Significant Events

Closure of the Joint Venture Production Site in Maasvlakte (Netherlands)

LyondellBasell (LYB) and Covestro have jointly decided to close permanently the propylene oxide/styrene monomer (POSM) production facility at the Maasvlakte site in the Rotterdam region. The joint operation, in which LYB and Covestro hold an interest of 50% each, operates under the name "LyondellBasell Covestro Manufacturing Maasvlakte V.O.F."

The decision, which was taken after a thorough review, is due to continuing pressure on the profitability of the site in Maasvlakte because of global surplus capacities, a sharp rise in imports from Asia, and high production costs in Europe. This situation is expected to continue and production is therefore not expected to be profitable in the longer term. Until the end of the year 2026, LYB will carry out a process for the safe closure of the facility and make preparations for its demolition.

This action marks another step in the global transformation program STRONG, which was launched in the year 2024. For this action, expenses in a high double-digit million euro range were recognized and affected EBITDA in the first quarter of 2025; they are attributable to the Performance Materials segment. The other costs incurred for the transformation program in the first quarter of 2025 were not material.

Results of Operations and Financial Position of the Covestro Group

Results of Operations

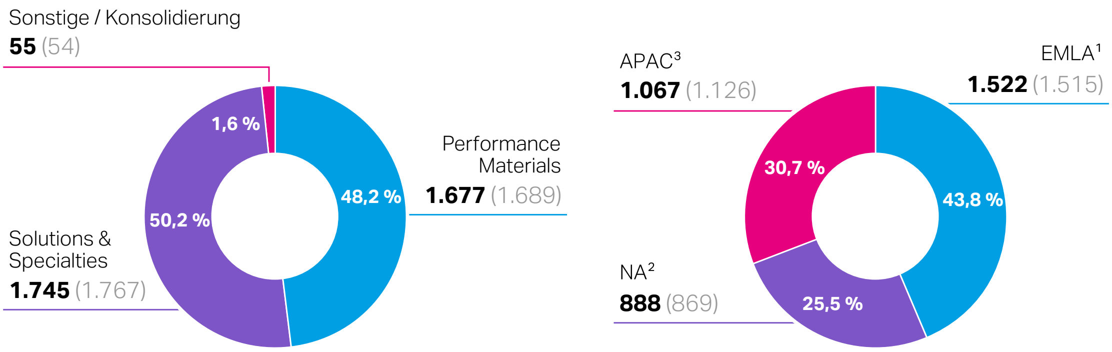
Group sales declined by 0.9% in the first quarter of 2025, to €3,477 million (previous year: €3,510 million), driven by a decline in sales volumes and in average selling prices in the APAC region. Overall, sales volumes had a reducing effect on sales of 0.4% and the selling price level had a negative impact of 1.1%. Exchange rate movements had a positive effect on sales of 0.6%.

In the EMLA region, sales were 0.5% higher, at €1,522 million (previous year: €1,515 million), in the first quarter of 2025, while sales in the NA region were up 2.2% to €888 million (previous year: €869 million). In the APAC region, by contrast, sales dropped by 5.2% to €1,067 million (previous year: €1,126 million).

In the first quarter of 2025, sales decreased by 0.7% to €1,677 million (previous year: €1,689 million) in the Performance Materials segment and by 1.2% to €1,745 million (previous year: €1,767 million) in the Solutions & Specialties segment.

Umsatzerlöse nach Segmenten und Regionen

in Mio. €, Vorjahreswerte in Klammern



[1] EMLA: Europe, Middle East, Latin America (excluding Mexico), Africa region.
[2] NA: North America region (Canada, Mexico, United States).
[3] APAC: Asia and Pacific region.

