HALF-YEAR FINANCIAL REPORT 2024

FIRST HALF-YEAR

CONTENTS

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, 2024. 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 2023 and the additional information about the company contained therein, as well as the Quarterly Statement as of March 31, 2024.

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

In its financial reporting, Covestro uses alternative performance measures (APMs) to assess the business performance of the Group. These are not defined in the International Financial Reporting Standards (IFRSs) adopted by the European Union (EU). 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. 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 Group'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 2023.**

Acronyms and Abbreviations

Acronyms and abbreviations used in this Report are explained in this Report or in the Glossary provided in the Annual Report 2023.

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.

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 July 30, 2024. It is available in German and English. The German version is binding.

Covestro Group Key Data

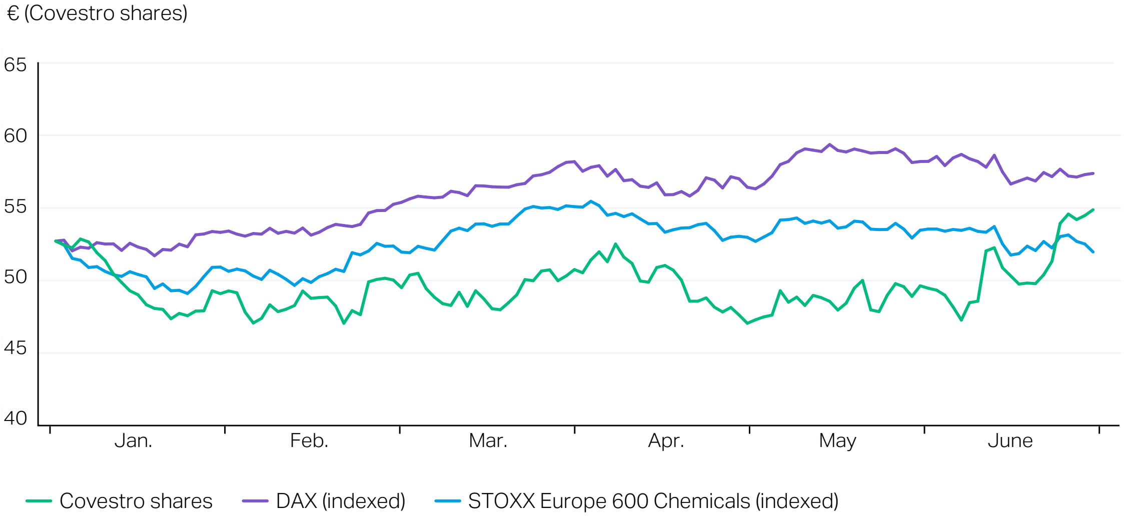
	2nd quarter 2023	2nd quarter 2024	Change	1st half 2023	1st half 2024	Change
Sales	**€3,720 million**	**€3,690 million**	**–0.8%**	**€7,463 million**	**€7,200 million**	**–3.5%**
Change in sales						
Volume	–8.0%	9.3%		–12.5%	10.0%	
Price	–11.0%	–9.7%		–7.4%	–12.5%	
Currency	–1.9%	–0.4%		–0.6%	–1.0%	
Sales by region						
EMLA[1]	€1,597 million	€1,538 million	–3.7%	€3,247 million	€3,053 million	–6.0%
NA[2]	€971 million	€915 million	–5.8%	€1,953 million	€1,784 million	–8.7%
APAC[3]	€1,152 million	€1,237 million	7.4%	€2,263 million	€2,363 million	4.4%
EBITDA[4]	**€385 million**	**€320 million**	**–16.9%**	**€671 million**	**€593 million**	**–11.6%**
Changes in EBITDA						
Volume	–22.5%	35.6%		–30.7%	41.4%	
Price	–94.5%	–92.7%		–51.6%	–139.0%	
Raw material price	63.4%	47.8%		18.6%	87.2%	
Currency	–3.1%	–0.8%		–1.3%	–2.4%	
Other[5]	27.1%	–6.8%		14.6%	1.5%	
EBIT[6]	€166 million	€81 million	–51.2%	€205 million	€142 million	–30.7%
Financial result	(€36 million)	(€29 million)	–19.4%	(€65 million)	(€59 million)	–9.2%
Net income[7]	**€46 million**	**(€72 million)**	**.**	**€20 million**	**(€107 million)**	**.**
Earnings per share[8]	€0.24	(€0.38)	.	€0.11	(€0.57)	.
Cash flows from operating activities[9]	€149 million	€19 million	–87.2%	€130 million	(€4 million)	.
Cash outflows for additions to property, plant, equipment and intangible assets	€159 million	€166 million	4.4%	€279 million	€272 million	–2.5%
Free operating cash flow[10]	**(€10 million)**	**(€147 million)**	**.**	**(€149 million)**	**(€276 million)**	**85.2%**

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.
4 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.
5 Other changes in EBITDA such as changes in provisions for variable compensation.
6 Earnings before interest and taxes (EBIT): income after income taxes plus financial result and income taxes.
7 Net income: income after income taxes attributable to the shareholders of Covestro AG.
8 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 188,740,330 no-par shares for the second quarter of 2024 (previous year: 189,638,752 no-par shares) and on 188,740,330 no-par shares for the first half of 2024 (previous year: 189,792,703 no-par shares).
9 Cash flows from operating activities according to IAS 7 (Statement of Cash Flows).
10 Free operating cash flow (FOCF): cash flows from operating activities less cash outflows for additions to property, plant, equipment and intangible assets.

COVESTRO SHARES

Covestro Shares

Performance of Covestro shares versus market in the first half of 2024



Covestro closing prices on Xetra; source: Deutsche Börse AG

Share Price Recovers in Poor Economic Environment

The performance of the stock exchange and the global economy in the first half of the year 2024 were both affected by the continuing global demand crisis, which has persisted in many industries since the middle of the year 2022.

As of June 30, 2024, the German DAX benchmark index, which is relevant for Covestro, was up 10.3% compared with the end of the year 2023. 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 1.0% lower than at the beginning of the year. However, at a Xetra closing price of €54.80, Covestro's share price was up at the end of the first half of 2024, gaining 4.1% compared with December 31, 2023. The movement in the share price was influenced to a lesser extent by business performance than by expectations about the progress of the without-prejudice discussions with the Abu Dhabi National Oil Company (ADNOC), Abu Dhabi (United Arab Emirates). The share price declined at the beginning of the year 2024, closing at its low for the year to date, €46.98, on February 19, 2024. In June 2024, market rumors about a positive turn in the discussions with ADNOC again boosted the share price. After publishing the news on June 24, 2024 that Covestro was entering into concrete negotiations with ADNOC about a possible transaction, the Covestro share price reached its high of €54,80 on June 28, 2024.

Compared with the closing price of €52.68 for the year 2023, this corresponds to a share price performance (without dividend reinvestment since no dividend was paid for fiscal 2023) of 4.1%.

At the end of the first half of 2024, Covestro's market capitalization stood at around €10.3 billion based on 188.7 million shares outstanding. The average daily Xetra trading volume was around 0.7 million shares.

Virtual Annual General Meeting Held on April 17, 2024

Covestro AG's Annual General Meeting (AGM) was held on April 17, 2024. Taking account, in particular, of legislation, the authorization to hold a virtual AGM, the ownership structure, and expected costs, Covestro resolved at the end of the year 2023 to hold a virtual AGM, as in the previous year.

The Group's net income was negative in fiscal 2023, showing a net loss of €198 million. Under the current dividend policy, this means that no dividend was distributed to shareholders of Covestro AG.

Share Buyback Program

On April 17, 2024, the Board of Management of Covestro AG proposed to the Annual General Meeting a renewed authorization to buy back own shares amounting to up to 10% of the existing share capital. The AGM granted this authorization with a majority of 93.48%.

Moody’s Confirms Covestro Rating and Outlook

On May 3, 2024, 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.

Ten Analysts Issue Buy Recommendation for Covestro Shares

At the end of the first half of 2024, Covestro was covered by 16 securities brokers. Of these, ten analysts issued buy recommendations and six were neutral. The average share price target was approximately €55 at the reporting date.

Basic Covestro share information

Capital stock	€189,000,000
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

REPORT ON ECONOMIC POSITION

Significant Events

Events within the Company

Start of Negotiations with ADNOC about a Possible Transaction

On the basis of the without-prejudice discussions with the Abu Dhabi National Oil Company (ADNOC) held up to then, the Board of Management of Covestro AG resolved on June 24, 2024, after consultations with the Supervisory Board, to enter into concrete negotiations with ADNOC about a possible transaction and the possible conclusion of an investment agreement and to enable an adequate exchange of corporate information to confirm assumptions (confirmatory due diligence).

The starting point of the negotiations is the prospect of a potential offer price of €62 per Covestro share indicated to Covestro by ADNOC, which is subject to, among other things, the results of the confirmatory due diligence as well as agreement on the substance of an investment agreement.

Global Transformation Program

In the face of rapid changes in the market environment, Covestro has launched the global transformation program “STRONG.” STRONG is aimed at making the company even more effective and efficient and at driving digitalization. The Group is planning to realize global annual savings in non-labor and personnel costs of €400 million by the year 2028; of that total, €190 million will be attributable to Germany. In this context, expenses in the low double-digit million euro range were incurred for the implementation of the transformation program in the second quarter of 2024.

