

# Press Release



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Continued good recovery in demand and positive price trend

## Strong second quarter with momentum for high earnings

- **Core volumes sold up by 35.0%**
- **Group sales of more than EUR 3.9 billion (+83.5%)**
- **EBITDA rises to EUR 817 million (>500%)**
- **Net income totals EUR 449 million**
- **Strong increase in free operating cash flow to EUR 374 million**
- **Increased earnings guidance for 2021 of July 12 confirmed**
- **Foundation for sustainable growth: new Group structure since July 1**

In the second quarter of 2021, Covestro benefited from a continued strong recovery in global demand compared to a weak Q2 2020 as a result of the coronavirus pandemic. The Resins & Functional Materials (RFM) business acquired from DSM effective April 1, 2021, was also consolidated for the first time. As a result, the Group significantly increased its core volumes sold by 35 percent year-on-year, of which around 10 percentage points is attributable to initial consolidation of the RFM business.

At the same time, unplanned weather-related production outages in the North America (NA) region and continued raw material bottlenecks have had a negative impact on product availability – also constraining the growth potential of all segments in the second quarter of 2021. Apart from the volume growth, substantially higher selling prices resulted in an 83.5 percent year-on-year increase in sales of over EUR 3.9 billion. As a result of the volume growth and the overall increase in margins, EBITDA rose to EUR 817 million (previous year: EUR 125 million). This result also includes negative one-time effects of EUR 35 million in connection with the consolidation of RFM. Net income in the second quarter of 2021 was EUR 449 million (previous year: EUR –52 million),



and the free operating cash flow (FOCF) increased significantly to EUR 374 million (previous year: EUR 24 million).

“In the second quarter, we were able to build seamlessly on the positive course of business in the first quarter. The reorganization of our business since July 1 also means we’re closer to our customers and optimally positioned to address specific market requirements,” said Dr. Markus Steilemann, CEO of Covestro. “We’re starting the second half of the year with strong momentum and will continue full speed ahead with driving our vision of becoming fully circular.”

### **Increased earnings guidance for full year 2021 confirmed**

Given the positive business performance, Covestro had already raised its outlook for earnings in 2021 as of July 12, 2021. The company confirms this guidance today. The Group anticipates EBITDA will be EUR 2.7 billion to EUR 3.1 billion on the back of an improved outlook for margins in the second half of the year. The FOCF is expected to be between EUR 1.6 billion and 2.0 billion and the return on capital employed (ROCE) between 16 and 20 percent. Core volume growth is expected – unchanged – to be between 10 and 15 percent, of which around 6 percentage points is attributable to the RFM business.

“We continued to benefit from ongoing high demand and from a sustained positive price trend in the second quarter while maintaining cost discipline. In addition, the RFM business was fully consolidated for the first time,” said Dr. Thomas Toepfer, CFO of Covestro. “Our strong operating results are further proof of the strategic rationale behind this acquisition. We will now take this positive earnings momentum with us into the third quarter.”

### **Foundation for sustainable growth: new Group structure since July 1**

With the realignment of its Group structure, Covestro has achieved a first milestone in implementing its “Sustainable Future” strategy, which the Group presented in February 2021. The company successfully reorganized its three former business units – Polyurethanes, Polycarbonates, and Coatings, Adhesives, Specialties – into seven new, tailored business entities as of July 1, 2021. These entities are organized according to their 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 its focus on profitability and sustainability. In the future, Covestro will distinguish between the reporting segments “Performance Materials” and “Solutions & Specialties.” Covestro’s first report



containing the new structure will be issued for the third quarter of 2021, on November 8, 2021.

### **Strong performance in all segments: growth in volumes and sales**

In the second quarter of 2021, the Polyurethanes segment saw core volumes sold grow by 27.8 percent compared with the prior-year quarter. Volumes sold increased in all main customer industries across all regions. The segment's sales amounting to around EUR 1.8 billion more than doubled compared with the prior-year quarter (EUR 913 million). That is mainly attributable to an increase in average selling prices and in total volumes sold. Along with higher margins, this led to a strong increase in EBITDA to EUR 452 million (previous year: EUR –24 million).

In the Polycarbonates segment, core volumes sold rose in the second quarter of 2021 by 15.4 percent over the prior-year quarter. This change is mainly due to growth in volumes sold in the automotive and transportation industry observed across all regions. Higher total volumes sold and selling prices meant sales rose by 56.6 percent to around EUR 1.0 billion (previous year: EUR 648 million). Substantially improved margins and growth in total volumes sold increased EBITDA to EUR 260 million (previous year: EUR 96 million).

