



## Press Release

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Covestro AG  
Communications  
51365 Leverkusen  
Germany

Contact  
Lars Boelke  
Telephone  
+49 152 28860494  
Email  
Lars.Boelke  
@covestro.com

Contact  
Svenja Paul  
Telephone  
+49 173 3056862  
Email  
Svenja.Paul  
@covestro.com

Full-year guidance 2023 narrowed at lower end of ranges

## Covestro achieves EBITDA guidance for third quarter

- **Group sales of EUR 3.6 billion (–22.7%)**
- **EBITDA of EUR 277 million (–8.3%) meets guidance**
- **Net income of EUR –31 million**
- **Free operating cash flow rises to EUR 308 million (>100%)**
- **Full-year guidance narrowed at the lower end of the ranges**
- **New Chief Financial Officer Christian Baier in office**

Covestro's third quarter of 2023 was characterized by a persistently difficult market environment with continued low demand in all regions. Covestro's Group sales declined by 22.7 percent to EUR 3.6 billion (previous year: EUR 4.6 billion), mainly as a result of lower selling prices and a slight reduction in volumes sold. The Group's EBITDA fell by 8.3 percent to EUR 277 million (previous year: EUR 302 million). In addition to exchange rate movements, this was attributable, inter alia, to a decrease in volumes sold due to lower demand. In contrast, higher margins had a beneficial effect on EBITDA, since the decline in the selling price level was more than offset by lower raw material and energy prices compared to the extremely high raw material prices in the prior-year quarter. Lower selling and administrative expenses and a decrease in fixed cost of goods thanks to the Group's strong focus on efficiency also had a positive effect. Net income in the third quarter was EUR –31 million (previous year: EUR 12 million), and the free operating cash flow (FOCF) rose to EUR 308 million (previous year: EUR 33 million).

"Again, there was no significant revival of the economic activity in the third quarter, with global demand remaining at a very weak level," says Dr. Markus Steilemann, CEO of Covestro. "Covestro is thus all the more committed to creating the right framework: we are operating efficiently and with a high degree of cost consciousness. We are also investing in the global expansion of our capacities using innovative technologies. We are thus continuing to consistently orient ourselves towards the circular economy and are expanding the foundations for sustainable growth."

### Guidance for 2023 narrowed at the lower end of the ranges

Covestro has narrowed its guidance published in April this year at the lower end of the given corridors, in line with the statements made on the half-year report in August 2023. The Group thus anticipates EBITDA of around EUR 1.1 billion and a free operating cash flow of between EUR 0 million and EUR 200 million. Covestro anticipates a ROCE above WACC of around –6.0 percentage points. Covestro's GHG emissions measured as CO<sub>2</sub> equivalents are projected to still be between 4.2 million metric tons and 4.8 million metric tons.



“Covestro is operating in a challenging environment: Economic activity is weak, demand is low and the outlook for our core industries has deteriorated further, with the exception of the automotive industry,” says Christian Baier, CFO of Covestro. “Accordingly, we have narrowed our guidance at the lower end of the given ranges. At the same time, the Group stands on a very stable foundation with a global presence and strong balance sheet. I am therefore very much looking forward to continuing to drive Covestro’s transformation forward.”

Christian Baier has been in office as Covestro’s new Chief Financial Officer since the beginning of October 2023. He succeeds Dr. Thomas Toepfer, who left the company as of August 31, 2023. Baier has since been responsible for the areas of Accounting, Controlling, Finance & Insurance, Information Technology & Digitalization, Investor Relations, Law, Intellectual Property & Compliance, Portfolio Development and Taxes. He is also responsible for country-specific topics in the United States and China.

In addition, the Board of Management decided to terminate the remaining ongoing share buyback program ahead of schedule on October 26, 2023. This decision has been taken due to the current overall situation and the limited time remaining until the end of the program on February 28, 2024 and the authorization of the Annual General Meeting expiring on April 11, 2024. As such, EUR 199 million of the intended EUR 500 million share buyback were executed. Covestro bought back 4.7 million shares with an average price of EUR 42.50 per share. Covestro plans to seek for a renewal of the authorization during the Annual General Meeting in 2024 to continue share buybacks in the future.