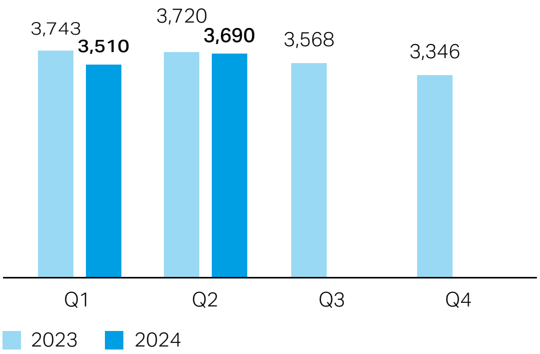
Another step in this transformation program was the Board of Management's decision to discontinue operations at the production site in Augusta, Georgia (United States). In this context, impairment losses of €21 million were recognized on property, plant and equipment, primarily plant installations and machinery, in the Solutions & Specialties segment in the second quarter of 2024. Products for the powder coatings business will be manufactured at the production site in Augusta, Georgia (United States), until its closure. The customer business with powder coatings in the NA region will continue irrespective of the closure of the production site.

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

Results of Operations

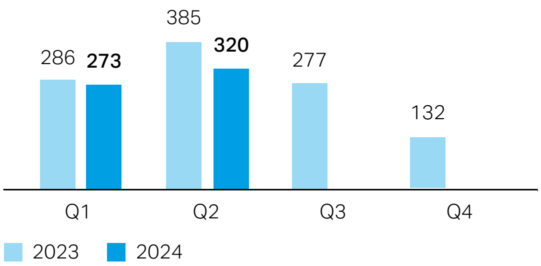
Covestro Group Quarterly Sales

€ million



Covestro Group Quarterly EBITDA

€ million



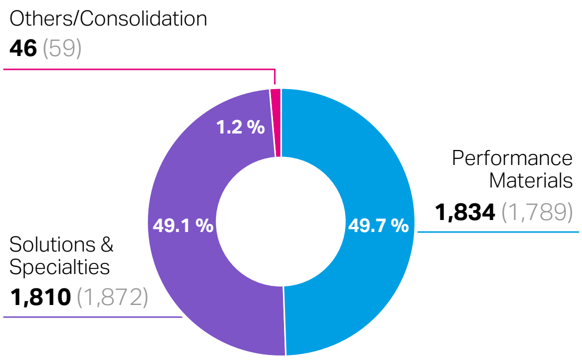
Second Quarter of 2024

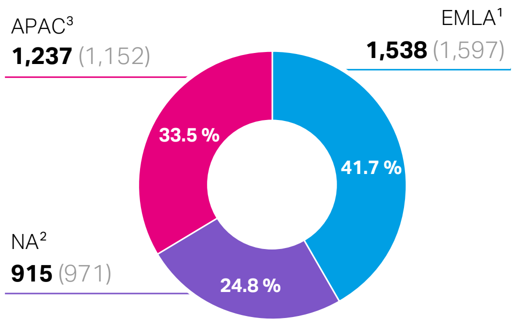
Group sales declined by 0.8% in the second quarter of 2024, to €3,690 million (previous year: €3,720 million). The decrease in sales was mainly a consequence of selling price levels, which were lower in all regions for demand-related reasons, combined with a decline in raw material prices being passed on to customers; these factors had a diminishing effect on sales of 9.7%. In contrast, an increase in volumes sold, especially in the APAC and EMLA regions, had a positive effect on sales of 9.3%. In addition, exchange rate movements had a reducing effect on sales of 0.4%.

Sales in the Performance Materials segment rose by 2.5% in the second quarter of 2024 to €1,834 million (previous year: €1,789 million). Sales in the Solutions & Specialties segment decreased by 3.3% to €1,810 million (previous year: €1,872 million).

Sales by segment and region in the second quarter of 2024

€ 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 3.7% lower, at €1,538 million (previous year: €1,597 million), and sales in the NA region were down 5.8% to €915 million (previous year: €971 million). The APAC region saw sales climb by 7.4% to €1,237 million (previous year: €1,152 million).

In the second quarter of 2024, the Group’s EBITDA decreased by 16.9% to €320 million (previous year: €385 million), mainly due to a demand-related decline in average selling prices, which lower raw material prices offset only to some extent. The resulting drop in margins therefore reduced earnings.

The second quarter of 2023 had additionally been affected by a non-recurring positive effect from the sale of the additive manufacturing business, which had increased prior-year earnings by €35 million. In connection with the "STRONG" transformation program, expenses in the low double-digit million euro range were additionally incurred in the second quarter of 2024 for the implementation of the program.

The rise in volumes sold, in contrast, had the effect of boosting earnings. Furthermore, the supplementary government subsidies of €24 million to compensate for electricity prices in Germany and lower provisions of €26 million for variable compensation had a beneficial impact on earnings.

Depreciation, amortization, impairment losses, and impairment loss reversals went up by 9.1% to €239 million in the second quarter of 2024 (previous year: €219 million), of which €219 million (previous year: €198 million) was attributable to property, plant and equipment and €20 million (previous year: €21 million) to intangible assets. In this context, as a result of the planned closure of the production site in Augusta, Georgia (United States), impairment losses of €21 million were recognized on property, plant and equipment, primarily plant installations and machinery, in the second quarter of 2024.

In the second quarter of 2024, the Covestro Group’s EBIT decreased by 51.2% to €81 million (previous year: €166 million).

Taking into account a financial result of €–29 million (previous year: €–36 million), income before income taxes fell to €52 million compared with the prior-year quarter (previous year: €130 million). The tax expense incurred in the second quarter of 2024 was €126 million (previous year: €85 million), resulting in a net loss after taxes totaling €74 million (previous year: net income of €45 million). After noncontrolling interests, the net loss amounted to €72 million (previous year: net income of €46 million). Compared to the prior-year quarter, earnings per share fell to €–0.38 (previous year: €0.24).

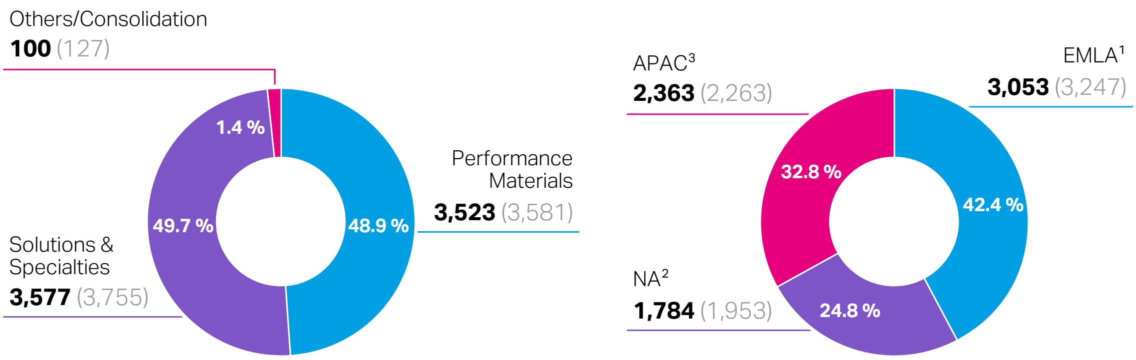
First Half of 2024

Group sales declined by 3.5% in the first six months of 2024, to €7,200 million (previous year: €7,463 million). The decrease was mainly due to demand-related lower selling price levels as well as to a decline in raw material prices being passed on to customers; these factors had an adverse effect on sales of 12.5%. This was set against higher volumes sold, especially in the APAC and EMLA regions, which had a positive effect on sales of 10.0%. In addition, exchange rate movements had an unfavorable impact of 1.0% on sales.

Both segments saw sales decline in the first half of 2024. In the Performance Materials segment, sales fell by 1.6% to €3,523 million (previous year: €3,581 million), while the Solutions & Specialties segment recorded a decrease of 4.7% to €3,577 million (previous year: €3,755 million).

Sales by segment and region in the first half of 2024

€ 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 6.0% lower, at €3,053 million (previous year: €3,247 million), and sales in the NA region were down 8.7% to €1,784 million (previous year: €1,953 million). Sales in the APAC region were up by 4.4% to €2,363 million (previous year: €2,263 million).

The Group's EBITDA contracted by 11.6% to €593 million in the first half of 2024 compared with the prior-year period (€671 million). This was mainly attributable to a demand-related decline in the selling price level, which lower raw material prices offset only to some extent. In particular the resulting drop in margins had a negative impact on earnings.

Another reason for the year-on-year decline in sales was a non-recurring positive effect from the sale of the additive manufacturing business, which had increased earnings by €35 million in the first half of 2023. In connection with the "STRONG" transformation program, expenses in the low double-digit million euro range were additionally incurred for the implementation of the program in the first half of 2024.

In contrast, a rise in volumes sold boosted earnings. Furthermore, the supplementary government subsidies of €24 million to compensate for electricity prices in Germany and lower provisions of €31 million for variable compensation had a beneficial impact on earnings.

Depreciation, amortization, impairment losses, and impairment loss reversals went down by 3.2% to €451 million in the first half of 2024 (previous year: €466 million), of which €412 million (previous year: €409 million) was attributable to property, plant and equipment and €39 million (previous year: €57 million) to intangible assets. In this context, as a result of the planned closure of the production site in Augusta, Georgia (United States), impairment losses of €21 million were recognized on property, plant and equipment, primarily plant installations and machinery, in the first half of 2024.

