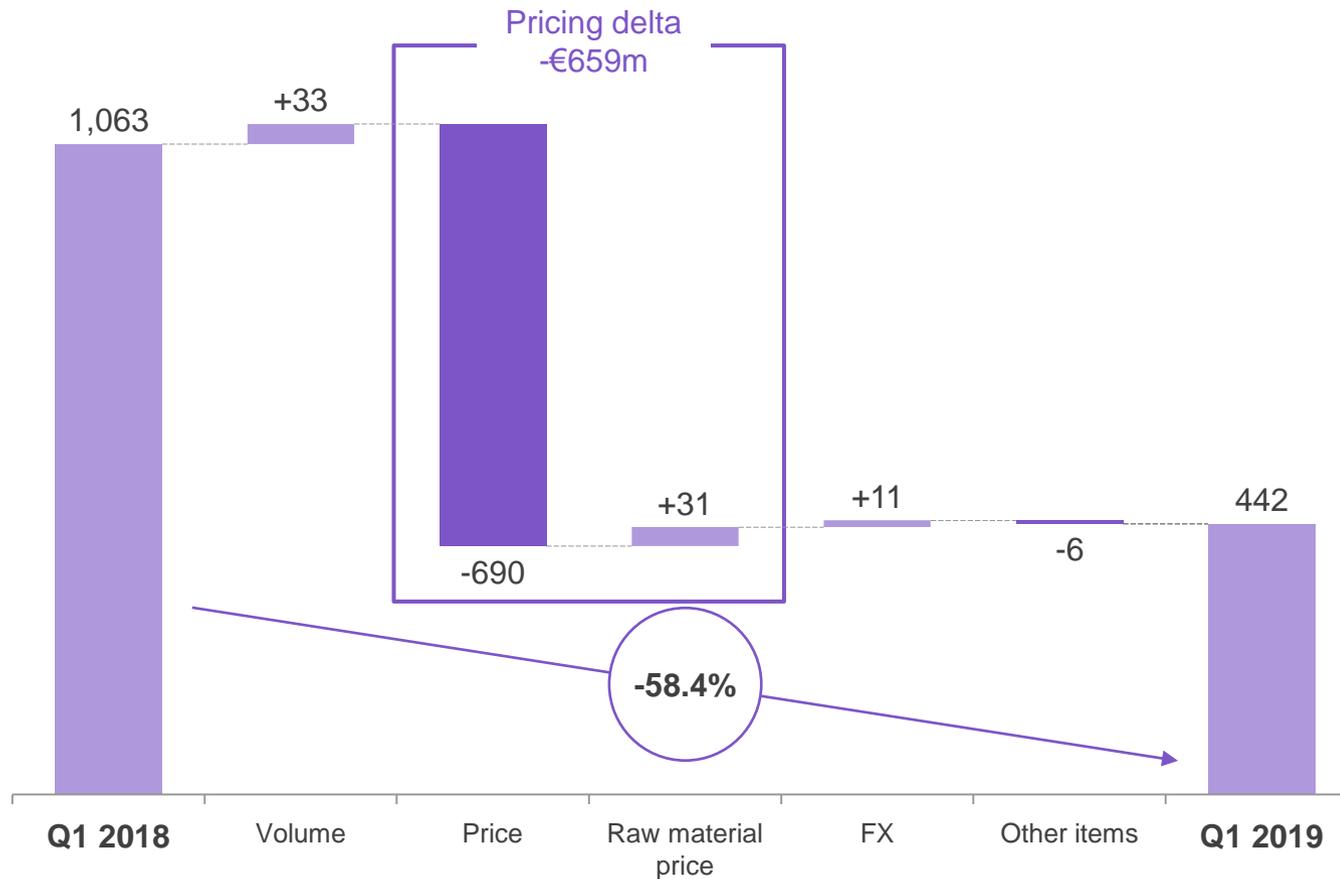
- Sales reduced by -1.0% Y/Y due to disposal of US polycarbonates sheets as of 1st August 2018

