

QUARTERLY STATEMENT 2023

THIRD QUARTER

Q3



Contents

Table of contents

Covestro Group Key Data	3
Significant Events	4
Results of Operations and Financial Position of the Covestro Group	5
Performance of the Segments	7
Forecast, Opportunities, and Risks	9
Covestro Group Consolidated Income Statement	12
Covestro Group Consolidated Statement of Comprehensive Income	13
Covestro Group Consolidated Statement of Financial Position	14
Covestro Group Consolidated Statement of Cash Flows	15
Employees and Pension Obligations	16
Exchange Rates	16
Scope of Consolidation	17
Significant Events after the End of the Reporting Period	17
Segment Information	18
Financial Calendar	20

Reporting principles

This Quarterly Statement of Covestro AG, Leverkusen (Germany), was prepared in accordance with Section 53 of the Stock Exchange Rules and Regulations (Börsenordnung) of the Frankfurt Stock Exchange. It does not comprise an interim report within the meaning of IAS 34 (Interim Financial Reporting) or a set of financial statements within the meaning of IAS 1 (Presentation of Financial Statements). This Quarterly Statement contains information on the period from July 1 to September 30, 2023 and should be read alongside the Annual Report 2022 and the additional information about the Covestro Group contained therein, as well as the Half-Year Financial Report 2023. The Annual Report 2022 and the Half-Year Financial Report 2023 are available on our website at www.covestro.com.

Forward-looking statements

This Quarterly Statement may contain forward-looking statements based on current assumptions and forecasts made by the management of Covestro AG, Leverkusen (Germany). 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.

Acronyms and Abbreviations

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

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 Quarterly Statement. All terms should be taken to apply equally to all genders.

Rounding and Percentage Deviations

As the indicators in this Quarterly Statement 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.

Publication

This Quarterly Statement was published in German and English on October 27, 2023. The German version is binding.

Covestro Group Key Data

	3rd quarter 2022	3rd quarter 2023	Change	1st nine months 2022	1st nine months 2023	Change
Sales	€4,618 million	€3,568 million	-22.7%	€14,004 million	€11,031 million	-21.2%
Change in sales						
Volume	-5.7%	-3.8%		-1.8%	-9.5%	
Price	5.4%	-14.3%		13.5%	-9.7%	
Currency	7.6%	-4.6%		6.7%	-2.0%	
Portfolio	0.0%	0.0%		2.7%	0.0%	
EBITDA¹	€302 million	€277 million	-8.3%	€1,655 million	€948 million	-42.7%
Changes in EBITDA						
Volume	-11.4%	-7.0%		-4.4%	-26.3%	
Price	26.8%	-218.5%		64.5%	-82.1%	
Raw material price	-99.4%	241.4%		-101.8%	59.3%	
Currency	5.7%	-15.2%		5.8%	-3.8%	
Other ²	13.3%	-8.9%		4.2%	10.2%	
EBIT ³	€66 million	€71 million	7.6%	€962 million	€276 million	-71.3%
Financial result	(€40 million)	(€35 million)	-12.5%	(€112 million)	(€100 million)	-10.7%
Net income⁴	€12 million	(€31 million)	.	€627 million	(€11 million)	.
Earnings per share ⁵	€0.06	(0.16)	.	€3.28	(€0.06)	.
Cash flows from operating activities ⁶	€246 million	€490 million	99.2%	€131 million	€620 million	373.3%
Cash outflows for additions to property, plant, equipment and intangible assets	€213 million	€182 million	-14.6%	€543 million	€461 million	-15.1%
Free operating cash flow⁷	€33 million	€308 million	833.3%	(€412 million)	€159 million	.

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

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

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

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

⁵ Earnings per share: according to IAS 33 (Earnings per Share), net income divided by the weighted average number of outstanding no-par value voting shares of Covestro AG. The calculation was based on 188,740,330 no-par shares for the third quarter of 2023 (previous year: 189,720,044 no-par shares) and on 189,438,057 no-par shares for the first nine months of 2023 (previous year: 191,298,857 no-par shares).