### **Investment in a sustainable and circular future**

To achieve its vision of becoming fully circular, Covestro is committed to delivering products and solutions that contribute to a more climate-neutral and circular world. One example of that is the [new Elastomers plant](#), which the Group put into operation at its site in Shanghai, China, this August. The new plant is part of a series of investments in high-performance elastomer business made by the company worldwide in recent years. The polyurethane elastomer systems produced there are used, among other things, for applications in the field of renewable energies, such as in manufacturing photovoltaic panels. In addition, they themselves consist partly of alternative raw materials, meaning that they contribute to a more sustainable future in two ways.

The use of alternative raw materials is one of the cornerstones of the Group’s efforts to become fully circular. To be able to further explore and expand this field, Covestro is also committed to dovetailing its financing and sustainability strategies to a greater extent. As part of that, the Group issued a [green bond](#) for the first time in November 2022. A move that has already produced a [positive impact](#): after just the first year of



the total six-year term, the funds raised were already used in full in sustainable expenditures and projects. Around 34 percent of the issuing proceeds were used, for example, to expand alternative raw materials, resulting in a reduction of 250 kt of CO<sub>2</sub> equivalents.

A further focus on the path toward a circular economy is the recycling of used plastics. Covestro has also made further progress in this area, announcing this August that it had achieved a major milestone by developing an [innovative process](#) for the chemical recycling of polycarbonates. The Group is now commencing technical implementation of chemical recycling on a pilot scale at its site in Leverkusen, Germany, and will invest millions of euros into it over the next few years.

### **Economic weakness weighs on both segments; lower fixed costs have positive impact**

The selling price level and volumes sold at both of the Group's segments declined in the third quarter, particularly in the EMLA region. Nevertheless, the Group's strong focus on efficiency as part of implementation of its Sustainable Future strategy had an impact. In the third quarter, fixed costs were again reduced by a high double-digit million euro amount compared to the previous year. For the year as a whole, Covestro expects lower fixed costs in the mid three-digit million euro range compared to the prior-year period.

Sales in the Performance Materials segment were down 26.7% to EUR 1.7 billion (previous year: EUR 2.3 billion) in the third quarter of 2023, in particular due to considerably lower average selling prices. The segment's EBITDA increased by 60.4 percent year over year to EUR 85 million (previous year: EUR 53 million), mainly because of higher margins and lower fixed costs. The free operating cash flow rose to EUR 317 million (previous year: EUR 93 million).

The Solutions & Specialties segment registered a 17.6 percent decrease in sales to EUR 1.8 billion in the third quarter of 2023 (previous year: EUR 2.2 billion). That was mainly attributable to a decline in average selling prices due to weak demand worldwide, exchange rate movements and a fall in volumes sold. The segment's EBITDA fell by 12.1 percent year over year to EUR 246 million (previous year: EUR 280 million), but has shown a steady, sequential increase since the fourth quarter of 2022. The segment's free operating cash flow improved to EUR 185 million (previous year: EUR 65 million).

### **Results in the first nine months of 2023 below previous year; significant increase in FOCF**

The Group's sales in the first nine months of the year fell by 21.2 percent to EUR 11 billion (previous year: EUR 14 billion). Weak economic activity and low global



demand throughout the year resulted in a lower average selling price level and lower volumes sold overall. Covestro's EBITDA in the first nine months of 2023 declined by 42.7 percent to EUR 948 million (previous year: EUR 1.7 billion), while net income fell to EUR –11 million. However, the FOCF rose to EUR 159 million (previous year: EUR –412 million), in particular due to higher cash flows from operating activities. Less cash tied up in working capital, mainly due to the development of inventories, and lower income tax payments more than compensated for the drop in EBITDA.

**Note to editors:**

*Below please find a table showing key data for Covestro AG for the third quarter of 2023 and the first nine months of 2023.*

*You can find the Quarterly Statement for Q3 2023 [here](#).*

*The Annual Report 2022 is available [here](#).*

**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 18 billion in fiscal 2022. At the end of 2022, the company had 50 production sites worldwide and employed approximately 18,000 people (calculated as full-time equivalents).

