

# Press Release



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Strong first quarter marked by demand recovery and higher margins

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## Covestro starts 2021 with sustained momentum

- **Core volumes sold up by 5.3%**
- **Sales grow to around EUR 3.3 billion (+18.8%)**
- **EBITDA almost triples to EUR 743 million**
- **Net income rises to EUR 393 million (>1,800%)**
- **Free operating cash flow at EUR 318 million**
- **Guidance 2021: Optimistic outlook for the fiscal year**
- **Further success in moving toward a circular economy**

Covestro continues on its trajectory for increased growth. Demand has continued to rebound in the first quarter of 2021 and has led to a significant upturn in business performance. As a result, core volume growth was up 5.3 percent compared to last year's first quarter. This is attributable mainly to a strong rebound in demand in the Asia-Pacific (APAC) region, where a massive drop in volumes was recorded in 2020's first quarter due to the coronavirus pandemic. The Group's overall growth opportunities in the first quarter were however constrained by limited product availability resulting from unplanned weather-related production outages in the North American (NA) region as well as raw material bottlenecks. In the first quarter, Group sales increased 18.8 percent to EUR 3.3 billion, primarily on account of higher average selling prices. Along with higher sales volumes and other factors, this led to an almost threefold increase in EBITDA to EUR 743 million (previous year: EUR 254 million). As a result, net income in the first quarter rose to EUR 393 million (previous year: EUR 20 million). Free operating cash flow (FOCF) increased to EUR 318 million, an increase of around EUR 600 million compared to the previous year (previous year: EUR –249 million).

“Our start to 2021 was very successful, and we are optimistic about the upcoming year as a whole,” Dr. Markus Steilemann, CEO of Covestro, said.



“We are taking this momentum into the implementation of our new strategy with our focus directed firmly toward the future. We are pro-actively working toward a circular economy, because I am convinced that a sustainable future is not possible without our materials.”

In February 2021, Covestro presented the new corporate strategy “Sustainable Future”, which has customer centricity and sustainable growth at its core. In the course of building this effort, the Group plans to reorganize its business into seven operating business entities as of July 1, 2021. The entities are organized according to their respective success factors and tailored to specific customer needs and market requirements. This enables the company to systematically align processes and products with customer needs while sharpening their focus on efficiency and sustainability. In the future, Covestro will distinguish between two business areas: “Performance Materials” and “Solutions and Specialties”.

#### **Guidance 2021: Optimistic outlook for the fiscal year**

Given business performance exceeded expectations, on April 13, 2021 Covestro adjusted its outlook for fiscal year 2021 and revised its guidance upward. The Group now expects EBITDA to range between EUR 2.2 billion and EUR 2.7 billion. FOCF is projected to amount from EUR 1.3 billion up to EUR 1.8 billion, with ROCE between 12 percent and 17 percent. Core volume growth at Covestro is still anticipated to come in at between 10 percent to 15 percent. Around 6 percent of this total figure is attributable to the Resins & Functional Materials business (RFM), which is now being integrated into the company after the successful acquisition from DSM on April 1, 2021. In addition, rating agency Moody's confirmed Covestro's investment grade rating in March 2021 and raised the outlook to "stable".

“We started the new year with a strong first quarter. Demand for our products remains high, and we have benefited from very good margins,” Covestro CFO Dr. Thomas Toepfer explained. “In fiscal year 2021, we will return to our growth trajectory in all regions and further reinforce our leading position.”

Covestro expects EBITDA in the second quarter of 2021 to amount to between EUR 730 million and EUR 870 million.

#### **New research successes on the path toward a circular economy**

Sustainable growth is one of Covestro's core ambitions. The Group aims to become fully circular in the long term and is making steady progress on this front.



Since the beginning of the year, the company has worked with its industrial and scientific partners to develop additional applications for its innovative CO<sub>2</sub> technology. This technology allows Covestro to replace up to 20 percent of the fossil-based raw materials it uses with CO<sub>2</sub>, thereby producing a valuable precursor for plastics. Examples of other research successes include novel CO<sub>2</sub>-based surfactants for use in a wide range of everyday products such as detergents and cleaning agents. The more sustainable, CO<sub>2</sub>-based materials could also be used in the future in the production of insulating panels for housing construction or flexible foams for padding the interior of footwear for running, trekking, and skiing.

Covestro achieved another milestone in the area of renewable energy. As of April 1, 2021, Covestro has been obtaining around 45 percent of the electricity it requires for production in Antwerp (Belgium) from onshore wind turbines. The supply contract with Belgian energy supplier ENGIE is the second of its kind signed by the Group. As early as December 2019, Covestro agreed a supply contract with energy supplier Ørsted, which will provide a considerable share of the electricity for Covestro's production facilities in Germany starting in 2025.

