



Investor News

Leverkusen,
February 29, 2024

Covestro AG
Investor Relations
51365 Leverkusen
Germany

Contact
Ronald Köhler
Telephone
+49 214 6009 5098
Email
Ronald.koehler
@covestro.com

Contact
Carsten Intveen
Telephone
+49 214 6009 5861
Email
Carsten.intveen
@covestro.com

Contact
Marc Schütze
Telephone
+49 214 6009 5281
Email
Marc.schuetze
@covestro.com

Continued weak market environment with low demand in all regions

Transformation consistently advanced in challenging fiscal year

- **Group sales of EUR 14.4 billion (–20%)**
- **EBITDA of EUR 1.1 billion (–33.2%)**
- **Positive free operating cash flow of EUR 232 million (+68.1%)**
- **Climate neutrality strategy finalized with scope 3 target**
- **Outlook for 2024: EBITDA between EUR 1.0 billion and EUR 1.6 billion anticipated**

Covestro's business performance in fiscal year 2023 was significantly affected by what was once again a challenging economic environment. While geopolitical crises had a lasting negative impact on global demand and selling prices, energy and raw material costs, especially in Europe, remained well above the historical average.

The lower than average selling prices and decreased sales volumes, resulting from weak global demand, led to a decline in Group sales. Compared to the previous year, 2023 saw a decrease in sales by EUR 3.6 billion (–20%) to EUR 14.4 billion (previous year: EUR 18 billion). EBITDA fell by EUR 537 million (–33.2%) to EUR 1.1 billion (previous year: EUR 1.6 billion). Although net income in fiscal year 2023 remained negative at EUR –198 million, it nevertheless improved slightly compared to the previous year (EUR –272 million). In addition, thanks to consistent working capital management, Covestro again generated a positive free operating cash flow (FOCF) of EUR 232 million (previous year: EUR 138 million). ROCE above WACC was –6.1 percentage points (previous year: –5 percentage points). Greenhouse gas emissions for Scope 1 and 2 rose slightly to 4.9 million metric tons of CO₂ equivalents (previous year: 4.7 million metric tons). This is among others due to a more emission-intensive energy mix for purchased power and steam in the United States and Germany last year.

"2023 was one of the most difficult years for the chemical industry in recent decades with ongoing geopolitical tensions, an ailing global economy and high energy prices, especially in Europe. In addition, there are a number of structural problems, especially in Germany. The overall weak demand for our core industries is reflected accordingly in our earnings," says Dr. Markus Steilemann, Chief Executive Officer of Covestro. "That is why we have been even more resolute in driving the implementation of our strategy "Sustainable Future" in the past year. For this, we are relying on four key levers: We are permanently getting more out of our facilities, we are boosting sales volumes and optimizing capacity utilization, we are focusing on high-margin demand and, last but not least, we will continue to be cost-conscious. In doing so, we continue to put all our energy into Covestro's transformation in 2024."



With a negative net income in 2023, the Covestro Board of Management made the decision not to distribute any dividend for the fiscal year 2023. This decision was made in keeping with the Group's dividend policy, which calls for a payout ratio of between 35% and 55% of net income. Covestro has created a stronger link to the Group's overall business situation.

Foundation for sustainable growth expanded

"2023 was again defined by a weak global economy. As a result, although we closed the fiscal year in line with our estimates, we want to get back on track for growth, particularly with regard to our volumes and EBITDA performance," says Christian Baier, CFO of Covestro. "To that end, in 2023, as part of our growth strategy, we implemented important principles: We are cutting costs, continuing to invest in the right places, ensuring that our plants have the right capabilities to deliver, and leveraging efficiencies. We are therefore taking the right steps to position ourselves for long-term sustainable growth."

Despite the very challenging environment in 2023, Covestro has continuously worked on optimizing its production processes in the past fiscal year. For example, the company improved the energy efficiency of its production facilities in Shanghai, China, and Dormagen, Germany. In addition, the Group reduced its fixed costs by a mid three-digit million euro amount in 2023.