The Group's EBITDA was down 49.8% to €137 million in the first quarter of 2025 (previous year: €273 million). Here it was mainly expenses incurred to implement the transformation program STRONG in a high double-digit million euro range that had a negative impact on earnings. Most of these expenses in the first quarter of 2025 were attributable to the planned closure of the production facility at the Maasvlakte (Netherlands) site, while the drop in the selling price level also weighed on earnings. On the other hand, the trend in volumes sold and exchange rate movements had a beneficial effect on earnings. Lower provisions for short-term variable compensation in an amount of €19 million also boosted earnings.

EBITDA dropped by 87.4% to €13 million (previous year: €103 million) in the Performance Materials segment and by 13.0% to €181 million (previous year: €208 million) in the Solutions & Specialties segment.

The Covestro Group's EBIT was negative at €97 million in the first quarter of 2025 (previous year: €61 million).

Financial Position

In the first quarter of 2025 cash outflows from operating activities amounted to €73 million (previous year: €23 million). This rise in cash outflows was mainly due to lower EBITDA. A decrease in the amount of cash tied up in working capital compared to the previous year had a beneficial effect on free operating cash flow.

Free operating cash flow declined to €–253 million in the first quarter of 2025 (previous year: €–129 million), largely due to higher cash outflows for additions to property, plant, equipment and intangible assets as well as lower cash flow from operating activities.

Net financial debt

	Dec. 31, 2024	Mar. 31, 2025
	€ million	€ million
Bonds	1,492	1,493
Liabilities to banks	870	1,241
Lease liabilities	736	762
Liabilities from forward exchange contracts	17	18
Other financial debt	41	192
Receivables from forward exchange contracts	(6)	(23)
Gross financial debt	**3,150**	**3,683**
Cash and cash equivalents	(509)	(742)
Current financial assets	(23)	(8)
Net financial debt	**2,618**	**2,933**

In comparison with December 31, 2024, the Covestro Group's gross financial debt rose by €533 million to €3,683 million as of March 31, 2025. This was primarily attributable to an increase in liabilities to banks by €371 million, which resulted mostly from borrowings of €382 million in China. Other financial debt rose at the same time, driven mainly by the issuance of commercial paper of €189 million under the European Commercial Paper Program (ECPP); this was offset by a repayment of commercial paper of €40 million.

Cash and cash equivalents were up €233 million in comparison with the figure on December 31, 2024, to €742 million. This was primarily attributable to cash inflows of €468 million from financing activities. Conversely, cash outflows of €180 million for additions to property, plant, equipment and intangible assets as well as cash outflows of €73 million from operating activities caused cash and cash equivalents to decline.

The net cash inflows from short-term bank deposits drove down current financial assets by €15 million to €8 million.

Net financial debt therefore grew by €315 million compared with the figure on December 31, 2024, to €2,933 million as of March 31, 2025.

Performance of the Segments

Performance Materials

Performance Materials key data

	1st quarter 2024	1st quarter 2025	Change
Sales (external)	**€1,689 million**	**€1,677 million**	**–0.7%**
Intersegment sales	€556 million	€538 million	–3.2%
Sales (total)	**€2,245 million**	**€2,215 million**	**–1.3%**
Change in sales (external)			
Volume	17.3%	–2.0%	
Price	–21.3%	0.7%	
Currency	–1.7%	0.6%	
Sales by region (external)			
EMLA	€762 million	€802 million	5.2%
NA	€417 million	€430 million	3.1%
APAC	€510 million	€445 million	–12.7%
EBITDA[1]	**€103 million**	**€13 million**	**–87.4%**
EBIT[1]	(€35 million)	(€144 million)	311.4%
Cash flows from operating activities	€1 million	(€13 million)	.
Cash outflows for additions to property, plant, equipment and intangible assets	€74 million	€111 million	50.0%
Free operating cash flow	**(€73 million)**	**(€124 million)**	**69.9%**

[1] EBIT and EBITDA include the effect on earnings of intersegment sales.