The Covestro Group's EBIT was down 30.7% to €142 million in the first half of 2024 (previous year: €205 million).

Taking into account a financial result of €–59 million (previous year: €–65 million), income before income taxes went down to €83 million compared with the previous year (€140 million). After deduction of the tax expense of €194 million for the first half of 2024 (previous year: €122 million), the net loss after taxes totaled €111 million (previous year: net income of €18 million). After noncontrolling interests, the net loss amounted to €107 million (previous year: net income of €20 million). In the first half of 2024, earnings per share decreased to €–0.57 (previous year: €0.11).

Financial Position

Summary statement of cash flows

	2nd quarter 2023	2nd quarter 2024	1st half 2023	1st half 2024
	€ million	€ million	€ million	€ million
EBITDA	**385**	**320**	**671**	**593**
Income taxes paid	(95)	(42)	(117)	(80)
Change in pension provisions	(7)	(8)	(17)	(19)
(Gains)/losses on retirements of noncurrent assets	(34)	(4)	(34)	(7)
Change in working capital/other noncash items	(100)	(247)	(373)	(491)
Cash flows from operating activities	**149**	**19**	**130**	**(4)**
Cash outflows for additions to property, plant, equipment and intangible assets	(159)	(166)	(279)	(272)
Free operating cash flow	**(10)**	**(147)**	**(149)**	**(276)**
Cash flows from investing activities	**(179)**	**(375)**	**(458)**	**(218)**
Cash flows from financing activities	**(173)**	**244**	**(126)**	**169**
Change in cash and cash equivalents due to business activities	**(203)**	**(112)**	**(454)**	**(53)**
Cash and cash equivalents at beginning of period	**949**	**684**	**1,198**	**625**
Change in cash and cash equivalents due to exchange rate movements	(5)	(3)	(3)	(3)
Cash and cash equivalents at end of period	**741**	**569**	**741**	**569**

Cash Flows from Operating Activities/Free Operating Cash Flow

In the second quarter of 2024, net cash inflows from the Covestro Group's operating activities amounted to €19 million (previous year: €149 million). A higher amount of funds tied up in working capital and a decline in EBITDA were only partially offset by lower income tax payments. The change in working capital was impacted especially by the payment of short-term variable compensation in an amount of €105 million for fiscal 2023. In the year 2023, no short-term variable compensation was paid for fiscal 2022. After deduction of cash outflows of €166 million for additions to property, plant and equipment and intangible assets (previous year: €159 million), free operating cash flow in the second quarter of 2024 totaled €–147 million (previous year: €–10 million).

Cash flows from operating activities in the first half of 2024 accounted for net outflows of €4 million (previous year: cash inflows of €130 million). That was predominantly attributable to a higher amount of cash tied up in working capital and the decrease in EBITDA. Lower income tax payments, on the other hand, had a positive effect on cash flows from operating activities. After deduction of cash outflows of €272 million for additions to property, plant and equipment and intangible assets (previous year: €279 million), free operating cash flow totaled €–276 million (previous year: €–149 million).

Cash Flows from Investing Activities

Net cash outflow for investing activities in the second quarter of 2024 totaled €375 million (previous year: €179 million). That was mainly due to net cash outflows of €198 million (previous year: €85 million) for short-term bank deposits and cash outflows of €166 million (previous year: €159 million) for additions to property, plant, equipment and intangible assets.

In the first half of 2024, the net cash outflow from investing activities totaled €218 million (previous year: €458 million). This was mainly due to cash outflows of €272 million (previous year: €279 million) for additions to property, plant and equipment and intangible assets. This was offset in particular by net inflows of €54 million for short-term bank deposits (previous year: net outflows of €272 million).

Cash Flows from Financing Activities

In the second quarter of 2024, the Covestro Group's net cash inflow from financing activities totaled €244 million (previous year: net cash outflow of €173 million), mainly because of loans raised in the amount of €215 million as well as net proceeds of €116 million from current liabilities to banks in China. Outflows resulted primarily from lease payments of €39 million and interest payments of €34 million.

→ See note 8 "Financial Instruments" in the Notes to the Consolidated Interim Financial Statements.

In the first half of 2024, financing activities gave rise to a net cash inflow of €169 million (previous year: net cash outflow of €126 million). These cash inflows were above all attributable to the above-mentioned loans and the net proceeds from current liabilities to banks in China. Outflows resulted mainly from lease payments of €78 million and interest payments of €60 million.

Net financial debt

	Dec. 31, 2023	June 30, 2024
	€ million	€ million
Bonds	1,990	1,991
Liabilities to banks	657	965
Lease liabilities	743	769
Liabilities from derivatives	15	5
Other financial liabilities	2	2
Receivables from derivatives	(19)	(15)
Gross financial debt	**3,388**	**3,717**
Cash and cash equivalents	(625)	(569)
Current financial assets	(276)	(220)
Net financial debt	**2,487**	**2,928**

Gross financial debt grew by €329 million compared with the figure on December 31, 2023, to €3,717 million as of June 30, 2024. In addition to the increase of €308 million in liabilities to banks, this was also due to a rise of €26 million in lease liabilities. The rise in liabilities to banks was driven in particular by the loans described in the "Cash Flows from Financing Activities" section and by net proceeds from current liabilities to banks in China.

Cash and cash equivalents decreased in comparison with the figure on December 31, 2023, by €56 million to 569 million. This was mainly due to cash outflows of €272 million for additions to property, plant and equipment and intangible assets, set against cash inflows from financing activities of €169 million. Moreover, the net inflows for short-term bank deposits described in the "Cash Flows from Investing Activities" section raised cash and cash equivalents and led to a reduction in current financial assets.

In comparison with December 31, 2023, the Covestro Group's net financial debt rose by €441 million to €2,928 million as of June 30, 2024.

Net Assets

Summary statement of financial position

	Dec. 31, 2023	June 30, 2024
	€ million	€ million
Noncurrent assets	7,746	7,773
Current assets	5,891	6,198
Total assets	**13,637**	**13,971**
Equity	**6,618**	**6,674**
Noncurrent liabilities	3,721	3,664
Current liabilities	3,298	3,633
Liabilities	**7,019**	**7,297**
Total equity and liabilities	**13,637**	**13,971**

Total assets were up €334 million as compared with December 31, 2023, to €13,971 million as of June 30, 2024.

Noncurrent assets increased by €27 million to €7,773 million (December 31, 2023: €7,746 million). This is predominantly due to a rise in other noncurrent receivables. Offsetting factors included primarily impairment losses on deferred tax assets. At the same time, current assets also went up by €307 million to €6,198 million (December 31, 2023: €5,891 million). This change is primarily attributable to higher inventories and trade accounts receivable. The reduction in cash and cash equivalents and in other current financial assets were the main factors with an offsetting effect.

Equity increased by €56 million to €6,674 million, compared with €6,618 million as of December 31, 2023. The rise in equity is mainly the result of actuarial gains on the remeasurement of pension obligations and positive effects of foreign exchange differences. This was offset by the negative net income after income taxes for the first half of 2024.

Noncurrent liabilities were down €57 million to €3,664 million as of June 30, 2024 (December 31, 2023: €3,721 million). This is mainly attributable to a decline in provisions for pensions and other post-employment benefits. Offsetting effects included in particular a rise in deferred tax liabilities.

Net defined benefit liability for post-employment benefit plans

	Dec. 31, 2023	June 30, 2024
	€ million	€ million
Provisions for pensions and other post-employment benefits	464	363
Net defined benefit asset	(66)	(98)
Net defined benefit liability	**398**	**265**

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 €133 million in the first half of 2024 to €265 million (previous year: €398 million). This was largely due to actuarial gains attributable to an increase in the discount rate in Germany and the United States.

Current liabilities were up €335 million to €3,633 million as of the reporting date (December 31, 2023: €3,298 million). The main factors driving this development were an increase in current financial debt and in trade accounts payable.

Performance of the Segments

Performance Materials

Performance Materials key data

	2nd quarter 2023	2nd quarter 2024	Change	1st half 2023	1st half 2024	Change
Sales (external)	**€1,789 million**	**€1,834 million**	**2.5%**	**€3,581 million**	**€3,523 million**	**–1.6%**
Intersegment sales	€557 million	€571 million	2.5%	€1,164 million	€1,127 million	–3.2%
Sales (total)	**€2,346 million**	**€2,405 million**	**2.5%**	**€4,745 million**	**€4,650 million**	**–2.0%**
Change in sales (external)						
Volume	–10.3%	15.0%		–14.4%	16.2%	
Price	–15.3%	–12.0%		–11.2%	–16.7%	
Currency	–1.7%	–0.5%		–0.5%	–1.1%	
Sales by region (external)						
EMLA	€813 million	€822 million	1.1%	€1,652 million	€1,584 million	–4.1%
NA	€476 million	€451 million	–5.3%	€965 million	€868 million	–10.1%
APAC	€500 million	€561 million	12.2%	€964 million	€1,071 million	11.1%
EBITDA[1]	**€302 million**	**€196 million**	**–35.1%**	**€475 million**	**€299 million**	**–37.1%**
EBIT[1]	€158 million	€59 million	–62.7%	€187 million	€24 million	–87.2%
Cash flows from operating activities	€26 million	€19 million	–26.9%	€45 million	€20 million	–55.6%
Cash outflows for additions to property, plant, equipment and intangible assets	€103 million	€108 million	4.9%	€179 million	€182 million	1.7%
Free operating cash flow	**(€77 million)**	**(€89 million)**	**15.6%**	**(€134 million)**	**(€162 million)**	**20.9%**

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

Second Quarter of 2024

Compared to the corresponding prior-year quarter, sales in the Performance Materials segment went up by 2.5% to €1,834 million (previous year: €1,789 million). This was largely driven by higher volumes sold, which had an increasing effect on sales of 15.0%. This was set against a demand induced decline in average selling prices as well as lower raw material prices, which were passed on to customers; these factors had a negative effect on sales of 12.0%. At the same time, exchange rate movements also had a decreasing effect of 0.5% on sales.