Q1 earnings with pronounced negative pricing delta



Q1 2019 – EBITDA bridge

in € million



Highlights

Positive volume leverage

- Mainly driven by product mix effects

Pronounced decline in contribution margin

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

Other items

- Lower bonus provisions
- Positive impact from accounting change (IFRS 16)
- Negative impact from higher maintenance costs and capex-related expenses

Positive Q/Q development

- Mainly driven by cost reductions
- Positive volume leverage counterbalanced by negative pricing delta

Significant pricing pressure continues

Group results - Q1 2019 Highlights



Sales and Core Volume Growth

in € million / changes Y/Y

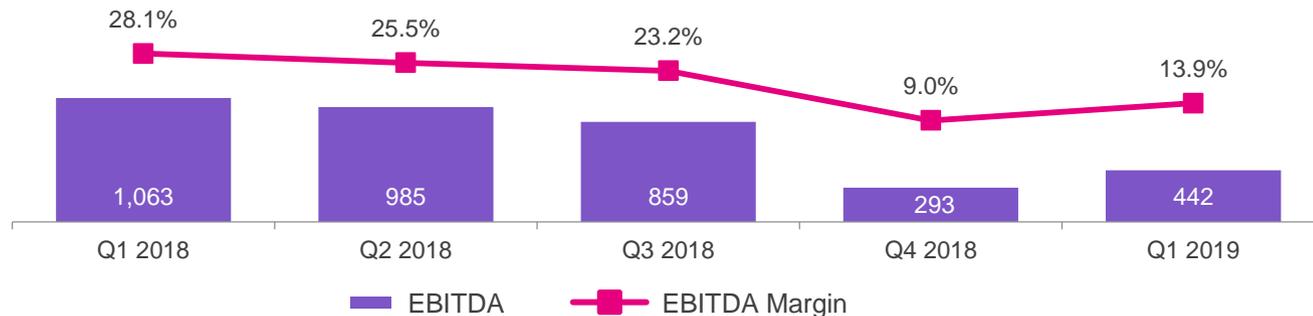


Highlights

- Core Volume Growth of -1.8% as expected due to continued destocking and planned maintenance shutdown
- Positive Core Volume Growth in MDI and TDI, declining volumes in polyether polyols and PCS
- Sales decreased by -16.0% Y/Y, driven by price (-18.3%)

EBITDA and Margin

in € million / margin in percent



Highlights

- Compared to prior year, EBITDA declined Y/Y due to pronounced negative pricing delta
- Sequentially, EBITDA margin increased Q/Q to 13.9% vs. 9.0%, mainly due to lower cost

Polyurethanes – earnings below mid-cycle

PUR segment results – Q1 2019 Highlights



Sales and Core Volume Growth

in € million / changes Y/Y

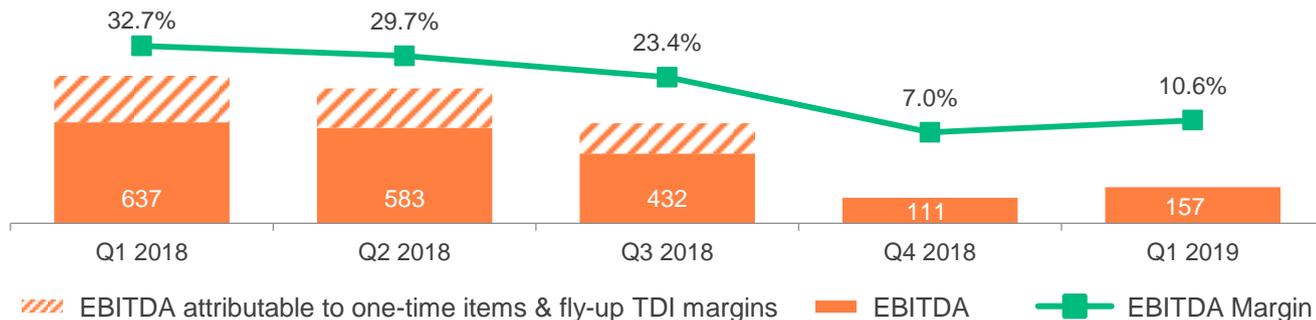


Highlights

- Stable core volumes of -0.2% Y/Y, with positive contributions from MDI and TDI, negatively impacted by polyether polyols
- Sales decreased by -24.3% Y/Y, driven by price (-29.4%)
- Positive volume effect in sales development (+3.0%) due to product mix effects

