

Press Release



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First quarter of 2022: Continuing high demand at the beginning of the year

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Successful quarter in an increasingly volatile environment

- **Group sales rise to EUR 4.7 billion (+41.6%)**
- **EBITDA of EUR 806 million (+8.5%)**
- **Net income amounting to EUR 416 million (+5.9%)**
- **Free operating cash flow of EUR 17 million (–94.7%)**
- **Further steps toward a circular economy and climate neutrality**
- **Reduced earnings outlook for 2022**

Covestro has had a successful start to fiscal year 2022 and benefited from continuing buoyant demand in the first three months of this year. The Group's sales increased by 41.6 percent, compared with the prior-year quarter, to EUR 4.7 billion (previous year: EUR 3.3 billion), in particular off the back of higher average selling prices. EBITDA grew in the first quarter by 8.5 percent to EUR 806 million (previous year: EUR 743 million). This is in part due, among other factors, to positive currency effects and an increase in total volumes sold. A sharp rise in raw material and energy prices was largely offset by a higher selling price level. The free operating cash flow (FOCF) fell by 94.7 percent to EUR 17 million as a result of lower cash inflows from operating activities, which were due to a price-driven increase in cash tied up in working capital (previous year: EUR 318 million). Net income in the first quarter of 2022 increased by 5.9 percent to EUR 416 million (previous year: EUR 393 million).

“We've got off to a successful start in the new fiscal year. However, we recognise there are increasing political and economic uncertainties, especially in view of the war in Ukraine,” said Dr. Markus Steilemann, CEO of Covestro. “Given the current situation, it is clear that – now more than ever – we have to reduce long term dependency on fossil raw materials.



Covestro is part of the solution to that: Without the chemical industry, the transformation to a sustainable industry landscape isn't possible."

Reduced earnings outlook for 2022

Given the ongoing coronavirus-lockdown in China, particularly around the Shanghai region, further significantly increasing energy and raw material costs and an assumed lower than expected global economic growth, Covestro reduced its guidance for fiscal year 2022 on May 2, 2022. The Group now expects EBITDA will be EUR 2.0 billion to EUR 2.5 billion (previous: EUR 2.5 billion to EUR 3.0 billion) and the FOCF will be EUR 400 million to EUR 900 million for the full year (previous: between EUR 1.0 billion and EUR 1.5 billion). The Group anticipates a return on capital employed over weighted average cost of capital (ROCE over WACC) between one percentage point and five percentage points (previous: between five and nine percentage points). Covestro's greenhouse gas emissions measured as CO₂ equivalents are now projected to rise to between 5.5 million and 6.0 million metric tons (previous: between 5.6 and 6.1 million metric tons). The Group anticipates EBITDA for the second quarter will be EUR 430 million to EUR 530 million.

"We benefited from continuing high demand in the first quarter. Since the Ukraine war began, however, we have seen a significant increase in the risks to our energy supply and supply chains. That is compounded by a weakening global economy, as well as the challenges still posed by the impacts and restrictions related to the coronavirus pandemic, in particular in China," stated Dr. Thomas Toepfer, CFO of Covestro. "We have consequently decided to adjust our guidance for the full year. We are continuously monitoring further developments so that we can steer Covestro as best as possible through these times."

After Covestro restructured its setup last year by reorganizing its three former reportable segments into the segments "Performance Materials" and "Solutions & Specialties," the Group is reporting in its new control system for the first time in fiscal 2022. Instead of core volume growth as a KPI, Covestro has used EBITDA as a key indicator for growth since the beginning of the year. The company has also added a sustainability component for the first time, which is measured by direct and indirect (scope 1 and 2) greenhouse gas emissions.

Progress toward a circular economy and climate neutrality

Covestro announced an ambitious climate target in March 2022: The Group is striving to become climate neutral and to reach net-zero emissions¹ by 2035. To achieve this, the company aims to reduce GHG emissions from its own production activities (scope 1) and from external energy sources (scope 2) by



60 percent to 2.2 million metric tons by 2030. In addition, indirect greenhouse gas emissions from upstream and downstream processes in the value chain (scope 3) are to be reduced further; a target for cutting them is to be defined in 2023.

In the long term, Covestro aims to offer a climate neutral version of every product and is expanding its portfolio continuously. For example, the company has been supplying its customers with the world's first climate neutral² polycarbonate since 2021. That was followed by inclusion of the world's first climate neutral MDI in the product range in February 2022. As a result, Covestro is significantly reducing its carbon footprint from cradle to gate, helping its customers achieve their climate targets, and driving the transition to a circular economy.