In the EMLA region, sales rose by 1.1% to €822 million (previous year: €813 million). This is attributable above all to a significant increase in volumes sold, although this was largely offset by considerably lower selling price levels. Exchange rate changes had a neutral effect on sales overall. In the NA region, sales were down 5.3% to €451 million (previous year: €476 million). The main driver of this trend was a significant decrease in average selling prices, which was only partially offset by a considerable rise in volumes sold. Exchange rate movements drove up sales slightly. Sales in the APAC region were up 12.2% to €561 million (previous year: €500 million), mainly because of a rise in volumes sold, which boosted sales significantly. This contrasted with a decrease in the selling price level and exchange rate movements, both of which contributed slightly to lower sales.

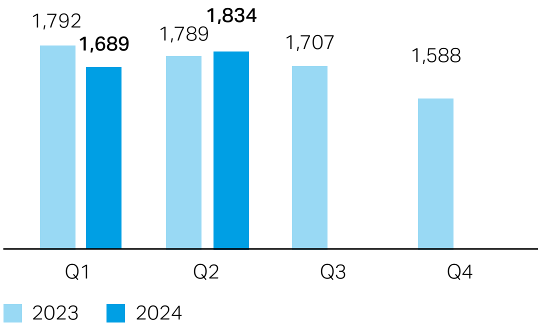
In the second quarter of 2024, the Performance Materials segment’s EBITDA was down 35.1% on the prior-year quarter, dropping to €196 million (previous year: €302 million). This was mainly driven by reduced margins, as lower raw material prices offset the demand induced decline in selling prices only to some extent. In addition, exchange rate movements also weighed on earnings. This was set against higher volumes sold, which boosted earnings. Furthermore, the supplementary government subsidy of €24 million to compensate for electricity prices in Germany and lower provisions for variable compensation had a beneficial impact on earnings.

EBIT dropped by 62.7% to €59 million (previous year: €158 million).

Free operating cash flow stood at €–89 million (previous year: €–77 million). Most of the decrease in EBITDA was offset by a lower amount of cash tied up in working capital, which was achieved above all by a smaller amount of cash tied up in trade accounts payable.

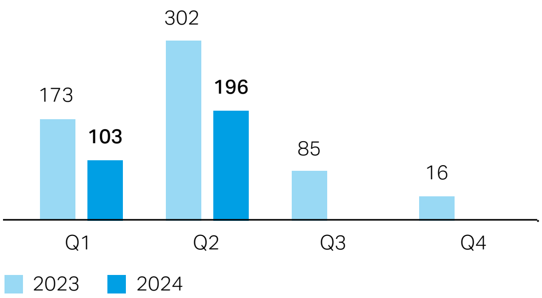
Performance Materials Quarterly Sales

€ million



Performance Materials Quarterly EBITDA

€ million



First Half of 2024

Sales in the Performance Materials segment decreased by 1.6% to €3,523 million in the first half of 2024 (previous year: €3,581 million). This was to a large extent driven by a demand induced decline in average selling prices as well as to lower raw material prices being passed on to customers, which had a negative effect on sales of 16.7%. An increase in volumes sold, on the other hand, had a positive impact on sales of 16.2%. In addition, exchange rate movements had an adverse effect on sales of 1.1%.

EBITDA was down 37.1% to €299 million in the first half of 2024 (previous year: €475 million). This was mainly driven by reduced margins, as lower raw material prices offset the demand induced decline in selling prices only to some extent. Exchange rate movements were an additional negative factor weighing on earnings. This was set against higher volumes sold, which boosted earnings. Furthermore, the supplementary government subsidy to compensate for electricity prices in Germany and lower provisions for variable compensation had a beneficial impact on earnings.

EBIT dropped by 87.2% to €24 million (previous year: €187 million).

Free operating cash flow stood at €–162 million (previous year: €–134 million). The decrease in EBITDA was partially offset by a smaller amount of cash tied up in working capital.

Solutions & Specialties

Solutions & Specialties key data

	2nd quarter 2023	2nd quarter 2024	Change	1st half 2023	1st half 2024	Change
Sales (external)	**€1,872 million**	**€1,810 million**	**–3.3%**	**€3,755 million**	**€3,577 million**	**–4.7%**
Intersegment sales	€7 million	€6 million	–14.3%	€15 million	€13 million	–13.3%
Sales (total)	**€1,879 million**	**€1,816 million**	**–3.4%**	**€3,770 million**	**€3,590 million**	**–4.8%**
Change in sales (external)						
Volume	–4.7%	4.8%		–10.1%	5.3%	
Price	–6.6%	–7.7%		–3.5%	–9.0%	
Currency	–2.2%	–0.4%		–0.8%	–1.0%	
Sales by region (external)						
EMLA	€736 million	€679 million	–7.7%	€1,491 million	€1,389 million	–6.8%
NA	€487 million	€457 million	–6.2%	€972 million	€901 million	–7.3%
APAC	€649 million	€674 million	3.9%	€1,292 million	€1,287 million	–0.4%
EBITDA[1]	**€221 million**	**€174 million**	**–21.3%**	**€386 million**	**€382 million**	**–1.0%**
EBIT[1]	€149 million	€75 million	–49.7%	€212 million	€210 million	–0.9%
Cash flows from operating activities	€205 million	€88 million	–57.1%	€200 million	€141 million	–29.5%
Cash outflows for additions to property, plant, equipment and intangible assets	€55 million	€52 million	–5.5%	€98 million	€83 million	–15.3%
Free operating cash flow	**€150 million**	**€36 million**	**–76.0%**	**€102 million**	**€58 million**	**–43.1%**

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

Second Quarter of 2024

Sales in the Solutions & Specialties segment were down 3.3% to €1,810 million in the second quarter of 2024 (previous year: €1,872 million). Contributing factors were above all a demand induced decline in selling price levels, combined with lower raw material prices, which were passed on to customers; these factors had a diminishing effect on sales of 7.7%. An increase in volumes sold, on the other hand, had a positive impact on sales of 4.8%. At the same time, exchange rate movements had a negative effect on sales of 0.4%.

In the EMLA region, sales fell by 7.7% to €679 million (previous year: €736 million). In particular, a drop in the selling price level had a significant adverse impact on sales. In contrast, the expansion of volumes sold had a slight positive effect on sales. However, exchange rate movements had a neutral impact on sales. Sales in the NA region went down by 6.2% to €457 million (previous year: €487 million), mainly because of lower average selling prices, which had a significant adverse impact on sales. A drop in volumes sold had an additional, slightly negative effect on sales. On the other hand, exchange rate movements drove sales slightly upward. In the APAC region, sales increased by 3.9% to €674 million (previous year: €649 million), mainly because of a rise in volumes sold, and this boosted sales significantly. In contrast, a decline in the selling price level had a considerable negative effect on sales, while the impact of exchange rate movements was slightly negative.

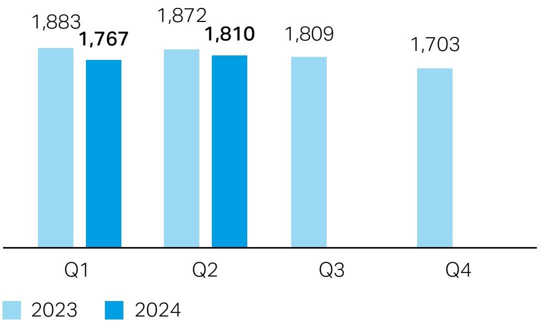
In the second quarter of 2024, the Solutions & Specialties segment's EBITDA was down 21.3% on the prior-year quarter, declining to €174 million (previous year: €221 million). The comparative prior-year quarter had in this context been affected by a non-recurring positive effect from the sale of the additive manufacturing business, which had increased prior-year earnings by €35 million. In connection with the "STRONG" transformation program, expenses in the low double-digit million euro range were additionally incurred for the implementation of the program in the second quarter of 2024. Another negative factor weighing on earnings was the decline in margins, although lower raw material and energy prices partially offset the demand-induced reduction in selling prices. The rise in volumes sold, in contrast, had the effect of boosting earnings, while changes in exchange rates had no notable impact on EBITDA.

EBIT dropped by 49.7% to €75 million (previous year: €149 million). This included impairment losses of €21 million on property, plant and equipment, primarily plant installations and machinery, as a result of the planned closure of the production site in Augusta, Georgia (United States).

Free operating cash flow fell to €36 million (previous year: €150 million), largely driven by higher funds tied up in working capital and a decline in EBITDA.