EBITDA and Margin

in € million / margin in percent



Highlights

- Compared to prior year, EBITDA declined Y/Y due to pronounced negative pricing delta
- Sequentially, EBITDA margin increased Q/Q to 10.6% vs. 7.0%, mainly due to lower cost

Polycarbonates – impacted by automotive

PCS segment results – Q1 2019 Highlights



Sales and Core Volume Growth

in € million / changes Y/Y



Highlights

- Negative Core Volume Growth of -6.3% Y/Y due to demand drop in automotive, accounting for around 1/3 of sales, and continued destocking
- Sales decreased by -16.7% Y/Y driven by price (-12.8%) and volume (-2.9%)
- Additional negative portfolio effect Y/Y (-3.6%)

EBITDA and Margin

in € million / margin in percent



Highlights

- Compared to prior year, EBITDA declined Y/Y due to pronounced negative pricing delta and lower volumes
- Sequentially, EBITDA margin increased Q/Q to 18.0% vs. 14.4%, mainly due to lower cost

Coatings, Adhesives, Specialties – strong earnings



CAS segment results – Q1 2019 Highlights

Sales and Core Volume Growth

in € million / changes Y/Y

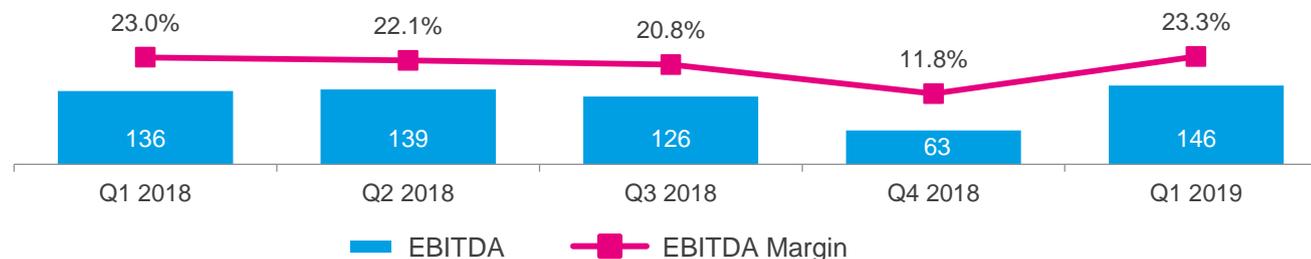


Highlights

- Stable core volumes of -0.1% Y/Y, despite weak coatings industry, accounting for close to 1/2 of sales
- Sales increased by +5.9% Y/Y driven by price (+1.7%) and volume (+1.1%)
- Additional positive FX impact Y/Y (+3.1%)

EBITDA and Margin

in € million / margin in percent



Highlights

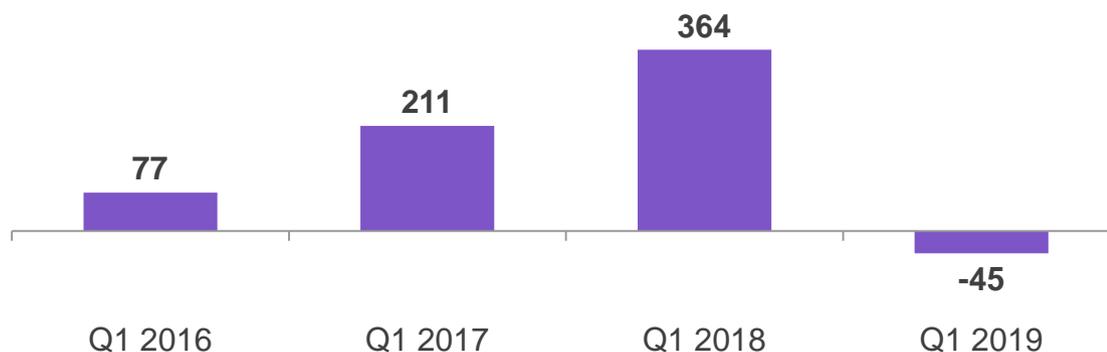
- Compared to prior year, EBITDA increased Y/Y by 7.4% driven by volumes and positive pricing delta
- Sequentially, EBITDA margin increased Q/Q to 23.3% vs. 11.8%, mainly due to lower cost