At the same time, Covestro invested in the expansion of its sustainable product range and production capacities, which also included commissioning a polycarbonate compounding plant for mechanical recycling at its site in Shanghai, China last year. Covestro will thus be able to supply more than 60,000 metric tons of high-quality polycarbonates made from mechanically recycled materials annually in the Asia-Pacific region by 2026.

Climate neutrality target for Scope 3 emissions announced

The efficiency measures implemented and initiated last year have allowed Covestro to further strengthen its foundation for sustainable growth and make more progress towards a circular and climate neutral economy.

In this context, Covestro has now completed its climate strategy to reduce greenhouse gas emissions. In 2022, Covestro announced ambitious targets for scope 1 and scope 2 emissions with the aim of making its operations climate neutral by 2035. Covestro is now taking the next step and, as a short-term goal, plans to reduce its scope 3 emissions by 10 million metric tons by 2035. That corresponds to a drop in emissions of 30% compared to the 2021 base year. In the long term, Covestro aims to be climate neutral in its scope 3 emissions by 2050.



Covestro also made further progress in the use of renewable energy in 2023 and concluded a virtual power purchase agreement (vPPA) for its third-largest production site worldwide in Baytown, Texas, United States. That will result in around 70,000 metric tons of CO₂ emissions being offset starting from the end of 2024. This follows several power purchase agreements that Covestro already signed in recent years for its sites in Europe and Asia. In total in 2023, Covestro covered around 16% of its global electricity demand with renewable sources (previous year: 12%).

Outlook 2024: EBITDA between EUR 1.0 billion and EUR 1.6 billion anticipated

Covestro expects economic conditions to remain challenging in 2024. The company will therefore pay special attention to leveraging its own potential in 2024 to achieve even greater efficiency. Against this backdrop, the Group expects EBITDA of between EUR 1.0 billion and EUR 1.6 billion for fiscal year 2024. Covestro anticipates FOCF of between EUR 0 and EUR 300 million and ROCE above WACC of between –7 percentage points and –2 percentage points. The Group's greenhouse gas emissions measured as CO₂ equivalents are expected to be between 4.4 million metric tons and 5.0 million metric tons. The Group anticipates that EBITDA for the first quarter of 2024 will be between EUR 180 million to EUR 280 million.

Weak demand impacts sales development in both segments. Lower costs support EBITDA in Solutions & Specialties

The weak global demand situation is also evident in the segment breakdown: Sales in the Performance Materials segment in fiscal year 2023 fell by 24.4% to EUR 6.9 billion (previous year: EUR 9.1 billion). This decline can mainly be attributed to a lower selling price level and lower volumes sold. Due to lower margins, EBITDA fell by 39.4% to EUR 576 million (previous year: EUR 951 million). As a result, FOCF fell by 70.2% to EUR 162 million (previous year: EUR 544 million).

Sales in the Solutions & Specialties segment fell by 15.1% to EUR 7.3 billion in fiscal year 2023 (previous year: EUR 8.6 billion), again mainly due to lower average selling prices and lower sales volumes. EBITDA still remained slightly lower at EUR 817 million (previous year: EUR 825 million). This was primarily due to the positive trend in margins, since lower raw material and energy prices more than compensated for the decline in selling prices. Lower fixed costs and the sale of the Additive Manufacturing business also had a positive effect. The segment's FOCF increased by 182.6% to EUR 551 million (previous year: EUR 195 million).

Fourth quarter 2023 with positive EBITDA and cash flow

Covestro's sales decreased in the fourth quarter of 2023 by 15.6% to around EUR 3.3 billion (previous year: EUR 4.0 billion). This development is primarily due to



the lower price level in the fourth quarter of 2023. EBITDA amounted to EUR 132 million in the last quarter of 2023 (previous year: EUR –38 million). FOCF amounted to EUR 73 million and was therefore also positive in the fourth quarter of 2023 (previous year: EUR 550 million).