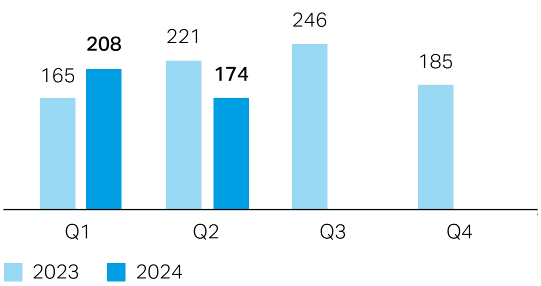
Solutions & Specialties
Quarterly Sales

€ million



Solutions & Specialties
Quarterly EBITDA

€ million



First Half of 2024

Sales in the Solutions & Specialties segment were down 4.7% to €3,577 million in the first half of 2024 (previous year: €3,755 million). A demand induced reduction in average selling prices combined with a decline in raw material prices, which was passed on to customers, had a diminishing effect on sales of 9.0%. An increase in volumes sold, on the other hand, had a positive impact on sales of 5.3%. Exchange rate movements also had a decreasing effect of 1.0% on sales.

EBITDA in the Solutions & Specialties segment declined by 1.0% in the first half of 2024, declining to €382 million (previous year: €386 million). This decrease was attributable in particular to the above-mentioned non-recurring effect from the sale of the additive manufacturing business in the previous year as well as to expenses for implementing the transformation program “STRONG.” Furthermore, lower margins and adverse exchange rate movements had a negative impact on EBITDA. The rise in volumes sold, on the other hand, had a positive effect on EBITDA and almost completely offset the above-mentioned negative factors.

EBIT dropped by 0.9% to €210 million (previous year: €212 million). This included impairment losses of €21 million on property, plant and equipment, primarily plant installations and machinery, as a result of the planned closure of the production site in Augusta, Georgia (United States).

Free operating cash flow fell to €58 million (previous year: €102 million), largely driven by higher funds tied up in working capital. This was set against a decrease in cash outflows for additions to property, plant, equipment and intangible assets.

REPORT ON FUTURE PERSPECTIVES AND ON OPPORTUNITIES AND RISKS

Economic Outlook

Global Economy

Compared with the outlook given in the Annual Report 2023, we expect a slight improvement in global economic growth to 2.6% in fiscal 2024. Despite the continuing reluctance to take economic stimulus measures and the restrictive monetary policy, which have a detrimental impact on consumption and industries sensitive to interest rates, we expect a moderate, but positive growth momentum. We anticipate that monetary policy will be gradually relaxed in the second half of 2024, as inflation expectations stabilize.

We forecast that, at 1.4%, the EMLA region's economic growth will be slower than that of the global economy in the year 2024. Compared with the outlook published in the Annual Report 2023, the forecast has, however, been adjusted slightly upward. A number of economic indicators continue to point to a gradual recovery for the year 2024, driven by rising private consumption, despite continuing inflationary pressures.

For the NA region, we project expansion of 2.2% in fiscal 2024, slightly lower than the outlook for the global economy. The growth expectations for this region have also improved slightly from the outlook presented in the Annual Report 2023. Despite mixed signals from the labor market, the risk of recession is considered low. As wage growth and rentals cool, inflation data is expected to improve in the second half of 2024.

For the APAC region, we anticipate growth of 3.9% – faster global economic expansion – in the year 2024. This projection is therefore slightly better than the outlook published in the Annual Report 2023. China's above-average production output at the beginning of this year is set to continue into the second half of 2024, with support expected from a stable export situation and economic stimulus measures.

Economic growth[1]

	Growth 2023	Growth forecast 2024 (Annual Report 2023)	Growth forecast 2024
	%	%	%
World	**2.7**	**2.4**	**2.6**
Europe, Middle East, Latin America[2], Africa (EMLA)	**1.3**	**1.2**	**1.4**
of which Europe	1.0	0.9	1.3
of which Germany	0.0	–0.1	0.1
of which Middle East	1.7	3.0	2.1
of which Latin America[2]	1.9	0.7	1.0
of which Africa	2.8	2.8	3.1
North America[3] (NA)	**2.5**	**2.1**	**2.2**
of which United States	2.5	2.3	2.4
Asia-Pacific (APAC)	**4.4**	**3.6**	**3.9**
of which China	5.2	4.4	4.7

1 Real growth of gross domestic product; source: Oxford Economics, "Growth 2023" and "Growth forecast 2024" as of July 2024.
2 Latin America (excluding Mexico).
3 North America (Canada, Mexico, United States).

Main Customer Industries

The growth expectations for the construction, and furniture industries are largely the same or slightly better than the outlook presented in the Annual Report 2023.

We now expect growth of 0.3% for the global automotive industry. The decline compared to the original forecast is driven by weaker demand for electric vehicles.

We anticipate that the global construction industry will see negative growth of 2.2% in the year 2024, which is still attributable to high interest rates and material costs.

For the electrical, electronics and household appliances industry, we are now forecasting growth of 3.4%, driven by the bounce-back of the computer and office equipment segment.

We anticipate that the furniture industry will edge up by 0.1% in the year 2024. The macroeconomic conditions have not changed from the previous forecast.

Growth in main customer industries[1]

	Growth 2023	Growth forecast 2024 (Annual Report 2023)	Growth forecast 2024
	%	%	%
Automotive	10.3	0.8	0.3
Construction	–2,3	–2,5	–2.2
Electrical, electronics and household appliances	–1,8	1.5	3.4
Furniture	–3,7	0.1	0.1

[1] Covestro’s estimate, based on the following sources: GlobalData Plc, B+L, CSIL (Centre for Industrial Studies), Oxford Economics. We limit 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 2024.

Forecast for the Covestro Group

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

Compared with the estimates presented in the Annual Report 2023, we continue to expect challenging economic conditions, and for this reason we have narrowed the guidance for EBITDA and ROCE above WACC and adjusted the free operating cash flow for fiscal 2024. We now expect the key performance indicators to develop as follows:

Forecast key management indicators

	2023	Forecast 2024 (Annual Report 2023)	Forecast 2024 (July 30, 2024)
EBITDA[1]	€1,080 million	Between €1,000 million and €1,600 million	Between €1,000 million and €1,400 million
Free operating cash flow[2]	€232 million	Between 0 million and €300 million	Between €–100 million and €100 million
ROCE above WACC[3, 4]	–6.1% points	Between –7% points and –2% points	Between –7% points and –4% points
Greenhouse gas emissions[5] (CO_2 equivalents)	4.9 million metric tons	Between 4.4 million metric tons and 5.0 million metric tons	Between 4.4 million metric tons and 5.0 million metric tons

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 8.1% has been taken into account for the year 2024 (2023: 7.6%).
5 Greenhouse gas emissions (Scope 1 and Scope 2, GHG Protocol) at main production sites (responsible for more than 95% of our energy usage).

For the Covestro Group's EBITDA, we now forecast a figure of between €1,000 million and €1,400 million (previously: between €1,000 million and €1,600 million). We anticipate the Performance Materials segment's EBITDA to total between €400 million and €700 million (previously: between €400 million and €800 million). For the Solutions & Specialties segment, we are projecting EBITDA on a level with the year 2023* (previously: significantly up on the figure for the year 2023).

The Covestro Group's FOCF is now forecast to total between €–100 million and €100 million (previously: between €0 million and €300 million). In the Performance Materials segment, we continue to expect FOCF to be significantly down on the amount of the year 2023 (€162 million). In the Solutions & Specialties segment, we also continue to forecast FOCF to be significantly lower than in the year 2023 (€551 million).

We now expect ROCE above WACC of between –7% points and –4% points (previously: between –7% points and –2% points).

The Covestro Group's GHG emissions measured as CO_2 equivalents are still projected to be between 4.4 million metric tons and 5.0 million metric tons.

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

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 2023 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 2023 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 2023. 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 2023, 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.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

COVESTRO GROUP CONSOLIDATED INCOME STATEMENT

	2nd quarter 2023	2nd quarter 2024	1st half 2023	1st half 2024
	€ million	€ million	€ million	€ million
Sales	**3,720**	**3,690**	**7,463**	**7,200**
Cost of goods sold	(3,022)	(3,050)	(6,146)	(5,956)
Gross profit	**698**	**640**	**1,317**	**1,244**
Selling expenses	(385)	(394)	(764)	(776)
Research and development expenses	(93)	(98)	(198)	(189)
General administration expenses	(92)	(80)	(179)	(153)
Other operating income	133	32	148	53
Other operating expenses	(95)	(19)	(119)	(37)
EBIT[1]	**166**	**81**	**205**	**142**
Equity-method loss	(5)	1	(12)	–
Interest income	17	13	34	29
Interest expense	(42)	(33)	(83)	(72)
Other financial result	(6)	(10)	(4)	(16)
Financial result	**(36)**	**(29)**	**(65)**	**(59)**
Income before income taxes	**130**	**52**	**140**	**83**
Income taxes	(85)	(126)	(122)	(194)
Income after income taxes	**45**	**(74)**	**18**	**(111)**
attributable to noncontrolling interest	(1)	(2)	(2)	(4)
attributable to Covestro AG shareholders (net income)	46	(72)	20	(107)
	€	€	€	€
Basic /Diluted earnings per share[2]	**0.24**	**(0.38)**	**0.11**	**(0.57)**

[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 188,740,330 no-par shares for the second quarter of 2024 (previous year: 189,638,752 no-par shares) and on 188,740,330 no-par shares for the first half of 2024 (previous year: 189,792,703 no-par shares).

