

# Results of Operations and Financial Position of the Covestro Group

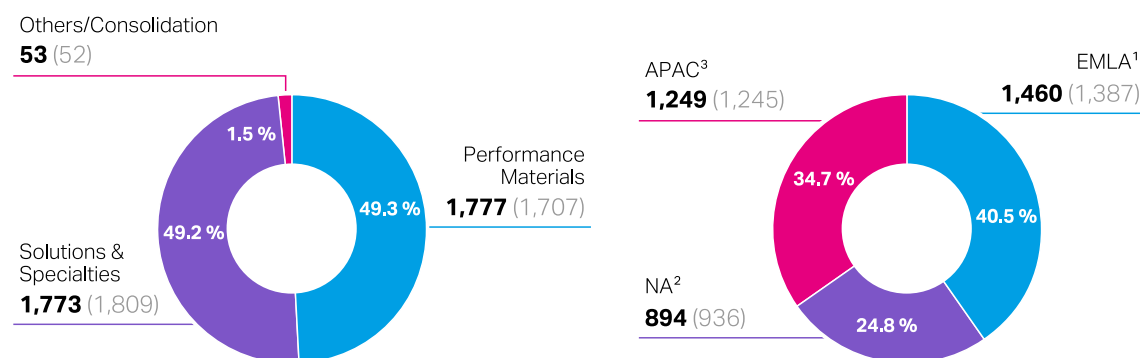
## Results of Operations

Group sales rose by 1.0% to €3,603 million in the third quarter of 2024 (previous year: €3,568 million), driven by the increase in sales volumes in the EMLA and APAC regions. In total, volumes sold had a sales-boosting effect of 6.1%. This was set against a lower selling price level in all regions, which coincided with lower raw material prices being passed on to customers and had a negative effect of 4.2% on sales. In addition, exchange rate movements had a negative effect of 0.9% on sales.

In the third quarter of 2024, sales were up 4.1% to €1,777 million (previous year: €1,707 million) in the Performance Materials segment, while they decreased by 2.0% to €1,773 million (previous year: €1,809 million) in the Solutions & Specialties segment. Sales were 5.3% higher, at €1,460 million (previous year: €1,387 million), in the EMLA region and rose by 0.3% to €1,249 million (previous year: €1,245 million) in the APAC region in the third quarter of 2024. In the NA region, sales declined by 4.5% to €894 million (previous year: €936 million).

### Sales by segment and region

€ million, prior-year figures in brackets



<sup>1</sup> EMLA: Europe, Middle East, Latin America (excluding Mexico), Africa region.

<sup>2</sup> NA: North America region (Canada, Mexico, United States).

<sup>3</sup> APAC: Asia and Pacific region.

The Group's EBITDA was up 3.6% to €287 million in the third quarter of 2024 (previous year: €277 million), largely because of higher volumes sold. Moreover, lower provisions for variable compensation of €46 million as well as additional government subsidies to compensate for electricity prices in Germany had a positive effect on earnings. By contrast, the decline in the selling price level, which was only partially offset by lower raw material prices, had an adverse impact on earnings. Furthermore, a smaller amount of business development subsidies received in China than in the previous year had a negative effect on EBITDA. Exchange rate movements did not have any notable effect on earnings.

The Performance Materials segment's EBITDA increased by 47.1% to €125 million (previous year: €85 million). In the Solutions & Specialties segment, by contrast, EBITDA went down 15.4% to €208 million (previous year: €246 million).

The Covestro Group's EBIT improved by 7.0% to €76 million in the third quarter of 2024 (previous year: €71 million).

## Financial Position

In the third quarter of 2024, cash inflows from operating activities amounted to €262 million (previous year: €490 million). This decline was driven primarily by lower funds freed up from working capital compared with the prior-year quarter and was partially offset by lower income tax payments and a rise in EBITDA.

Free operating cash flow was down, amounting to €112 million in the third quarter of 2024 (previous year: €308 million), largely due to lower cash flows from operating activities.