Covestro made further progress on its path to meeting its ambitious climate targets and becoming fully circular in the first quarter of 2022. For example, the Group announced that it had finalised a joint agreement relating to the supply of up to 100,000 metric tons of green hydrogen and its derivatives with Fortescue Future Industries (FFI), a global green energy company based in Australia, at the beginning of the year. The deliveries, which could start as early as 2024, are intended for production sites in Asia, North America and Europe and will help Covestro reduce its GHG emissions by as much as 900,000 metric tons of CO₂ a year.

Sales growth in both segments

Sales in the Performance Materials segment increased by 37.2 percent to EUR 2.4 billion in the first quarter of 2022 (previous year: EUR 1.7 billion). The largest positive effect came from Covestro's still advantageous competitive situation, which resulted in high average selling prices. EBITDA in Performance Materials fell slightly by 1.6 percent to EUR 620 million, but was nevertheless almost at the level of the prior-year quarter (previous year: EUR 630 million). This was largely the result of higher raw material and energy prices, which were able to be largely compensated for, albeit not fully, thus resulting in lower margins. The free operating cash flow fell by 56.8 percent to EUR 112 million (previous year: EUR 259 million), mainly because of a larger amount of cash tied up in working capital.

The Solutions & Specialties segment posted a 45.3 percent increase in sales to EUR 2.2 billion in the first three months of fiscal 2022 (previous year: EUR 1.5 billion). In particular, the effect from the RFM acquisition and higher selling price levels helped increase sales. The segment's EBITDA rose to EUR 224 million, or by 23.8 percent compared to last year's first quarter (previous year: EUR 181 million), mostly on account of the acquisition of RFM.



However, declining margins due to higher raw material and energy prices had an offsetting effect. The free operating cash flow of Solutions & Specialties fell to EUR –146 million (previous year: EUR 11 million) due to a larger amount of cash tied up in working capital compared with the prior-year quarter.

¹ Achieving net zero greenhouse gas emissions is defined as a balance between anthropogenic greenhouse gas emissions [from own operations and energy procurement] and anthropogenic reduction of greenhouse gases.

² The “climate neutral” label is the result of an assessment of a segment of the product’s entire life cycle. In this case, we analyzed the period from resource extraction (cradle) to the factory gate based on ISO standard 14040. The analysis was then critically evaluated for plausibility by TÜV Rheinland AG. The analysis takes into account biogenic carbon sequestration on the basis of provisional data from the supply chain and the use of renewable electricity in the production process. Attribution of the electricity was documented by “Guarantee of Origin” certificates. Carbon offset credits were not used.

Note to editors:

Below please find a table showing key data for Covestro AG for the first quarter 2022.

The Quarterly Statement Q1 2022 is available at [Quarterly Statement 1st Quarter 2022 \(covestro.com\)](#)

The Annual Report 2021 is available at <https://report.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, cosmetics and health, as well as in the chemical industry itself.

The company is committed to becoming fully circular and is striving to become climate neutral by 2035 (scope 1 and 2). Covestro generated sales of EUR 15.9 billion in fiscal 2021. At the end of 2021, the company had 50 production sites worldwide and employed approximately 17,900 people (calculated as full-time equivalents).



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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

	1st quarter 2021	1st quarter 2022	Change
	€ million	€ million	in %
Covestro Group			
Sales	3,307	4,683	41.6
Change in sales (external)			
Volume	3.4%	3.6%	
Price	20.2%	22.9%	
Currency	-4.8%	5.6%	
Portfolio	0.0%	9.5%	
EBITDA	743	806	8.5
EBIT	556	589	5.9
Net income	393	416	5.9
Free operating cash flow	318	17	-94.7
Performance Materials			
Sales (external)	1,740	2,388	37.2
Intersegment sales	483	657	36.0
Sales (total)	2,223	3,045	37.0
Change in sales (external)			
Volume	-2.3%	5.5%	
Price	32.9%	26.4%	
Currency	-4.8%	5.3%	
Portfolio	0.0%	0.0%	
EBITDA	630	620	-1.6
EBIT	489	475	-2.9
Free operating cash flow	259	112	-56.8
Solutions & Specialties			
Sales (external)	1,529	2,222	45.3
Intersegment sales	5	9	80.0
Sales (total)	1,534	2,231	45.4
Change in sales (external)			
Volume	10.8%	-0.5%	
Price	8.1%	19.4%	
Currency	-4.9%	5.9%	
Portfolio	0.0%	20.5%	
EBITDA	181	224	23.8
EBIT	138	152	10.1
Free operating cash flow	11	(146)	.