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Full-year guidance confirmed, economic environment remains uncertain

Q2 2020: Results significantly impacted by the coronavirus pandemic as expected

- **Core volumes decrease by 22.7%**
- **Group sales total approximately EUR 2.2 billion (–32.9%)**
- **EBITDA of EUR 125 million**
- **Net income of EUR –52 million**
- **Free operating cash flow rises to EUR 24 million**
- **Consistent crisis management and measures to secure liquidity**
- **Orientation towards a circular economy accelerated**

Covestro's business performance in the second quarter was, as expected, significantly impacted by the further spread of the coronavirus pandemic in Europe and North America. Core volumes decreased by 22.7% year-on-year from April to June due to the massive drop in demand in all key customer industries. The global coronavirus pandemic drove down core volumes with strongest volume impact in April and sequential improvement since mid-May. Group sales fell accordingly by 32.9% to around EUR 2.2 billion (previous year: EUR 3.2 billion). Sales in the EMLA and NAFTA regions declined more sharply than in the APAC region, mainly due to the time lag in the impact of the coronavirus pandemic. As communicated in the ad-hoc statement on the preliminary key financial results on July 9, 2020, Group EBITDA was EUR 125 million (–72.8%) and thus above market expectations for the second quarter of 2020 at the time of publication. That was attributable in particular to an accelerated recovery in demand, especially in the Polycarbonates segment, in June. Net income for the second quarter was EUR –52 million (previous year: EUR 189 million). In contrast to the decline in EBITDA, free operating cash flow (FOCF) rose to EUR 24 million (previous year: EUR –55 million) as a result of strict liquidity management.



“As anticipated, the global coronavirus pandemic had a significant impact on our results in the second quarter,” said Dr. Markus Steilemann, CEO of Covestro. “We took the right measures in timely fashion to protect our employees, maintain production and supply chains, and ensure continuous supply to our customers. We have managed to accomplish that very successfully to date and will continue to steer Covestro resolutely through this crisis.”

The company confirmed the full-year guidance it had revised in April. However, the uncertainties associated with the consequences of the coronavirus pandemic for economic development remain high.

Consistent crisis management and strengthening of liquidity position

The company also took further financing measures in the second quarter to sustainably strengthen its liquidity position. Covestro placed Eurobonds with a total volume of EUR 1.0 billion in the capital markets on June 5, 2020. The bonds will be maturing in February 2026 and June 2030 and pay a coupon of 0.875% and 1.375% respectively. Investor demand was exceptionally high with the orderbook being more than 10 times oversubscribed.

“Although Covid-19 is having a significant impact on our business performance, our consistent actions are already showing an effect,” said Dr. Thomas Toepfer, Covestro’s CFO and Labor Director. “2020 remains an exceptional year and the further development is still not fully foreseeable. That is a further reason why we will stick to our clear course with its focus on efficiency, cost awareness and securing our liquidity.”

In view of the exceptional situation, Covestro’s Board of Management, Supervisory Board and workforce are also making a joint solidarity contribution in order to enhance the company’s resilience in the current environment. For Covestro’s German companies, the Board of Management and employee representatives have agreed on a model to reduce working hours and remuneration for all employees by the end of November 2020. All of Covestro’s Group companies outside Germany are implementing comparable country-specific cost-saving measures.

New corporate vision: Accelerate orientation towards a circular economy

Covestro presented its new long-term vision in May 2020. The company intends to fully align its entire production, its product and solution portfolio and all areas in the long term to the circular concept. The strategic program, which was already launched in 2019, aims to anchor circularity in all areas of the company in a holistic approach. It is now being successively implemented and backed up



with concrete and measurable goals. It focuses in particular on the four topics of alternative raw materials, innovative recycling, joint solutions and renewable energies.

All segments affected by sales decline due to coronavirus

The Polyurethanes segment saw core volumes in the second quarter of 2020 decline significantly by 25.9% compared to the prior-year quarter (previous year: 0.7%) due to the coronavirus pandemic, a trend which affected all key customer industries. Sales were down 38.7% to EUR 913 million, mainly due to a decline in total volumes sold and lower average selling prices. Declining volumes and lower margins overall resulted in an EBITDA of EUR –24 million (previous year: EUR 172 million).