### Net financial debt

	Dec. 31, 2023	Sep. 30, 2024
	€ million	€ million
Bonds	1,990	1,492
Liabilities to banks	657	1,191
Lease liabilities	743	734
Liabilities from derivatives	15	3
Other financial liabilities	2	151
Receivables from derivatives	(19)	(29)
<b>Gross financial debt</b>	<b>3,388</b>	<b>3,542</b>
Cash and cash equivalents	(625)	(539)
Current financial assets	(276)	(215)
<b>Net financial debt</b>	<b>2,487</b>	<b>2,788</b>

In comparison with December 31, 2023, the Covestro Group's gross financial debt rose by €154 million to €3,542 million as of September 30, 2024. This was mainly attributable to an increase of €534 million in liabilities to banks, resulting primarily from new borrowings in an amount of €343 million in China and €200 million in Germany. At the same time, there was an increase in other financial liabilities, mainly because of the issuance of commercial paper under the European Commercial Paper Program (ECP) in an amount of €149 million. The repayment of a €500 million bond that was placed in March 2016 from the Debt Issuance Program had an offsetting effect.

Cash and cash equivalents were down €86 million in comparison with the figure on December 31, 2023, to €539 million. This was mainly due to cash outflows for additions to property, plant and equipment and intangible assets of €422 million and negative cash flows from financing activities of €23 million. Conversely, cash inflows from operating activities of €258 million and net inflows from short-term bank deposits of €61 million pushed up cash and cash equivalents.

The net inflows from short-term bank deposits mentioned earlier led to a decrease in current financial assets by €61 million to €215 million.

As a result, net financial debt grew by €301 million compared with the figure on December 31, 2023, to €2,788 million as of September 30, 2024.

# Performance of the Segments

## Performance Materials

### Performance Materials key data

	3rd quarter 2023	3rd quarter 2024	Change	1st nine months 2023	1st nine months 2024	Change
<b>Sales (external)</b>	<b>€1,707 million</b>	<b>€1,777 million</b>	<b>4.1%</b>	<b>€5,288 million</b>	<b>€5,300 million</b>	<b>0.2%</b>
Intersegment sales	€542 million	€591 million	9.0%	€1,706 million	€1,718 million	0.7%
<b>Sales (total)</b>	<b>€2,249 million</b>	<b>€2,368 million</b>	<b>5.3%</b>	<b>€6,994 million</b>	<b>€7,018 million</b>	<b>0.3%</b>
Change in sales (external)						
Volume	-2.4%	8.6%		-10.4%	13.6%	
Price	-19.9%	-3.6%		-14.1%	-12.4%	
Currency	-4.4%	-0.9%		-1.8%	-1.0%	
Sales by region (external)						
EMLA	€695 million	€779 million	12.1%	€2,347 million	€2,363 million	0.7%
NA	€465 million	€452 million	-2.8%	€1,430 million	€1,320 million	-7.7%
APAC	€547 million	€546 million	-0.2%	€1,511 million	€1,617 million	7.0%
<b>EBITDA<sup>1</sup></b>	<b>€85 million</b>	<b>€125 million</b>	<b>47.1%</b>	<b>€560 million</b>	<b>€424 million</b>	<b>-24.3%</b>
EBIT <sup>1</sup>	(€52 million)	(€11 million)	-78.8%	€135 million	€13 million	-90.4%
Cash flows from operating activities	€438 million	€199 million	-54.6%	€483 million	€219 million	-54.7%
Cash outflows for additions to property, plant, equipment and intangible assets	€121 million	€88 million	-27.3%	€300 million	€270 million	-10.0%
<b>Free operating cash flow</b>	<b>€317 million</b>	<b>€111 million</b>	<b>-65.0%</b>	<b>€183 million</b>	<b>(€51 million)</b>	<b>.</b>

<sup>1</sup> EBIT and EBITDA include the effect on earnings of intersegment sales.

In the Performance Materials segment, third-quarter sales in 2024 were up 4.1% to €1,777 million (previous year: €1,707 million). The main driver of this trend was an increase in volumes sold, especially in the EMLA region, which had a beneficial effect on sales of 8.6%. Offsetting changes were a 3.6% decline in average selling prices due to oversupply in the market, which coincided with lower raw material prices being passed on to customers as well as exchange rate movements with a sales-reducing effect of 0.9%.

Sales in the EMLA region were up by 12.1% from the corresponding prior-year quarter to €779 million (previous year: €695 million), driven primarily by a substantial increase in sales volumes. The lower selling price level, on the other hand, had a slight reducing impact on sales. Exchange rate movements had a neutral aggregate impact on sales in aggregate. The NA region's sales decreased by 2.8% to €452 million (previous year: €465 million), principally because of exchange rate movements and lower sales volumes, both of which had the effect of slightly reducing sales. The selling price level had no notable effect on sales. Sales in the APAC region were down by 0.2% to €546 million (previous year: €547 million), with the effects on sales of a marginal decrease in the selling price level and a slight rise in volumes sold almost completely offsetting each other. Exchange rate movements had no notable impact on sales.