In the Performance Materials segment, first quarter sales in 2025 were down 0.7% to €1,677 million (previous year: €1,689 million), mainly driven by a decrease in volumes sold, which had a reducing effect on sales of 2.0%. This was set against a 0.7% rise in average selling prices as well as exchange rate movements, which had a beneficial effect on sales of 0.6%.

Sales in the EMLA region were 5.2% up on the prior-year quarter, rising to €802 million (previous year: €762 million), driven primarily by a rise in average selling prices and an increase in volumes sold, both of which boosted sales slightly. Exchange rate movements had a neutral overall impact on sales. In the NA region, sales climbed by 3.1% to €430 million (previous year: €417 million), mainly due to a higher average selling price level and to exchange rate movements, both of which had a positive effect on sales. Changes in volumes sold had no notable effect on sales. Sales in the APAC region were down 12.7% to €445 million (previous year: €510 million), mainly because of a substantial contraction in volumes sold. In addition, a minor drop in average selling prices impacted negatively on sales, while a change in exchange rates pushed sales slightly higher.

In the first quarter of 2025, EBITDA in the Performance Materials segment was down 87.4% on the prior-year quarter, declining to €13 million (previous year: €103 million). This was mostly driven by expenses incurred to implement the transformation program STRONG in a high double-digit million euro range. They were mostly attributable to the planned closure of the production facility at the Maasvlakte (Netherlands) site. At the same time, lower margins had a reducing effect on earnings, since the negative effects of increased energy prices outweighed the positive impact of the higher selling price level. Changes in volumes sold, exchange rate movements, and lower provisions for short-term variable compensation all boosted earnings.

In the first quarter of 2025, EBIT amounted to €–144 million (previous year: €–35 million).

Free operating cash flow declined to €–124 million in the first quarter of 2025 (previous year: €–73 million), largely due to lower EBITDA and higher cash outflows for additions to property, plant, equipment and intangible assets. A decrease in the amount of cash tied up in working capital compared to the previous year had a beneficial effect on free operating cash flow.

Solutions & Specialties

Solutions & Specialties key data

	1st quarter 2024	1st quarter 2025	Change
Sales (external)	**€1,767 million**	**€1,745 million**	**–1.2%**
Intersegment sales	€7 million	€6 million	–14.3%
Sales (total)	**€1,774 million**	**€1,751 million**	**–1.3%**
Change in sales (external)			
Volume	5.9%	1.2%	
Price	–10.4%	–3.0%	
Currency	–1.7%	0.6%	
Sales by region (external)			
EMLA	€710 million	€677 million	–4.6%
NA	€444 million	€448 million	0.9%
APAC	€613 million	€620 million	1.1%
EBITDA[1]	**€208 million**	**€181 million**	**–13.0%**
EBIT[1]	€135 million	€106 million	–21.5%
Cash flows from operating activities	€53 million	€50 million	–5.7%
Cash outflows for additions to property, plant, equipment and intangible assets	€31 million	€61 million	96.8%
Free operating cash flow	**€22 million**	**(€11 million)**	**.**

[1] EBIT and EBITDA include the effect on earnings of intersegment sales.

In the Solutions & Specialties segment, first-quarter sales in 2025 were down 1.2% to €1,745 million (previous year: €1,767 million). This was primarily driven by a 3.0% decline in average selling prices. This effect was partially offset by a rise in volumes sold, which had a beneficial impact of 1.2% on sales, and exchange rate movements with a sales-increasing effect of 0.6%.

The EMLA region's sales decreased 4.6% to €677 million (previous year: €710 million), driven by slightly lower average selling prices and a marginal decline in sales volumes. Exchange rate movements had no notable effect on sales. In the NA region, sales were up 0.9% to €448 million (previous year: €444 million), mainly on account of a slight increase in volumes sold. A lower selling price level, on the other hand, had a slight reducing impact on sales. Exchange rate movements had no notable effect on sales. Sales in the APAC region were up 1.1%, rising to €620 million (previous year: €613 million), driven primarily by an increase in volumes sold as well as exchange rate movements, both of which boosted sales slightly. Average selling prices, on the other hand, caused sales to decline slightly.

