

HALF-YEAR FINANCIAL REPORT 2023

Q2



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Reporting Profile

Reporting Principles

The Half-Year Financial Report of Covestro AG, Leverkusen (Germany), meets the requirements of the German Securities Trading Act (WpHG) and, in accordance with Section 115 (2) through (4) of the WpHG (half-year financial report; power to issue statutory instruments), comprises Condensed Consolidated Interim Financial Statements, an Interim Group Management Report, and a Responsibility Statement by Management. This report covers the period from January 1 to June 30, 2023. The Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 (Interim Financial Reporting) under the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) and their Interpretations, as adopted by the European Union (EU) and applicable as of the reporting date. The Half-Year Financial Report should be read alongside the Annual Report for fiscal 2022 and the additional information about the company contained therein, as well as the Quarterly Statement as of March 31, 2023.*

Forward-Looking Statements

This Report may contain forward-looking statements based on current assumptions and forecasts made by the management of Covestro AG. Various known and unknown risks, uncertainties, and other factors could lead to material differences between the actual results, financial situation, development, or performance of the Covestro Group and the estimates given here. The various factors include those discussed in Covestro AG's public reports, which are available at www.covestro.com. Covestro AG assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Alternative Performance Measures

Throughout its financial reporting, Covestro uses alternative performance measures (APMs) to assess the business performance of the Group. These are not defined in the IFRSs. These non-IFRS indicators should be considered a supplement to, not a replacement for, the financial performance measures determined in accordance with IFRSs. The alternative performance measures of relevance to the Covestro Group include earnings before interest, taxes, depreciation, and amortization (EBITDA), return on capital employed (ROCE), free operating cash flow (FOCF), and net financial debt. Covestro uses ROCE above the weighted average cost of capital (WACC) to determine profitability, while EBITDA is analyzed to assess profitable growth. FOCF is a key factor in the presentation of the liquidity position that indicates the company's ability to generate a cash surplus and finance its activities. Net financial debt gauges the Group's financial condition and financing requirements. The calculation methods for the APMs may vary from those of other companies, thus limiting the extent of the overall comparability. These alternative performance measures should not be viewed in isolation or employed as an alternative to the financial indicators determined in accordance with IFRSs and presented in the consolidated financial statements for purposes of assessing Covestro's net assets, financial position, and results of operations.

→ Explanations of the definition and calculation of these alternative performance measures can be found in the "Management" section of the Combined Management Report in the Annual Report 2022.

Acronyms and Abbreviations

Acronyms and abbreviations used in this Report are explained in this Report or in the Glossary provided in the Annual Report 2022.

Rounding and Percentage Deviations

As the indicators in this Report are stated in accordance with commercial rounding principles, totals and percentages may not always be exact.

If a deviation changes from positive to negative or vice versa, or if it is greater than 1,000%, this is shown by a period.

* This Quarterly Statement was prepared in accordance with Section 53 of the Stock Exchange Rules and Regulations (Börsenordnung) of the Frankfurt Stock Exchange; it is not an interim report within the meaning of IAS 34 (Interim Financial Reporting) or a set of financial statements within the meaning of IAS 1 (Presentation of Financial Statements).

Inclusive Language

Diversity, equity, and inclusion are important to Covestro. To ensure better readability, we therefore strive to use gender-neutral language and avoid gender-specific terms in this Report. All terms should be taken to apply equally to all genders.

Publication

This Report was published on August 1, 2023. It is available in German and English. The German version is binding.

Covestro Group Key Data

| | 2nd quarter 2022 | 2nd quarter 2023 | Change | 1st half 2022 | 1st half 2023 | Change |
|---|-----------------------|-----------------------|---------------|-----------------------|-----------------------|---------------|
| Sales | €4,703 million | €3,720 million | -20.9% | €9,386 million | €7,463 million | -20.5% |
| Change in sales | | | | | | |
| Volume | -2.1% | -8.0% | | 0.5% | -12.5% | |
| Price | 14.5% | -11.0% | | 18.3% | -7.4% | |
| Currency | 6.5% | -1.9% | | 6.1% | -0.6% | |
| Portfolio | 0.0% | 0.0% | | 4.3% | 0.0% | |
| EBITDA¹ | €547 million | €385 million | -29.6% | €1,353 million | €671 million | -50.4% |
| Changes in EBITDA | | | | | | |
| Volume | -5.8% | -22.5% | | -0.5% | -30.7% | |
| Price | 70.3% | -94.5% | | 85.3% | -51.6% | |
| Raw material price | -96.5% | 63.4% | | -103.1% | 18.6% | |
| Currency | 4.9% | -3.1% | | 5.8% | -1.3% | |
| Other ² | -5.9% | 27.1% | | -0.8% | 14.6% | |
| EBIT ³ | €307 million | €166 million | -45.9% | €896 million | €205 million | -77.1% |
| Financial result | (€44 million) | (€36 million) | -18.2% | (€72 million) | (€65 million) | -9.7% |
| Net income⁴ | €199 million | €46 million | -76.9% | €615 million | €20 million | -96.7% |
| Earnings per share ⁵ | €1.04 | €0.24 | -76.9% | €3.20 | €0.11 | -96.6% |
| Cash flows from operating activities ⁶ | (€272 million) | €149 million | | (€115 million) | €130 million | |
| Cash outflows for additions to property, plant, equipment and intangible assets | €190 million | €159 million | -16.3% | €330 million | €279 million | -15.5% |
| Free operating cash flow⁷ | (€462 million) | (€10 million) | -97.8% | (€445 million) | (€149 million) | -66.5% |

¹ Earnings before interest, taxes, depreciation and amortization (EBITDA): EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals on property, plant and equipment and intangible assets.

² Other changes in EBITDA such as changes in provisions for variable compensation.

³ Earnings before interest and taxes (EBIT): income after income taxes plus financial result and income taxes.

⁴ Net income: income after income taxes attributable to the shareholders of Covestro AG.

⁵ Earnings per share: according to IAS 33 (Earnings per Share), net income divided by the weighted average number of outstanding no-par value voting shares of Covestro AG. The calculation was based on 189,638,752 no-par shares for the second quarter of 2023 (previous year: 191,070,836 no-par shares) and on 189,792,703 no-par shares for the first half of 2023 (previous year: 192,101,348 no-par shares).

⁶ Cash flows from operating activities according to IAS 7 (Statement of Cash Flows).

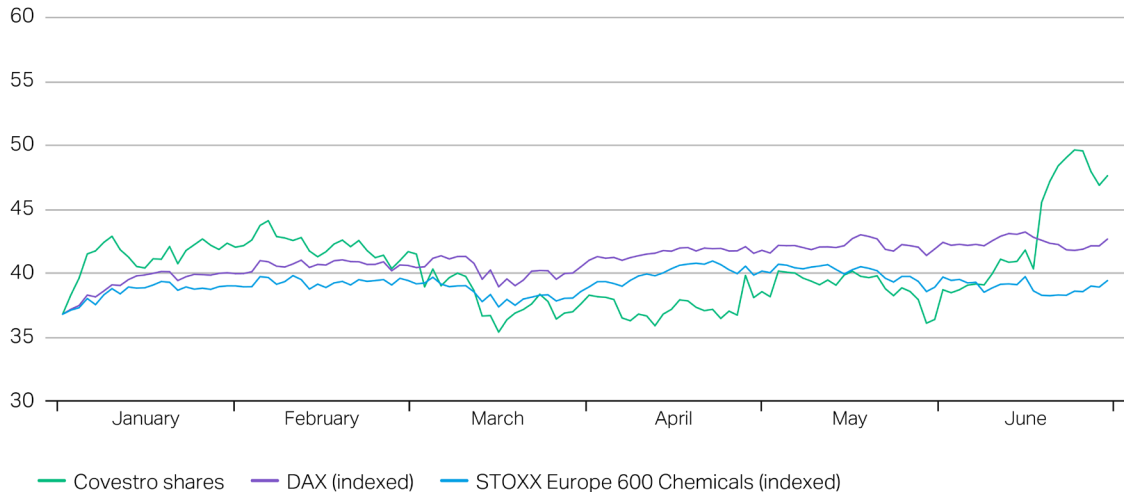
⁷ Free operating cash flow (FOCF): cash flows from operating activities less cash outflows for additions to property, plant and equipment and intangible assets.

COVESTRO SHARES

Covestro Shares

Performance of Covestro shares versus market in the first half of 2023

€ (Covestro shares)



Covestro closing prices on Xetra; source: Deutsche Börse

Share Price Recovers in Poor Economic Environment

Stock exchange performance in the first half of the year 2023 and the global economy both continued to be weighed down by the effects of Russia's war against Ukraine, which started in February 2022, and a global demand crisis, which has persisted in many industries since the middle of the year 2022. Energy prices, which had been driven up by the war in Ukraine, have been declining significantly in the year 2023. Due to the unfavorable supply and demand situation, most of the benefits of lower raw material prices have to be passed on to customers, and the challenging earnings situation therefore continues.

As of June 30, 2023, the German DAX benchmark index, which is relevant for Covestro, was up 16.0% compared with the end of the year 2022. The performance of European chemical stocks was significantly more restrained. At the end of the six-month period, the STOXX Europe 600 Chemicals index was only 6.2% higher than at the beginning of the year. However, at a Xetra closing price of €47.58, Covestro's share price was up at the end of the first half of 2023, gaining 30.2% compared with December 31, 2022. The share price started the year 2023 with an upward movement, but then declined in the course of the first quarter of 2023, reaching a low of €35.36 on March 15, 2023. During the second quarter of 2023, Covestro's share price trended slightly higher, interspersed by brief periods of price weakness. Since the beginning of June 2023, the share price has been on an upward trajectory, boosted further by market rumors. It reached its high of the first half of 2023 of € 49.60 on June 23, 2023.

Compared with the closing price of €36.55 for the year 2022, this corresponds to a share price performance (without dividend reinvestment since no dividend was paid for fiscal 2022) of 30.2%.

At the end of the first half of 2023, Covestro's market capitalization stood at around €9.0 billion based on 188.7 million shares outstanding. The average daily Xetra trading volume was around 1.4 million shares.

Virtual Annual General Meeting Held on April 19, 2023

Covestro AG's 2023 Annual General Meeting (AGM) was held on April 19, 2023. Taking account, in particular, of legislation, the ownership structure, expected costs, the pandemic situation at the time, and the experience made in recent years, Covestro resolved at the end of the year 2022 to hold a virtual AGM, as in the previous year.

The Group's net income was negative for the first time in fiscal 2022, showing a net loss of €272 million. Under the current dividend policy, this means that no dividend was distributed to shareholders of Covestro AG.

Share Buyback Program

Based on the resolution adopted at the 2019 AGM, Covestro AG's Board of Management on February 28, 2022 resolved a share buyback program totaling around €500 million (excluding transaction costs). The share buyback program is to be completed within two years. All repurchased shares are subsequently expected to be retired and the capital stock reduced accordingly.

By the end of the first half of 2022, 3,479,956 shares worth €150 million had already been bought back in two tranches at an average price of €43.0785 per share. Due to the weakening economic outlook, the Board of Management resolved in the second half of 2022 to pause the share buyback program temporarily.

In view of the revised guidance and the sequential improvement in earnings and volumes, the current program resumed in the second quarter of 2023. The third tranche, which had a volume of €49 million, was completed at the end of June 2023 and resulted in the buyback of 1,208,035 shares at an average price of €40.8147 per share.

Moody's Confirms Covestro Rating and Outlook

On June 21, 2023, Moody's Investors Service, London (United Kingdom), confirmed Covestro's Baa2 investment-grade rating with a stable outlook. Covestro intends to continue to maintain financing structures and financial ratios that support a solid investment-grade rating in the future.

12 Analysts Issue Buy Recommendation for Covestro Shares

At the end of the first half of 2023, Covestro was covered by 18 securities brokers. Of these, 12 analysts issued buy recommendations and six were neutral. The average share price target was approximately €47 at the reporting date.

Basic Covestro share information

| | |
|------------------------------------|-------------------------------|
| Capital stock | €193,200,000 |
| Outstanding shares (Half-year-end) | 188,740,330 |
| Share class | No-par ordinary bearer shares |
| ISIN | DE0006062144 |
| WKN | 606214 |
| Ticker symbol | 1COV |
| Reuters symbol | 1COV.DE |
| Bloomberg symbol | 1COV GY |
| Market segment | Regulated market |
| Transparency level | Prime standard |
| Sector | Chemicals |
| Index | DAX |

INTERIM GROUP MANAGEMENT REPORT

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REPORT ON ECONOMIC POSITION

Significant Events

Events outside the Company

Challenging Economic Environment

The situation in the European energy markets largely stabilized in the first half of 2023 compared with the volatile full-year 2022, mainly due to a significant decrease in gas prices. This is, however, countered by persistently weak demand, driven especially by lower consumer spending. The adverse macroeconomic conditions affected Covestro primarily by impacting on the volumes sold and the selling price level.

War in Ukraine

The Russian war against Ukraine, which began in February 2022, has had a notable impact on the global economy. However, Covestro's business situation is not directly affected by the consequences of the war, as Covestro does not operate any sites in the countries affected by the war (Russia, Belarus, and Ukraine). As in the previous year, the sanctions imposed on Russia and Belarus by the international community therefore affected Covestro's business only indirectly.

Events within the Company

Business in Europe, the Middle East, and Africa to Be Centralized at the Leverkusen Site

In line with its Sustainable Future strategy and Group-wide initiatives to increase operating effectiveness and efficiency, Covestro is planning to manage the business in Europe, the Middle East, and Africa centrally from Leverkusen (Germany) in the future. As a consequence, Covestro International SA, based in Fribourg (Switzerland), is expected to be closed down by the middle of fiscal 2024. The relocation is not expected to have any effects on the Group's sales activities or sales. The main factors in the second quarter of 2023 were a net tax expense of €29 million and provisions for restructuring of €14 million.