In the third quarter of 2024, EBITDA in the Performance Materials segment was up 47.1% on the corresponding prior-year quarter, rising to €125 million (previous year: €85 million), driven mainly by higher sales volumes. At the same time, additional government subsidies to compensate for electricity prices in Germany and lower provisions for variable compensation had a positive effect on earnings. In contrast, lower margins had an reducing effect on earnings, since the decline in the average selling price level could not be compensated for by lower raw material and energy prices. Exchange rate movements had no notable impact on EBITDA.

In the third quarter of 2024, EBIT improved to €-11 million (previous year: €-52 million).

Free operating cash flow retreated to €111 million in the third quarter of 2024 (previous year: €317 million), mainly because of significantly lower funds freed up from working capital compared with the prior-year quarter. On the other hand, a rise in EBITDA and lower cash outflows for property, plant and equipment and intangible assets had a positive effect on free operating cash flow.

## Solutions & Specialties

### Solutions & Specialties key data

	3rd quarter 2023	3rd quarter 2024	Change	1st nine months 2023	1st nine months 2024	Change
<b>Sales (external)</b>	<b>€1,809 million</b>	<b>€1,773 million</b>	<b>-2.0%</b>	<b>€5,564 million</b>	<b>€5,350 million</b>	<b>-3.8%</b>
Intersegment sales	€6 million	€7 million	16.7%	€21 million	€20 million	-4.8%
<b>Sales (total)</b>	<b>€1,815 million</b>	<b>€1,780 million</b>	<b>-1.9%</b>	<b>€5,585 million</b>	<b>€5,370 million</b>	<b>-3.8%</b>
Change in sales (external)						
Volume	-3.7%	3.9%		-8.0%	4.9%	
Price	-8.9%	-4.9%		-5.3%	-7.7%	
Currency	-5.0%	-1.0%		-2.2%	-1.0%	
Sales by region (external)						
EMLA	€653 million	€640 million	-2.0%	€2,144 million	€2,029 million	-5.4%
NA	€461 million	€434 million	-5.9%	€1,433 million	€1,335 million	-6.8%
APAC	€695 million	€699 million	0.6%	€1,987 million	€1,986 million	-0.1%
<b>EBITDA<sup>1</sup></b>	<b>€246 million</b>	<b>€208 million</b>	<b>-15.4%</b>	<b>€632 million</b>	<b>€590 million</b>	<b>-6.6%</b>
EBIT <sup>1</sup>	€178 million	€134 million	-24.7%	€390 million	€344 million	-11.8%
Cash flows from operating activities	€247 million	€162 million	-34.4%	€447 million	€303 million	-32.2%
Cash outflows for additions to property, plant, equipment and intangible assets	€62 million	€61 million	-1.6%	€160 million	€144 million	-10.0%
<b>Free operating cash flow</b>	<b>€185 million</b>	<b>€101 million</b>	<b>-45.4%</b>	<b>€287 million</b>	<b>€159 million</b>	<b>-44.6%</b>

<sup>1</sup> EBIT and EBITDA include the effect on earnings of intersegment sales.

In the Solutions & Specialties segment, third-quarter sales in 2024 were down 2.0% to €1,773 million (previous year: €1,809 million). This was mainly driven by a demand-induced 4.9% decline in average selling prices, which coincided with a reduction in raw material prices being passed on to customers, as well as exchange rate movements, which had a sales-reducing effect of 1.0%. This stood against a rise in volumes sold, which had an increasing effect on sales amounting to 3.9%.

The EMLA region's sales decreased 2.0% to €640 million (previous year: €653 million), driven by significantly lower average selling prices. In contrast, higher volumes sold had the effect of increasing sales slightly. Exchange rate movements had no notable effect on sales. The NA region's sales decreased 5.9% to €434 million (previous year: €461 million), due especially to a lower selling price level and exchange rate movements, both of which had a slight reducing effect on sales. Changes in volumes sold had no notable effect on sales. Sales in the APAC region were up by 0.6% to €699 million (previous year: €695 million), driven primarily by a significant increase in sales volumes. This effect was partially offset by lower average selling prices, which had a slight sales-reducing impact. Exchange rate movements had no notable effect on sales.