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

*Read our [Corporate Blog](#).*

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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](http://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<br>2022 | 3rd quarter<br>2023 | Change  | 1st nine<br>months 2022 | 1st nine<br>months 2023 | Change |
|------------------------------------|---------------------|---------------------|---------|-------------------------|-------------------------|--------|
| <b>Covestro Group</b>              |                     |                     |         |                         |                         |        |
| Sales                              | €4,618<br>million   | €3,568<br>million   | - 22.7% | €14,004<br>million      | €11,031<br>million      | -21.2% |
| Change in sales (external)         |                     |                     |         |                         |                         |        |
| Volume                             | - 5.7%              | - 3.8%              |         | -1.8%                   | -9.5%                   |        |
| Price                              | 5.4%                | - 14.3%             |         | 13.5%                   | -9.7%                   |        |
| Currency                           | 7.6%                | - 4.6%              |         | 6.7%                    | -2.0%                   |        |
| Portfolio                          | 0.0%                | 0.0%                |         | 2.7%                    | 0.0%                    |        |
| EBITDA                             | €302 million        | €277 million        | - 8.3%  | €1,655<br>million       | €948 million            | -42.7% |
| EBIT                               | €66 million         | €71 million         | 7.6%    | €962 million            | €276 million            | -71.3% |
| Net income                         | €12 million         | (€31 million)       | .       | €627 million            | (€11 million)           | .      |
| Free operating cash flow           | €33 million         | €308 million        | 833.3%  | (€412<br>million)       | €159 million            | .      |
| <b>Performance Materials</b>       |                     |                     |         |                         |                         |        |
| Sales (external)                   | €2,330<br>million   | €1,707<br>million   | - 26.7% | €7,179<br>million       | €5,288<br>million       | -26.3% |
| Intersegment sales                 | €760 million        | €542 million        | - 28.7% | €2,323<br>million       | €1,706<br>million       | -26.6% |
| Sales (total)                      | €3,090<br>million   | €2,249<br>million   | - 27.2% | €9,502<br>million       | €6,994<br>million       | -26.4% |
| Change in sales (external)         |                     |                     |         |                         |                         |        |
| Volume                             | - 6.2%              | - 2.4%              |         | -0.2%                   | -10.4%                  |        |
| Price                              | 5.2%                | - 19.9%             |         | 15.6%                   | -14.1%                  |        |
| Currency                           | 7.6%                | - 4.4%              |         | 6.6%                    | -1.8%                   |        |
| Portfolio                          | 0.0%                | 0.0%                |         | 0.0%                    | 0.0%                    |        |
| EBITDA                             | €53 million         | €85 million         | 60.4%   | €1,040<br>million       | €560 million            | -46.2% |
| EBIT                               | (€107<br>million)   | (€52 million)       | - 51.4% | €572 million            | €135 million            | -76.4% |
| Free operating cash flow           | €93 million         | €317 million        | 240.9%  | €168 million            | €183 million            | 8.9%   |
| <b>Solutions &amp; Specialties</b> |                     |                     |         |                         |                         |        |
| Sales (external)                   | €2,196<br>million   | €1,809<br>million   | - 17.6% | €6,583<br>million       | €5,564<br>million       | -15.5% |
| Intersegment sales                 | €11 million         | €6 million          | - 45.5% | €28 million             | €21 million             | -25.0% |
| Sales (total)                      | €2,207<br>million   | €1,815<br>million   | - 17.8% | €6,611<br>million       | €5,585<br>million       | -15.5% |
| Change in sales (external)         |                     |                     |         |                         |                         |        |
| Volume                             | - 7.2%              | - 3.7%              |         | -5.4%                   | -8.0%                   |        |
| Price                              | 5.7%                | - 8.9%              |         | 11.6%                   | -5.3%                   |        |
| Currency                           | 7.6%                | - 5.0%              |         | 6.7%                    | -2.2%                   |        |
| Portfolio                          | 0.0%                | 0.0%                |         | 5.7%                    | 0.0%                    |        |
| EBITDA                             | €280 million        | €246 million        | - 12.1% | €717 million            | €632 million            | -11.9% |
| EBIT                               | €207 million        | €178 million        | - 14.0% | €498 million            | €390 million            | -21.7% |
| Free operating cash flow           | €65 million         | €185 million        | 184.6%  | (€220<br>million)       | €287 million            | .      |