In the second quarter of 2020, core volumes in the Polycarbonates segment fell by 14.4% over the prior-year quarter (previous year: 4.4%). Decreased volumes as a result of significant drops in demand from the automotive and transport industries were cushioned by a lower decline in volumes from the electrical, electronics and household appliances industries and volume growth in the construction industry. Sales decreased to EUR 648 million (–27.8%) on account of a decline in total volumes sold and lower average selling prices. EBITDA consequently fell by 37.7% to EUR 96 million.

Core volumes in the Coatings, Adhesives, Specialties segment were down 25.3% compared to the prior-year quarter (previous year: –4.7%). The coronavirus pandemic resulted in far weaker demand from key customer industries, a trend that was reflected in particular in a downturn in volumes in the automotive and transport industries. Sales fell by 28.7% to EUR 443 million, mainly due to a decline in total volumes sold and lower average selling prices. EBITDA decreased by 60.0% to EUR 60 million on the back of lower volumes and margins.

First half of 2020 marked by coronavirus

As expected, the figures for the first half of 2020 were significantly impacted by the effects of the coronavirus pandemic. Core volumes decreased by 13.6%, and Group sales fell by 22.7% to around EUR 4.9 billion (previous year: EUR 6.4 billion). That is mainly attributable to lower total volumes and a decline in the level of selling prices. EBITDA consequently dropped by 57.9% to EUR 379 million, while net income totaled EUR –32 million (previous year: EUR 368 million). FOCF in the first half of 2020 declined to EUR –225 million (previous year: EUR –100 million).



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.

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Forward-looking statements

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Covestro Group Key Data

	2nd quarter 2019	2nd quarter 2020	Change	1st half 2019	1st half 2020	Change
	€ million	€ million	in %	€ million	€ million	in %
Covestro Group						
Core Volume Growth	+1.1%	-22.7%		-0.4%	-13.6%	
Sales	3,211	2,156	-32.9	6,386	4,939	-22.7
Change in Sales						
Volume	+0.8%	-22.3%		+0.9%	-12.5%	
Price	-18.7%	-9.0%		-18.5%	-9.1%	
Currency	+1.8%	-0.1%		+2.1%	+0.3%	
Portfolio	-0.8%	-1.5%		-0.9%	-1.4%	
EBITDA	459	125	-72.8	901	379	-57.9
EBIT	274	(68)	.	538	(1)	.
Net Income	189	(52)	.	368	(32)	.
Free Operating Cash Flow	(55)	24	.	(100)	(225)	>100
Polyurethanes						
Core Volume Growth	+0.7%	-25.9%		+0.3%	-14.9%	
Sales	1,489	913	-38.7	2,965	2,187	-26.2
Change in Sales						
Volume	+0.8%	-24.8%		+1.9%	-13.7%	
Price	-26.8%	-12.3%		-28.1%	-11.5%	
Currency	+1.7%	-0.4%		+1.9%	+0.1%	
Portfolio	0.0%	-1.2%		0.0%	-1.1%	
EBITDA	172	(24)	.	329	26	-92.1
EBIT	72	(130)	.	129	(181)	.
Free Operating Cash Flow	(22)	(77)	>200	(120)	(247)	>100
Polycarbonates						
Core Volume Growth	+4.4%	-14.4%		-1.0%	-9.8%	
Sales	898	648	-27.8	1,758	1,381	-21.4
Change in Sales						
Volume	+5.7%	-16.4%		+1.5%	-9.6%	
Price	-18.8%	-7.8%		-15.8%	-8.6%	
Currency	+1.7%	-0.1%		+2.1%	+0.4%	
Portfolio	-3.6%	-3.5%		-3.6%	-3.6%	
EBITDA	154	96	-37.7	309	205	-33.7
EBIT	99	41	-58.6	204	95	-53.4
Free Operating Cash Flow	51	34	-33.3	150	40	-73.3
Coatings, Adhesives, Specialties						
Core Volume Growth	-4.7%	-25.3%		-2.4%	-15.2%	
Sales	621	443	-28.7	1,248	1,015	-18.7
Change in Sales						
Volume	-4.5%	-25.8%		-1.7%	-16.4%	
Price	-0.4%	-3.2%		+0.6%	-3.5%	
Currency	+2.2%	+0.3%		+2.6%	+0.7%	
Portfolio	+1.4%	0.0%		+0.7%	+0.5%	
EBITDA	150	60	-60.0	296	190	-35.8
EBIT	120	28	-76.7	238	128	-46.2
Free Operating Cash Flow	(2)	65	.	(14)	80	.