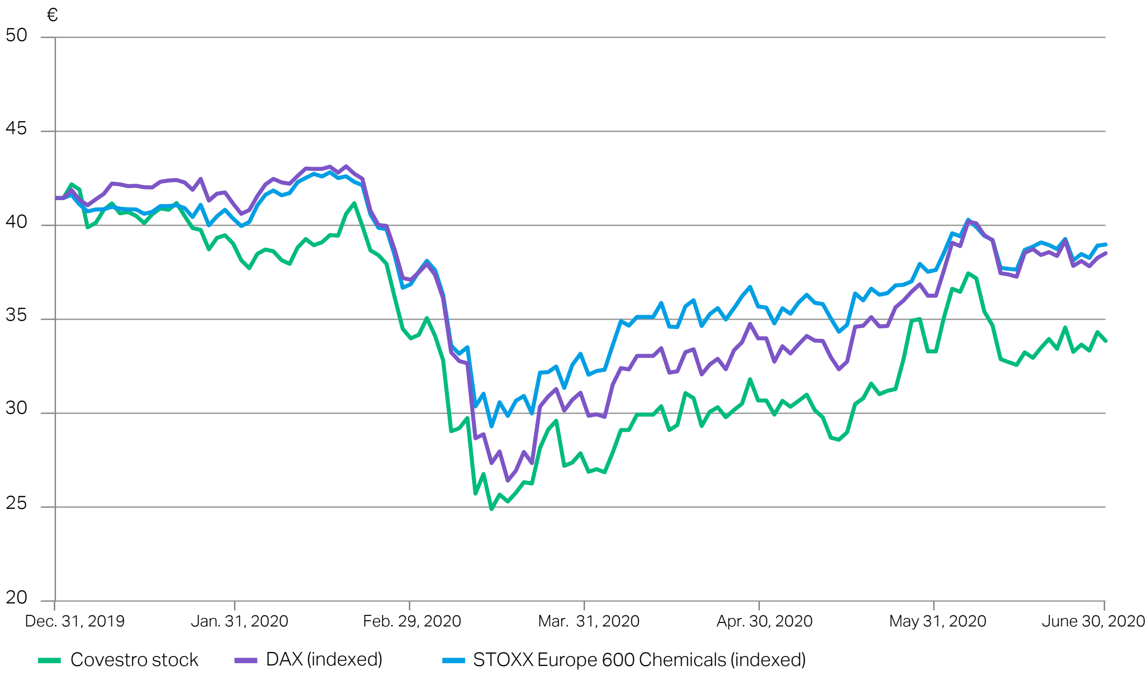
# Key Data Covestro Group

| | 2nd quarter 2019 | 2nd quarter 2020 | Change | 1st half 2019 | 1st half 2020 | Change |
|---|---|---|---|---|---|---|
| | € million | € million | % | € million | € million | % |
| **Core volume growth[1, 2]** | **+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% | |
| Sales by region | | | | | | |
| EMLA[3] | 1,379 | 874 | –36.6 | 2,793 | 2,174 | –22.2 |
| NAFTA[4] | 822 | 508 | –38.2 | 1,610 | 1,252 | –22.2 |
| APAC[5] | 1,010 | 774 | –23.4 | 1,983 | 1,513 | –23.7 |
| **EBITDA[6]** | **459** | **125** | **–72.8** | **901** | **379** | **–57.9** |
| Changes in EBITDA | | | | | | |
| of which volume | +0.5% | –72.3% | | +1.9% | –42.8% | |
| of which price | –73.5% | –63.2% | | –69.0% | –64.4% | |
| of which raw material price effect | +8.9% | +41.4% | | +5.8% | +36.6% | |
| of which currency | +1.1% | +1.5% | | +1.1% | +1.2% | |
| EBIT[7] | 274 | (68) | . | 538 | (1) | . |
| Financial result | (23) | (17) | –26.1 | (46) | (56) | +21.7 |
| Net income[8] | 189 | (52) | . | 368 | (32) | . |
| Earnings per share (€)[9] | 1.03 | (0.28) | . | 2.01 | (0.17) | . |
| Operating cash flows[10] | 164 | 171 | +4.3 | 284 | 61 | –78.5 |
| Cash outflows for additions to property, plant, equipment and intangible assets | 219 | 147 | –32.9 | 384 | 286 | –25.5 |
| **Free operating cash flow[11]** | **(55)** | **24** | **.** | **(100)** | **(225)** | **>100** |