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

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

Significant Events

Events outside the Company

Challenging Economic Environment

Weak global demand continued in the third quarter of 2023, driven especially by lower consumer spending. The adverse macroeconomic conditions had a negative impact on the selling price level and the volumes sold at Covestro.

Events within the Company

Changes in the Board of Management

The previous Chief Financial Officer (CFO) and Labor Director Dr. Thomas Toepfer left Covestro as of August 31, 2023 to pursue a new role as CFO at the European aircraft manufacturer Airbus. He was succeeded by Christian Baier, who took over the position of CFO as of October 1, 2023. Dr. Markus Steilemann, Chief Executive Officer of Covestro AG, acted in this role on an interim basis during September 2023. Dr. Thorsten Dreier has taken on the position of Labor Director as from September 1, 2023 in addition to his duties as Chief Technology Officer.

Results of Operations and Financial Position of the Covestro Group

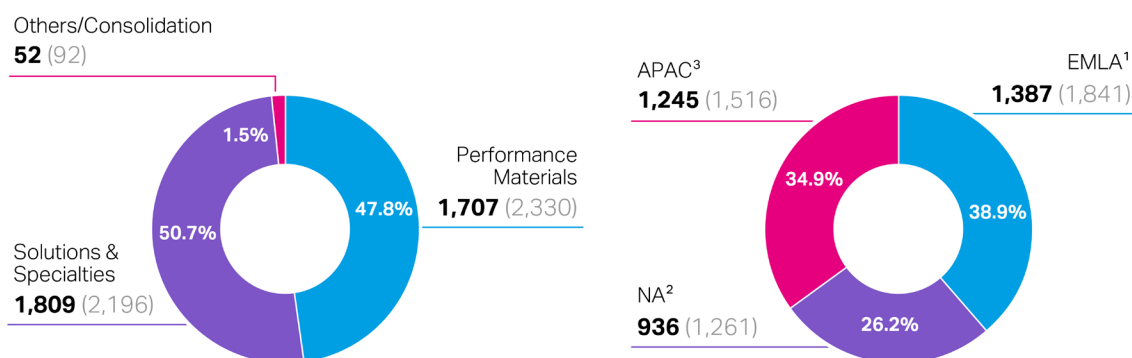
Results of Operations

Group sales declined by 22.7% in the third quarter of 2023, to €3,568 million (previous year: €4,618 million). The decrease in sales was mainly due to a lower selling price level in all regions, which had a decreasing effect on sales of 14.3%. In addition, there was a decline in volumes sold, especially in the NA and EMLA regions, with a negative effect on sales of 3.8%. Both trends were driven above all by the unfavorable global demand situation. Exchange rate movements also had a negative impact on sales, amounting to 4.6%.

In the third quarter of 2023, sales decreased by 26.7% to €1,707 million (previous year: €2,330 million) in the Performance Materials segment and by 17.6% to €1,809 million (previous year: €2,196 million) in the Solutions & Specialties segment. Sales were down in all three regions in the third quarter of 2023. In the EMLA region, sales fell by 24.7% to €1,387 million (previous year: €1,841 million). Sales went down by 25.8% to €936 million (previous year: €1,261 million) in the NA region, and by 17.9% to €1,245 million (previous year: €1,516 million) in the APAC region.

Sales by segment and region

€ million, prior-year figures in brackets



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

² NA: North America region (Canada, Mexico, United States).

³ APAC: Asia and Pacific region.

The Group's EBITDA was down 8.3% to €277 million in the third quarter of 2023 (previous year: €302 million). In addition to exchange rate movements, a decrease in volumes sold due to lower demand had a negative effect on EBITDA. Furthermore, changes in provisions for short- and long-term variable compensation and a smaller amount of business development subsidies received in China than in the prior-year quarter contributed to the reduction in EBITDA. In contrast, higher margins boosted earnings, since the decline in the selling price level was more than offset by lower raw material and energy prices. Another factor was that lower selling and administrative expenses and a decrease in fixed cost of goods sold also pushed up earnings.