In the first quarter of 2025, EBITDA in the Solutions & Specialties segment was down 13.0% on the corresponding prior-year quarter, declining to €181 million (previous year: €208 million), largely due to the decline in the selling price level, which resulted in lower margins. In contrast, a rise in volumes sold, positive exchange rate movements, and lower provisions for short-term variable compensation had a beneficial effect on earnings.

In the first quarter of 2025, EBIT decreased by 21.5% to €106 million (previous year: €135 million).

Free operating cash flow dropped to €–11 million in the first quarter of 2025 (previous year: €22 million), driven mainly by lower EBITDA and higher cash outflows for additions to property, plant, equipment and intangible assets. A decrease in the amount of cash tied up in working capital compared to the previous year had a beneficial effect on free operating cash flow.

Forecast, Opportunities, and Risks

Economic Outlook

Global Economy

The economic growth outlook is subject to considerable uncertainties. We anticipate that economic performance will be marginally weaker than forecast in the Annual Report 2024 and now expect global economic growth of 2.6% in fiscal 2025. The global economy is facing increased risks. Rising political uncertainty as a result of persistent flashpoints as well as renewed trade tensions caused by the tariff policy of the US government are weighing on global economic growth.

For the EMLA region, we anticipate economic growth of 1.7% for the year 2025, which is slower than that of the global economy as a whole. Compared to the Annual Report 2024, the forecast has remained largely stable. The continuing conflict between Russia and Ukraine as well as additional uncertainty about trade and economic policy – especially with regard to the United States – are making business decisions more difficult and dampening economic growth in the region.

For the NA region, we project growth of 1.9%, which is below the level of the global growth outlook. The US government's trade policies are creating uncertainty in the region, and this has led to a reduction in growth expectations compared to the forecast in the Annual Report 2024. The impacts of the tariff measures on economic growth could be significantly more severe for Canada and Mexico, since both countries are heavily dependent on trade with the United States. This increases the risk of recession in both economies.

For the APAC region, we continue to expect growth of 3.9% for the year 2025, in excess of global economic expansion. The forecast has not changed compared to the outlook published in the Annual Report 2024. It is anticipated that growth will continue to be supported by additional fiscal policy measures and the expectation that the Chinese government will extensively ease monetary policy. At the same time, this region is exposed to considerable market uncertainty and risks as a result of the tensions in global trade policy.

Economic growth[1]

	Growth 2024	Growth forecast 2025 (Annual Report 2024)	Growth forecast 2025
	%	%	%
World	**2.8**	**2.8**	**2.6**
Europe, Middle East, Latin America[2], Africa (EMLA)	**1.6**	**1.8**	**1.7**
of which Europe	1.3	1.4	1.3
of which Germany	–0.2	0.4	0.0
of which Middle East	1.3	3.2	3.2
of which Latin America[2]	2.0	2.3	1.9
of which Africa	3.3	3.9	3.9
North America[3] (NA)	**2.6**	**2.5**	**1.9**
of which United States	2.8	2.6	2.0
Asia-Pacific (APAC)	**4.0**	**3.9**	**3.9**
of which China	5.0	4.4	4.6

[1] Real growth of gross domestic product; source: Oxford Economics, "Growth 2024" and "Growth forecast 2025" as of March/April 2025.
[2] Latin America (excluding Mexico).
[3] North America (Canada, Mexico, United States).

Main Customer Industries

The growth forecasts for global economic output, which are slightly weaker than those provided in the Annual Report 2024, are reflected in almost all of Covestro's relevant main customer industries.

We now anticipate growth of 2.4% in the global automotive industry for the year 2025. The reason for the decline compared to the outlook in the Annual Report 2024 is an expectation of growing caution on the demand side, triggered by US trade policy, which is expected to weigh particularly heavily on the EMLA and NA regions and may point to further risks for the industry in the future.

