

KEY DATA

COVESTRO GROUP

	2019	2020	Change
	€ million	€ million	%
Core volume growth^{1,2}	+2.0%	-5.6%	
Sales	12,412	10,706	-13.7
Change in sales			
Volume	+0.8%	-5.1%	
Price	-17.3%	-5.7%	
Currency	+1.9%	-1.6%	
Portfolio	-0.5%	-1.3%	
Sales by region			
EMLA ³	5,289	4,600	-13.0
NAFTA ⁴	3,141	2,554	-18.7
APAC ⁵	3,982	3,552	-10.8
EBITDA⁶	1,604	1,472	-8.2
Changes in EBITDA			
of which volume	+2.3%	-24.9%	
of which price	-79.2%	-44.2%	
of which raw material price effect	+15.1%	+52.4%	
of which currency	+1.3%	-1.6%	
EBIT ⁷	852	696	-18.3
Financial result	(91)	(91)	0.0
Net income ⁸	552	459	-16.8
Earnings per share (€) ⁹	3.02	2.48	-17.9
Operating cash flows ¹⁰	1,383	1,234	-10.8
Cash outflows for additions to property, plant, equipment and intangible assets	910	704	-22.6
Free operating cash flow¹¹	473	530	+12.1
Net financial debt ^{12,13}	989	356	-64.0
ROCE¹⁴	+8.4%	+7.0%	
Employees (in FTE) ^{13,15}	17,201	16,501	-4.1

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 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 tax expense

⁸ Net income: income after income taxes attributable to the shareholders of Covestro AG

⁹ Earnings per share: according to IAS 33, net income divided by the weighted average number of outstanding no-par value voting shares of Covestro AG. The calculation was based on 184,912,207 no-par value shares (previous year: 182,704,602 no-par value 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

¹² Excluding provisions for pensions and other post-employment benefits

¹³ As of December 31, 2020 compared with December 31, 2019

¹⁴ ROCE: The return on capital employed is calculated as the ratio of EBIT after taxes to capital employed. Capital employed is the capital used by the company. It is the sum of noncurrent and current assets less noninterest-bearing liabilities such as trade accounts payable.

¹⁵ Employees calculated as full-time equivalents (FTE)

FOREWORD

Markus Steilemann: Dear Readers, the year 2020 has shown us how quickly the world can change. Yet, despite unforeseen challenges, Covestro has set its sights firmly on the future: With our focus on the circular economy, sustainability is now even more strongly rooted in the center of our activities. We are concentrating fully on our customers, we are growing, and we feel the solidarity of our employees more than ever. We have demonstrated that we have what it takes to succeed, even under difficult conditions.

Klaus Schäfer: We reacted quickly to the coronavirus pandemic and took decisive measures. It was particularly important to protect our entire workforce and to maintain production for our customers. Safety has the highest priority for us, and it is precisely this culture that helped us to protect our employees and to get safely through the coronavirus pandemic last year.

Thomas Toepfer: Yes, we took the right measures early on and then, in the second half of the year, benefited from our focus on efficiency and cost savings. When the markets began to recover from mid-year onwards, we were also able to significantly increase the volumes sold in our core business. Due to our very good second half of the year, we were able to partly compensate for the cutbacks in the first half. This development confirms that we are on the right course – we remain cost-conscious and continue to focus on our customers in order to co-create value in the market.

Sucheta Govil: It is precisely this customer orientation that is key, especially in challenging times. I am therefore particularly proud that we have been such a reliable partner for our customers during this eventful year. This was possible thanks to our dedicated employees and our global set-up. We were in contact with our customers via digital channels around the clock. This enabled us to meet their needs in optimal fashion and to deliver quickly and in high quality, as well as to support them with technical expertise in the development of special products.



»The transition to a circular economy now also charts the direction of our new group strategy.«

Dr. Markus Steilemann
Chief Executive Officer



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Sucheta Govil, Chief Commercial Officer



Videostatement Sucheta Govil:
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»We are consistently pursuing the goal of climate-neutral production.«