EBITDA increased by 60.4% to €85 million (previous year: €53 million) in the Performance Materials segment and declined by 12.1% to €246 million (previous year: €280 million) in the Solutions & Specialties segment.

The Covestro Group's EBIT improved by 7.6% to €71 million in the third quarter (previous year: €66 million).

Financial Position

Cash flows from operating activities in the third quarter of 2023 amounted to €490 million (previous year: €246 million), driven primarily by funds freed up from working capital, compared with funds tied up in the prior-year quarter. In contrast, higher income tax payments, mainly because of back tax payments, and a reduction in EBITDA had an adverse impact on cash flows from operating activities.

Free operating cash flow was up, amounting to €308 million in the third quarter of 2023 (previous year: €33 million), largely due to higher cash flows from operating activities.

Net financial debt

	Dec. 31, 2022	Sep. 30, 2023
	€ million	€ million
Bonds	1,988	1,990
Liabilities to banks	922	908
Lease liabilities	746	763
Liabilities from derivatives	32	26
Other financial liabilities	1	2
Receivables from derivatives	(42)	(21)
Financial debt	3,647	3,668
Cash and cash equivalents	(1,198)	(1,052)
Current financial assets	(15)	(116)
Net financial debt	2,434	2,500

In comparison with December 31, 2022, the Covestro Group's financial debt rose by €21 million to €3,668 million as of September 30, 2023. In addition to a €21 million decline in receivables from derivatives, this was attributable to a rise of €17 million in lease liabilities. Offsetting effects included in particular the €14 million decrease in liabilities to banks.

Cash and cash equivalents declined in comparison with the figure on December 31, 2022, by €146 million to €1,052 million. This was mainly due to cash outflows for additions to property, plant and equipment and intangible assets of €461 million, cash flows from financing activities of €276 million, and net outflows for short-term bank deposits of €101 million. Conversely, higher cash flows from operating activities led to a €620 million increase in cash and cash equivalents. The net cash outflows for short-term bank deposits drove up current financial assets by €101 million to €116 million.

Net financial debt therefore grew by €66 million compared with the figure on December 31, 2022, to €2,500 million as of September 30, 2023.

Performance of the Segments

Performance Materials

Performance Materials key data

	3rd quarter 2022	3rd quarter 2023	Change	1st nine months 2022	1st nine months 2023	Change
Sales (external)	€2,330 million	€1,707 million	-26.7%	€7,179 million	€5,288 million	-26.3%
Intersegment sales	€760 million	€542 million	-28.7%	€2,323 million	€1,706 million	-26.6%
Sales (total)	€3,090 million	€2,249 million	-27.2%	€9,502 million	€6,994 million	-26.4%
Change in sales (external)						
Volume	-6.2%	-2.4%		-0.2%	-10.4%	
Price	5.2%	-19.9%		15.6%	-14.1%	
Currency	7.6%	-4.4%		6.6%	-1.8%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
Sales by region (external)						
EMLA	€970 million	€695 million	-28.4%	€3,367 million	€2,347 million	-30.3%
NA	€702 million	€465 million	-33.8%	€1,931 million	€1,430 million	-25.9%
APAC	€658 million	€547 million	-16.9%	€1,881 million	€1,511 million	-19.7%
EBITDA¹	€53 million	€85 million	60.4%	€1,040 million	€560 million	-46.2%
EBIT ¹	(€107 million)	(€52 million)	-51.4%	€572 million	€135 million	-76.4%
Cash flows from operating activities ²	€227 million	€438 million	93.0%	€528 million	€483 million	-8.5%
Cash outflows for additions to property, plant, equipment and intangible assets	€134 million	€121 million	-9.7%	€360 million	€300 million	-16.7%
Free operating cash flow²	€93 million	€317 million	240.9%	€168 million	€183 million	8.9%

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

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

In the Performance Materials segment, third quarter sales in 2023 were down 26.7% to €1,707 million (previous year: €2,330 million). This was primarily driven by the 19.9% decline in average selling prices, due in particular to weak demand worldwide. Exchange rate movements also had a decreasing effect of 4.4% on sales. At the same time, a demand-induced downturn in volumes sold had a negative impact on sales of 2.4%.

