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

		Closing rates		
€1/		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

		Average rates	
€1/		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 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	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