



Press Release

Leverkusen,
October 25, 2022

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Q3 2022: high energy and raw material prices weigh on earnings

Covestro achieves EBITDA guidance despite looming recession

- **Group sales rise to EUR 4.6 billion (+7.3%)**
- **EBITDA of EUR 302 million (–65.0%)**
- **Net income totals EUR 12 million (–97.5%)**
- **Free operating cash flow (FOCF) falls to EUR 33 million (–91.3%)**
- **Full-year guidance for 2022 narrowed**
- **Further milestones on the path to a circular economy**

Covestro's business performance in the third quarter of 2022 was, as expected, strongly impacted by high energy and raw material prices in the face of the current European energy crisis. However, Group sales grew 7.3 percent compared with the prior-year quarter to EUR 4.6 billion (previously: EUR 4.3 billion) as a result of exchange rate movements and a considerably higher price level, especially in Europe. EBITDA fell by 65.0 percent to EUR 302 million (previously: EUR 862 million), meaning that Covestro met its EBITDA forecast for the third quarter. The main reasons for the decline in earnings were lower margins, since the Group was able to offset the sharp rise in raw material and energy prices only to a small extent by a higher selling price level. The fall in total volumes sold also reduced earnings. The free operating cash flow (FOCF) fell by 91.3 percent to EUR 33 million (previously: EUR 381 million), in particular due to the lower cash flows from operating activities. Net income in the third quarter was down by 97.5 percent to EUR 12 million (previously: EUR 472 million).

"We will have to cope with this unprecedented environment for the time being. We're therefore using all the levers available to us to steer Covestro through the current situation," said Dr. Markus Steilemann, CEO of Covestro. "In particular, the unparalleled price increases for fossil fuels show that Covestro's strategic focus on becoming fully circular is the right path. Our products are vital in paving the way for a fossil-free future."

In view of the energy crisis in Europe and a weakening global economy, Covestro is systematically ensuring its economic ability to maneuver. The company is taking short- and medium-term cost-cutting measures, for example. Covestro has also initiated various measures to reduce its gas requirements in Germany and continues to work on making its processes even more energy-efficient. Technical optimization measures, for instance, are helping to improve energy efficiency in production. One example is the use of digital sensors to monitor steam traps, enabling Covestro to use steam as efficiently as possible in production.

Full-year guidance for 2022 narrowed

“The further significant weakening in overall economic conditions is also affecting our business performance. Despite the significant burdens from very high energy and raw material prices, we achieved our EBITDA forecast for the third quarter,” said Dr. Thomas Toepfer, CFO of Covestro. “Based on these results, we still expect to achieve the targets we have set ourselves for the full year as well.”

Covestro has narrowed the full-year guidance for 2022 that it issued on July 29, 2022, and now anticipates that EBITDA will be between EUR 1.7 billion and EUR 1.8 billion (previously: between EUR 1.7 billion and EUR 2.2 billion) and that the FOCF will be between EUR 0 million and EUR 100 million (previously: between EUR 0 million and EUR 500 million). Return on capital employed over the weighted average cost of capital is expected to be between minus two percentage points and minus one percentage point (previously: between minus two and plus two percentage points). GHG emissions measured as CO₂ equivalents are projected to be between 5.0 million metric tons and 5.4 million metric tons (previously: between 5.3 million metric tons and 5.8 million metric tons).

Further milestones on the path to a circular economy

Covestro continued to press ahead with its vision of becoming fully circular in the third quarter of 2022 and achieved further milestones. As part of that, the Group is committed among other things to expanding its sources for alternative raw materials and thus eliminating the use of fossil resources, such as crude oil and natural gas, in the long term.

Since September 2022, SOL Kohlensäure GmbH & Co.KG has supplied Covestro’s Lower Rhine sites with biogenic carbon dioxide (CO₂) under a [supply partnership](#). This gas, which among other things is obtained as a by-product from the treatment of plant residues, is used by Covestro to produce plastics such as MDI (methylene diphenyl diisocyanate) or polycarbonate. SOL will supply up to 1,000 metric tons of biogenic CO₂ this year, enabling Covestro to save the same amount of CO₂ from fossil sources. The supply volume is to be increased substantially from 2023 on.

Covestro was also able to expand its portfolio of sustainable products in the third quarter. The launch of climate-neutral¹ MDI and renewable TDI (toluene diisocyanate) was followed in September 2022 by [bio-circular polyether polyols](#) – a sustainable component for polyurethane foams. Covestro uses renewable precursors such as organic waste or other residual materials to

¹ Climate neutrality is the result of an internal assessment of a partial product life cycle from resource extraction (cradle) to Covestro’s factory gate, also termed a cradle-to-gate assessment. The methodology for ascertaining our ecological footprint, which has been critically reviewed by TÜV Rheinland, is based on ISO standards 14040 and 14044. Biogenic carbon sequestration is taken into account in calculating it on the basis of compensatory measures.

produce them, thus rounding out its range of components based on alternative raw materials for making rigid and flexible foams. These are used among other things as an efficient means of thermal insulation for buildings and refrigerators or, for example, in mattresses, upholstered furniture, car seats and shoes.