Sales in the EMLA region were down by 28.4% from the prior-year quarter to €695 million (previous year: €970 million), driven by a significant drop in the selling price level. Changes in volumes sold and in exchange rates both had a neutral effect on sales. The NA region's sales decreased 33.8% to €465 million (previous year: €702 million), principally because of a considerable decline in average selling prices. In addition, lower volumes sold had a significant sales-reducing effect. Exchange rate movements also had a slightly negative effect on sales. Sales in the APAC region were down by 16.9% to €547 million (previous year: €658 million). The key drivers here were exchange rate movements and a decrease in sales volumes, each of which drove sales down considerably. Changes in the selling price level had no notable effect on sales.

In the third quarter of 2023, the Performance Materials segment's EBITDA was up 60.4% on the prior-year quarter, rising to €85 million (previous year: €53 million). This was primarily driven by higher margins, since a decline in average selling prices was more than offset by a drop in raw material and energy prices and lower fixed costs. In contrast, the change in provisions for short-term variable compensation and exchange rate movements had a negative impact on earnings. Lower volumes sold had an additional slightly negative effect on earnings.

In the third quarter of 2023, EBIT improved by 51.4% to €-52 million (previous year: €-107 million).

Free operating cash flow was up, amounting to €317 million in the third quarter of 2023 (previous year: €93 million), primarily driven by an increase in funds freed up from working capital, due above all to changes in inventories. At the same time, a rise in EBITDA and a decline in cash outflows for property, plant and equipment and intangible assets had a positive effect on free operating cash flow.

Solutions & Specialties

Solutions & Specialties key data

	3rd quarter 2022	3rd quarter 2023	Change	1st nine months 2022	1st nine months 2023	Change
Sales (external)	€2,196 million	€1,809 million	-17.6%	€6,583 million	€5,564 million	-15.5%
Intersegment sales	€11 million	€6 million	-45.5%	€28 million	€21 million	-25.0%
Sales (total)	€2,207 million	€1,815 million	-17.8%	€6,611 million	€5,585 million	-15.5%
Change in sales (external)						
Volume	-7.2%	-3.7%		-5.4%	-8.0%	
Price	5.7%	-8.9%		11.6%	-5.3%	
Currency	7.6%	-5.0%		6.7%	-2.2%	
Portfolio	0.0%	0.0%		5.7%	0.0%	
Sales by region (external)						
EMLA	€798 million	€653 million	-18.2%	€2,522 million	€2,144 million	-15.0%
NA	€543 million	€461 million	-15.1%	€1,607 million	€1,433 million	-10.8%
APAC	€855 million	€695 million	-18.7%	€2,454 million	€1,987 million	-19.0%
EBITDA¹	€280 million	€246 million	-12.1%	€717 million	€632 million	-11.9%
EBIT ¹	€207 million	€178 million	-14.0%	€498 million	€390 million	-21.7%
Cash flows from operating activities ²	€142 million	€247 million	73.9%	(€42 million)	€447 million	.
Cash outflows for additions to property, plant, equipment and intangible assets	€77 million	€62 million	-19.5%	€178 million	€160 million	-10.1%
Free operating cash flow²	€65 million	€185 million	184.6%	(€220 million)	€287 million	.

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

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

In the Solutions & Specialties segment, third-quarter sales in 2023 were down 17.6% to €1,809 million (previous year: €2,196 million). This was primarily driven by an 8.9% decline in average selling prices – due in particular to weak demand worldwide. At the same time, exchange rate movements and lower volumes sold had a reducing effect on sales of 5.0% and 3.7% respectively.

The EMLA region's sales decreased 18.2% to €653 million (previous year: €798 million), driven by a significant decline in sales volumes and considerably lower average selling prices. Exchange rate movements had no notable effect on sales. In the NA region, sales were down 15.1% to 461 million (previous year: €543 million), mainly on account of a considerable drop in the selling price level. At the same time, exchange rate movements and lower volumes sold each had a minor reducing effect on sales. Sales in the APAC region declined by 18.7% to 695 million (previous year: €855 million), The main drivers of this development were exchange rate movements and lower average selling prices, each of which had a considerable negative effect on sales. Changes in volumes sold had no notable effect on sales.