1 Core volume growth refers to the core products in the Polyurethanes, Polycarbonates and Coatings, Adhesives, Specialties segments. It is calculated as the percentage change in externally sold volumes in thousand tons compared with the prior year. Covestro also takes advantage of business opportunities outside its core business, for example the sale of precursors and by-products such as hydrochloric acid, sodium hydroxide solution and styrene. These transactions are not included in core volume growth.
2 Reference values calculated on the basis of the definition of the core business effective March 31, 2020
3 EMLA: Europe, Middle East, Africa and Latin America (excluding Mexico) region
4 NAFTA: United States, Canada and Mexico region
5 APAC: Asia and Pacific region
6 EBITDA: EBIT plus depreciation, amortization and impairment losses, less impairment loss reversals
7 EBIT: Income after income taxes plus financial result and income taxes
8 Net income: income after income taxes attributable to the shareholders of Covestro AG
9 Earnings per share: According to IAS 33, earnings per share comprise net income divided by the weighted average number of outstanding no-par voting shares of Covestro AG. The calculation was based on 182,864,685 no-par shares (previous year: 182,704,602 no-par shares).
10 Operating cash flows: cash flows from operating activities according to IAS 7
11 Free operating cash flow: operating cash flows less cash outflows for additions to property, plant, equipment and intangible assets

# Covestro on the Capital Market

### Performance of the Covestro Stock Versus the Market in the First Half of 2020




Covestro closing prices Xetra; source: Bloomberg

## Negative stock market performance in an unsettled environment

The macroeconomic situation worldwide has been marked by extreme uncertainty since the outbreak of the coronavirus pandemic. In the first half of 2020, major economies such as those of the United States, the European Union, and Japan contracted. Stock markets also experienced turbulence due to this development in the real economy in the first six months of 2020. Sharp declines in the first quarter of 2020 were followed in the second quarter by an uptick in some stock prices, although market participants remained very jittery. Many indices such as the EURO STOXX 50 posted negative performance overall in the first half of 2020. As of June 30, 2020, the DAX, which is relevant for Covestro, was down by 7.1% compared with its value at year-end 2019, while the STOXX Europe 600 Chemicals index declined 6.0% during the same period.

In this capital market environment, Covestro stock finished the first half of 2020 at a Xetra closing price of €33.85 — down by 18.3% from the end of 2019. On March 16, 2020, Covestro stock marked its low for the first six months of 2020 with a closing price of €24.90. The high for the first half of 2020 was €42.18 on January 2, 2020.

### Covestro Share at a Glance

| | | 2nd quarter 2019 | 2nd quarter 2020 | 1st half 2019 | 1st half 2020 |
|---|---|---|---|---|---|
| Average daily turnover | million shares | 1.4 | 1.9 | 1.4 | 1.8 |
| High | € | 55.32 | 37.44 | 55.32 | 42.18 |
| Low | € | 39.23 | 26.86 | 39.23 | 24.90 |
| Closing date | € | 44.71 | 33.85 | 44.71 | 33.85 |
| Outstanding shares (closing date) | million shares | 182.7 | 182.90 | 182.7 | 182.90 |
| Market capitalization (closing date) | € billion | 8 | 6 | 8.2 | 6.2 |

Covestro closing prices Xetra; source: Bloomberg

## Annual General Meeting on July 30, 2020, and proposed dividend adjusted

Covestro AG had to delay the Annual General Meeting originally planned for April 17, 2020, in Bonn to a later date due to the rapid spread of the coronavirus at that time. The Annual General Meeting will now take place on July 30, 2020, and will be conducted as a virtual event for the first time in reaction to the changes in the legal environment.