Cash flow burdened by higher capex and tax payments



Historical FOCF development per quarter

in € million



	Q1 2016	Q1 2017	Q1 2018	Q1 2019
EBITDA	+508	+846	+1,063	+442
Changes in working capital	-304	-441	-544	-257
Capex	-47	-74	-88	-165
Income taxes paid	-80	-29	-56	-79
Other effects	0	-91	-11	+14

Highlights

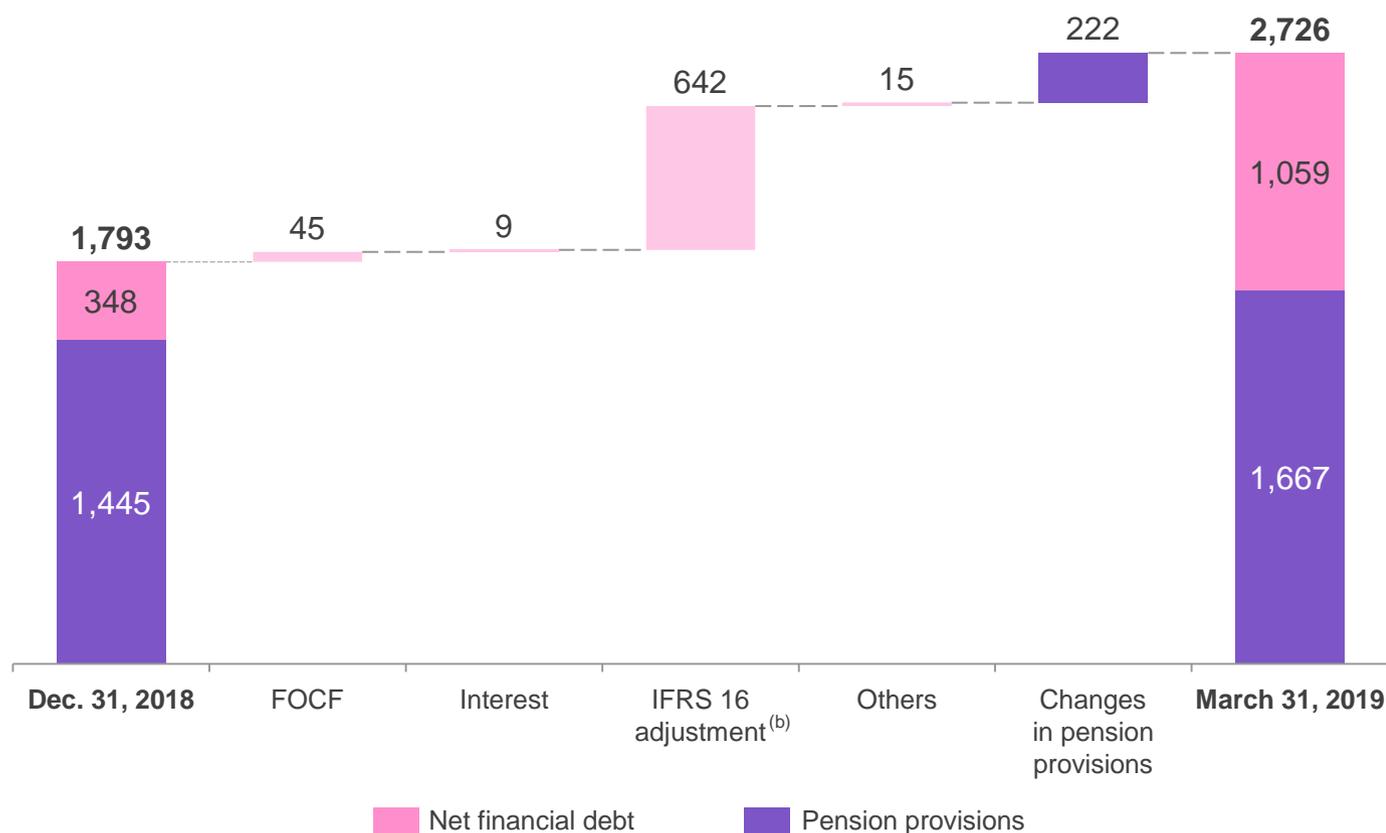
- Usual seasonal working capital increase mainly driven by lower trade accounts payables
- Working capital to sales ratio^(b) at 19.0%
- Capex of €165m up Y/Y with focus on growth investments, in line with full year guidance
- High cash tax rate of 32.8% above P&L tax rate of 25.3% due to phasing of tax payments