Dr. Klaus Schäfer, Chief Technology Officer

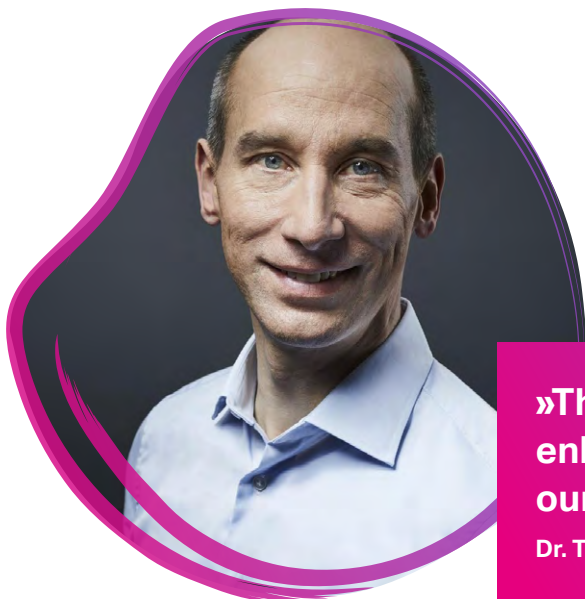


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Klaus Schäfer: And this knowledge about our customers is important for new developments, too. For example, we are consistently pursuing the goal of climate-neutral production: In Spain, we are now constructing the first world-scale facility for chlorine production based on our energy-saving membrane technology. And in Germany, a new pilot plant is demonstrating how we can massively reduce our CO₂ emissions in MDI production. At the same time, we are also supporting our customers' growth and have expanded both our global film production and our polycarbonate production in the year 2020.

Sucheta Govil: Indeed, we put the customer at the center of all we do and operate successfully – but we also go beyond that and want to contribute to solving the problems of the world. This is why we are steadily orienting our product portfolio toward sustainable solutions, as demonstrated by the announced acquisition of DSM's Resins & Functional Materials business (RFM): We are combining innovation capabilities and sustainable product portfolios with complementary technologies and customer industries. As a result, we are becoming one of the leading suppliers of sustainable coating resins.

Thomas Toeffer: Yes, this announced acquisition is an important step on our path toward a circular economy and enhances the growth trajectory of our business. We are expanding our portfolio by adding sustainable and innovation-driven businesses, and thus creating significant value. Yet the topic of sustainability has also been important for us in other areas in 2020. For the first time, we have linked a credit facility with an environmental, social and governance (ESG) rating. The more sustainable we become, the lower the interest component will be.



»The announced RFM-acquisition enhances the growth trajectory of our business.«

Dr. Thomas Toeffer, Chief Financial Officer



Videostatement Dr. Thomas Toeffer:
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Markus Steilemann: Speaking of sustainability: Fortunately, building a climate-neutral future now ranks much higher on the world's agenda. And we at Covestro are forging ahead with this issue: We will be fully circular – as set out in our vision in the year 2020. I am convinced that circularity will and must become the global guiding principle for us all. It is the key to protecting the climate and the environment. And our plastics also have a role to play here, because they are ultimately indispensable to a sustainable future.

Sucheta Govil: By saying that we want to accelerate the change to a circular economy, we are talking about more than just the development of particularly sustainable products. We want to move completely away from fossil raw materials and toward fossil-free production. We want to make increasing use of renewable energy and establish new recycling technologies. Overall, we want to push boundaries – in collaborative partnerships too, because new solutions will not emerge in isolation.

Klaus Schäfer: And we passed a milestone last year in this regard: We received the first delivery of renewable phenol from our partners Borealis and Neste – produced from renewable hydrocarbons. We now use this phenol to manufacture our polycarbonate. In addition, we were able to certify our first sites for the use of biobased raw materials. This is how sustainable value chains work.

Markus Steilemann: The transition to a circular economy now also charts the direction of our new group strategy. First, we want to ensure that Covestro is in an ideal position to offer our customers what is best for their business. So we are consequently aligning our processes and products with customer needs. In addition, we want to address sustainability in a profitable way. To ensure sustainable growth and a future-proof portfolio, we want to invest in market segments that are attractive and sustainable over the long term and expand the share of circular products. The goal is clear: We will be fully circular. Our innovation capabilities and digitalization initiatives, together with our unique "We are 1" corporate culture, provide the strong foundation for future implementation.

Thomas Toepfer: To me it is precisely this team spirit that was key to sustaining us through this exceptional year. Every single employee has made a valuable contribution and supported the company with solidarity measures. Together they have ensured business continuity and customer supply. They have all worked closely together, even without direct personal contact. We have all demonstrated great resolve in driving Covestro forward – and we can be very proud of this team effort.

Markus Steilemann: Yes – and for this we would like to express our thanks! The past months have placed great demands on everyone at Covestro. But the dedication shown daily by all our employees and their commitment to our shared values is what makes us successful. On top of that, we are heading in the right strategic direction. Although the circumstances may remain challenging, our intense focus on sustainability and our orientation toward the circular economy are paving the way toward a bright future for Covestro.

Sincerely

Dr. Markus Steilemann

Sucheta Govil

Dr. Klaus Schäfer

Dr. Thomas Toepfer