The Annual Report 2023 is available at <https://bericht.covestro.com>

About Covestro:

Covestro is one of the world's leading manufacturers of high-quality polymer materials and their components. With its innovative products, processes and methods, the company helps enhance sustainability and the quality of life in many areas. Covestro supplies customers around the world in key industries such as mobility, building and living, as well as the electrical and electronics sector. In addition, polymers from Covestro are also used in sectors such as sports and leisure, telecommunications and health, as well as in the chemical industry itself.

The company is geared completely to the circular economy. In addition, Covestro aims to achieve climate neutrality for its Scope 1 and Scope 2 emissions by 2035, and the Group's Scope 3 emissions are also set to be climate neutral by 2050. Covestro generated sales of EUR 14.4 billion in fiscal year 2023. At the end of 2023, the company had 48 production sites worldwide and employed approximately 17,500 people (calculated as full-time equivalents).

Find more information on [Covestro's IR Website](#).

Read our [Corporate Blog](#).

Follow us on the Covestro Social Media Channels:



Forward-Looking Statements

This news release may contain forward-looking statements based on current assumptions and forecasts made by Covestro AG. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Covestro's public reports, which are available at www.covestro.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.



Covestro Group key data

	4th quarter 2022	4th quarter 2023	Change	2022	2023	Change
Covestro Group						
Sales	€3,964 million	€3,346 million	– 15.6%	€17,968 million	€14,377 million	–20.0%
Change in sales (external)						
Volume	– 13.2%	3.1%		–5.0%	–6.8%	
Price	0.8%	– 15.7%		10.1%	–11.0%	
Currency	3.8%	– 3.0%		5.9%	–2.2%	
Portfolio	0.0%	0.0%		2.0%	0.0%	
EBITDA	(€38 million)	€132 million	.	€1,617 million	€1,080 million	–33.2%
EBIT	(€695 million)	(€90 million)	– 87.1%	€267 million	€186 million	–30.3%
Net income	(€899 million)	(€187 million)	– 79.2%	(€272 million)	(€198 million)	–27.2%
Free operating cash flow	€550 million	€73 million	– 86.7%	€138 million	€232 million	68.1%
Performance Materials						
Sales (external)	€1,916 million	€1,588 million	– 17.1%	€9,095 million	€6,876 million	–24.4%
Intersegment sales	€644 million	€488 million	– 24.2%	€2,967 million	€2,194 million	–26.1%
Sales (total)	€2,560 million	€2,076 million	– 18.9%	€12,062 million	€9,070 million	–24.8%
Change in sales (external)						
Volume	– 17.5%	7.7%		–5.0%	–6.7%	
Price	– 1.3%	– 22.0%		10.9%	–15.7%	
Currency	3.6%	– 2.8%		5.8%	–2.0%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	(€89 million)	€16 million	.	€951 million	€576 million	–39.4%
EBIT	(€600 million)	(€126 million)	– 79.0%	(€28 million)	€9 million	.
Free operating cash flow	€376 million	(€21 million)	.	€544 million	€162 million	– 70.2%
Solutions & Specialties						
Sales (external)	€1,975 million	€1,703 million	– 13.8%	€8,558 million	€7,267 million	–15.1%
Intersegment sales	€7 million	€6 million	– 14.3%	€35 million	€27 million	–22.9%
Sales (total)	€1,982 million	€1,709 million	– 13.8%	€8,593 million	€7,294 million	–15.1%
Change in sales (external)						
Volume	– 8.9%	– 0.3%		–6.3%	–6.2%	
Price	3.3%	– 10.2%		9.4%	–6.4%	
Currency	4.1%	– 3.3%		6.0%	–2.5%	
Portfolio	0.0%	0.0%		4.2%	0.0%	
EBITDA	€108 million	€185 million	71.3%	€825 million	€817 million	–1.0%
EBIT	(€37 million)	€107 million	.	€461 million	€497 million	7.8%
Free operating cash flow	€415 million	€264 million	– 36.4%	€195 million	€551 million	182.6%