Despite these economically challenging times, Covestro will continue to enable shareholders to take part in the company's success. On May 19, 2020, the Board of Management of Covestro AG voted to propose a dividend of €1.20 per share to the Annual General Meeting for fiscal 2019. The Board of Management had previously proposed a dividend of €2.40 per share to the Annual General Meeting on the originally scheduled date. The current focus of the Board of Management is on safeguarding liquidity and the company's credit rating. As stated in Covestro’s publications since the 2019 Annual Report, the Board of Management expects this fiscal year's earnings to be considerably lower than in the prior fiscal year due to the global coronavirus pandemic.

## Moody's downgrades Covestro's rating

On October 7, 2015, one day after Covestro stock was listed on the Frankfurt Stock Exchange, Covestro AG received an investment-grade rating of Baa2 from London-based Moody's Investors Service. Moody's raised the company’s credit rating from Baa2 to Baa1 with stable outlook on July 30, 2018. On June 2, 2020, Moody's then revised our rating downward again from Baa1 back to Baa2 with negative outlook. Nevertheless, Covestro's credit rating remains firmly in the investment-grade range. In the future, Covestro intends to continue to maintain financing structures and financial ratios that support a solid investment-grade rating.

## Successful placement of euro bonds

On June 5, 2020, Covestro successfully placed €1.0 billion in euro bonds on foreign debt markets. The bonds mature in February 2026 and June 2030 and carry coupon rates of 0.875% and 1.375%, respectively. Robust investor demand led to the placement volume being oversubscribed by more than ten times. The transactions enable Covestro to significantly extend the average maturity of the bond portfolio. The proceeds of the bond placement will be used to further reinforce Covestro's liquidity in view of the economic effects of the coronavirus pandemic and to provide funds to repay the existing bond maturing in fiscal 2021.

## Thirteen analysts issue buy recommendation for Covestro stock

At the end of the first six months of 2020, Covestro was covered by 25 securities brokers. Thirteen analysts recommended the stock as a buy, nine were neutral, and three rated it as a sell. The average share-price target at the end of the period was €35.

### Basic Covestro Share Information

| | |
|---|---|
| Capital stock | €183,000,000 |
| Outstanding shares (Half-year-end) | 182,864,685 |
| Share class | No-par ordinary bearer shares |
| ISIN | DE0006062144 |
| WKN | 606214 |
| Ticker symbol | 1COV |
| Reuters symbol | 1COV.DE |
| Bloomberg symbol | 1COV GY |
| Market segment | Regulated market |
| Transparency level | Prime standard |
| Sector | Chemicals |
| Index | DAX |