Sale of Additive Manufacturing Business

As of April 3, 2023, Covestro successfully completed the sale of the additive manufacturing business of the Solutions & Specialties segment to Stratasys, a U.S.-Israeli manufacturer of 3D printers and 3D production systems. The sale resulted in an inflow of purchase price payments of €50 million for Covestro in the second quarter of 2023; the net gain on the disposal amounted to €35 million. In addition, a variable earn-out payment has been agreed, which will depend on the achievement of various success factors and will be determined in the year 2025.

→ See "Acquisitions and Divestitures."

Operations Start at New Chlorine Plant in Tarragona

In February 2023, Covestro successfully commissioned a new large-scale plant for the manufacture of chlorine in Tarragona (Spain). It is the world's first industrial-scale production plant using the innovative and energy-efficient oxygen-depolarized cathode technology developed by Covestro and partners. The new plant guarantees efficient, continuous, and independent supplies of chlorine for the diphenylmethane diisocyanate (MDI) production in Tarragona, thus strengthening the European MDI production network.

Maezio® Product Line to be Discontinued

As part of its continuous Group-wide activities to optimize the portfolio, Covestro will in the future align the Engineering Plastics business entity in the Solutions & Specialties segment with its core business. As a result, the Board of Management has resolved that the manufacture of the highly specialized Maezio® products, and therefore the operations at the production site in Markt Bibart (Germany), will be discontinued. In this context, impairment losses of €30 million were recognized on goodwill, intangible assets, and property, plant and equipment in the first half of 2023, and personnel-related provisions and valuation allowances on inventories of €7 million were recognized through profit or loss.

Changes in the Board of Management

Chief Technology Officer Dr. Klaus Schäfer retired from the company as of June 30, 2023. His successor, Dr. Thorsten Dreier, takes on responsibility for the corporate functions of Process Technology; Engineering; Group Health, Safety and Environment; and Group Procurement as of July 1, 2023.

In February 2023, Chief Financial Officer (CFO) and Labor Director Dr. Thomas Toepfer requested the early termination of his contract, which was due to expire on March 31, 2026, to pursue a new role as CFO at the European aircraft manufacturer Airbus. The Supervisory Board of Covestro AG acceded to this request, and Dr. Thomas Toepfer will leave the company as of August 31, 2023. Until then, he will continue his work as CFO and Labor Director to the full extent. The Supervisory Board immediately initiated the search for a successor.

Financing Measures**Share Buyback Program**

On February 28, 2022, Covestro AG's Board of Management resolved a share buyback program totaling around €500 million (excluding transaction costs), which was launched in March 2022 and is expected to be completed within two years. All repurchased shares are subsequently expected to be retired and the capital stock reduced accordingly. Following the resumption of the program in May 2023, 1,208,035 shares with a total value of €49 million were bought back during the third tranche in the second quarter of 2023. By June 30, 2023, Covestro AG had acquired a total of 4,687,991 shares valued at €199 million in three tranches.

Issuance of Schuldschein Loans

On October 7, 2022, Covestro for the first time issued Schuldschein loans with a total volume equivalent to around €650 million, of which the remaining €100 million was transferred to Covestro in the first quarter of 2023. Linked to an ESG rating, these Schuldschein loans were issued in tranches comprising fixed and variable interest rates with terms of three, five, and seven years.

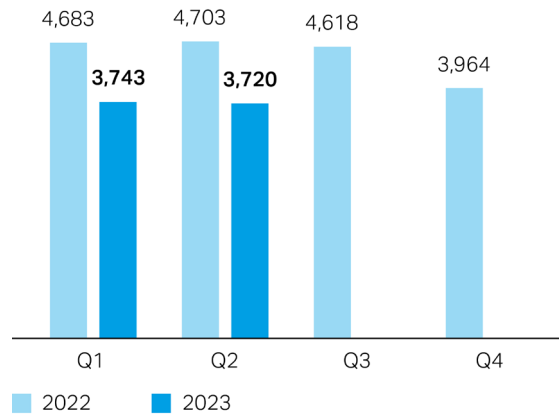
Results of Operations, Financial Position, and Net Assets of the Covestro Group

Results of Operations

Covestro Group

Quarterly Sales

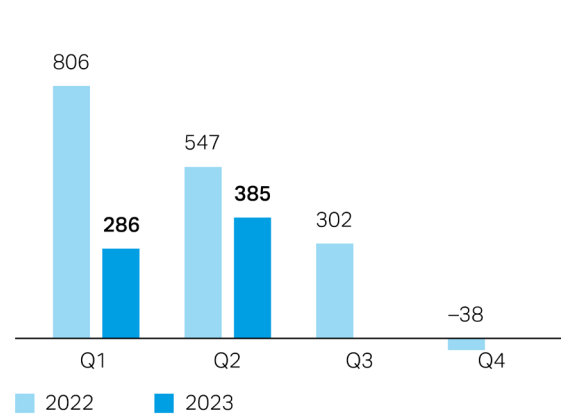
€ million



Covestro Group

Quarterly EBITDA

€ million



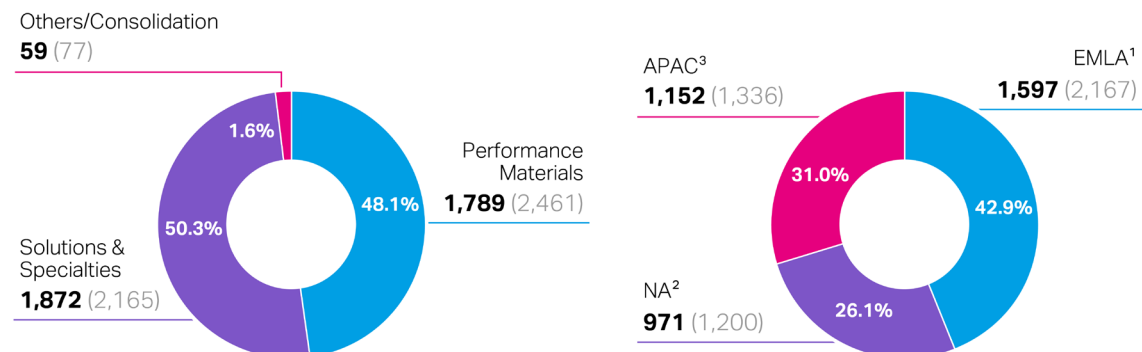
Second Quarter of 2023

In the second quarter of 2023, Group sales were down by 20.9% to €3,720 million (previous year: €4,703 million). This was mainly due to a significant drop in the selling price level, which had a negative impact on sales of 11.0%, as well as to lower volumes sold, with a lowering effect on sales of 8.0%. These trends were driven above all by the unfavorable global demand situation and availability constraints, especially in the EMLA region. In addition, exchange rate movements had a reducing effect on sales of 1.9%.

Both segments saw sales decline in the second quarter of 2023. Sales in the Performance Materials segment declined by 27.3% to €1,789 million (previous year: €2,461 million), while sales in the Solutions & Specialties segment were down 13.5% to €1,872 million (previous year: €2,165 million).

Sales by segment and region in the second quarter of 2023

€ million



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.

In the EMLA region, sales were 26.3% lower, at €1,597 million (previous year: €2,167 million), and sales in the NA region were down 19.1% to €971 million (previous year: €1,200 million). The APAC region saw sales drop by 13.8% to €1,152 million (previous year: €1,336 million).

In the second quarter of 2023, the Group's EBITDA decreased by 29.6% to €385 million (previous year: €547 million), mainly due to a demand-related decline in average selling prices, which lower raw material and energy prices were unable to offset. The resulting drop in margins and a reduction in volumes sold driven by demand and availability factors were among the key factors reducing earnings. Provisions for long-term variable compensation, which increased due to the share price performance, also had a negative effect. This was set against, among other factors, positive effects on earnings in an amount of €35 million from a decline in fixed costs and from the sale of the additive manufacturing business to Stratasys, a U.S.-Israeli manufacturer of 3D printers and 3D production systems.

Depreciation, amortization, impairment losses, and impairment loss reversals went down by 8.8% to €219 million in the second quarter of 2023 (previous year: €240 million), of which €198 million (previous year: €205 million) was attributable to property, plant and equipment and €21 million (previous year: €35 million) to intangible assets.

In the second quarter of 2023, the Covestro Group's EBIT decreased by 45.9% to €166 million (previous year: €307 million).

Taking into account a financial result of €-36 million (previous year: €-44 million), income before income taxes fell to €130 million compared with the prior-year quarter (previous year: €263 million). The tax expense incurred in the second quarter of 2023 was €85 million (previous year: €65 million), resulting in income after taxes totaling €45 million (previous year: €198 million). After noncontrolling interests, net income amounted to €46 million (previous year: €199 million). Compared to the prior-year quarter, earnings per share fell to €0.24 (previous year: €1.04).

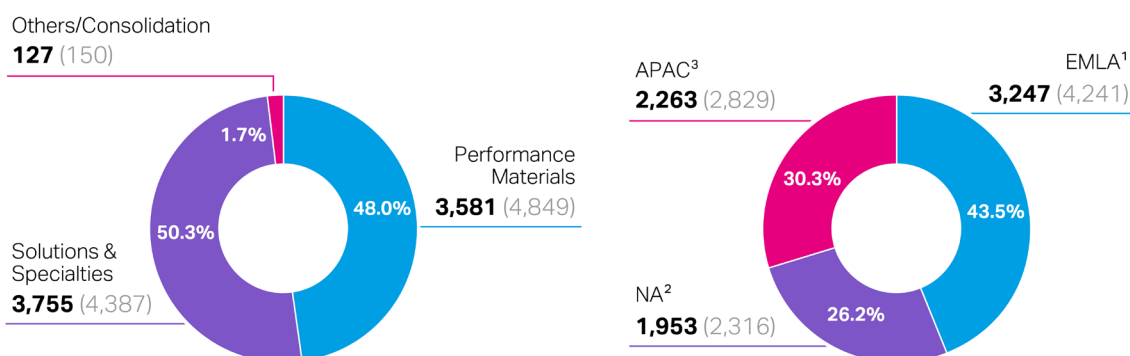
First Half of 2023

In the first half of 2023, Group sales were down by 20.5% to €7,463 million (previous year: €9,386 million). The decline was primarily due to a reduction in volumes sold driven by demand and availability factors, with a sales-reducing effect of 12.5%, and a lower selling price level, which had an adverse effect of 7.4%. Moreover, exchange rate movements had a negative impact of 0.6% on sales.

Both segments saw sales decline in the first half of 2023. In the Performance Materials segment, sales fell by 26.1% to €3,581 million (previous year: €4,849 million), while the Solutions & Specialties segment recorded a decrease of 14.4% to €3,755 million (previous year: €4,387 million).

Sales by segment and region in the first half of 2023

€ million



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.

In the EMLA region, sales were 23.4% lower, at €3,247 million (previous year: €4,241 million), and sales in the NA region were down 15.7% to €1,953 million (previous year: €2,316 million). Sales in the APAC region decreased by 20.0% to €2,263 million (previous year: €2,829 million).

The Group's EBITDA contracted by 50.4% to €671 million in the first half of 2023 compared with the prior-year period (previous year: €1,353 million). This was mainly attributable to a demand-related decline in the selling price level, which lower raw material and energy prices were unable to offset. In particular the resulting drop in margins and a reduction in volumes sold driven by demand and availability factors had a negative impact on earnings. Provisions for long-term variable compensation, which increased due to the share price performance, also reduced earnings. This was offset by earnings-enhancing effects arising from lower fixed costs, the above-mentioned sale of the additive manufacturing business, and a decline in provisions for short-term variable compensation.

Depreciation, amortization, impairment losses, and impairment loss reversals rose by 2.0% to €466 million in the first half of 2023 (previous year: €457 million), of which €409 million (previous year: €402 million) was attributable to property, plant and equipment and €57 million (previous year: €55 million) to intangible assets.

The Covestro Group's EBIT was down 77.1% to €205 million in the first half of 2023 (previous year: €896 million).

Taking into account a financial result of €-65 million (previous year: €-72 million), income before income taxes went down to €140 million compared with the previous year (previous year: €824 million). After deduction of the tax expense of €122 million for the first half of 2023 (previous year: €209 million), income after taxes totaled €18 million (previous year: €615 million). After noncontrolling interests, net income amounted to €20 million (previous year: €615 million). In the first half of 2023, earnings per share decreased to €0.11 (previous year: €3.20).

Financial Position

Covestro Group summary statement of cash flows

| | 2nd quarter 2022 | 2nd quarter 2023 | 1st half 2022 | 1st half 2023 |
|---|---------------------|---------------------|------------------|------------------|
| | € million | € million | € million | € million |
| EBITDA | 547 | 385 | 1,353 | 671 |
| Income taxes paid | (262) | (95) | (360) | (117) |
| Change in pension provisions | 10 | (7) | 12 | (17) |
| (Gains)/losses on retirements of noncurrent assets | - | (34) | - | (34) |
| Change in working capital/other noncash items | (567) | (100) | (1,120) | (373) |
| Cash flows from operating activities | (272) | 149 | (115) | 130 |
| Cash outflows for additions to property, plant, equipment and intangible assets | (190) | (159) | (330) | (279) |
| Free operating cash flow | (462) | (10) | (445) | (149) |
| Cash flows from investing activities | 233 | (179) | 154 | (458) |
| Cash flows from financing activities | (276) | (173) | (381) | (126) |
| Change in cash and cash equivalents due to business activities | (315) | (203) | (342) | (454) |
| Cash and cash equivalents at beginning of period | 623 | 949 | 649 | 1,198 |
| Change in cash and cash equivalents due to exchange rate movements | 7 | (5) | 8 | (3) |
| Cash and cash equivalents at end of period | 315 | 741 | 315 | 741 |

Cash Flows from Operating Activities/Free Operating Cash Flow

In the second quarter of 2023, net cash inflows from the Covestro Group's operating activities amounted to €149 million (previous year: net cash outflows of €272 million). A decline in EBITDA was more than offset by a smaller amount of cash tied up in working capital and lower income tax payments. In the prior-year quarter, the change in working capital had been impacted especially by the payment of short-term variable compensation for fiscal 2021. No short-term variable compensation was paid for fiscal 2022. After deduction of cash outflows of €159 million for additions to property, plant and equipment and intangible assets (previous year: €190 million), free operating cash flow in the second quarter of 2023 totaled €-10 million (previous year: €-462 million).