Core volumes sold in the Coatings, Adhesives, Specialties segment rose 133.5 percent from the figure in the prior-year quarter. Around 100 percentage points is attributable to the initial consolidation of the RFM business. This portfolio change, together with the increase in volumes and higher selling prices, resulted in sales of EUR 926 million (previous year: EUR 443 million). Consequently, EBITDA more than doubled year on year, rising to EUR 134 million (previous year: EUR 60 million).

### **First half of 2021: substantial recovery in demand**

A substantial recovery in demand for all main customer industries resulted in an 18.9 percent increase in core volumes sold in the first half of 2021. Higher selling prices, an increase in total volumes sold, and the change in portfolio resulted in sales in the first half of the year increasing by 47.1 percent to around EUR 7.3 billion. In particular, a significant increase in selling prices, which more than compensated for higher raw material prices, resulted in a Group EBITDA of around EUR 1.6 billion (previous year: EUR 379 million). Net income in the first half of 2021 was EUR 842 million (previous year: EUR –32 million), while the FOCF was EUR 692 million (previous year: EUR –225 million).



**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 AG for the second quarter of 2021 and the first half of 2021.*

*The 2021 Half-Year Financial Report is available [here](#).*

*The 2020 Annual Report is available at [here](#).*

For more information, see <https://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

	2nd quarter 2020	2nd quarter 2021	Change	1st half 2020	1st half 2021	Change
	€ million	€ million	in %	€ million	€ million	in %
<b>Covestro Group</b>						
Core Volume Growth	-22.7%	+35.0%		-13.6%	+18.9%	
Sales	2,156	3,956	+83.5	4,939	7,263	+47.1
Change in Sales						
Volume	-22.3%	+29.0%		-12.5%	+14.6%	
Price	-9.0%	+45.9%		-9.1%	+31.4%	
Currency	-0.1%	-5.4%		+0.3%	-5.0%	
Portfolio	-1.5%	+14.0%		-1.4%	+6.1%	
EBITDA	125	817	>500	379	1,560	>300
EBIT	(68)	607	.	(1)	1,163	.
Net Income	(52)	449	.	(32)	842	.
Free Operating Cash Flow	24	374	.	(225)	692	.
<b>Polyurethanes</b>						
Core Volume Growth	-25.9%	+27.8%		-14.9%	+13.7%	
Sales	913	1,841	>100	2,187	3,506	+60.3
Change in Sales						
Volume	-24.8%	+29.1%		-13.7%	+12.3%	
Price	-12.3%	+78.5%		-11.5%	+53.8%	
Currency	-0.4%	-6.0%		+0.1%	-5.8%	
Portfolio	-1.2%	0.0%		-1.1%	0.0%	
EBITDA	(24)	452	.	26	895	.
EBIT	(130)	348	.	(181)	688	.
Free Operating Cash Flow	(77)	175	.	(247)	306	.
<b>Polycarbonates</b>						
Core Volume Growth	-14.4%	+15.4%		-9.8%	+13.5%	
Sales	648	1,015	+56.6	1,381	1,904	+37.9
Change in Sales						
Volume	-16.4%	+28.1%		-9.6%	+19.9%	
Price	-7.8%	+33.3%		-8.6%	+22.9%	
Currency	-0.1%	-4.8%		+0.4%	-4.9%	
Portfolio	-3.5%	0.0%		-3.6%	0.0%	
EBITDA	96	260	>100	205	482	>100
EBIT	41	208	>400	95	376	>200
Free Operating Cash Flow	34	118	>200	40	207	>400
<b>Coatings, Adhesives, Specialties</b>						
Core Volume Growth	-25.3%	+133.5%		-15.2%	+62.4%	
Sales	443	926	>100	1,015	1,521	+49.9
Change in Sales						
Volume	-25.8%	+34.4%		-16.4%	+18.1%	
Price	-3.2%	+13.2%		-3.5%	+7.1%	
Currency	+0.3%	-6.5%		+0.7%	-5.0%	
Portfolio	0.0%	+67.9%		+0.5%	+29.7%	
EBITDA	60	134	>100	190	248	+30.5
EBIT	28	81	>100	128	166	+29.7
Free Operating Cash Flow	65	89	+36.9	80	111	+38.8