In the third quarter of 2023, EBITDA in the Solutions & Specialties segment was down 12.1% on the prior-year quarter, declining to €246 million (previous year: €280 million). This was mainly attributable to the change in provisions for short-term variable compensation and exchange rate movements. Other factors contributing to the reduction in EBITDA were a decline in volumes sold and a lower amount of business development subsidies received in China attributable to the segment compared with the prior-year quarter. In contrast, lower fixed costs had an increasing effect on earnings. The margins had no notable impact on earnings, since the demand-induced decrease in selling prices was almost fully offset by lower raw material and energy costs.

In the third quarter of 2023, EBIT decreased by 14.0% to €178 million (previous year: €207 million).

Free operating cash flow improved in the third quarter of 2023 to €185 million (previous year: €65 million). This was driven primarily by funds freed up from working capital, compared with funds tied up in the prior-year quarter. This effect is largely due to the change in inventories. In addition, a decline in cash outflows for property, plant and equipment and intangible assets had a positive effect on free operating cash flow. Lower EBITDA, on the other hand, had a negative effect on free operating cash flow.

Forecast, Opportunities, and Risks

Economic Outlook

Global Economy

For the current fiscal year, we expect global economic output to rise slightly more strongly – now by 2.5% – than indicated in the outlook published in the Annual Report 2022. Backed by the robust performance of the services sector, the economic data for the leading industrialized countries has been more positive in the year to date than previously expected, and this has had a boosting effect on global economic growth expected in the year 2023. However, there are signs that tighter monetary policy in response to high inflation in the United States and Europe will weigh significantly on economic performance during the remainder of the year. As a consequence, the United States is expected to move into a mild technical recession while Europe's poor economic performance will likely continue. Despite a modest increase in economic growth expected in China compared with the outlook published in the Annual Report 2022, demand remains at a low level and weak demand for exports does not prompt expectations of positive effects on global economic growth. The economic stimulus measures implemented in China are aimed at stabilizing the economy and have so far only had limited success in countering the negative growth trends.

The economic growth forecast for the EMLA and NA regions continues to be below the global growth rate. As referred to above, economic growth in the year to date in particular has had a positive impact on expected full-year economic growth in both regions, compared with the outlook published in the Annual Report 2022. We now forecast that the economy will expand by 1.2% in the EMLA region and by 2.0% in the NA region.

In the APAC region, we now expect growth to exceed global economic expansion, at 4.1%. Although the recovery of macroeconomic performance in China is slowing down due to weak consumption, we expect economic output to rise more strongly for the year as a whole than indicated in the outlook published in the Annual Report 2022.

Economic growth¹

	Growth 2022	Growth forecast 2023 (Annual Report 2022)	Growth forecast 2023
	%	%	%
World	3.1	1.5	2.5
Europe, Middle East, Latin America², Africa (EMLA)	3.7	0.6	1.2
of which Europe	3.3	0.2	0.8
of which Germany	1.9	-0.2	-0.5
of which Middle East	6.3	2.7	1.9
of which Latin America ²	3.9	0.3	1.8
of which Africa	3.8	2.4	2.8
North America³ (NA)	2.1	-0.1	2.0
of which United States	1.9	0.0	2.0
Asia-Pacific (APAC)	3.2	3.4	4.1
of which China	3.0	4.5	5.1

¹ Real growth of gross domestic product; source: Oxford Economics, "Growth 2022" and "Growth forecast 2023" as of October 2023.

² Latin America (excluding Mexico).