In the third quarter of 2024, EBITDA in the Solutions & Specialties segment was down 15.4% on the corresponding prior-year quarter, declining to €208 million (previous year: €246 million); this was predominantly due to lower margins, since the decline in average selling prices could not be compensated for by lower raw material and energy prices. Another factor contributing to lower earnings than in the corresponding prior-year quarter was a reduced amount of business development subsidies received in China attributable to the segment. On the other hand, higher sales volumes and a change in provisions for short-term variable compensation had a beneficial effect on earnings. Exchange rate movements had no notable impact.

In the third quarter of 2024, EBIT decreased by 24.7% to €134 million (previous year: €178 million).

Free operating cash flow was down, amounting to €101 million in the third quarter of 2024 (previous year: €185 million), largely due to a higher amount of cash tied up in working capital, which compares to cash freed up in the corresponding prior-year quarter. In addition, lower EBITDA had a negative effect on free operating cash flow.

# Forecast, Opportunities, and Risks

## Economic Outlook

### Global Economy

For the 2024 fiscal year, we expect global economic output to improve slightly – now by 2.7% – compared with the outlook given in the Annual Report 2023. The global economy will stay on a solid growth path, driven by robust economic data and improved growth prospects in the regions. Inflation seems to be largely under control and cuts in key interest rates by central banks in all regions are expected to build positive momentum for economic development in all regions.

For the EMLA region, we expect the economy to grow by 1.5%, and therefore more slowly than the global economy, in the year 2024. Although Latin America and the Middle East are expected to see stronger growth, Europe has experienced weak economic momentum in the year 2024 to date, and according to forecasts this will not improve by the end of the year.

For the NA region, we project growth of 2.5%, which is virtually on a level with the global growth outlook. Economic growth in the United States in the second quarter, which was stronger than expected, and an inflation rate approaching the Federal Reserve's target are supporting the forecasts for this region. The significant cut in the United States' key interest rate in September 2024 means that robust economic development can be expected to continue in the NA region. Although the labor market is weakening and the unemployment rate is going up, the risks of a significant deterioration in economic performance are low.

For the APAC region, we expect the economy to expand by 3.9% in 2024, and therefore faster than the global economy, driven by a strong export market and fiscal policy measures in China. Although the latest announcements of extensive economic measures in China prompt expectations of positive effects on economic growth, the region continues to be exposed to growth risks.

### Economic growth<sup>1</sup>

	Growth 2023	Growth forecast 2024 (Annual Report 2023)	Growth forecast 2024
	%	%	%
<b>World</b>	<b>2.8</b>	<b>2.4</b>	<b>2.7</b>
<b>Europe, Middle East, Latin America<sup>2</sup>, Africa (EMLA)</b>	<b>1.3</b>	<b>1.2</b>	<b>1.5</b>
of which Europe	1.0	0.9	1.3
of which Germany	-0.1	-0.1	-0.1
of which Middle East	1.3	3.0	2.0
of which Latin America <sup>2</sup>	1.9	0.7	1.5
of which Africa	3.1	2.8	3.2
<b>North America<sup>3</sup> (NA)</b>	<b>2.8</b>	<b>2.1</b>	<b>2.5</b>
of which United States	2.9	2.3	2.7
<b>Asia-Pacific (APAC)</b>	<b>4.3</b>	<b>3.6</b>	<b>3.9</b>
of which China	5.2	4.4	4.8

<sup>1</sup> Real growth of gross domestic product; source: Oxford Economics, "Growth 2023" and "Growth forecast 2024" as of October 2024.

<sup>2</sup> Latin America (excluding Mexico).

<sup>3</sup> North America (Canada, Mexico, United States).

## Main Customer Industries

The growth prospects for global economic output, which are slightly better than those presented in the outlook published in the Annual Report 2023, are not reflected in all of Covestro's main customer industries.

Compared to the original outlook, we now anticipate negative growth of 0.5% for the global automotive industry. The decline is attributable to continued high inventory levels and significantly weaker demand for electric vehicles.

For the year 2024, we still project negative growth of 2.5% for the global construction industry. The persistent real estate crisis in China and the deteriorating situation in the U.S. construction industry continue to weigh on the sector.

For the electrical, electronics, and household appliances industry, we are anticipating growth of 4.2%, therefore similar to the forecast published in the Annual Report 2023. This is driven by trends such as artificial intelligence and the need of consumers to replace consumer electronics purchased during the coronavirus pandemic.