COVESTRO GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2nd quarter 2023	2nd quarter 2024	1st half 2023	1st half 2024
	€ million	€ million	€ million	€ million
Income after income taxes	**45**	**(74)**	**18**	**(111)**
Remeasurements of the net defined benefit liability for post-employment benefit plans	18	80	35	125
Income taxes	(2)	–	–	(2)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**16**	**80**	**35**	**123**
Changes in fair values of equity instruments	1	–	1	–
Other comprehensive income from equity instruments	**1**	**–**	**1**	**–**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**17**	**80**	**36**	**123**
Exchange differences of foreign operations	(168)	24	(249)	44
Other comprehensive income from exchange differences	**(168)**	**24**	**(249)**	**44**
Other comprehensive income that may be reclassified subsequently to profit or loss	**(168)**	**24**	**(249)**	**44**
Total other comprehensive income	**(151)**	**104**	**(213)**	**167**
attributable to noncontrolling interest	(2)	(1)	(3)	(1)
attributable to Covestro AG shareholders	(149)	105	(210)	168
Total comprehensive income	**(106)**	**30**	**(195)**	**56**
attributable to noncontrolling interest	(3)	(3)	(5)	(5)
attributable to Covestro AG shareholders	(103)	33	(190)	61

COVESTRO GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	June 30, 2023	June 30, 2024	Dec. 31, 2023
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	713	712	711
Other intangible assets	548	495	519
Property, plant and equipment	5,652	5,757	5,795
Investments accounted for using the equity method	177	230	182
Other financial assets[1]	107	112	109
Other receivables[1]	141	202	114
Deferred taxes	329	265	316
	7,667	**7,773**	**7,746**
Current assets			
Inventories	2,863	2,724	2,459
Trade accounts receivable	2,086	2,070	1,898
Other financial assets[1]	413	259	311
Other receivables[1]	429	486	496
Claims for income tax refunds	94	90	102
Cash and cash equivalents	741	569	625
	6,626	**6,198**	**5,891**
Total assets	**14,293**	**13,971**	**13,637**
Equity			
Capital stock of Covestro AG	189	189	189
Capital reserves of Covestro AG	3,740	3,740	3,740
Retained earnings incl. total income	2,535	2,308	2,291
Accumulated other comprehensive income	382	415	370
Equity attributable to Covestro AG shareholders	**6,846**	**6,652**	**6,590**
Equity attributable to noncontrolling interest	31	22	28
	6,877	**6,674**	**6,618**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	445	363	464
Other provisions	186	186	192
Financial liabilities	3,516	2,742	2,740
Other financial liabilities[1]	16	15	16
Income tax liabilities	27	42	29
Other nonfinancial liabilities[1]	21	25	24
Deferred taxes	262	291	256
	4,473	**3,664**	**3,721**
Current liabilities			
Other provisions	378	329	356
Financial liabilities	294	990	667
Trade accounts payable	1,781	1,958	1,895
Other financial liabilities[1]	136	116	128
Income tax liabilities	164	53	48
Other nonfinancial liabilities[1]	190	187	204
	2,943	**3,633**	**3,298**
Total equity and liabilities	**14,293**	**13,971**	**13,637**

[1] Prior-year figures as of June 30, 2023 adjusted. Explanations can be found in the relevant notes in the Annual Report 2023.

COVESTRO GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

	2nd quarter 2023	2nd quarter 2024	1st half 2023	1st half 2024
	€ million	€ million	€ million	€ million
Income after income taxes	45	(74)	18	(111)
Income taxes	85	126	122	194
Financial result	36	29	65	59
Income taxes paid	(95)	(42)	(117)	(80)
Depreciation, amortization and impairment losses and impairment loss reversals	219	239	466	451
Change in pension provisions	(7)	(8)	(17)	(19)
(Gains)/losses on retirements of noncurrent assets	(34)	(4)	(34)	(7)
Decrease/(increase) in inventories	(38)	(67)	(119)	(251)
Decrease/(increase) in trade accounts receivable	47	(69)	(101)	(154)
(Decrease)/increase in trade accounts payable	(169)	15	(197)	55
Changes in other working capital, other noncash items	60	(126)	44	(141)
Cash flows from operating activities	**149**	**19**	**130**	**(4)**
Cash outflows for additions to property, plant, equipment and intangible assets	(159)	(166)	(279)	(272)
Cash inflows from sales of property, plant, equipment and other assets	1	11	2	15
Cash inflows from divestments less divested cash	51	–	51	–
Cash outflows for noncurrent financial assets	(6)	(40)	(8)	(44)
Cash inflows from noncurrent financial assets	41	–	41	–
Interest and dividends received	16	13	34	30
Cash inflows from/(Cash outflows for) other current financial assets	(123)	(193)	(299)	53
Cash flows from investing activities	**(179)**	**(375)**	**(458)**	**(218)**
Acquisition of treasury shares	(49)	–	(49)	–
Dividend payments	–	–	(2)	–
Issuances of debt	31	381	302	409
Retirements of debt	(121)	(103)	(309)	(180)
Interest paid	(34)	(34)	(68)	(60)
Cash flows from financing activities	**(173)**	**244**	**(126)**	**169**
Change in cash and cash equivalents due to business activities	**(203)**	**(112)**	**(454)**	**(53)**
Cash and cash equivalents at beginning of period	**949**	**684**	**1,198**	**625**
Change in cash and cash equivalents due to exchange rate movements	(5)	(3)	(3)	(3)
Cash and cash equivalents at end of period	**741**	**569**	**741**	**569**

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 comprehensive income	Equity attributable to Covestro AG shareholders	Equity attributable to non-controlling interest	Equity
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2022	**190**	**3,788**	**2,480**	**628**	**7,086**	**36**	**7,122**
Acquisition of treasury shares	(1)	(48)			(49)		(49)
Other changes			(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)
Dec. 31, 2023	**189**	**3,740**	**2,291**	**370**	**6,590**	**28**	**6,618**
Dividend payments			–		–	(1)	(1)
Other changes	–		1		1	–	1
Income after income taxes			(107)		(107)	(4)	(111)
Other comprehensive income			123	45	168	(1)	167
Total comprehensive income			**16**	**45**	**61**	**(5)**	**56**
June 30, 2024	**189**	**3,740**	**2,308**	**415**	**6,652**	**22**	**6,674**
of which treasury shares	–	(12)			(12)		(12)

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, 2024, 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, 2023, were applied unchanged in preparing the consolidated interim financial statements as of June 30, 2024, 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 25, 2024. 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, 2023	Dec. 31, 2023	June 30, 2024
BRL	Brazil	5.28	5.36	5.89
CNY	China	7.91	7.87	7.81
HKD	Hong Kong[1]	8.52	8.63	8.36
INR	India	89.21	91.90	89.25
JPY	Japan	157.16	156.33	171.94
MXN	Mexico	18.56	18.72	19.57
USD	United States	1.09	1.11	1.07

[1] (Special Administration Region, China)

Average rates for major currencies

€1/		Average rates 1st half 2023	1st half 2024
BRL	Brazil	5.48	5.48
CNY	China	7.49	7.82
HKD	Hong Kong[1]	8.47	8.46
INR	India	88.84	90.01
JPY	Japan	145.48	164.19
MXN	Mexico	19.65	18.48
USD	United States	1.08	1.08

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
Amendments to IAS 1 (January 23, 2020, July 15, 2020 and October 31, 2022)	Classification of Liabilities as Current or Non-current, Classification of Liabilities as Current or Non-current – Deferral of Effective Date and Non-current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16 (September 22, 2022)	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7 (May 25, 2023)	Disclosures: Supplier Finance Arrangements	January 1, 2024

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.

Global Minimum Taxation

The Covestro Group falls within the scope of the OECD's Global Anti-Base Erosion (GloBE) Model Rules (Pillar Two). The Pillar Two legislation entered into force as of January 1, 2024. Under the legislation, Covestro is required to pay an additional tax per country in the amount of the difference between the GloBE effective tax rate and a minimum tax rate of 15%. All Group companies (with the exception of the companies being wound up in Switzerland) are subject to a nominal tax rate of more than 15%. Even if the nominal tax rate is more than 15%, the Pillar Two legislation could theoretically result in a tax expense due to specific adjustments.

Covestro regularly reviews the potential effects of the legislation on global minimum taxation on the Covestro Group. No such effects on the consolidated financial statements were identified as of June 30, 2024.

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 2023 consolidated financial statements.

On April 9, 2024, the IASB published the new accounting standard IFRS 18 (Presentation and Disclosure in Financial Statements). Application of IFRS 18 is mandatory for fiscal years beginning on or after January 1, 2027; early adoption will be permitted, once the standard has been endorsed by the EU. The new standard sets out fundamental requirements for the presentation of the financial statements and for the necessary disclosures in the notes to the financial statements, which have previously been governed by IAS 1 (Presentation of Financial Statements). IFRS 18 does not affect measurement itself, which is governed by the relevant IFRS standards. IFRS 18 generally affects all components of the financial statements, but in particular the income statement, which is part of the statement of comprehensive income, and the notes to the financial statements, while there are less far-reaching changes for the statement of cash flows and hardly any for the other components of the financial statements. In addition, requirements have been published for the structure and (dis)aggregation of information for the primary financial statements and the notes. Also mandatory are the extended disclosures of management-defined performance measures (MPMs), which may give rise to many different interdependencies with internal management and reporting processes and systems as well as with capital market communications. Covestro has launched a project across the Group, which initially focuses on the analysis of additional data to be collected. The specific consequences for the presentation of the net assets, financial position and results of operations cannot be quantified at this stage.