Cash flows from operating activities in the first half of 2023 accounted for net inflows of €130 million (previous year: cash outflows of €115 million). A decline in cash tied up in working capital and lower income tax payments more than offset the drop in EBITDA. After deduction of cash outflows of €279 million for additions to property, plant and equipment and intangible assets (previous year: €330 million), free operating cash flow totaled €-149 million (previous year: €-445 million).

Cash Flows from Investing Activities

Net cash outflow for investing activities in the second quarter of 2023 totaled €179 million (previous year: net cash inflow of €233 million). This was mainly attributable to cash outflows of €159 million (previous year: €190 million) for additions to property, plant and equipment and intangible assets and net outflows of €85 million for short-term bank deposits (previous year: net proceeds of €420 million). This was set against cash received in an amount of €50 million from the sale of the additive manufacturing business to Stratasys, a U.S.-Israeli manufacturer of 3D printers and 3D production systems, as well as an inflow of €39 million from the partial reversal of the tranche of the initial funding loan drawn down in December 2022, as announced by the pension fund.

In the first half of 2023, the net cash outflow from investing activities totaled €458 million (previous year: net cash inflow of €154 million). This was mainly attributable to cash outflows of €279 million (previous year: €330 million) for additions to property, plant and equipment and intangible assets and net outflows of €272 million for short-term bank deposits (previous year: net proceeds of €374 million). This was offset in particular by the above-mentioned cash inflows from divestitures.

Cash Flows from Financing Activities

In the second quarter of 2023, the Covestro Group's net cash outflow for financing activities totaled €173 million (previous year: €276 million), mainly due to debt repayments of €121 million. The main drivers here were repayments of current liabilities to banks of €60 million in China and lease payments of €38 million. In addition, the third tranche of the share buyback program led to cash outflows of €49 million in the second quarter of 2023 (previous year: €102 million).

→ See "Share Buyback Program" and note 8 "Financial Instruments" in the Notes to the Consolidated Interim Financial Statements.

In the first half of 2023, financing activities gave rise to a cash outflow of €126 million (previous year: €381 million). The main factors driving these cash flows related to the repayment of a loan of Covestro AG in an amount of €125 million, lease payments of €78 million, and interest payments of €68 million. In addition, the above-mentioned current liabilities to banks in China and the third tranche of the share buyback program led to cash outflows. This was set against cash inflows of €149 million, primarily from current liabilities to banks in China, and cash inflows of €100 million from the Schuldschein loans.

Net financial debt

| | Dec. 31, 2022 | June 30, 2023 |
|------------------------------|---------------|---------------|
| | € million | € million |
| Bonds | 1,988 | 1,989 |
| Liabilities to banks | 922 | 978 |
| Lease liabilities | 746 | 778 |
| Liabilities from derivatives | 32 | 63 |
| Other financial liabilities | 1 | 2 |
| Receivables from derivatives | (42) | (20) |
| Financial debt | 3,647 | 3,790 |
| Cash and cash equivalents | (1,198) | (741) |
| Current financial assets | (15) | (287) |
| Net financial debt | 2,434 | 2,762 |

Financial debt grew by €143 million compared with the figure on December 31, 2022, to €3,790 million as of June 30, 2023. In addition to the increase of €56 million in liabilities to banks, this was also due to a rise of €32 million in lease liabilities. The rise in liabilities to banks was due to the Schuldschein loan referred to above and the net increase in current liabilities to banks in China in an amount of €82 million. The repayment of the loan of Covestro AG had an offsetting effect.

Cash and cash equivalents decreased in comparison with the figure on December 31, 2022, by €457 million to €741 million. This was mainly due to cash outflows for additions to property, plant and equipment and intangible assets of €279 million and net outflows for short-term bank deposits of €272 million. Conversely, higher cash flows from operating activities led to a €130 million increase in cash and cash equivalents. The net cash outflows for short-term bank deposits drove up current financial assets by €272 million to €287 million.

In comparison with December 31, 2022, the Covestro Group's net financial debt rose by €328 million to €2,762 million as of June 30, 2023.

Net Assets

Covestro Group summary statement of financial position

| | Dec. 31, 2022 | June 30, 2023 |
|-------------------------------------|---------------|---------------|
| | € million | € million |
| Noncurrent assets | 7,916 | 7,667 |
| Current assets | 6,669 | 6,626 |
| Total assets | 14,585 | 14,293 |
| Equity | 7,122 | 6,877 |
| Noncurrent liabilities | 4,408 | 4,473 |
| Current liabilities | 3,055 | 2,943 |
| Liabilities | 7,463 | 7,416 |
| Total equity and liabilities | 14,585 | 14,293 |

Total assets were down €292 million as compared with December 31, 2022, to €14,293 million as of June 30, 2023.

Noncurrent assets decreased by €249 million to €7,667 million (December 31, 2022: €7,916 million), largely due to a decline in property, plant and equipment and other intangible assets. At the same time, current assets were also down €43 million to €6,626 million (December 31, 2022: €6,669 million). This change is attributable in particular to the decline in cash and cash equivalents described in the "Financial Position" section. A rise in other current financial assets and in other receivables were the main offsetting factors.

→ See "Financial Position."

Equity decreased by €245 million to €6,877 million, compared with €7,122 million as of December 31, 2022. The main reasons for the decline are negative foreign exchange differences and the acquisition of treasury shares. Offsetting movements include in particular the return on plan assets and income after income taxes for the first half of 2023.

Noncurrent liabilities were up €65 million to €4,473 million as of June 30, 2023 (December 31, 2022: €4,408 million), mainly as a result of higher noncurrent financial liabilities. This was set against lower deferred tax liabilities and a decrease in provisions for pensions and other post-employment benefits.

Net defined benefit liability for post-employment benefit plans

| | Dec. 31, 2022 | June 30, 2023 |
|--|---------------|---------------|
| | € million | € million |
| Provisions for pensions and other post-employment benefits | 486 | 445 |
| Net defined benefit asset | (56) | (62) |
| Net defined benefit liability | 430 | 383 |

The net defined benefit liability for post-employment benefits (provisions for pensions and other post-employment benefits less net defined benefit asset) was down by €47 million in the reporting year to €383 million (previous year: €430 million). This is above all due to the return on plan assets.

Current liabilities were down €112 million to €2,943 million as of the reporting date (December 31, 2022: €3,055 million). The main factor driving this development was a decline in trade accounts payable, while other provisions were higher than on December 31, 2022.

Performance of the Segments

Performance Materials

Performance Materials key data

| | 2nd quarter 2022 | 2nd quarter 2023 | Change | 1st half 2022 | 1st half 2023 | Change |
|---|-----------------------|-----------------------|---------------|-----------------------|-----------------------|---------------|
| Sales (external) | €2,461 million | €1,789 million | -27.3% | €4,849 million | €3,581 million | -26.1% |
| Intersegment sales ¹ | €753 million | €557 million | -26.0% | €1,563 million | €1,164 million | -25.5% |
| Sales (total) | €3,214 million | €2,346 million | -27.0% | €6,412 million | €4,745 million | -26.0% |
| Change in sales (external) | | | | | | |
| Volume | 1.6% | -10.3% | | 3.5% | -14.4% | |
| Price | 17.5% | -15.3% | | 21.7% | -11.2% | |
| Currency | 6.7% | -1.7% | | 6.0% | -0.5% | |
| Portfolio | 0.0% | 0.0% | | 0.0% | 0.0% | |
| Sales by region (external) | | | | | | |
| EMLA | €1,255 million | €813 million | -35.2% | €2,397 million | €1,652 million | -31.1% |
| NA | €625 million | €476 million | -23.8% | €1,229 million | €965 million | -21.5% |
| APAC | €581 million | €500 million | -13.9% | €1,223 million | €964 million | -21.2% |
| EBITDA² | €367 million | €302 million | -17.7% | €987 million | €475 million | -51.9% |
| EBIT ² | €204 million | €158 million | -22.5% | €679 million | €187 million | -72.5% |
| Cash flows from operating activities ³ | €95 million | €26 million | -72.6% | €301 million | €45 million | -85.0% |
| Cash outflows for additions to property, plant, equipment and intangible assets | €132 million | €103 million | -22.0% | €226 million | €179 million | -20.8% |
| Free operating cash flow³ | (€37 million) | (€77 million) | 108.1% | €75 million | (€134 million) | . |

¹ In accordance with internal reporting to the Board of Management since July 1, 2022, these figures also include sales recognized in the amount of cost of goods sold. To ensure comparability, the segment data is presented on a consistent basis.

² EBITDA and EBIT include the effect on earnings of intersegment sales.

³ An imputed tax rate of 25% has been used since the Annual Report 2022 to calculate income taxes paid by the reportable segments; see the Notes to the Consolidated Financial Statements in the Annual Report 2022, note 4 "Segment and Regional Reporting." The tax rate for the reference value has not changed.

Second Quarter of 2023

Compared to the prior-year quarter, sales in the Performance Materials segment went down by 27.3% to €1,789 million (previous year: €2,461 million). This was largely driven by lower average selling prices and a decline in volumes sold, which had a decreasing effect on sales of 15.3% and 10.3% respectively. This was attributable in particular to weak demand worldwide, combined with availability constraints, especially in the EMLA region. At the same time, exchange rate movements had a negative effect on sales of 1.7%.

In the EMLA region, sales were down 35.2% to €813 million (previous year: €1,255 million). This is mainly due to a decline in volumes sold and a lower selling price level, both of which had a significantly negative effect on sales, while exchange rate changes had a neutral impact on sales overall. In the NA region, sales were down 23.8% to €476 million (previous year: €625 million). This was primarily driven by lower average selling prices and a decline in volumes sold, both of which had a significant decreasing effect on sales. Exchange rate movements, on the other hand, had no notable effect. Sales in the APAC region declined by 13.9% to €500 million (previous year: €581 million). Contributing factors were a decrease in the selling price level and exchange rate movements, both of which contributed significantly to lower sales. In contrast, higher volumes sold had a slight positive effect on sales compared with the prior-year quarter, which had been adversely affected by logistics bottlenecks.

In the second quarter of 2023, the Performance Materials segment's EBITDA was down 17.7% on the prior-year quarter, declining to €302 million (previous year: €367 million). This was mainly driven by reduced margins as a result of the unfavorable demand situation, as lower raw material and energy prices were unable to offset the decline in selling prices. Additional negative factors weighing on earnings included a reduction in volumes sold and exchange rate movements. This was offset by the recognition of a receivable for insurance compensation for production stoppages, which had a neutral effect at the Group level, but benefited the Performance Materials segment's earnings. In addition, lower fixed costs had the effect of increasing earnings.

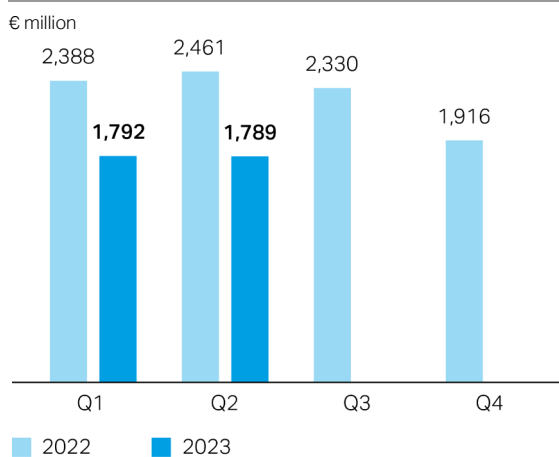
→ See note 3 "Segment and Regional Reporting" in the Notes to the Consolidated Interim Financial Statements for additional information on the presentation of the insurance compensation at Group level.

EBIT fell 22.5% to €158 million (previous year: €204 million).

Free operating cash flow decreased 108.1% to €-77 million (previous year: €-37 million), largely driven by lower EBITDA and a higher amount of cash tied up in working capital. The main reason was that cash was freed up in trade accounts payable in the prior-year quarter, while cash was tied up in the current quarter, and this had a negative effect.

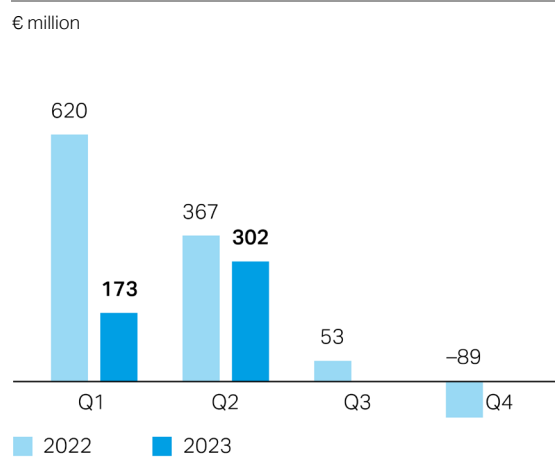
Performance Materials

Quarterly Sales



Performance Materials

Quarterly EBITDA



First Half of 2023

Sales of the Performance Materials segment decreased by 26.1% to €3,581 million in the first half of 2023 (previous year: €4,849 million), driven to a significant extent by a drop in volumes sold and lower average selling prices, which had a decreasing effect on sales of 14.4% and 11.2% respectively. The first half of 2023 was impacted above all by the unfavorable global demand situation and availability constraints, especially in the EMLA region. In addition, exchange rate movements had a negative effect on sales of 0.5%.