For the global construction industry, we are currently anticipating growth of 0.5% for the year 2025 – which therefore exceeds the forecast in the Annual Report 2024. Although a slight recovery in the industry is discernible, higher long-term interest rates and heightened uncertainty due to protectionist trade policies are likely to dampen companies' capital expenditure in the industry.

For the electrical, electronics, and household appliances industry, we are anticipating growth of 2.4%, which is below the outlook published in the Annual Report 2024. Higher tariffs as a result of US trade policies are expected to bring uncertainty and higher unemployment, which will weigh on consumer spending and therefore on demand for electronics and household appliances.

For the year 2025, we now anticipate growth of 1.0% for the global furniture industry. The weaker outlook compared to the Annual Report 2024 is also attributable to US trade policy. Since the furniture industry is heavily dependent on exports to the United States and demand is particularly sensitive to changes in real incomes, the planned trade policy measures will have a particularly negative impact on the industry.

Growth in main customer industries[1]

	Growth 2024	Growth forecast 2025 (Annual Report 2024)	Growth forecast 2025
	%	%	%
Automotive	–0.7	2.7	2.4
Construction	–2.5	0.2	0.5
Electrical, electronics and household appliances	4.1	5.2	2.4
Furniture	–0.5	1.5	1.0

[1] 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: March/April 2025

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 assessments in the Annual Report 2024, we continue to assume challenging economic conditions. For this reason, we have narrowed the guidance for EBITDA and ROCE above WACC for fiscal 2025. We now expect the key management indicators to develop as follows:

Forecast key management indicators

	2024	Forecast 2025 (Annual Report 2024)	Forecast 2025 (May 6, 2025)
EBITDA[1]	€1,071 million	Between €1,000 million and €1,600 million	Between €1,000 million and €1,400 million
Free operating cash flow[2]	€89 million	Between 0 million and €300 million	Between 0 million and €300 million
ROCE above WACC[3, 4]	–7% points	Between –6% points and –2% points	Between –6% points and –3% points
Greenhouse gas emissions[5] (CO_2 equivalents)	4.9 million metric tons	Between 4.2 million metric tons and 4.8 million metric tons	Between 4.2 million metric tons and 4.8 million metric tons

1 EBITDA: EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals on intangible assets and property, plant and equipment.
2 Free operating cash flow (FOCF): cash flows from operating activities less cash outflows for additions to property, plant, equipment and intangible assets.
3 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.
4 WACC: weighted average cost of capital reflecting the expected return on the company's equity and debt capital. A figure of 7.3% has been taken into account for the year 2025 (2024: 8.1%).
5 Greenhouse gas (GHG) emissions (Scope 1 and Scope 2, GHG Protocol) of all Covestro's environmentally relevant sites.

For the Covestro Group's EBITDA, we now forecast a figure between €1,000 million and €1,400 million (previously: between €1,000 million and €1,600 million). Covestro now anticipates that the Performance Materials segment's EBITDA will be €400 million to €700 million (previously: €400 million to €800 million). In the Solutions & Specialties segment, our expectation is unchanged: EBITDA that is slightly higher than the amount of the year 2024 (€740 million).

The Covestro Group's FOCF is still forecast between €0 million and €300 million.

We are now projecting ROCE above WACC in a range between –6% points and –3% points (previously: between –6% points and –2% points).

The projection for GHG emissions of all the Covestro Group's environmentally relevant sites, measured as CO_2 equivalents, is unchanged, at between 4.2 million metric tons and 4.8 million metric tons of CO_2 equivalents.

Opportunities and Risks

Covestro comprehensively monitors all relevant risk factors. Despite the volatile global business environment, including the raising of trade barriers, there have been no fundamental changes compared to the presentation of risk categories for the Covestro Group in the Annual Report 2024. At the time this Quarterly Statement was prepared, there were no risks that could endanger the Group's continued existence.