In relation to the Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) approved by the IASB on May 30, 2024, EU endorsement is still pending. These amendments contain changes and clarifications relating to the derecognition of financial liabilities, the application of the cash flow criterion for the purpose of classifying financial instruments, and additional disclosure requirements. 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.

The IASB published the amendments arising from the Annual Improvements to IFRS Accounting Standards – Volume 11 on July 18, 2024. Once endorsed by the EU, application of these amendments will be mandatory for fiscal years beginning on or after January 1, 2026. The affected standards are IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. As far as can be ascertained at present, the amendments are not expected to materially affect the presentation of Covestro's net assets, financial position and results of operations. A final analysis is still outstanding.

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 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 comprises Covestro's solutions and specialties business, in which chemical products are combined 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 solar panel frames, precursors for coatings and adhesives, laptop cases, floodlights, and electric vehicle batteries.

Business activities that cannot be allocated to any of the aforementioned segments are reported under "All other segments." The external sales presented there are generated primarily from the sale of energy, site management services, and rentals and leasing.

Costs associated with central corporate functions, higher or lower expenses resulting from the variance between forecast and 100% target achievement as part of long-term variable compensation, the difference between the imputed income tax payments of the reportable operating segments and the actual income taxes paid by the Covestro Group, and intragroup reinsurance can be found in the segment reporting under "Reconciliation."

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 2023 "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.

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

Segment reporting 2nd quarter

			Other /Reconciliation		
	Performance Materials	Solutions & Specialties	All other segments	Reconciliation	Covestro Group
	€ million	€ million	€ million	€ million	€ million
2nd quarter 2024					
Sales (external)	1,834	1,810	46	–	3,690
Intersegment sales	571	6	–	(577)	–
Sales (total)	2,405	1,816	46	(577)	3,690
EBITDA[1]	196	174	7	(57)	320
EBIT[1]	59	75	5	(58)	81
2nd quarter 2023					
Sales (external)	1,789	1,872	59	–	3,720
Intersegment sales	557	7	–	(564)	–
Sales (total)	2,346	1,879	59	(564)	3,720
EBITDA[1]	302	221	7	(145)	385
EBIT[1]	158	149	5	(146)	166

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

Segment reporting 1st half

			Other /Reconciliation		
	Performance Materials	Solutions & Specialties	All other segments	Reconciliation	Covestro Group
	€ million	€ million	€ million	€ million	€ million
1st half 2024					
Sales (external)	3,523	3,577	100	–	7,200
Intersegment sales	1,127	13	–	(1,140)	–
Sales (total)	4,650	3,590	100	(1,140)	7,200
EBITDA[1]	299	382	14	(102)	593
EBIT[1]	24	210	11	(103)	142
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	127	(1,179)	7,463
EBITDA[1]	475	386	16	(206)	671
EBIT[1]	187	212	13	(207)	205

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

In connection with the transformation program “STRONG,” there was a negative impact on the EBIT of the Solutions & Specialties segment in the mid double-digit million euro range in the first half of 2024 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, 2023	June 30, 2024
	€ million	€ million
Performance Materials	975	1,199
Solutions & Specialties	1,437	1,614
Total of reportable segments	**2,412**	**2,813**
All other segments	(5)	4
Reconciliation	(21)	(23)
Trade working capital	**2,386**	**2,794**
Inventories	2,459	2,724
Trade accounts receivable	1,898	2,070
Trade accounts payable	(1,895)	(1,958)
IFRS 15 items[1]	(76)	(42)

[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 2024				
Sales (external) by market	1,538	915	1,237	3,690
Sales (external) by point of origin	1,515	938	1,237	3,690
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

Regional reporting 1st half

	EMLA	NA	APAC	Total
	€ million	€ million	€ million	€ million
1st half 2024				
Sales (external) by market	3,053	1,784	2,363	7,200
Sales (external) by point of origin	3,010	1,828	2,362	7,200
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

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 2023	2nd quarter 2024	1st half 2023	1st half 2024
	€ million	€ million	€ million	€ million
EBITDA of reportable segments	523	370	861	681
EBITDA of all other segments	7	7	16	14
EBITDA of reconciliation	(145)	(57)	(206)	(102)
EBITDA	**385**	**320**	**671**	**593**
Depreciation, amortization and impairment losses and impairment loss reversals of reportable segments	(216)	(236)	(462)	(447)
Depreciation, amortization and impairment losses and impairment loss reversals of all other segments	(2)	(2)	(3)	(3)
Depreciation, amortization and impairment losses and impairment loss reversals of reconciliation	(1)	(1)	(1)	(1)
Depreciation, amortization and impairment losses	**(219)**	**(239)**	**(466)**	**(451)**
EBIT of reportable segments	307	134	399	234
EBIT of all other segments	5	5	13	11
EBIT of reconciliation	(146)	(58)	(207)	(103)
EBIT	**166**	**81**	**205**	**142**
Financial result	(36)	(29)	(65)	(59)
Income before income taxes	**130**	**52**	**140**	**83**

The material items under "Reconciliation" are the payments for central corporate functions, intragroup reinsurance, and the higher performance of Covestro shares in the context of long-term variable compensation.

4. Scope of Consolidation

4.1 Changes in the Scope of Consolidation

As of June 30, 2024, the scope of consolidation was unchanged, comprising Covestro AG and 57 (December 31, 2023: 57) consolidated companies.

4.2 Acquisitions and Divestitures

No reportable acquisitions or divestitures were made in the first half of 2024.

5. Sales

Sales are categorized according to "geographical regions and key countries" and mainly comprise sales from contracts with customers. 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 2024				
EMLA	1,584	1,389	80	3,053
of which Germany	379	425	56	860
NA	868	901	15	1,784
of which United States	736	740	15	1,491
APAC	1,071	1,287	5	2,363
of which China	785	775	1	1,561
Total	**3,523**	**3,577**	**100**	**7,200**
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**

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. In the first half of 2024, a weighted average number of outstanding no-par voting shares of 188,740,330 was used to calculate earnings per share, while in the first half of 2023, these shares amounted to 189,792,703. There were no dilution effects to consider.

Earnings per share

		1st half 2023	1st half 2024
		€ million	€ million
Income after income taxes		18	(111)
of which attributable to noncontrolling interest		(2)	(4)
of which attributable to Covestro AG shareholders (net income)		20	(107)
		Shares	Shares
Weighted average number of no-par voting shares of Covestro AG		189,792,703	188,740,330
		€	€
Basic /Diluted earnings per share		0.11	(0.57)

7. Employees and Pension Obligations

As of June 30, 2024, the Covestro Group had 17,509 employees worldwide (December 31, 2023: 17,520). In the first half of 2024, personnel expenses were down €25 million, dropping to €1,109 million (previous year: €1,134 million), largely due to lower expenses for variable compensation.

Employees by division[1]

	Dec. 31, 2023	June 30, 2024
Production	11,947	12,020
Marketing and distribution	2,860	2,801
Research and development	1,338	1,335
General administration	1,375	1,353
Total	**17,520**	**17,509**

[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 €363 million (December 31, 2023: €464 million). This was mainly due to actuarial gains as a result of higher discount rates.

Discount rate for pension obligations

	Dec. 31, 2023	June 30, 2024
	%	%
Germany	3.30	3.70
United States	4.70	5.20

8. Financial Instruments

The following tables show the carrying amounts and fair values of the individual financial assets and liabilities in accordance with IFRS 9 (Financial Instruments):

Carrying amounts of financial instruments and their fair values as of June 30, 2024

		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
	€ million	€ million	€ million	€ million	€ million	€ million
Financial assets						
Trade accounts receivable	2,070	2,070	–	–		2,070
Other financial assets	371					
Loans and bank deposits	298	222	–	76		298
Other investments	22		22	–		22
Derivatives that do not qualify for hedge accounting	17			17		17
Receivables under lease agreements	12				12	23
Miscellaneous financial assets	22	22				22
Cash and cash equivalents	569	569	–	–		569
Financial liabilities						
Financial debt	3,732					
Bonds	1,991	1,991		–		1,972
Liabilities to banks	965	965		–		975
Lease liabilities	769				769	
Derivatives that do not qualify for hedge accounting	5			5		5
Other financial debt	2	2		–		2
Trade accounts payable	1,958	1,958		–		1,958
Other financial liabilities	131					
Refund liabilities	65	65		–		65
Accrued interest on liabilities	33	33		–		33
Miscellaneous financial liabilities	33	33		–		33

Carrying amounts of financial instruments and their fair values as of December 31, 2023

		Measurement according to IFRS 9				
	Carrying amount	Carried at amortized cost	Fair value recognized in other comprehen-sive income	Fair value recognized in profit or loss	Measure-ment according to IFRS 16	Fair value
	€ million	€ million	€ million	€ million	€ million	€ million
Financial assets						
Trade accounts receivable	1,898	1,898	–	–		1,898
Other financial assets	420					
Loans and bank deposits	352	277	–	75		352
Other investments	22		22	–		22
Derivatives that do not qualify for hedge accounting	21			21		21
Receivables under lease agreements	10				10	30
Miscellaneous financial assets	15	15				15
Cash and cash equivalents	625	625	–	–		625
Financial liabilities						
Financial debt	3,407					
Bonds	1,990	1,990		–		1,971
Liabilities to banks	657	657		–		664
Lease liabilities	743				743	
Derivatives that do not qualify for hedge accounting	15			15		15
Other financial debt	2	2		–		2
Trade accounts payable	1,895	1,895		–		1,895
Other financial liabilities	144					
Refund liabilities	97	97		–		97
Accrued interest on liabilities	19	19		–		19
Miscellaneous financial liabilities	28	28		–		28

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.