EBITDA was down 51.9% to €475 million in the first half of 2023 (previous year: €987 million). This was mainly driven by reduced margins, as lower raw material and energy prices were unable to offset the decline in selling prices. Additional negative factors weighing on earnings included a reduction in volumes sold and exchange rate movements. This was offset by the positive impact of recognizing a receivable for insurance compensation for production stoppages, which had a neutral effect at the Group level, as well as lower fixed costs.

→ See note 3 "Segment and Regional Reporting" in the Notes to the Consolidated Interim Financial Statements for additional information on the presentation of the insurance compensation at Group level.

EBIT declined 72.5% to €187 million (previous year: €679 million).

Free operating cash flow declined to €-134 million (previous year: €75 million), driven primarily by the drop in EBITDA. On the other hand, a smaller amount of cash tied up in working capital and a decline in cash outflows for property, plant and equipment and intangible assets had a positive effect.

Solutions & Specialties

Solutions & Specialties key data

| | 2nd quarter 2022 | 2nd quarter 2023 | Change | 1st half 2022 | 1st half 2023 | Change |
|---|-----------------------|-----------------------|---------------|-----------------------|-----------------------|---------------|
| Sales (external) | €2,165 million | €1,872 million | -13.5% | €4,387 million | €3,755 million | -14.4% |
| Intersegment sales ¹ | €8 million | €7 million | -12.5% | €17 million | €15 million | -11.8% |
| Sales (total) | €2,173 million | €1,879 million | -13.5% | €4,404 million | €3,770 million | -14.4% |
| Change in sales (external) | | | | | | |
| Volume | -7.3% | -4.7% | | -4.4% | -10.1% | |
| Price | 11.8% | -6.6% | | 15.2% | -3.5% | |
| Currency | 6.5% | -2.2% | | 6.3% | -0.8% | |
| Portfolio | 0.0% | 0.0% | | 9.0% | 0.0% | |
| Sales by region (external) | | | | | | |
| EMLA | €851 million | €736 million | -13.5% | €1,724 million | €1,491 million | -13.5% |
| NA | €563 million | €487 million | -13.5% | €1,064 million | €972 million | -8.6% |
| APAC | €751 million | €649 million | -13.6% | €1,599 million | €1,292 million | -19.2% |
| EBITDA² | €213 million | €221 million | 3.8% | €437 million | €386 million | -11.7% |
| EBIT ² | €139 million | €149 million | 7.2% | €291 million | €212 million | -27.1% |
| Cash flows from operating activities ³ | (€83 million) | €205 million | . | (€184 million) | €200 million | . |
| Cash outflows for additions to property, plant, equipment and intangible assets | €56 million | €55 million | -1.8% | €101 million | €98 million | -3.0% |
| Free operating cash flow³ | (€139 million) | €150 million | . | (€285 million) | €102 million | . |

¹ In accordance with internal reporting to the Board of Management since July 1, 2022, these figures also include sales recognized in the amount of cost of goods sold. To ensure comparability, the segment data is presented on a consistent basis.

² EBITDA and EBIT include the effect on earnings of intersegment sales.

³ An imputed tax rate of 25% has been used since the Annual Report 2022 to calculate income taxes paid by the reportable segments; see the Notes to the Consolidated Financial Statements in the Annual Report 2022, note 4 "Segment and Regional Reporting." The tax rate for the reference value has not changed.

Second Quarter of 2023

Sales in the Solutions & Specialties segment were down 13.5% to €1,872 million in the second quarter of 2023 (previous year: €2,165 million). A drop in the selling price level and a decline in volumes sold had a negative effect of 6.6% and 4.7% on sales respectively. This is attributable to the weak demand situation worldwide in the second quarter of 2023, as against the advantageous competitive situation in the prior-year quarter. At the same time, exchange rate movements had a negative effect on sales of 2.2%.

In the EMLA region, sales fell by 13.5% to €736 million (previous year: €851 million). In particular, a demand-induced decline in volumes sold had a significant negative effect on sales, while a drop in the selling price level had a slightly negative impact on sales. In contrast, exchange rate movements had no notable effect on sales. Sales in the NA region were also down by 13.5% to €487 million (previous year: €563 million). The main reason is a drop in volumes sold due to weak demand, which had a significant adverse impact on sales. Lower average selling prices had an additional, slightly negative effect on sales. The exchange rate trend had a neutral effect on sales overall. In the APAC region, sales decreased by 13.6% to €649 million (previous year: €751 million). This was predominantly due to a decline in the selling price level as well as exchange rate movements, both of which had a significant negative effect on sales. An increase in volumes sold, on the other hand, drove sales significantly upward, on the back of a recovery after the logistics bottlenecks in China in the prior-year quarter.

In the second quarter of 2023, the Solutions & Specialties segment's EBITDA was up 3.8% on the prior-year quarter, rising to €221 million (previous year: €213 million). This was driven in particular by the beneficial effect of lower fixed costs. At the same time, the sale of the additive manufacturing business to Stratasys, a U.S.-Israeli manufacturer of 3D printers and 3D production systems, had a positive effect on earnings in an amount of €35 million. This was offset by a reduction in volumes sold and exchange rate movements, both of which had a reducing effect on earnings. Another negative factor was the decline in margins, although lower raw material and energy prices almost fully offset reduced selling prices.

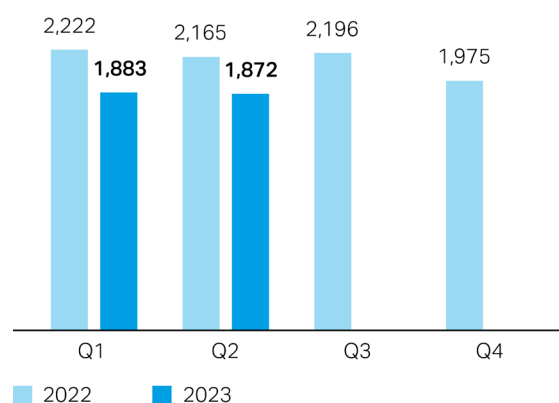
EBIT was up 7.2% to €149 million (previous year: €139 million).

Free operating cash flow amounted to €150 million (previous year: €-139 million), largely driven by higher funds tied up in working capital in the prior-year quarter. This was set against cash freed up in the current quarter, which had a positive impact. The main reason was the payment of short-term variable compensation for fiscal 2021 in the prior-year quarter as well as changes in inventories. No short-term variable compensation was paid for fiscal 2022.

Solutions & Specialties

Quarterly Sales

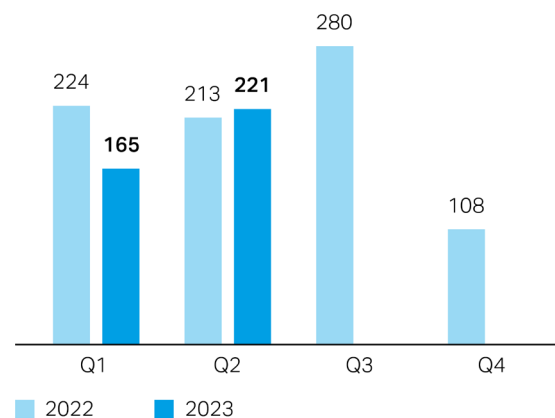
€ million



Solutions & Specialties

Quarterly EBITDA

€ million



First Half of 2023

Sales in the Solutions & Specialties segment decreased by 14.4% to €3,755 million (previous year: €4,387 million) in the first half of 2023, which was weighed down overall by weak demand worldwide. A reduction in volumes sold and lower average selling prices both led sales lower, with a respective effect of 10.1% and 3.5%. In addition, exchange rate movements had a negative effect on sales of 0.8%.

EBITDA in the Solutions & Specialties segment was 11.7% lower than in the prior-year period, declining to €386 million in the first half of 2023 (previous year: €437 million), mainly due to a decrease in volumes sold. In contrast, the margins had a beneficial impact on EBITDA, since lower raw material and energy prices more than offset the decline in the selling price level. At the same time, lower fixed costs and the sale of the additive manufacturing business to Stratasys, a U.S.-Israeli manufacturer of 3D printers and 3D production systems, had a positive effect on earnings.

EBIT fell 27.1% to €212 million (previous year: €291 million).

Free operating cash flow stood at €102 million (previous year: €-285 million). The main contributors to this development were higher funds tied up in working capital, due especially to the payment of short-term variable compensation for fiscal 2021 in the second quarter of 2022, as well as changes in inventories. The decline in EBITDA had an offsetting effect.

REPORT ON FUTURE PERSPECTIVES AND ON OPPORTUNITIES AND RISKS

Economic Outlook

Global Economy

For the current fiscal year, we expect global economic output to rise slightly more strongly – now by 2.4% – than indicated in the outlook published in the Annual Report 2022. Backed by the robust performance of the services sector, the economic data for the leading industrialized countries was more positive in the first half of the year than previously expected, and this has had a boosting effect on global economic growth in the year 2023. However, there are signs that tighter monetary policy in response to inflation in the United States and Europe will weigh significantly on economic performance during the remainder of the year. It is therefore to be anticipated that the United States will enter a mild recession. The pace of growth is expected to slow in the United States and Europe, especially in the manufacturing industry. The recovery initiated by the relaxation of China's zero-COVID policy in the year 2022 is slowing noticeably, so that only limited positive momentum for global economic growth can now be expected in the second half of 2023.

The economic growth forecast for the EMLA and NA regions continues to be below the global growth rate. As referred to above, global economic growth in the first half of the year in particular has had a positive impact on expected full-year economic growth in both regions, compared with the outlook published in the Annual Report 2022. We now forecast that the economy will expand by 1.1% in the EMLA region and by 1.7% in the NA region.

In the APAC region, we expect growth of 4.1%, in excess of global economic expansion. Although the recovery of macroeconomic performance in China is slowing down, we are still anticipating that – driven by economic stimulus measures – economic performance will increase faster than suggested in the outlook published in the Annual Report 2022.

Economic growth¹

| | Growth 2022 | Growth forecast 2023 (Annual Report 2022) | Growth forecast 2023 |
|--|-------------|--|----------------------|
| | % | % | % |
| World | 3.1 | 1.5 | 2.4 |
| Europe, Middle East, Latin America², Africa (EMLA) | 3.6 | 0.6 | 1.1 |
| of which Europe | 3.3 | 0.2 | 0.7 |
| of which Germany | 1.9 | -0.2 | -0.5 |
| of which Middle East | 6.3 | 2.7 | 2.0 |
| of which Latin America ² | 3.6 | 0.3 | 1.6 |
| of which Africa | 3.7 | 2.4 | 2.5 |
| North America³ (NA) | 2.2 | -0.1 | 1.7 |
| of which United States | 2.1 | 0.0 | 1.8 |
| Asia-Pacific (APAC) | 3.2 | 3.4 | 4.1 |
| of which China | 3.0 | 4.5 | 5.5 |

¹ Real growth of gross domestic product; source: IHS (Global Insight), "Growth 2022" and "Growth forecast 2023" as of July 2023.

² Latin America (excluding Mexico).

³ North America (Canada, Mexico, United States).

Main Customer Industries

Compared with the outlook presented in the Annual Report 2022, growth expectations are significantly lower for all sectors, except the automotive industry. The stronger rise in global economic output than indicated in the outlook published in the Annual Report 2022 is largely due to the robust performance of the services sector and not reflected in the performance of the industries relevant to Covestro. For the automotive industry, we anticipate significant growth in the year 2023. We now expect stagnant growth in the electrical, electronics, and household appliances industry. In contrast, the latest expectations for the construction and furniture industry are for slightly negative growth in the year 2023.

Growth in main customer industries¹

| | Growth 2022 | Growth forecast 2023 (Annual Report 2022) | Growth forecast 2023 |
|--|-------------|---|----------------------|
| | % | % | % |
| Automotive | 7.0 | 4.6 | 6.0 |
| Construction | 0.4 | 0.8 | -1,0 |
| Electrical, electronics and household appliances | 4.9 | 2.0 | 0.5 |
| Furniture | -3,6 | 0.3 | -2,8 |

¹ Covestro's estimate, based on the following sources: LMC Automotive Limited, 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: July 2023.

Forecast for the Covestro Group

The analysis of the development of our key management indicators is based on the business performance described in this Half-Year Financial Report and consideration of our potential risks and opportunities.

In view of the results of the first quarter of 2023 and higher margins and an improved cost level compared with the forecast published in the Annual Report 2022, Covestro's Board of Management on April 28, 2023, adjusted the guidance presented in the Annual Report 2022. On the basis of the business performance described in this Half-Yearly Report and taking into account our potential opportunities and risks, we confirm the adjusted guidance for fiscal 2023.

For the remainder of the year we have, however, identified potential risk, mainly because of weak demand in our main customer industries. As a consequence, we currently expect that we will more likely meet the targets in the bottom half of each of the forecast ranges for our key management indicators presented below:

Forecast key management indicators

| | 2022 | Forecast 2023 (Annual Report 2022) | Forecast 2023 (April 28, 2023) |
|--|-------------------------|---------------------------------------|---|
| EBITDA ¹ | €1,617 million | Significantly down on previous year | Between €1,100 million and €1,600 million |
| Free operating cash flow ² | €138 million | Significantly down on previous year | Between €0 million and €500 million |
| ROCE above WACC ^{3,4} | -5.0% points | Significantly down on previous year | Between -6% points and -2% points |
| Greenhouse gas emissions ⁵ (CO ₂ equivalents) | 4.7 million metric tons | Similar to previous year ⁶ | Between 4.2 million metric tons and 4.8 million metric tons |

¹ Earnings before interest, taxes, depreciation and amortization (EBITDA): EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals on property, plant and equipment and intangible assets.