IFRS 16 adoption leads to significant increase of net debt

March 31th 2019 – Total net debt



in € million



Highlights

- Application of IFRS 16 increased net financial debt by €642m^(b)
- Pension provisions increased by €222m mainly resulting from lower discount rates in Germany
- Total net debt to EBITDA ratio^(a) of 1.1x end of Q1 2019 vs. 0.6x end of 2018

FY guidance confirmed in a challenging environment

FY 2019 guidance



	FY 2018	Guidance FY 2019
Core Volume Growth	+1.6%	Low- to mid-single-digit percentage increase Y/Y
FOCF	€1,669m	€300 – 700m
ROCE	29.5%	8% – 13%
Additional financial expectations	FY 2018	Guidance FY 2019
EBITDA FY	€3,200m	€1,500 – 2,000m
EBITDA Q2	€985m	Around Q1 2019 level
D&A	€620m	~€750m (previously: ~€700m)
Financial result	€-104m	€-100 to -120m
P&L (effective) tax rate	26.1%	24 - 26%
Capex^(a)	€707m	≥€900m

Q1 as expected, FY guidance confirmed

Highlights Q1 2019



1

Largely stable volume development
supported by PUR and CAS, in a challenging environment

2

Sequential EBITDA increase
mainly driven by lower operational costs

3

CAS remains a stable and highly profitable business
with stable core volumes and positive pricing delta

4

Defending industry and cost leadership
with “Perspective” cost-savings and capex program on track

5

FY 2019 guidance confirmed
thanks to strict cost discipline and stabilizing margins



Appendix

IFRS 16 impact on main KPIs in Q1 2019



Changes in accounting as a result of the initial application of IFRS 16^(a)

Balance Sheet (as of March 31, 2019)

Net debt	+642m
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P&L

EBITDA	€+31m
EBIT	€+3m
Financial result	€-5m
Income after income taxes	€-1m

Cash Flow

FOCF	€+30m
Financing CF	€-30m

Upcoming IR events



Find more information on investor.covestro.com

Reporting dates

- | | |
|---------------------|---------------------------------|
| • July 24, 2019 | Half-Year Financial Report 2019 |
| • October 28, 2019 | Q3 2019 Interim Statement |
| • February 19, 2020 | Annual Report 2019 |

Sellside dinner event

- | | |
|---------------|--|
| • May 7, 2019 | Sellside Round Table with CEO, Frankfurt |
|---------------|--|

Broker conferences

- | | |
|--------------------|--|
| • May 10, 2019 | JP Morgan Investor Forum, Amsterdam |
| • May 22, 2019 | Berenberg Chemical Sector Day, Tarrytown |
| • May 22, 2019 | Morgan Stanley ChemTech Day, London |
| • June 4, 2019 | Commerzbank, mBank Chemical Event, Warsaw |
| • June 5 – 6, 2019 | Deutsche Bank, dbAccess, German, Swiss & Austrian Conference, Berlin |
| • June 6 – 7, 2019 | Barclays Select Conference, Sonoma |