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

Main Customer Industries

The fact that the rise in global economic output has been stronger than communicated in the outlook published in the Annual Report 2022 is largely due to the robust performance of the services sector. This is, however, not reflected in all of Covestro's main customer industries. In particular, slightly negative growth is now expected for the construction industry and significantly negative growth for the furniture industry in the year 2023. For the electrical, electronics, and household appliances industry, we are also anticipating that growth will be down on the outlook presented in the Annual Report 2022. In contrast, we expect considerable growth for the automotive industry in the year 2023 at a faster rate than indicated in the outlook published in the Annual Report 2022.

Growth in main customer industries¹

	Growth 2022	Growth forecast 2023 (Annual Report 2022)	Growth forecast 2023
	%	%	%
Automotive	7.0	4.6	7.9
Construction	0.7	0.8	-2.2
Electrical, electronics and household appliances	4.0	2.0	0.4
Furniture	-3.6	0.3	-4.5

¹ Covestro's estimate, based on the following sources: GlobalData Plc, B+L, CSIL (Centre for Industrial Studies), Oxford Economics. We limited the economic data of our "automotive and transportation" and "furniture and wood processing" main customer industries to the automotive and furniture segments (excluding the transportation or wood processing segments). As of: October 2023.

Forecast for the Covestro Group

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

After recently assuming a target attainment in the bottom half of each of the forecast ranges published on 28 April 2023, we have updated the guidance for fiscal 2023 in view of the existing adverse macroeconomic conditions and weak demand. We now expect the following developments in our key management indicators:

Forecast for key management indicators

	2022	Forecast 2023 (Annual Report 2022)	Forecast 2023 (April 28, 2023)	Forecast 2023 (October 27, 2022)
EBITDA ¹	€1,617 million	Significantly down on previous year	Between €1,100 million and €1,600 million	Around €1,100 million ⁶
Free operating cash flow ²	€138 million	Significantly down on previous year	Between €0 million and €500 million	Between €0 million and €200 million
ROCE above WACC ^{3,4}	-5.0% points	Significantly down on previous year	Between -6% points and -2% points	Around -6% points ⁶
Greenhouse gas emissions ⁵ (CO ₂ equivalents)	4.7 million metric tons	Similar to previous year ⁶	Between 4.2 million metric tons and 4.8 million metric tons	Between 4.2 million metric tons and 4.8 million metric tons

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

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

³ ROCE: ratio of EBIT after imputed income taxes to capital employed.

⁴ WACC: weighted average cost of capital reflecting the expected return on the company's equity and debt capital. A figure of 7.6% has been taken into account for the year 2023 (2022: 7.0%).

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

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

For the Covestro Group's EBITDA, we now forecast a figure in the region of €1,100 million* (previously: between €1,100 million and €1,600 million). For the Performance Materials segment, our forecast remains unchanged with an EBITDA significantly below the figure for the year 2022. In the Solutions & Specialties segment, we continue to project an EBITDA on a level with the year 2022.*

The Covestro Group's FOCF is now forecast to total between €0 million and €200 million (previously: between €0 million and €500 million). For the Performance Materials segment, we still expect FOCF to fall significantly short of the figure for the year 2022. In the Solutions & Specialties segment, however, we have not adjusted our forecast that FOCF is anticipated to be significantly higher than the amount of the year 2022.

We now expect ROCE above WACC in the region of -6% points* (previously: between -6% points and -2% points).

The Covestro Group's GHG emissions measured as CO₂ equivalents are still projected to be between 4.2 million metric tons and 4.8 million metric tons.

Opportunities and Risks

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

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

Covestro Group Consolidated Income Statement

	3rd quarter 2022	3rd quarter 2023	1st nine months 2022	1st nine months 2023
	€ million	€ million	€ million	€ million
Sales	4,618	3,568	14,004	11,031
Cost of goods sold	(4,058)	(3,011)	(11,338)	(9,157)
Gross profit	560	557	2,666	1,874
Selling expenses	(396)	(366)	(1,193)	(1,130)
Research and development expenses	(83)	(86)	(273)	(284)
General administration expenses	(86)	(84)	(275)	(263)
Other operating income	91	80	125	228
Other operating expenses	(20)	(30)	(88)	(149)
EBIT¹	66	71	962	276
Equity-method loss	(5)	(5)	(15)	(17)
Result from other affiliated companies	1	1	1	1
Interest income	16	19	53	53
Interest expense	(34)	(44)	(91)	(127)
Other financial result	(18)	(6)	(60)	(10)
Financial result	(40)	(35)	(112)	(100)
Income before income taxes	26	36	850	176
Income taxes	(15)	(67)	(224)	(189)
Income after income taxes	11	(31)	626	(13)
attributable to noncontrolling interest	(1)	-	(1)	(2)
attributable to Covestro AG shareholders (net income)	12	(31)	627	(11)
	€	€	€	€
Basic /Diluted earnings per share²	0.06	(0.16)	3.28	(0.06)