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

³ Return on capital employed (ROCE): ratio of the adjusted operating result (EBIT) after imputed income taxes to capital employed.

⁴ Weighted average cost of capital (WACC): weighted average cost of capital reflecting the expected return on the company's equity and debt capital. A figure of 7.0% has been taken into account for the year 2022 (2021: 6.6%).

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

⁶ This may entail a variance in the single-digit percentage range.

For the Covestro Group's EBITDA, we project a figure between €1,100 million and €1,600 million (forecast in the Annual Report 2022: significantly down on the previous year). The forecast for the Performance Materials segment's EBITDA is expected to be significantly below the figure for the year 2022. In the Solutions & Specialties segment, we project EBITDA on a level with the year 2022.*

The Covestro Group's FOCF is forecast between €0 million and €500 million (forecast in the Annual Report 2022: significantly down on the previous year). For the Performance Materials segment, we expect FOCF to fall significantly short of the figure for the year 2022. In the Solutions & Specialties segment, however, we expect FOCF to be significantly higher than the amount of the year 2022.

We expect ROCE above WACC of between -6% points and -2% points (forecast in the Annual Report 2022: significantly down on the previous year).

The Covestro Group's GHG emissions measured as CO₂ equivalents are projected to be between 4.2 million metric tons and 4.8 million metric tons (forecast in the Annual Report 2022: on a level with the previous year*).

* This may entail a variance in the single-digit percentage range.

Opportunities and Risks

As a company with global operations and a diversified portfolio, the Covestro Group is subject to a number of opportunities and risks.

Opportunity and risk management at Covestro is an integral part of the Group's corporate governance system. See the "Opportunities and Risks Report" in the Combined Management Report in the Annual Report 2022 for a detailed explanation of our opportunity and risk management system and opportunity and risk situation.

→ [See the "Opportunities and Risks Report" in the Annual Report 2022 for additional information.](#)

No Changes in the Risk Situation

With regard to the Covestro Group's other opportunity or risk factors, no material changes have been made to the presentation of risk categories in the Annual Report 2022. At the time this Half-Year Financial Report was prepared, there were again no risks that could endanger the Group's continued existence.

No new material developments have occurred in the legal proceedings presented in the Annual Report 2022, and no new material legal proceedings are pending.

→ [See note 9 "Legal Risks" in the Notes to the Consolidated Interim Financial Statements for additional information.](#)

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COVESTRO GROUP CONSOLIDATED INCOME STATEMENT

| | 2nd quarter 2022 | 2nd quarter 2023 | 1st half 2022 | 1st half 2023 |
|---|---------------------|---------------------|------------------|------------------|
| | € million | € million | € million | € million |
| Sales | 4,703 | 3,720 | 9,386 | 7,463 |
| Cost of goods sold | (3,783) | (3,022) | (7,280) | (6,146) |
| Gross profit | 920 | 698 | 2,106 | 1,317 |
| Selling expenses | (409) | (385) | (797) | (764) |
| Research and development expenses | (96) | (93) | (190) | (198) |
| General administration expenses | (96) | (92) | (189) | (179) |
| Other operating income | 16 | 133 | 34 | 148 |
| Other operating expenses | (28) | (95) | (68) | (119) |
| EBIT¹ | 307 | 166 | 896 | 205 |
| Equity-method loss | (6) | (5) | (10) | (12) |
| Interest income | 22 | 17 | 37 | 34 |
| Interest expense | (34) | (42) | (57) | (83) |
| Other financial result | (26) | (6) | (42) | (4) |
| Financial result | (44) | (36) | (72) | (65) |
| Income before income taxes | 263 | 130 | 824 | 140 |
| Income taxes | (65) | (85) | (209) | (122) |
| Income after income taxes | 198 | 45 | 615 | 18 |
| attributable to noncontrolling interest | (1) | (1) | – | (2) |
| attributable to Covestro AG shareholders (net income) | 199 | 46 | 615 | 20 |
| | € | € | € | € |
| Basic/Diluted earnings per share² | 1.04 | 0.24 | 3.20 | 0.11 |

¹ EBIT: income after income taxes plus financial result and income taxes

² Earnings per share: according to IAS 33 (Earnings per Share), net income divided by the weighted average number of outstanding no-par value voting shares of Covestro AG. The calculation was based on 189,638,752 no-par shares for the second quarter of 2023 (previous year: 191,070,836 no-par shares) and on 189,792,703 no-par shares for the first half of 2023 (previous year: 192,101,348 no-par shares).

COVESTRO GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 2nd quarter 2022 | 2nd quarter 2023 | 1st half 2022 | 1st half 2023 |
|--|---------------------|---------------------|------------------|------------------|
| | € million | € million | € million | € million |
| Income after income taxes | 198 | 45 | 615 | 18 |
| Remeasurements of the net defined benefit liability for post-employment benefit plans | 551 | 18 | 926 | 35 |
| Income taxes | (161) | (2) | (268) | – |
| Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans | 390 | 16 | 658 | 35 |
| Changes in fair values of equity instruments | – | 1 | (1) | 1 |
| Income taxes | – | – | – | – |
| Other comprehensive income from equity instruments | – | 1 | (1) | 1 |
| Other comprehensive income that will not be reclassified subsequently to profit or loss | 390 | 17 | 657 | 36 |
| Exchange differences of foreign operations | 160 | (168) | 266 | (249) |
| Reclassified to profit or loss | – | – | – | – |
| Other comprehensive income from exchange differences | 160 | (168) | 266 | (249) |
| Other comprehensive income that may be reclassified subsequently to profit or loss | 160 | (168) | 266 | (249) |
| Total other comprehensive income | 550 | (151) | 923 | (213) |
| attributable to noncontrolling interest | (1) | (2) | (2) | (3) |
| attributable to Covestro AG shareholders | 551 | (149) | 925 | (210) |
| Total comprehensive income | 748 | (106) | 1,538 | (195) |
| attributable to noncontrolling interest | (2) | (3) | (2) | (5) |
| attributable to Covestro AG shareholders | 750 | (103) | 1,540 | (190) |

COVESTRO GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | June 30, 2022 | June 30, 2023 | Dec. 31, 2022 |
|--|---------------|---------------|---------------|
| | € million | € million | € million |
| Noncurrent assets | | | |
| Goodwill | 753 | 713 | 729 |
| Other intangible assets | 692 | 548 | 603 |
| Property, plant and equipment | 6,171 | 5,652 | 5,801 |
| Investments accounted for using the equity method | 181 | 177 | 185 |
| Other financial assets | 45 | 103 | 143 |
| Other receivables | 247 | 145 | 110 |
| Deferred taxes | 604 | 329 | 345 |
| | 8,693 | 7,667 | 7,916 |
| Current assets | | | |
| Inventories | 3,673 | 2,863 | 2,814 |
| Trade accounts receivable | 2,771 | 2,086 | 2,011 |
| Other financial assets | 67 | 310 | 62 |
| Other receivables | 456 | 532 | 451 |
| Claims for income tax refunds | 147 | 94 | 115 |
| Cash and cash equivalents | 315 | 741 | 1,198 |
| Assets held for sale | - | - | 18 |
| | 7,429 | 6,626 | 6,669 |
| Total assets | 16,122 | 14,293 | 14,585 |
| Equity | | | |
| Capital stock of Covestro AG | 190 | 189 | 190 |
| Capital reserves of Covestro AG | 3,780 | 3,740 | 3,788 |
| Other reserves | 4,473 | 2,917 | 3,108 |
| Equity attributable to Covestro AG shareholders | 8,443 | 6,846 | 7,086 |
| Equity attributable to noncontrolling interest | 51 | 31 | 36 |
| | 8,494 | 6,877 | 7,122 |
| Noncurrent liabilities | | | |
| Provisions for pensions and other post-employment benefits | 473 | 445 | 486 |
| Other provisions | 196 | 186 | 184 |
| Financial liabilities | 2,353 | 3,516 | 3,368 |
| Income tax liabilities | 113 | 27 | 26 |
| Other liabilities | 29 | 37 | 32 |
| Deferred taxes | 324 | 262 | 312 |
| | 3,488 | 4,473 | 4,408 |
| Current liabilities | | | |
| Other provisions | 338 | 378 | 171 |
| Financial liabilities | 806 | 294 | 321 |
| Trade accounts payable | 2,560 | 1,781 | 2,016 |
| Income tax liabilities | 128 | 164 | 149 |
| Other liabilities | 308 | 326 | 396 |
| Liabilities directly related to assets held for sale | - | - | 2 |
| | 4,140 | 2,943 | 3,055 |
| Total equity and liabilities | 16,122 | 14,293 | 14,585 |

COVESTRO GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2nd quarter 2022 | 2nd quarter 2023 | 1st half 2022 | 1st half 2023 |
|---|---------------------|---------------------|------------------|------------------|
| | € million | € million | € million | € million |
| Income after income taxes | 198 | 45 | 615 | 18 |
| Income taxes | 65 | 85 | 209 | 122 |
| Financial result | 44 | 36 | 72 | 65 |
| Income taxes paid | (262) | (95) | (360) | (117) |
| Depreciation, amortization and impairment losses and impairment loss reversals | 240 | 219 | 457 | 466 |
| Change in pension provisions | 10 | (7) | 12 | (17) |
| (Gains)/losses on retirements of noncurrent assets | – | (34) | – | (34) |
| Decrease/(increase) in inventories | (341) | (38) | (651) | (119) |
| Decrease/(increase) in trade accounts receivable | (23) | 47 | (335) | (101) |
| (Decrease)/increase in trade accounts payable | 296 | (169) | 291 | (197) |
| Changes in other working capital, other noncash items | (499) | 60 | (425) | 44 |
| Cash flows from operating activities | (272) | 149 | (115) | 130 |
| Cash outflows for additions to property, plant, equipment and intangible assets | (190) | (159) | (330) | (279) |
| Cash inflows from sales of property, plant, equipment and other assets | 2 | 1 | 3 | 2 |
| Cash inflows from divestments less divested cash | 5 | 51 | 6 | 51 |
| Cash outflows for noncurrent financial assets | (5) | (6) | (7) | (8) |
| Cash inflows from noncurrent financial assets | – | 41 | 1 | 41 |
| Interest and dividends received | 19 | 16 | 33 | 34 |
| Cash inflows from/(Cash outflows for) other current financial assets | 402 | (123) | 448 | (299) |
| Cash flows from investing activities | 233 | (179) | 154 | (458) |
| Acquisition of treasury shares | (102) | (49) | (150) | (49) |
| Dividend payments | (653) | – | (653) | (2) |
| Issuances of debt | 565 | 31 | 579 | 302 |
| Retirements of debt | (52) | (121) | (90) | (309) |
| Interest paid | (34) | (34) | (63) | (68) |
| Cash outflows for the purchase of additional interests in subsidiaries | – | – | (4) | – |
| Cash flows from financing activities | (276) | (173) | (381) | (126) |
| Change in cash and cash equivalents due to business activities | (315) | (203) | (342) | (454) |
| Cash and cash equivalents at beginning of period | 623 | 949 | 649 | 1,198 |
| Change in cash and cash equivalents due to exchange rate movements | 7 | (5) | 8 | (3) |
| Cash and cash equivalents at end of period | 315 | 741 | 315 | 741 |

COVESTRO GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Capital stock of Covestro AG | Capital reserves of Covestro AG | Retained earnings incl. total income | Accumulated other com- prehensive income | Equity attributable to Covestro AG shareholders | Equity attributable to non- controlling interest | Equity |
|-----------------------------------|------------------------------------|---------------------------------------|--|---|---|--|--------------|
| | € million | € million | € million | € million | € million | € million | € million |
| Dec. 31, 2021 | 193 | 3,927 | 3,002 | 574 | 7,696 | 66 | 7,762 |
| Acquisition of treasury shares | (3) | (147) | | | (150) | | (150) |
| Dividend payments | | | (651) | | (651) | (2) | (653) |
| Other changes ¹ | | | 8 | | 8 | (11) | (3) |
| Income after income taxes | | | 615 | | 615 | – | 615 |
| Other comprehensive income | | | 657 | 268 | 925 | (2) | 923 |
| Total comprehensive income | | | 1,272 | 268 | 1,540 | (2) | 1,538 |
| June 30, 2022 | 190 | 3,780 | 3,631 | 842 | 8,443 | 51 | 8,494 |
| of which treasury shares | (3) | (147) | | | (150) | | (150) |
| Dec. 31, 2022 | 190 | 3,788 | 2,480 | 628 | 7,086 | 36 | 7,122 |
| Acquisition of treasury shares | (1) | (48) | | | (49) | | (49) |
| Other changes ² | | | (1) | | (1) | – | (1) |
| Income after income taxes | | | 20 | | 20 | (2) | 18 |
| Other comprehensive income | | | 36 | (246) | (210) | (3) | (213) |
| Total comprehensive income | | | 56 | (246) | (190) | (5) | (195) |
| June 30, 2023 | 189 | 3,740 | 2,535 | 382 | 6,846 | 31 | 6,877 |
| of which treasury shares | (4) | (184) | | | (188) | | (188) |

¹ Other changes in the first half of 2022 primarily include the purchase of additional interests in subsidiaries.

² Other changes in the first half of 2023 resulted from the sale of long-term interests in other companies by a Japanese subsidiary.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General Information

Information on the Consolidated Interim Financial Statements

Pursuant to Section 115, Paragraph 3 of the German Securities Trading Act (WpHG), the consolidated interim financial statements of Covestro AG, Leverkusen (Germany), as of June 30, 2023, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) – including IAS 34 (Interim Financial Reporting) – of the International Accounting Standards Board (IASB), London (United Kingdom), the Interpretations (IFRICs) of the IFRS Interpretations Committee (IFRS IC), and the interpretations published by the Standing Interpretations Committee (SIC), endorsed by the European Union and in effect at the reporting date.

