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Site analysis finalized:

Covestro optimizing MDI production in Europe

Plan is to close the MDI plant in Tarragona, but retain the site as chemical park and center for Polyurethane systems

The continuous optimization of its production operations worldwide is a key component of the Covestro strategy. The objective is to operate the most efficient facilities in its competitive environment. In this context, Covestro intends to close its MDI production facility (annual capacity max. 170,000 metric tons) in Tarragona, Spain, by the end of 2017. The Covestro Supervisory Board approved this plan at its meeting on December 4.

The reason for the planned closure, which could affect about 120 jobs, is the non-competitive production cost. Other activities at the site, which comprise a local polyurethane systems house, hydrochloric acid logistics and infrastructure facilities are to be retained. The current infrastructure facilities will continue to be available to other companies at the chemical park.

The Supervisory Board resolution follows a detailed site analysis which concluded that in the long term, the facility in Tarragona can no longer remain competitive as an MDI production facility in Europe. A competitive future supply of the site with chlorine, which is an essential element of the MDI production process, played a role in the context of these considerations.

To ensure the long-term competitiveness of MDI production in Europe, the company intensively considered different options before deciding to invest directly in its strategic core products, isocyanates, and to most likely expand production at another existing European site where there is already a modern and reliable supply of chlorine.



New development opportunities

“In the interest of our company and its employees around the world, we have to continuously work on our competitiveness. This also includes an optimal positioning of our production operations as a basic prerequisite for maintaining our leading competitive positions,” said Dr. Joachim Wolff, Head of the Covestro Polyurethanes Business Unit. “The planned closure of the MDI plant in Tarragona is a painful step that was not taken lightly. The chemical park will have new opportunities for development as a hydrochloric acid logistics center for Spain. And with our infrastructure, it remains attractive to new tenants.”

Covestro believes that the planned establishment of an HCl hub – a hydrochloric acid logistics center – presents good opportunities to continue its business on the Spanish market for hydrochloric acid. Hydrochloric acid is used for various activities such as the treatment of ores, the processing of metals and water treatment.

Jesus Loma-Ossorio, Head of Covestro in Iberia, is also focused on the potential new prospects. “The Tarragona site will be retained and is open to new external investments. With our two sites in Tarragona and Barcelona, Covestro will remain an important company in the Spanish chemical Industry. Our top priority, however, is to ensure that the pending job cuts are implemented in accordance with the applicable procedures and as socially responsibly as possible.”

Immediately after the meeting of the Supervisory Board, Covestro informed the employees, government officials and authorities, its customers and suppliers of its decision. Covestro will work in close coordination with the local Works Councils and trade unions to find fair solutions for the employees affected.

Important precursor

MDI is an important component for the production of rigid polyurethane foam. This is used for the efficient thermal insulation of buildings and throughout the entire cold chain. The energy savings achieved help to reduce CO₂ emissions. In addition, applications in modern vehicle construction provide for enhanced safety.

About Covestro:

With 2014 sales of EUR 11.8 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, electrical and electronics, construction and sports and leisure industries. Covestro, formerly Bayer MaterialScience, has 30 production sites worldwide and employs approximately 15,700 people (calculated as full-time equivalents) at the end of September 2015.

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