In order to continuously reduce the carbon footprint of Covestro's materials, the Group is constantly moving forward with the research and development of new recycling technologies. As of March 2021, Covestro began operating a pilot plant for the chemical recycling of flexible polyurethane foam from mattresses at its site in Leverkusen (Germany). The company aims to industrialize chemical recycling processes for used flexible foams and to re-market the raw materials obtained from the process.

### **Volume growth in all segments, high demand from Asia-Pacific**

In the first quarter of 2021, the Polyurethanes segment's core volumes sold rose by 2.5 percent compared to the previous-year's quarter. Positive volume growth in the APAC region more than balanced out limited product availability and the resulting adverse effect on growth potential in other regions. Higher margins and a favourable competitive situation in particular led to a 30.7 percent increase in sales to around EUR 1.7 billion. In the first quarter, EBITDA also rose substantially to EUR 443 million as a result of higher selling prices (previous year: EUR 50 million). An increase in provisions for variable compensation and temporary cost of goods sold reduced earnings.

In the first quarter of 2021, the Polycarbonates segment saw core volumes sold grow by 11.6 percent compared to the previous year's first quarter. This was attributable to the continued upswing in demand and expansion of core volumes sold, especially in the APAC region. Sales grew by 21.3 percent to EUR 889 million, largely driven by the rise in average selling prices due to a



favourable competitive situation and higher volumes sold. This led to an increase in EBITDA from the prior-year quarter to EUR 222 million (previous year: EUR 109 million). An increase in provisions for variable compensation reduced earnings.

Core volumes in the Coatings, Adhesives, Specialties segment were up by 7.1 percent from last year's quarter, particularly in the APAC region. In the first quarter, raw material bottlenecks resulted in the limited availability of products and curtailed growth opportunities. An increase in total volumes sold and higher selling prices had a positive effect on sales, which rose by 4.0 percent to EUR 595 million in the first quarter. In contrast, EBITDA dropped to EUR 114 million (previous year: EUR 130 million). Higher provisions for variable compensation were particularly responsible for reducing earnings. A positive volume effect and higher selling prices caused earnings to increase, however.

**About Covestro:**

With 2020 sales of EUR 10.7 billion, Covestro is among the world's leading polymer companies. Business activities are focused on the manufacture of high-tech polymer materials and the development of innovative, sustainable solutions for products used in many areas of daily life. In doing so, Covestro is fully committed to the circular economy. The main industries served are the automotive and transportation industries, construction, furniture and wood processing, as well as electrical, electronics, and household appliances industries. Other sectors include sports and leisure, cosmetics, health and the chemical industry itself. At the end of 2020, Covestro has 33 production sites worldwide and employs approximately 16,500 people (calculated as full-time equivalents).

**Note to editors:**

*Below please find a table showing key data for the Covestro Group for the first quarter of 2021.*

*The Quarterly Statement is available at <https://report.covestro.com/quarterly-statement-q1-2021/>*

*The 2020 Annual Report is available at <https://report.covestro.com>*

Find more information at [www.covestro.com](http://www.covestro.com)

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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

	1st quarter 2020	1st quarter 2021	Change
	€ million	€ million	in %
<b>Covestro Group</b>			
Core Volume Growth	-4.1%	+5.3%	
Sales	2,783	3,307	+18.8
Change in Sales			
Volume	-2.7%	+3.4%	
Price	-9.1%	+20.2%	
Currency	+0.8%	-4.8%	
Portfolio	-1.3%	0.0%	
EBITDA	254	743	>100
EBIT	67	556	>700
Net Income	20	393	>1800
Free Operating Cash Flow	(249)	318	.
<b>Polyurethanes</b>			
Core Volume Growth	-3.6%	+2.5%	
Sales	1,274	1,665	+30.7
Change in Sales			
Volume	-2.5%	+0.2%	
Price	-10.8%	+36.1%	
Currency	+0.7%	-5.6%	
Portfolio	-1.1%	0.0%	
EBITDA	50	443	>700
EBIT	(51)	340	.
Free Operating Cash Flow	(170)	131	.
<b>Polycarbonates</b>			
Core Volume Growth	-4.8%	+11.6%	
Sales	733	889	+21.3
Change in Sales			
Volume	-2.6%	+12.5%	
Price	-9.6%	+13.8%	
Currency	+1.0%	-5.0%	
Portfolio	-3.6%	0.0%	
EBITDA	109	222	>100
EBIT	54	168	>200
Free Operating Cash Flow	6	89	>1300
<b>Coatings, Adhesives, Specialties</b>			
Core Volume Growth	-5.2%	+7.1%	
Sales	572	595	+4.0
Change in Sales			
Volume	-7.1%	+5.6%	
Price	-3.9%	+2.4%	
Currency	+1.1%	-4.0%	
Portfolio	+1.1%	0.0%	
EBITDA	130	114	-12.3
EBIT	100	85	-15.0
Free Operating Cash Flow	15	22	+46.7