The accounting policies and measurement principles described in the consolidated financial statements as of December 31, 2022, were applied unchanged in preparing the consolidated interim financial statements as of June 30, 2023, subject to the effects of financial reporting standards adopted for the first time in the current fiscal year as described in note 2.1 “Financial Reporting Standards Applied for the First Time in the Reporting Period.”

The consolidated interim financial statements are drawn up in euros. Amounts are stated in millions of euros (€ million) unless otherwise noted.

The Board of Management approved the Condensed Consolidated Interim Financial Statements for publication on July 26, 2023. The Consolidated Interim Financial Statements and the Interim Group Management Report were subjected to a review by the group auditor.

Exchange Rates

In the reporting period, the following exchange rates were used for the major currencies of relevance to the Covestro Group:

Closing rates for major currencies

| €1/ | | Closing rates | | |
|-----|------------------------|---------------|---------------|---------------|
| | | June 30, 2022 | Dec. 31, 2022 | June 30, 2023 |
| BRL | Brazil | 5.42 | 5.64 | 5.28 |
| CNY | China | 6.97 | 7.37 | 7.91 |
| HKD | Hong Kong ¹ | 8.15 | 8.32 | 8.52 |
| INR | India | 82.11 | 88.17 | 89.21 |
| JPY | Japan | 141.54 | 140.66 | 157.16 |
| MXN | Mexico | 20.96 | 20.86 | 18.56 |
| USD | United States | 1.04 | 1.07 | 1.09 |

Average rates for major currencies

| €1/ | | Average rates | |
|-----|------------------------|---------------|---------------|
| | | 1st half 2022 | 1st half 2023 |
| BRL | Brazil | 5.53 | 5.48 |
| CNY | China | 7.09 | 7.49 |
| HKD | Hong Kong ¹ | 8.55 | 8.47 |
| INR | India | 83.31 | 88.84 |
| JPY | Japan | 134.10 | 145.48 |
| MXN | Mexico | 22.14 | 19.65 |
| USD | United States | 1.09 | 1.08 |

¹ Special Administration Region (China)

2. Effects of New Financial Reporting Standards

2.1 Financial Reporting Standards Applied for the First Time in the Reporting Period

| IFRS pronouncement (published on) | Title | Effective for annual periods beginning on or after |
|--|---|--|
| IFRS 17 (May 18, 2017) | Insurance Contracts | January 1, 2023 |
| Amendments to IFRS 17 (June 25, 2020) | Amendments to IFRS 17 – Insurance Contracts | January 1, 2023 |
| Amendments to IAS 1 and the practice statement (February 12, 2021) | Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) | January 1, 2023 |
| Amendments to IAS 8 (February 12, 2021) | Definition of Accounting Estimates (Amendments to IAS 8) | January 1, 2023 |
| Amendments to IAS 12 (May 7, 2021) | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | January 1, 2023 |
| Amendments to IFRS 17 (December 9, 2021) | Initial Application of IFRS 17 and IFRS 9 – Comparative Information | January 1, 2023 |

Initial application of the standards listed in the table had little or no material impact on the presentation of the net assets, financial position and results of operations.

2.2 Published Financial Reporting Standards That Have Not Yet Been Applied

There were no new findings regarding the potential effects of reporting standards newly published up to the authorization for issue of the financial statements, but not yet required to be applied, whose application could affect the presentation of the net assets, financial position and results of operations that differ from the information presented in the 2022 consolidated financial statements.

In relation to the Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules approved by the IASB on May 23, 2023, adoption into European law is still pending. These amendments propose temporary relief from accounting for deferred taxes arising from the implementation of the new EU Directive, Global Anti-Base Erosion Model Rules (Pillar Two), as well as supplementary notes disclosures. Subject to the completion of the analysis, the initial application is not expected to have any, or any material, effect on the presentation of Covestro's net assets, financial position, and results of operations.

3. Segment and Regional Reporting

The Board of Management of Covestro AG, as the chief operating decision maker of the Covestro Group, allocates resources to the reportable segments and assesses their performance. The reportable segments are identified, and the disclosures selected, in line with the internal financial reporting system (management approach).

The segments pursue the following activities:

Performance Materials

The Performance Materials segment focuses on developing, producing, and reliably supplying high-performance materials such as standard polyurethanes and polycarbonates, as well as base chemicals. This includes diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI), long-chain polyols, and polycarbonate resins, among others. These materials are used in sectors such as the furniture and wood processing industry, the construction industry as well as the automotive and transportation industry, for example in roof structures, insulation for buildings and refrigerators, mattresses, and car seats, among other applications.

Solutions & Specialties

The Solutions & Specialties segment consolidates Covestro's solutions and specialties businesses, and combines chemical products with application technology services. A fast pace of innovation is a key success factor since customer requirements change quickly. Covestro's Solutions & Specialties business comprises a variety of polymer products including polycarbonates, precursors for coatings and adhesives, MDI specialties and polyols, thermoplastic polyurethanes, specialty films, and elastomers. They are used in sectors such as the automotive and transportation industry; the electrical, electronics and household appliances industry; the construction industry; and the healthcare industry. These materials include composite resins for wind turbine rotor blades; precursors for coatings and adhesives, laptop cases, floodlights, and high-quality specialty films.

Business activities that cannot be allocated to any of the aforementioned segments, costs associated with central corporate functions, higher or lower expenses resulting from more or less favorable Covestro share performance as part of long-term variable compensation, and the difference between the imputed income tax payments of the reportable segments and the actual income taxes paid by the Covestro Group can be found in the segment reporting under "Others/Consolidation." The external sales presented there are generated primarily from the sale of energy, site management services, and rentals and leasing.

As a rule, the segment data is calculated in accordance with the International Financial Reporting Standards (IFRSs) listed in note 3 of the Annual Report 2022 "Accounting Policies and Valuation Principles" with the following specifics:

- Intersegment sales are generally based on arm's length transactions between the units that make up Covestro's segments. Market prices and, in exceptional cases, cost of goods sold serve as the settlement basis.
- EBIT and EBITDA are not defined in the IFRSs. EBIT is equal to income after income taxes plus financial result and income taxes. EBITDA is EBIT plus amortization and impairment losses on intangible assets, and depreciation and impairment losses on property, plant and equipment, less impairment loss reversals.
- Trade working capital comprises inventories, trade accounts receivable, and contract assets, less trade accounts payable, contract liabilities, and refund liabilities.

In line with internal reporting to the Board of Management since July 1, 2022, intersegment sales also include sales at cost of goods sold. However, this has no effect on the level of the earnings measures EBIT and EBITDA per segment.

The following tables show the segment reporting data for the second quarter and for the first half year (as of June 30), respectively:

Segment reporting 2nd quarter

| | Performance Materials | Solutions & Specialties | Others/ Consolidation | Covestro Group |
|-------------------------|--------------------------|----------------------------|--------------------------|-------------------|
| | € million | € million | € million | € million |
| 2nd quarter 2023 | | | | |
| Sales (external) | 1,789 | 1,872 | 59 | 3,720 |
| Intersegment sales | 557 | 7 | (564) | – |
| Sales (total) | 2,346 | 1,879 | (505) | 3,720 |
| EBITDA ¹ | 302 | 221 | (138) | 385 |
| EBIT ¹ | 158 | 149 | (141) | 166 |
| 2nd quarter 2022 | | | | |
| Sales (external) | 2,461 | 2,165 | 77 | 4,703 |
| Intersegment sales | 753 | 8 | (761) | – |
| Sales (total) | 3,214 | 2,173 | (684) | 4,703 |
| EBITDA ¹ | 367 | 213 | (33) | 547 |
| EBIT ¹ | 204 | 139 | (36) | 307 |

¹ The earnings of the Performance Materials and Solutions & Specialties reportable segments include the effect of intersegment sales on earnings.

Segment reporting 1st half

| | Performance Materials | Solutions & Specialties | Others/ Consolidation | Covestro Group |
|----------------------|--------------------------|----------------------------|--------------------------|-------------------|
| | € million | € million | € million | € million |
| 1st half 2023 | | | | |
| Sales (external) | 3,581 | 3,755 | 127 | 7,463 |
| Intersegment sales | 1,164 | 15 | (1,179) | – |
| Sales (total) | 4,745 | 3,770 | (1,052) | 7,463 |
| EBITDA ¹ | 475 | 386 | (190) | 671 |
| EBIT ¹ | 187 | 212 | (194) | 205 |
| 1st half 2022 | | | | |
| Sales (external) | 4,849 | 4,387 | 150 | 9,386 |
| Intersegment sales | 1,563 | 17 | (1,580) | – |
| Sales (total) | 6,412 | 4,404 | (1,430) | 9,386 |
| EBITDA ¹ | 987 | 437 | (71) | 1,353 |
| EBIT ¹ | 679 | 291 | (74) | 896 |

¹ The earnings of the Performance Materials and Solutions & Specialties reportable segments include the effect of intersegment sales on earnings.

The recognition of a receivable of €75 million from the primary insurer for insurance compensation for production stoppages had a positive effect on the Performance Materials segment's EBITDA and EBIT in the second quarter of 2023. This was offset by a decline, by the same amount, in the EBITDA and EBIT of the business activities reported in the "Others/Consolidation" category due to the recognition of a provision for reimbursement of the insurance amount by the intragroup reinsurer Covestro International Re., Inc., Colchester, Vermont (United States), to the primary insurer.

In connection with the closure of the production site in Markt Bibart (Germany), the Solutions & Specialties segment's EBIT decreased by €37 million in the first half of 2023 as a result of impairment losses on noncurrent assets, allowances on inventories, and the recognition of provisions.

→ See "Significant Events" in the Interim Group Management Report for additional information.

Trade working capital by segment

| | Dec. 31, 2022 | June 30, 2023 |
|-------------------------------------|----------------------|----------------------|
| | € million | € million |
| Performance Materials | 1,135 | 1,428 |
| Solutions & Specialties | 1,592 | 1,701 |
| Total of reportable segments | 2,727 | 3,129 |
| All other segments | (18) | (12) |
| Corporate Center | (3) | (12) |
| Trade working capital | 2,706 | 3,105 |
| Inventories | 2,814 | 2,863 |
| Trade accounts receivable | 2,011 | 2,086 |
| Trade accounts payable | (2,016) | (1,781) |
| IFRS 15 items ¹ | (103) | (63) |

¹ The item includes contract assets, contract liabilities, and refund liabilities.

Information on Geographical Areas

The geographical areas comprise the EMLA, NA, and APAC regions. The EMLA region consists of Europe, the Middle East, Africa, and Latin America except Mexico, which together with the United States and Canada forms the NA region. The APAC region includes Asia and the Pacific region.

The following tables show the regional reporting data for the second quarter and for the first half year:

Regional reporting 2nd quarter

| | EMLA | NA | APAC | Total |
|-------------------------------------|-------------|-----------|-------------|--------------|
| | € million | € million | € million | € million |
| 2nd quarter 2023 | | | | |
| Sales (external) by market | 1,597 | 971 | 1,152 | 3,720 |
| Sales (external) by point of origin | 1,575 | 995 | 1,150 | 3,720 |
| 2nd quarter 2022 | | | | |
| Sales (external) by market | 2,167 | 1,200 | 1,336 | 4,703 |
| Sales (external) by point of origin | 2,162 | 1,223 | 1,318 | 4,703 |

Regional reporting 1st half

| | EMLA | NA | APAC | Total |
|-------------------------------------|-------------|-----------|-------------|--------------|
| | € million | € million | € million | € million |
| 1st half 2023 | | | | |
| Sales (external) by market | 3,247 | 1,953 | 2,263 | 7,463 |
| Sales (external) by point of origin | 3,211 | 1,993 | 2,259 | 7,463 |
| 1st half 2022 | | | | |
| Sales (external) by market | 4,241 | 2,316 | 2,829 | 9,386 |
| Sales (external) by point of origin | 4,252 | 2,352 | 2,782 | 9,386 |

Reconciliation

The following table shows the reconciliation of EBITDA of the segments to income before income taxes of the Group:

Reconciliation of segments' EBITDA to Group income before income taxes

| | 2nd quarter 2022 | 2nd quarter 2023 | 1st half 2022 | 1st half 2023 |
|--|---------------------|---------------------|------------------|------------------|
| | € million | € million | € million | € million |
| EBITDA of reportable segments | 580 | 523 | 1,424 | 861 |
| EBITDA of Others/Consolidation | (33) | (138) | (71) | (190) |
| EBITDA | 547 | 385 | 1,353 | 671 |
| Depreciation, amortization and impairment losses and impairment loss reversals of reportable segments | (237) | (216) | (454) | (462) |
| Depreciation, amortization and impairment losses and impairment loss reversals of Others/Consolidation | (3) | (3) | (3) | (4) |
| Depreciation, amortization and impairment losses | (240) | (219) | (457) | (466) |
| EBIT of reportable segments | 343 | 307 | 970 | 399 |
| EBIT of Others/Consolidation | (36) | (141) | (74) | (194) |
| EBIT | 307 | 166 | 896 | 205 |
| Financial result | (44) | (36) | (72) | (65) |
| Income before income taxes | 263 | 130 | 824 | 140 |

4. Scope of Consolidation

4.1 Changes in the Scope of Consolidation

As of June 30, 2023, the scope of consolidation comprised Covestro AG and 59 (December 31, 2022: 60) consolidated companies.

The decline in the number of consolidated companies in the first half of 2023 is due to the sale of Covestro Resins (Taiwan) Ltd., Taipei (Taiwan, Greater China), which was successfully completed as of May 31, 2023.

4.2 Acquisitions and Divestitures

Acquisitions

No reportable acquisitions were made in the first half of 2023.