In fiscal 2024, we now anticipate growth of 0.2% for the global furniture industry. This is mainly attributable to expected weak production output in Europe and North America due to lower consumer spending on furniture.

### Growth in main customer industries<sup>1</sup>

	Growth 2023	Growth forecast 2024 (Annual Report 2023)	Growth forecast 2024
	%	%	%
Automotive	10.4	0.8	-0.5
Construction	-2.1	-2.5	-2.5
Electrical, electronics and household appliances	-1.7	1.5	4.2
Furniture	-4.7	0.1	-0.2

<sup>1</sup> Covestro's estimate, based on the following sources: GlobalData Plc, B+L, CSIL (Centre for Industrial Studies), Oxford Economics. We limited the economic data of our "automotive and transportation" and "furniture and wood processing" main customer industries to the automotive and furniture segments (excluding the transportation or wood processing segments). As of: October 2024.

## Forecast for the Covestro Group

The analysis of the development of our key management indicators is based on the business performance described in this Quarterly Statement, the economic outlook outlined above, and consideration of our potential risks and opportunities.

Compared to the estimates given in the Annual Report 2023 and the Half-Year Financial Report 2024, we expect the challenging economic conditions to continue. For this reason, we have narrowed the guidance for EBITDA and ROCE above WACC for fiscal 2024. We now expect the key performance indicators to develop as follows:

### Forecast key management indicators

	2023	Forecast 2024 (Annual Report 2023)	Forecast 2024 (July 30, 2024)	Forecast 2024 (October 29, 2024)
EBITDA <sup>1</sup>	€1,080 million	Between €1,000 million and €1,600 million	Between €1,000 million and €1,400 million	Between €1,000 million and €1,250 million
Free operating cash flow <sup>2</sup>	€232 million	Between 0 million and €300 million	Between €-100 million and €100 million	Between €-100 million and €100 million
ROCE above WACC <sup>3,4</sup>	-6.1% points	Between -7% points and -2% points	Between -7% points and -4% points	Between -7% points and -5% points
Greenhouse gas emissions <sup>5</sup> (CO <sub>2</sub> equivalents)	4.9 million metric tons	Between 4.4 million metric tons and 5.0 million metric tons	Between 4.4 million metric tons and 5.0 million metric tons	Between 4.4 million metric tons and 5.0 million metric tons

<sup>1</sup> EBITDA: EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals on intangible assets and property, plant and equipment.

<sup>2</sup> Free operating cash flow (FOCF): cash flows from operating activities less cash outflows for additions to property, plant, equipment and intangible assets.

<sup>3</sup> ROCE: ratio of EBIT after imputed income taxes to capital employed. Imputed income taxes are calculated by multiplying an imputed tax rate of 25% by EBIT.

<sup>4</sup> WACC: weighted average cost of capital reflecting the expected return on the company's equity and debt capital. A figure of 8.1% has been taken into account for the year 2024 (2023: 7.6%).

<sup>5</sup> GHG emissions (Scope 1 and Scope 2, GHG Protocol) at main production sites (responsible for more than 95% of our energy usage).

For the Covestro Group's EBITDA, we now forecast a figure between €1,000 million and €1,250 million (previously: between €1,000 million and €1,400 million). The Performance Materials segment's EBITDA is now projected to total between €400 million and €600 million (previously: between €400 million and €700 million). For the Solutions & Specialties segment, we now expect EBITDA to be slightly down on the 2023 figure (previously: on a level with the year 2023\*).

The Covestro Group's FOCF forecast is unchanged at between €-100 million and €100 million. In the Performance Materials segment, we still expect FOCF to be significantly down on the amount of the year 2023 (€162 million). In the Solutions & Specialties segment, we are also still forecasting FOCF to be significantly lower than in the year 2023 (€551 million).

We now anticipate ROCE above WACC to be between -7% points and -5% points (previously: between -7% points and -4% points).

The Covestro Group's GHG emissions measured as CO<sub>2</sub> equivalents are still projected to be between 4.4 million metric tons and 5.0 million metric tons.

## Opportunities and Risks

With regard to the Covestro Group's opportunity or risk factors, no material change has been made compared to the presentation of risk categories in the Annual Report 2023. At the time this Quarterly Statement was prepared, there were no risks that could endanger the Group's continued existence.

\* This may entail a variance in the single-digit percentage range from the figure for the year 2023 (€817 million).