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

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 Dec. 31, 2023	Level 1	Level 2	Level 3	Fair value June 30, 2024	Level 1	Level 2	Level 3
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Financial assets carried at fair value								
Loans and bank deposits	75	–	66	9	76	–	66	10
Other investments	22	–	–	22	22	–	–	22
Derivatives that do not qualify for hedge accounting	21	–	19	2	17	–	15	2
Financial liabilities carried at fair value								
Derivatives that do not qualify for hedge accounting	15	–	15	–	5	–	5	–
Financial liabilities not carried at fair value								
Bonds	1,971	1,971	–	–	1,972	1,972	–	–
Liabilities to banks	664	–	664	–	975	–	975	–
Other financial debt	2	–	2	–	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 2024, no financial instruments were reallocated to a different level of the fair value hierarchy.

The valuation techniques and input factors of fair value hierarchy Level 1 and Level 2 that are used to determine the fair value of financial instruments are shown in the following table:

Fair-Value-Level	Balance sheet item	Included financial instruments	Valuation technique	Significant input factors for determination of fair values
Level 1	Other financial assets	Other investments	Derivation from active market	Quoted, unadjusted prices
Level 1	Financial debt	Bonds	Derivation from active market	Quoted, unadjusted prices
Level 2	Other financial assets	Loans and bank deposits	Present value of future cash inflows	Current interest rate for the appropriate term on the reporting date and reflecting the creditworthiness of the respective contractual partner
Level 2	Financial debt	Liabilities to banks, other financial debt	Present value of future cash outflows	Current interest rate for the appropriate term on the reporting date and reflecting the creditworthiness of the respective contractual partner
Level 2	Other financial assets and financial debt	Derivatives that do not qualify for hedge accounting	Case-by-case basis with valuation techniques based on observable market data	Forward rate respective price on the reporting date derived from spot rates and prices, taking into account forward premiums and discounts, credit value adjustments and debt value adjustments for both the contracting party's credit risk and Covestro's own credit risk

Fair values measured using unobservable inputs are categorized within Level 3 of the fair value hierarchy.

The valuation techniques and input factors of fair value hierarchy Level 3 are shown in the following table:

Balance sheet item	Included financial instruments	Valuation technique	Significant input factors for determination of fair values	Effects of changes in key input factors
Other financial assets	Other investments and loans, respectively including COVeC investments	The results of market-price-based valuation methods and the results of financing rounds	Non-observable market data or performance indicators available for certain financial assets and market multiples	Increasing (decreasing) fair value with decreasing (increasing) interest rates or larger (smaller) market multiples
Other financial assets / other financial liabilities	Embedded derivatives	In particular, the discounted cash flow method	Prices or price indices derived from market data	Increasing (decreasing) fair value with higher (lower) cash flows due to exchange rate or price fluctuations

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

Changes in the net amount of financial assets and liabilities allocated to Level 3

	2023	2024
	€ million	€ million
Net carrying amounts, Jan. 1	**33**	**33**
Gains (losses) recognized in profit or loss	(1)	1
of which related to assets / liabilities recognized in the statement of financial position	(1)	1
Gains (losses) recognized outside profit or loss	–	–
Net carrying amounts, June 30	**32**	**34**

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, 2023. 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 associates result from the ongoing operating business with PO JV, LP, Houston, Texas (United States), and amounted to €403 million in the first half of 2024 (June 30, 2023: €385 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 (excluding interest) with a fair value of €62 million as of June 30, 2024 (December 31, 2023: €63 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. Loan commitments to pension funds did not change as of June 30, 2024 (December 31, 2023: €156 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, 2024, that have a material impact on the net assets, financial position and results of operations of the Covestro Group.

Leverkusen, July 25, 2024

Covestro AG

The Board of Management

FURTHER INFORMATION

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 25, 2024

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, 2024 to June 30, 2024 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 29, 2024

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 /Reconciliation		Covestro Group	
	2nd quarter 2023	2nd quarter 2024	2nd quarter 2023	2nd quarter 2024	2nd quarter 2023	2nd quarter 2024	2nd quarter 2023	2nd quarter 2024
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	**1,789**	**1,834**	**1,872**	**1,810**	**59**	**46**	**3,720**	**3,690**
Intersegment sales	557	571	7	6	(564)	(577)	–	–
Sales (total)	**2,346**	**2,405**	**1,879**	**1,816**	**(505)**	**(531)**	**3,720**	**3,690**
Change in sales								
Volume	–10.3%	15.0%	–4.7%	4.8%	–	–	–8.0%	9.3%
Price	–15.3%	–12.0%	–6.6%	–7.7%	–	–	–11.0%	–9.7%
Currency	–1.7%	–0.5%	–2.2%	–0.4%	–	–	–1.9%	–0.4%
Sales by region								
EMLA	813	822	736	679	48	37	1,597	1,538
NA	476	451	487	457	8	7	971	915
APAC	500	561	649	674	3	2	1,152	1,237
EBITDA[1]	**302**	**196**	**221**	**174**	**(138)**	**(50)**	**385**	**320**
EBIT[1]	158	59	149	75	(141)	(53)	166	81
Depreciation, amortization, impairment losses and impairment loss reversals	144	137	72	99	3	3	219	239
Cash flows from operating activities	26	19	205	88	(82)	(88)	149	19
Cash outflows for additions to property, plant, equipment and intangible assets	103	108	55	52	1	6	159	166
Free operating cash flow	**(77)**	**(89)**	**150**	**36**	**(83)**	**(94)**	**(10)**	**(147)**
Trade working capital[2]	1,428	1,199	1,701	1,614	(24)	(19)	3,105	2,794

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

[2] 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, 2023/2024.

Segment information 1st half

	Performance Materials		Solutions & Specialties		Others /Reconciliation		Covestro Group	
	1st half 2023	1st half 2024	1st half 2023	1st half 2024	1st half 2023	1st half 2024	1st half 2023	1st half 2024
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	**3,581**	**3,523**	**3,755**	**3,577**	**127**	**100**	**7,463**	**7,200**
Intersegment sales	1,164	1,127	15	13	(1,179)	(1,140)	–	–
Sales (total)	**4,745**	**4,650**	**3,770**	**3,590**	**(1,052)**	**(1,040)**	**7,463**	**7,200**
Change in sales								
Volume	–14.4%	16.2%	–10.1%	5.3%	–	–	–12.5%	10.0%
Price	–11.2%	–16.7%	–3.5%	–9.0%	–	–	–7.4%	–12.5%
Currency	–0.5%	–1.1%	–0.8%	–1.0%	–	–	–0.6%	–1.0%
Sales by region								
EMLA	1,652	1,584	1,491	1,389	104	80	3,247	3,053
NA	965	868	972	901	16	15	1,953	1,784
APAC	964	1,071	1,292	1,287	7	5	2,263	2,363
EBITDA[1]	**475**	**299**	**386**	**382**	**(190)**	**(88)**	**671**	**593**
EBIT[1]	187	24	212	210	(194)	(92)	205	142
Depreciation, amortization, impairment losses and impairment loss reversals	288	275	174	172	4	4	466	451
Cash flows from operating activities	45	20	200	141	(115)	(165)	130	(4)
Cash outflows for additions to property, plant, equipment and intangible assets	179	182	98	83	2	7	279	272
Free operating cash flow	**(134)**	**(162)**	**102**	**58**	**(117)**	**(172)**	**(149)**	**(276)**
Trade working capital[2]	1,428	1,199	1,701	1,614	(24)	(19)	3,105	2,794

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

2 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, 2023/2024.

Quarterly Overview

	1st quarter 2023	2nd quarter 2023	3rd quarter 2023	4th quarter 2023	1st quarter 2024	2nd quarter 2024
	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	3,743	3,720	3,568	3,346	3,510	3,690
Performance Materials	1,792	1,789	1,707	1,588	1,689	1,834
Solutions & Specialties	1,883	1,872	1,809	1,703	1,767	1,810
EBITDA	**286**	**385**	**277**	**132**	**273**	**320**
Performance Materials[1]	173	302	85	16	103	196
Solutions & Specialties[1]	165	221	246	185	208	174
EBIT	39	166	71	(90)	61	81
Performance Materials[1]	29	158	(52)	(126)	(35)	59
Solutions & Specialties[1]	63	149	178	107	135	75
Financial result	(29)	(36)	(35)	(13)	(30)	(29)
Income before income taxes	10	130	36	(103)	31	52
Income after income taxes	(27)	45	(31)	(189)	(37)	(74)
Net income	(26)	46	(31)	(187)	(35)	(72)
Cash flows from operating activities	(19)	149	490	377	(23)	19
Cash outflows for additions to property, plant, equipment and intangible assets	120	159	182	304	106	166
Free operating cash flow	**(139)**	**(10)**	**308**	**73**	**(129)**	**(147)**

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

Financial Calendar

Quarterly Statement Third Quarter 2024	October 29, 2024
Annual Report 2024	February 26, 2025
Annual General Meeting 2025	April 17, 2025
Quarterly Statement First Quarter 2025	May 06, 2025

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