Divestitures

On April 3, 2023, the sale of assets and liabilities (disposal group) of the additive manufacturing business to Stratasys, a U.S.-Israeli manufacturer of 3D printers and 3D production systems, was successfully completed. The business sold by Covestro includes employees, research and development facilities, production units, and offices in the Netherlands, the United States, China, Japan, Germany, and the United Kingdom as well as access to a large network of partners around the world. The portfolio also includes products that are part of the Resins & Functional Materials business acquired from Koninklijke DSM N.V., Heerlen (Netherlands), in fiscal 2021. The additive manufacturing business, which was part of the Solutions & Specialties segment, offers material solutions for common polymer 3D printing processes. Covestro's decision to sell the additive manufacturing business is consistent with the optimization of its portfolio to make its organization more efficient and allow the company to sharpen its focus on the extensive range of offerings for customers in its main customer industries. The preliminary selling price is €50 million. There is an additional purchase price receivable of €4 million. The agreement also specifies a variable earn-out payment, which depends on the achievement of various success factors. The transaction is structured as an asset deal. Noncurrent assets and inventories of €21 million as well as liabilities of €2 million were sold as part of this transaction. The net gain of €35 million on the disposal of this business was recognized in other operating result.

5. Sales

Sales are categorized according to "geographical regions and key countries" and mainly comprise sales from contracts with customers and an immaterial amount of rental and leasing income. The table also contains a reconciliation of the breakdown of sales to the reportable segments.

Breakdown of sales

| | Performance Materials | Solutions & Specialties | Others/ Consolidation | Covestro Group |
|------------------------|--------------------------|----------------------------|--------------------------|-------------------|
| | € million | € million | € million | € million |
| 1st half 2023 | | | | |
| EMLA | 1,652 | 1,491 | 104 | 3,247 |
| of which Germany | 454 | 462 | 69 | 985 |
| NA | 965 | 972 | 16 | 1,953 |
| of which United States | 827 | 795 | 15 | 1,637 |
| APAC | 964 | 1,292 | 7 | 2,263 |
| of which China | 667 | 762 | 1 | 1,430 |
| Total | 3,581 | 3,755 | 127 | 7,463 |
| 1st half 2022 | | | | |
| EMLA | 2,397 | 1,724 | 120 | 4,241 |
| of which Germany | 609 | 506 | 79 | 1,194 |
| NA | 1,229 | 1,064 | 23 | 2,316 |
| of which United States | 1,029 | 883 | 22 | 1,934 |
| APAC | 1,223 | 1,599 | 7 | 2,829 |
| of which China | 792 | 946 | 1 | 1,739 |
| Total | 4,849 | 4,387 | 150 | 9,386 |

6. Earnings per Share

Earnings per share are calculated according to IAS 33 (Earnings per Share) as the relationship of the Group's income after income taxes (net income) for the income period to the weighted average number of outstanding no-par voting shares of Covestro AG. Since March 12, 2022, Covestro AG has purchased treasury shares under a share buyback program. In the first half of 2023, a weighted average number of outstanding no-par voting shares of 189,792,703 was used to calculate earnings per share, while in the first half of 2022, these shares amounted to 192,101,348. There were no dilution effects to consider.

→ See the "Share Buyback Program" in the Interim Group Management Report for additional information on the share buyback program.

Earnings per share

| | 1st half 2022 | 1st half 2023 |
|--|---------------|---------------|
| | € million | € million |
| Income after income taxes | 615 | 18 |
| of which attributable to noncontrolling interest | - | (2) |
| of which attributable to Covestro AG shareholders (net income) | 615 | 20 |
| | Shares | Shares |
| Weighted average number of no-par voting shares of Covestro AG | 192,101,348 | 189,792,703 |
| | € | € |
| Basic earnings per share | 3.20 | 0.11 |
| Diluted earnings per share | 3.20 | 0.11 |

7. Employees and Pension Obligations

As of June 30, 2023, the Covestro Group had 17,591 employees worldwide (December 31, 2022: 17,985). In the first half of 2023, personnel expenses increased by €20 million to €1,134 million (previous year: €1,114 million) and were therefore approximately at the previous year's level.

Employees by division¹

| | Dec. 31, 2022 | June 30, 2023 |
|----------------------------|---------------|---------------|
| Production | 11,760 | 11,949 |
| Marketing and distribution | 3,261 | 2,851 |
| Research and development | 1,477 | 1,385 |
| General administration | 1,487 | 1,406 |
| Total | 17,985 | 17,591 |

¹ The number of employees on either permanent or temporary contracts is stated in full-time equivalents (FTEs). Part-time employees are included on a pro-rated basis in line with their contractual working hours. Employees in vocational training are not included.

Provisions for pensions and other post-employment benefits decreased to €445 million (December 31, 2022: €486 million). This is mainly attributable to the return on plan assets.

Discount rate for pension obligations

| | Dec. 31, 2022 | June 30, 2023 |
|---------------|---------------|---------------|
| | % | % |
| Germany | 3.70 | 3.70 |
| United States | 4.90 | 4.90 |

8. Financial Instruments

The following tables show the carrying amounts and fair values of financial assets and liabilities based on IFRS 9.

Carrying amounts of financial instruments and their fair values as of June 30, 2023

| | Measurement according to IFRS 9 | | | | | |
|--|---------------------------------|---------------------------|---|---|----------------------------------|------------|
| | Carrying amount | Carried at amortized cost | Fair value recognized in other comprehensive income | Fair value recognized in profit or loss | Measurement according to IFRS 16 | Fair value |
| | | | | | | |
| Financial assets | | | | | | |
| Trade accounts receivable | 2,086 | 2,086 | | - | | 2,086 |
| Other financial assets | 413 | | | | | |
| Loans and bank deposits | 362 | 290 | - | 72 | | 362 |
| Other investments | 22 | | 22 | - | | 22 |
| Receivables under lease agreements | 8 | | | | 8 | 17 |
| Derivatives that do not qualify for hedge accounting | 21 | | | 21 | | 21 |
| Other receivables ¹ | 109 | 109 | - | - | | 109 |
| Cash and cash equivalents | 741 | 741 | - | - | | 741 |
| Financial liabilities | | | | | | |
| Financial debts | 3,810 | | | | | |
| Bonds | 1,989 | 1,989 | | - | | 1,915 |
| Lease liabilities | 778 | | | | 778 | |
| Liabilities to banks | 978 | 978 | | - | | 1,007 |
| Derivatives that do not qualify for hedge accounting | 63 | | | 63 | | 63 |
| Other financial liabilities | 2 | 2 | | - | | 2 |
| Trade accounts payable | 1,781 | 1,781 | | - | | 1,781 |
| Other liabilities ² | 152 | | | | | |
| Derivatives that do not qualify for hedge accounting | 1 | | | 1 | | 1 |
| Refund liabilities | 78 | 78 | | - | | 78 |
| Miscellaneous other liabilities | 73 | 73 | | - | | 73 |

¹ The other receivables recognized in the consolidated statement of financial position also include nonfinancial assets totaling €568 million.

² The other liabilities recognized in the consolidated statement of financial position also include nonfinancial liabilities totaling €211 million.

Carrying amounts of financial instruments and their fair values as of December 31, 2022

| | Measurement according to IFRS 9 | | | | | |
|--|---------------------------------|---------------------------|---|---|----------------------------------|------------|
| | Carrying amount | Carried at amortized cost | Fair value recognized in other comprehensive income | | Measurement according to IFRS 16 | Fair value |
| | | | Fair value recognized in profit or loss | Fair value recognized in profit or loss | | |
| € million | € million | € million | € million | € million | € million | € million |
| Financial assets | | | | | | |
| Trade accounts receivable | 2,011 | 2,011 | - | - | | 2,011 |
| Other financial assets | 205 | | | | | |
| Loans and bank deposits | 128 | 17 | - | 111 | | 128 |
| Other investments | 24 | | 24 | - | | 24 |
| Receivables under lease agreements | 8 | | | | 8 | 17 |
| Derivatives that do not qualify for hedge accounting | 45 | | | 45 | | 45 |
| Other receivables ¹ | 20 | 20 | - | - | | 20 |
| Cash and cash equivalents | 1,198 | 1,198 | - | - | | 1,198 |
| Financial liabilities | | | | | | |
| Financial debts | 3,689 | - | | | | |
| Bonds | 1,988 | 1,988 | | - | | 1,852 |
| Lease liabilities | 746 | - | | | 746 | |
| Liabilities to banks | 922 | 922 | | - | | 946 |
| Derivatives that do not qualify for hedge accounting | 32 | - | | 32 | | 32 |
| Other financial liabilities | 1 | 1 | | - | | 1 |
| Trade accounts payable | 2,016 | 2,016 | | - | | 2,016 |
| Other liabilities ² | 170 | - | | | | |
| Derivatives that do not qualify for hedge accounting | 2 | - | | 2 | | 2 |
| Refund liabilities | 111 | 111 | | - | | 111 |
| Miscellaneous other liabilities | 57 | 57 | | - | | 57 |

¹ The other receivables recognized in the consolidated statement of financial position also include nonfinancial assets totaling €541 million.

² The other liabilities recognized in the consolidated statement of financial position also include nonfinancial liabilities totaling €258 million.

The fair values of financial instruments are determined and reported in accordance with IFRS 13 (Fair Value Measurement) on the basis of the fair value hierarchy described below:

Level 1 covers fair values determined on the basis of quoted, unadjusted prices which exist in active markets.

Level 2 comprises fair values determined on the basis of parameters which are observable in an active market.

Level 3 applies to fair values determined using parameters whose input factors are not based on observable market data.

The following table shows the assignment of the financial instruments to the three-level fair value hierarchy:

Fair value hierarchy of financial instruments

| | Fair value | | | | Fair value | | | |
|--|------------------|-----------|-----------|-----------|------------------|-----------|-----------|-----------|
| | Dec. 31, 2022 | Level 1 | Level 2 | Level 3 | June 30, 2023 | Level 1 | Level 2 | Level 3 |
| | € million | € million | € million | € million | € million | € million | € million | € million |
| Financial assets carried at fair value | | | | | | | | |
| Loans | 111 | – | 101 | 10 | 72 | – | 62 | 10 |
| Other investments | 24 | 2 | – | 22 | 22 | – | – | 22 |
| Derivatives that do not qualify for hedge accounting | 45 | – | 42 | 3 | 21 | – | 20 | 1 |
| Financial assets not carried at fair value | | | | | | | | |
| Receivables under lease agreements | 17 | – | – | 17 | 17 | – | – | 17 |
| Financial liabilities carried at fair value | | | | | | | | |
| Derivatives that do not qualify for hedge accounting | 34 | – | 32 | 2 | 64 | – | 63 | 1 |
| Financial liabilities not carried at fair value | | | | | | | | |
| Bonds | 1,852 | 1,852 | – | – | 1,915 | 1,915 | – | – |
| Liabilities to banks | 946 | – | 946 | – | 1,007 | – | 1,007 | – |
| Other financial liabilities | 1 | – | 1 | – | 2 | – | 2 | – |

Reallocation between the different levels of the fair value hierarchy takes place at the end of the reporting period in which the change occurred. In the first half of 2023, no transfers were made between the levels of the fair value hierarchy.

Because of the generally short maturities of cash and cash equivalents, loans and bank deposits, trade accounts receivable and payable, and other receivables and liabilities, their carrying amounts do not significantly differ from the fair values.

The fair value of the bonds issued by Covestro AG is based on quoted, unadjusted prices in active markets and therefore assigned to Level 1 of the fair value hierarchy. The fair value of some of the other investments is also based on quoted prices in active markets (Level 1).

The fair values stated for noncurrent financial assets and liabilities are the present values of the respective future cash inflows or outflows. These are determined by discounting the cash flows at a reporting-date interest rate that takes into account the term of the assets or liabilities and the creditworthiness of the counterparty. For this reason, these values are assigned to Level 2 of the fair value hierarchy.

The fair values of derivatives for which no publicly quoted market prices exist are determined using valuation techniques based on observable market data as of the reporting date (Level 2). Credit value adjustments and debt value adjustments are determined to allow for both the contracting party's credit risk and Covestro's own credit risk. The forward exchange contracts are measured individually at their respective forward rates or prices on the balance sheet date. Forward rates and prices are based on spot rates and prices, taking into account forward premiums and discounts.

Fair values measured using unobservable inputs are categorized within Level 3 of the fair value hierarchy. The fair values of noncurrent receivables under lease agreements are calculated on the basis of interest curves observable in the market. Additionally, a discount for cash flows that are very far in the future is applied as an unobservable factor.

Covestro works with and invests in start-ups under the auspices of the Covestro Venture Capital (COVeC) approach, which was newly developed in fiscal 2020. Investments associated with COVeC activities are

recognized either as debt instruments at fair value through profit and loss or as other financial investments at fair value directly in equity, depending on the contractual design. The fair value is calculated as the present value of the future cash flows estimated based on available performance indicators. The cash flows are discounted at the current interest rate for the appropriate term on the reporting date and reflecting the creditworthiness of the venture capital company. The main input factors are not based on observable market data (Level 3). The estimated fair value of the debt instruments classified in Level 3 would rise (fall) if the expected cash inflows were to be higher (lower) or if the risk-adjusted discount rate were to be lower (higher).

Other financial investments are recognized at fair value directly in equity because they are held for the long term for strategic reasons. The fair value of some of the other investments is based on quoted prices in active markets (Level 1). Where there are no quoted, unadjusted prices in an active market for identical or similar instruments, and there is no suitable valuation method where all major input factors are based on observable market data, the fair value of the other investments is determined using a market price-oriented valuation method where the main input factors are not based on observable market data (Level 3). The valuation of certain other investments is based on available performance indicators as well as on market valuation multipliers. The estimated fair value of the equity instruments categorized within Level 3 would rise (fall) if the multiple applied were to be greater (smaller).