# Segment and Quarterly Overview

## Segment Information 2nd Quarter

| | Polyurethanes | | Polycarbonates | | Coatings, Adhesives, Specialties | | Others/consolidation | | Covestro Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2nd quarter 2019** | **2nd quarter 2020** | **2nd quarter 2019** | **2nd quarter 2020** | **2nd quarter 2019** | **2nd quarter 2020** | **2nd quarter 2019** | **2nd quarter 2020** | **2nd quarter 2019** | **2nd quarter 2020** |
| | € million | € million | € million | € million | € million | € million | € million | € million | € million | € million |
| Sales | 1,489 | 913 | 898 | 648 | 621 | 443 | 203 | 152 | 3,211 | 2,156 |
| Change in sales | | | | | | | | | | |
| Volume | +0.8% | –24.8% | +5.7% | –16.4% | –4.5% | –25.8% | –7.2% | –17.1% | +0.8% | –22.3% |
| Price | –26.8% | –12.3% | –18.8% | –7.8% | –0.4% | –3.2% | +1.6% | –8.2% | –18.7% | –9.0% |
| Currency | +1.7% | –0.4% | +1.7% | –0.1% | +2.2% | +0.3% | +1.4% | +0.2% | +1.8% | –0.1% |
| Portfolio | 0.0% | –1.2% | –3.6% | –3.5% | +1.4% | 0.0% | 0.0% | 0.0% | –0.8% | –1.5% |
| **Core volume growth[1]** | **+0.7%** | **–25.9%** | **+4.4%** | **–14.4%** | **–4.7%** | **–25.3%** | | | **+1.1%** | **–22.7%** |
| Sales by region | | | | | | | | | | |
| EMLA | 643 | 359 | 306 | 197 | 277 | 188 | 153 | 130 | 1,379 | 874 |
| NAFTA | 444 | 266 | 190 | 121 | 144 | 101 | 44 | 20 | 822 | 508 |
| APAC | 402 | 288 | 402 | 330 | 200 | 154 | 6 | 2 | 1,010 | 774 |
| **EBITDA** | **172** | **(24)** | **154** | **96** | **150** | **60** | **(17)** | **(7)** | **459** | **125** |
| EBIT | 72 | (130) | 99 | 41 | 120 | 28 | (17) | (7) | 274 | (68) |
| Depreciation, amortization, impairment losses and impairment loss reversals | 100 | 106 | 55 | 55 | 30 | 32 | – | – | 185 | 193 |
| Operating cash flows[2] | 116 | 7 | 93 | 68 | 38 | 94 | (83) | 2 | 164 | 171 |
| Cash outflows for additions to property, plant, equipment and intangible assets | 138 | 84 | 42 | 34 | 40 | 29 | (1) | – | 219 | 147 |
| **Free operating cash flow** | **(22)** | **(77)** | **51** | **34** | **(2)** | **65** | **(82)** | **2** | **(55)** | **24** |
| Trade working capital[3] | 1,040 | 987 | 735 | 638 | 616 | 498 | 67 | 62 | 2,458 | 2,185 |

1 Reference values calculated on the basis of the definition of the core business effective March 31, 2020.

2 Covestro applied a simplification rule in calculating the income taxes paid as a component of operating cash flows at the segment level (see note 4 “Segment and Regional Reporting” in the Consolidated Financial Statements in the 2019 Annual Report). The difference between the income tax payments of the reportable operating segments and the actual income taxes paid by the Covestro Group are taken into account in the Others/consolidation column.

3 Trade working capital comprises inventories plus trade accounts receivable, less trade accounts payable, as of June 30, 2020, or June 30, 2019.

## Segment Information 1st Half

| | Polyurethanes | | Polycarbonates | | Coatings, Adhesives, Specialties | | Others/consolidation | | Covestro Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1st half 2019 | 1st half 2020 | 1st half 2019 | 1st half 2020 | 1st half 2019 | 1st half 2020 | 1st half 2019 | 1st half 2020 | 1st half 2019 | 1st half 2020 |
| | € million | € million | € million | € million | € million | € million | € million | € million | € million | € million |
| Sales | 2,965 | 2,187 | 1,758 | 1,381 | 1,248 | 1,015 | 415 | 356 | 6,386 | 4,939 |
| Change in sales | | | | | | | | | | |
| Volume | +1.9% | –13.7% | +1.5% | –9.6% | –1.7% | –16.4% | –3.7% | –4.5% | +0.9% | –12.5% |
| Price | –28.1% | –11.5% | –15.8% | –8.6% | +0.6% | –3.5% | +1.9% | –10.0% | –18.5% | –9.1% |
| Currency | +1.9% | +0.1% | +2.1% | +0.4% | +2.6% | +0.7% | +1.6% | +0.3% | +2.1% | +0.3% |
| Portfolio | 0.0% | –1.1% | –3.6% | –3.6% | +0.7% | +0.5% | 0.0% | 0.0% | –0.9% | –1.4% |
| **Core volume growth[1]** | **+0.3%** | **–14.9%** | **–1.0%** | **–9.8%** | **–2.4%** | **–15.2%** | | | **–0.4%** | **–13.6%** |
| Sales by region | | | | | | | | | | |
| EMLA | 1,312 | 948 | 595 | 459 | 571 | 467 | 315 | 300 | 2,793 | 2,174 |
| NAFTA | 855 | 661 | 378 | 302 | 288 | 240 | 89 | 49 | 1,610 | 1,252 |
| APAC | 798 | 578 | 785 | 620 | 389 | 308 | 11 | 7 | 1,983 | 1,513 |
| **EBITDA** | **329** | **26** | **309** | **205** | **296** | **190** | **(33)** | **(42)** | **901** | **379** |
| EBIT | 129 | (181) | 204 | 95 | 238 | 128 | (33) | (43) | 538 | (1) |
| Depreciation, amortization, impairment losses and impairment loss reversals | 200 | 207 | 105 | 110 | 58 | 62 | – | 1 | 363 | 380 |
| Operating cash flows[2] | 120 | (79) | 231 | 103 | 50 | 134 | (117) | (97) | 284 | 61 |
| Cash outflows for additions to property, plant, equipment and intangible assets | 240 | 168 | 81 | 63 | 64 | 54 | (1) | 1 | 384 | 286 |
| **Free operating cash flow** | **(120)** | **(247)** | **150** | **40** | **(14)** | **80** | **(116)** | **(98)** | **(100)** | **(225)** |
| Trade working capital[3] | 1,040 | 987 | 735 | 638 | 616 | 498 | 67 | 62 | 2,458 | 2,185 |