Full circularity and cross-industry collaboration throughout the value chain are also the focus at the world's largest plastics trade show [K 2022](#), which ends on October 26th. Covestro is presenting innovative ideas and new technologies there in the fields of electrification, smart design, sustainable living and the circular economy – such as a [new process](#) to enable different materials in multilayer film packaging to be separated completely from each other, or a new, [more sustainable concept for wallboxes](#), which are used to charge electric vehicles.

Increase in sales in both segments

Sales in the Performance Materials segment in the third quarter of 2022 rose by 6.6 percent compared to the prior-year quarter and were EUR 2.3 billion (previously: EUR 2.2 billion). The reasons for that were exchange rate movements and a higher selling price level. In contrast, a drop in total volumes sold – driven primarily by a downturn in demand – had a negative effect. The segment's EBITDA fell by 92.5 percent to EUR 53 million (previously: EUR 708 million). This is mainly due to lower margins, since higher selling prices were able to offset the rise in raw material and energy prices only to a small extent. FOCF fell by 64.0 percent to EUR 93 million (previously: EUR 258 million), in particular due to the decline in EBITDA.

Sales in the Solutions & Specialties segment in the third quarter of 2022 rose by 6.1 percent compared with the prior-year quarter to EUR 2.2 billion (previously: EUR 2.1 billion), mainly due to exchange rate movements and a higher selling price level. In contrast, the total volumes sold – due in particular to a downturn in demand – had a negative effect. The segment's EBITDA rose to EUR 280 million, or by 26.7 percent compared to last year's third quarter (previously: EUR 221 million). One of the reasons for this was lower provisions for short-term variable compensation. Margins remained stable at the last year's level since higher selling prices were able to offset the rise in raw material and energy prices. FOCF increased by 25.0 percent to EUR 65 million (previously: EUR 52 million) due to the higher EBITDA.

High price level in the first nine months of 2022

Group sales in the first nine months of 2022 increased by 21.1 percent to EUR 14.0 billion (previously: EUR 11.6 billion). The main reasons for that were a high selling price level and exchange rate movements. The Group's EBITDA in the first three quarters of 2022 fell by 31.7 percent to EUR 1.7 billion (previously: EUR 2.4 billion), mainly due to lower margins. This resulted from a considerable rise in raw material and energy prices, which could only be partly offset by a higher selling price level. Compared to the previous year, net income in the first nine months of 2022 fell by 52.3 percent to EUR 627 million (previously: EUR 1.3 billion). FOCF declined to EUR –412 million (previously: EUR 1.1 billion). This can be predominantly attributed to



a lower EBITDA and an increase in funds tied up in working capital, especially given the payment of short-term variable compensation for the successful fiscal year 2021.

Note to editors:

Below please find a table showing key data for the third quarter of 2022.

You can find the Quarterly Statement for Q3 2022 [here](#).

The 2021 Annual Report 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).

Find more information at the [Covestro Homepage](#).

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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

	3rd quarter 2021	3rd quarter 2022	Change	1st nine months 2021	1st nine months 2022	Change
	€ million	€ million	in %	€ million	€ million	in %
Covestro Group						
Sales	4,302	4,618	7.3	11,565	14,004	21.1
Change in sales (external)						
Volume	0.0%	-5.7%		9.3%	-1.8%	
Price	43.8%	5.4%		35.8%	13.5%	
Currency	1.6%	7.6%		-2.6%	6.7%	
Portfolio	10.5%	0.0%		7.7%	2.7%	
EBITDA	862	302	-65.0	2,422	1,655	-31.7
EBIT	654	66	-89.9	1,817	962	-47.1
Net income	472	12	-97.5	1,314	627	-52.3
Free operating cash flow	381	33	-91.3	1,073	(412)	.
Performance Materials						
Sales (external)	2,186	2,330	6.6	5,883	7,179	22.0
Intersegment sales	733	760	3.7	1,912	2,323	21.5
Sales (total)	2,919	3,090	5.9	7,795	9,502	21.9
Change in sales (external)						
Volume	-6.9%	-6.2%		2.0%	-0.2%	
Price	57.6%	5.2%		52.5%	15.6%	
Currency	1.5%	7.6%		-2.6%	6.6%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	708	53	-92.5	1,982	1,040	-47.5
EBIT	567	(107)	.	1,558	572	-63.3
Free operating cash flow	258	93	-64.0	890	168	-81.1
Solutions & Specialties						
Sales (external)	2,069	2,196	6.1	5,549	6,583	18.6
Intersegment sales	8	11	37.5	19	28	47.4
Sales (total)	2,077	2,207	6.3	5,568	6,611	18.7
Change in sales (external)						
Volume	6.9%	-7.2%		17.5%	-5.4%	
Price	29.5%	5.7%		19.7%	11.6%	
Currency	1.8%	7.6%		-2.8%	6.7%	
Portfolio	22.4%	0.0%		16.0%	5.7%	
EBITDA	221	280	26.7	639	717	12.2
EBIT	154	207	34.4	462	498	7.8
Free operating cash flow	52	65	25.0	92	(220)	.