Further, the fair values of embedded derivatives are determined on the basis of unobservable input factors (Level 3). They are separated from their respective host contracts, which are regularly purchase agreements relating to the operational business. The embedded derivatives cause the cash flows from the contracts to vary with fluctuations in exchange rates, or regional and industry-specific price indices, for example. The internal measurement of embedded derivatives is mainly performed using the discounted cash flow method, which is based on unobservable inputs. These include prices or price indices derived from market data. The estimated fair value of the embedded derivative would rise (fall) if the expected payment flows were to be higher (lower) as a result of fluctuations in exchange rates or prices.

The table below shows the changes in Level 3 financial instruments:

Changes in the net amount of financial assets and liabilities recognized at fair value based on unobservable inputs (level 3)

| | 2022 | 2023 |
|--|-----------|-----------|
| | € million | € million |
| Net carrying amounts, Jan. 1 | 43 | 33 |
| Gains (losses) recognized in profit or loss | (8) | (1) |
| of which related to assets / liabilities recognized in the statement of financial position | – | (1) |
| Gains (losses) recognized outside profit or loss | – | – |
| Net carrying amounts, June 30 | 35 | 32 |

The gains and losses from Level 3 financial assets and liabilities are reported as follows:

- gains and losses from embedded derivatives recognized in profit or loss are reported in other operating expenses or income;
- gains and losses from debt instruments recognized in profit or loss are reported in other financial result;
- gains and losses from other financial investments are reported in other comprehensive income from equity instruments.

9. Legal Risks

As a company with international operations, the Covestro Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and antitrust law, patent disputes, tax law, environmental law, and compliance issues such as corruption and export control. The outcome of any current or future proceedings cannot be predicted. It is therefore possible that legal judgments or regulatory decisions or future settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect the earnings of the Covestro Group.

The legal risks that are material to the Covestro Group were described in note 26 "Legal Risks" to the Consolidated Financial Statements as of December 31, 2022. In the current fiscal year, there have been no new significant developments regarding the legal proceedings described there, and no new material legal proceedings are pending.

10. Related Parties

Related entities as defined in IAS 24 (Related Party Disclosures) are those legal entities that are able to exert at least significant influence on Covestro AG and its subsidiaries or over which Covestro AG or its subsidiaries exercise control or have at least a significant influence, or which are controlled by a related person or a close family member of such a person. These include nonconsolidated subsidiaries, joint ventures and associated companies, post-employment benefit plans, and other related parties.

In the course of its operating business, Covestro sources materials, supplies, and services from a large number of business partners worldwide, including companies in which it has a direct or indirect interest. Transactions with these companies are undertaken on an arm's length basis. The goods and services received from associated companies result from the ongoing operating business with PO JV, LP, Houston, Texas (United States), and amounted to €385 million in the first half of 2023 (previous year: €463 million). Covestro benefits from fixed long-term supply quotas/volumes of propylene oxide (PO) from this company's production.

In addition, receivables from pension plans in the amount of €62 million as of June 30, 2023 (previous year: €0 million) resulted from initial funding loans granted. Covestro AG has agreed to provide Bayer-Pensionskasse VVaG, Leverkusen (Germany), with an interest-bearing initial funding loan of up to €208 million and Rheinische Pensionskasse VVaG, Leverkusen (Germany), with an interest-bearing initial funding loan of up to €11 million, both at their request. The pension funds are entitled to draw down amounts necessary to meet their regulatory solvency requirements at any time up to the amounts disclosed. The outstanding receivables are subject to a five-year interest rate adjustment mechanism. In April 2023, Bayer-Pensionskasse VVaG notified Covestro of the partial reversal of the tranche of the initial funding loan drawn down in December 2022. Following the reversal in an amount of €39 million, the loan commitments to the pension funds increased accordingly from €117 million as of December 31, 2022, to €156 million as of June 30, 2023 (previous year: €219 million). The loan commitments to the pension funds are recognized as other financial obligations.

There are no further reportable business relationships with other related parties.

11. Events after the End of the Reporting Period

No events have occurred since July 1, 2023, that have a material impact on the net assets, financial position and results of operations of the Covestro Group.

Leverkusen, July 26, 2023

Covestro AG

The Board of Management

FURTHER INFORMATION

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Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the net assets, financial position and results of operations of the Covestro Group, and the interim group management report includes a fair review of the development and performance of the business and the position of the Covestro Group, together with a description of the principal opportunities and risks associated with the expected development of the Covestro Group during the rest of the fiscal year.

Leverkusen, July 26, 2023

Covestro AG

The Board of Management

Review Report

To Covestro AG, Leverkusen

We have reviewed the condensed interim consolidated financial statements – comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and selected explanatory notes – together with the interim group management report of the Covestro AG, Leverkusen, for the period from January 1, 2023 to June 30, 2023 that are part of the half-year financial report according to § 115 WpHG [“Wertpapierhandelsgesetz”: “German Securities Trading Act”]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and additionally observed the International Standard in Review Engagements “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Düsseldorf, July 28, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ufer
Wirtschaftsprüfer
[German Public Auditor]

Dr. Ackermann
Wirtschaftsprüferin
[German Public Auditor]

Segment and Quarterly Overview

Segment information 2nd quarter

| | Performance Materials | | Solutions & Specialties | | Others/Consolidation | | Covestro Group | |
|---|-----------------------|------------------|-------------------------|------------------|----------------------|------------------|------------------|------------------|
| | 2nd quarter 2022 | 2nd quarter 2023 | 2nd quarter 2022 | 2nd quarter 2023 | 2nd quarter 2022 | 2nd quarter 2023 | 2nd quarter 2022 | 2nd quarter 2023 |
| | € million | € million | € million | € million | € million | € million | € million | € million |
| Sales (external) | 2,461 | 1,789 | 2,165 | 1,872 | 77 | 59 | 4,703 | 3,720 |
| Intersegment sales ¹ | 753 | 557 | 8 | 7 | (761) | (564) | – | – |
| Sales (total) | 3,214 | 2,346 | 2,173 | 1,879 | (684) | (505) | 4,703 | 3,720 |
| Change in sales | | | | | | | | |
| Volume | 1.6% | –10.3% | –7.3% | –4.7% | - | - | –2.1% | –8.0% |
| Price | 17.5% | –15.3% | 11.8% | –6.6% | - | - | 14.5% | –11.0% |
| Currency | 6.7% | –1.7% | 6.5% | –2.2% | - | - | 6.5% | –1.9% |
| Portfolio | 0.0% | 0.0% | 0.0% | 0.0% | - | - | 0.0% | 0.0% |
| Sales by region | | | | | | | | |
| EMLA | 1,255 | 813 | 851 | 736 | 61 | 48 | 2,167 | 1,597 |
| NA | 625 | 476 | 563 | 487 | 12 | 8 | 1,200 | 971 |
| APAC | 581 | 500 | 751 | 649 | 4 | 3 | 1,336 | 1,152 |
| EBITDA² | 367 | 302 | 213 | 221 | (33) | (138) | 547 | 385 |
| EBIT ² | 204 | 158 | 139 | 149 | (36) | (141) | 307 | 166 |
| Depreciation, amortization, impairment losses and impairment loss reversals | 163 | 144 | 74 | 72 | 3 | 3 | 240 | 219 |
| Cash flows from operating activities ³ | 95 | 26 | (83) | 205 | (284) | (82) | (272) | 149 |
| Cash outflows for additions to property, plant, equipment and intangible assets | 132 | 103 | 56 | 55 | 2 | 1 | 190 | 159 |
| Free operating cash flow³ | (37) | (77) | (139) | 150 | (286) | (83) | (462) | (10) |
| Trade working capital ⁴ | 1,831 | 1,428 | 2,010 | 1,701 | (5) | (24) | 3,836 | 3,105 |

¹ In line with the internal reporting to the Board of Management since July 1, 2022, the figures also include sales generated in the amount of the cost of sales. To ensure comparability, the segment data is presented on a consistent basis.

² EBITDA and EBIT include the effect of intersegment sales on earnings.

³ An imputed tax rate of 25% has been used since the Annual Report 2022 to calculate income taxes paid by the reportable segments; see note 4 "Segment and Regional Reporting" in the Notes to the Consolidated Financial Statements in the Annual Report 2022. The tax rate for the reference value has not changed.

⁴ Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of June 30, 2022/2023.

Segment information 1st half

| | Performance Materials | | Solutions & Specialties | | Others/Consolidation | | Covestro Group | |
|--|-----------------------|------------------|-------------------------|------------------|----------------------|------------------|------------------|------------------|
| | 1st half 2022 | 1st half 2023 | 1st half 2022 | 1st half 2023 | 1st half 2022 | 1st half 2023 | 1st half 2022 | 1st half 2023 |
| | € million | € million | € million | € million | € million | € million | € million | € million |
| Sales (external) | 4,849 | 3,581 | 4,387 | 3,755 | 150 | 127 | 9,386 | 7,463 |
| Intersegment sales ¹ | 1,563 | 1,164 | 17 | 15 | (1,580) | (1,179) | – | – |
| Sales (total) | 6,412 | 4,745 | 4,404 | 3,770 | (1,430) | (1,052) | 9,386 | 7,463 |
| Change in sales | | | | | | | | |
| Volume | 3.5% | –14.4% | –4.4% | –10.1% | - | - | 0.5% | –12.5% |
| Price | 21.7% | –11.2% | 15.2% | –3.5% | - | - | 18.3% | –7.4% |
| Currency | 6.0% | –0.5% | 6.3% | –0.8% | - | - | 6.1% | –0.6% |
| Portfolio | 0.0% | 0.0% | 9.0% | 0.0% | - | - | 4.3% | 0.0% |
| Sales by region | | | | | | | | |
| EMLA | 2,397 | 1,652 | 1,724 | 1,491 | 120 | 104 | 4,241 | 3,247 |
| NA | 1,229 | 965 | 1,064 | 972 | 23 | 16 | 2,316 | 1,953 |
| APAC | 1,223 | 964 | 1,599 | 1,292 | 7 | 7 | 2,829 | 2,263 |
| EBITDA² | 987 | 475 | 437 | 386 | (71) | (190) | 1,353 | 671 |
| EBIT ² | 679 | 187 | 291 | 212 | (74) | (194) | 896 | 205 |
| Depreciation, amortization, impairment losses and impairment loss reversals | 308 | 288 | 146 | 174 | 3 | 4 | 457 | 466 |
| Cash flows from operating activities ³ | 301 | 45 | (184) | 200 | (232) | (115) | (115) | 130 |
| Cash outflows for additions to property, plant, equipment and intangible assets | 226 | 179 | 101 | 98 | 3 | 2 | 330 | 279 |
| Free operating cash flow³ | 75 | (134) | (285) | 102 | (235) | (117) | (445) | (149) |
| Trade working capital ⁴ | 1,831 | 1,428 | 2,010 | 1,701 | (5) | (24) | 3,836 | 3,105 |

¹ In line with the internal reporting to the Board of Management since July 1, 2022, the figures also include sales generated in the amount of the cost of sales. To ensure comparability, the segment data is presented on a consistent basis.

² EBITDA and EBIT include the effect of intersegment sales on earnings.

³ An imputed tax rate of 25% has been used since the Annual Report 2022 to calculate income taxes paid by the reportable segments; see note 4 "Segment and Regional Reporting" in the Notes to the Consolidated Financial Statements in the Annual Report 2022. The tax rate for the reference value has not changed.

⁴ Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of June 30, 2022/2023.

Quarterly Overview

| | 1st quarter 2022 | 2nd quarter 2022 | 3rd quarter 2022 | 4th quarter 2022 | 1st quarter 2023 | 2nd quarter 2023 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | € million | € million | € million | € million | € million | € million |
| Sales (external) | 4,683 | 4,703 | 4,618 | 3,964 | 3,743 | 3,720 |
| Performance Materials | 2,388 | 2,461 | 2,330 | 1,916 | 1,792 | 1,789 |
| Solutions & Specialties | 2,222 | 2,165 | 2,196 | 1,975 | 1,883 | 1,872 |
| EBITDA | 806 | 547 | 302 | (38) | 286 | 385 |
| Performance Materials ¹ | 620 | 367 | 53 | (89) | 173 | 302 |
| Solutions & Specialties ¹ | 224 | 213 | 280 | 108 | 165 | 221 |
| EBIT | 589 | 307 | 66 | (695) | 39 | 166 |
| Performance Materials ¹ | 475 | 204 | (107) | (600) | 29 | 158 |
| Solutions & Specialties ¹ | 152 | 139 | 207 | (37) | 63 | 149 |
| Financial result | (28) | (44) | (40) | (25) | (29) | (36) |
| Income before income taxes | 561 | 263 | 26 | (720) | 10 | 130 |
| Income after income taxes | 417 | 198 | 11 | (907) | (27) | 45 |
| Net income | 416 | 199 | 12 | (899) | (26) | 46 |
| Cash flows from operating activities ² | 157 | (272) | 246 | 839 | (19) | 149 |
| Cash outflows for additions to property, plant, equipment and intangible assets | 140 | 190 | 213 | 289 | 120 | 159 |
| Free operating cash flow² | 17 | (462) | 33 | 550 | (139) | (10) |

¹ The earnings of the Performance Materials and Solutions & Specialties reportable segments include the effect of intersegment sales on earnings.

² An imputed tax rate of 25% has been used since the Annual Report 2022 to calculate income taxes paid by the reportable segments; see note 4 "Segment and Regional Reporting" in the Notes to the Consolidated Financial Statements in the Annual Report 2022. The tax rate for the reference value has not changed.

Financial Calendar

| | |
|--|-------------------|
| Quarterly Statement Third Quarter 2023..... | October 27, 2023 |
| Annual Report 2023..... | February 29, 2024 |
| Annual General Meeting 2024..... | April 17, 2024 |
| Quarterly Statement First Quarter 2024 | April 30, 2024 |

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