[1] Reference values calculated on the basis of the definition of the core business effective March 31, 2020.

[2] Covestro applied a simplification rule in calculating the income taxes paid as a component of operating cash flows at the segment level (see note 4 "Segment and Regional Reporting" in the Consolidated Financial Statements in the 2019 Annual Report). The difference between the income tax payments of the reportable operating segments and the actual income taxes paid by the Covestro Group are taken into account in the Others/consolidation column.

[3] Trade working capital comprises inventories plus trade accounts receivable, less trade accounts payable, as of June 30, 2020, or June 30, 2019.

## Quarterly Overview

| | 1st quarter 2019 | 2nd quarter 2019 | 3rd quarter 2019 | 4th quarter 2019 | 1st quarter 2020 | 2nd quarter 2020 |
|---|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million | € million |
| Sales | 3,175 | 3,211 | 3,162 | 2,864 | 2,783 | 2,156 |
| Polyurethanes | 1,476 | 1,489 | 1,478 | 1,336 | 1,274 | 913 |
| Polycarbonates | 860 | 898 | 901 | 814 | 733 | 648 |
| Coatings, Adhesives, Specialties | 627 | 621 | 588 | 533 | 572 | 443 |
| **Core volume growth[1]** | **–1.8%** | **+1.1%** | **+5.3%** | **+3.8%** | **–4.1%** | **–22.7%** |
| **EBITDA** | **442** | **459** | **425** | **278** | **254** | **125** |
| Polyurethanes | 157 | 172 | 196 | 123 | 50 | (24) |
| Polycarbonates | 155 | 154 | 132 | 95 | 109 | 96 |
| Coatings, Adhesives, Specialties | 146 | 150 | 111 | 62 | 130 | 60 |
| EBIT | 264 | 274 | 221 | 93 | 67 | (68) |
| Polyurethanes | 57 | 72 | 97 | 24 | (51) | (130) |
| Polycarbonates | 105 | 99 | 57 | 39 | 54 | 41 |
| Coatings, Adhesives, Specialties | 118 | 120 | 82 | 32 | 100 | 28 |
| Financial result | (23) | (23) | (19) | (26) | (39) | (17) |
| Income before income taxes | 241 | 251 | 202 | 67 | 28 | (85) |
| Income after taxes | 180 | 190 | 149 | 38 | 21 | (53) |
| Net income | 179 | 189 | 147 | 37 | 20 | (52) |
| Operating cash flows | 120 | 164 | 462 | 637 | (110) | 171 |
| Cash outflows for additions to property, plant, equipment and intangible assets | 165 | 219 | 219 | 307 | 139 | 147 |
| **Free operating cash flow** | **(45)** | **(55)** | **243** | **330** | **(249)** | **24** |

[1] Previous year values calculated on the basis of the definition of the core business effective March 31, 2020.