¹ Earnings before interest and taxes (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 third quarter of 2023 (previous year: 189,720,044 no-par shares) and on 189,438,057 no-par shares for the first nine months of 2023 (previous year: 191,298,857 no-par shares).

Covestro Group Consolidated Statement of Comprehensive Income

	3rd quarter 2022	3rd quarter 2023	1st nine months 2022	1st nine months 2023
	€ million	€ million	€ million	€ million
Income after income taxes	11	(31)	626	(13)
Remeasurements of the net defined benefit liability for post-employment benefit plans	43	144	969	179
Income taxes	(11)	(1)	(279)	(1)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	32	143	690	178
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	32	143	689	179
Exchange differences of foreign operations	139	86	405	(163)
Other comprehensive income from exchange differences	139	86	405	(163)
Other comprehensive income that may be reclassified subsequently to profit or loss	139	86	405	(163)
Total other comprehensive income	171	229	1,094	16
attributable to noncontrolling interest	1	–	(1)	(3)
attributable to Covestro AG shareholders	170	229	1,095	19
Total comprehensive income	182	198	1,720	3
attributable to noncontrolling interest	–	–	(2)	(5)
attributable to Covestro AG shareholders	182	198	1,722	8

Covestro Group Consolidated Statement of Financial Position

	Sep. 30, 2022	Sep. 30, 2023	Dec. 31, 2022
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	764	717	729
Other intangible assets	677	537	603
Property, plant and equipment	6,274	5,711	5,801
Investments accounted for using the equity method	189	180	185
Other financial assets	45	105	143
Other receivables	223	193	110
Deferred taxes	703	323	345
	8,875	7,766	7,916
Current assets			
Inventories	3,762	2,594	2,814
Trade accounts receivable	2,548	2,029	2,011
Other financial assets	41	140	62
Other receivables	574	586	451
Claims for income tax refunds	85	81	115
Cash and cash equivalents	292	1,052	1,198
Assets held for sale	19	–	18
	7,321	6,482	6,669
Total assets	16,196	14,248	14,585
Equity			
Capital stock of Covestro AG	190	189	190
Capital reserves of Covestro AG	3,780	3,740	3,788
Retained earnings incl. total income	3,675	2,647	2,480
Accumulated other comprehensive income	980	468	628
Equity attributable to Covestro AG shareholders	8,625	7,044	7,086
Equity attributable to noncontrolling interest	50	31	36
	8,675	7,075	7,122
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	420	340	486
Other provisions	195	197	184
Financial liabilities	2,340	2,757	3,368
Income tax liabilities	106	26	26
Other liabilities	31	39	32
Deferred taxes	320	223	312
	3,412	3,582	4,408
Current liabilities			
Other provisions	297	374	171
Financial liabilities	849	932	321
Trade accounts payable	2,456	1,744	2,016
Income tax liabilities	119	122	149
Other liabilities	386	419	396
Liabilities directly related to assets held for sale	2	–	2
	4,109	3,591	3,055
Total equity and liabilities	16,196	14,248	14,585

Covestro Group Consolidated Statement of Cash Flows

	3rd quarter 2022	3rd quarter 2023	1st nine months 2022	1st nine months 2023
	€ million	€ million	€ million	€ million
Income after income taxes	11	(31)	626	(13)
Income taxes	15	67	224	189
Financial result	40	35	112	100
Income taxes paid	(86)	(130)	(446)	(247)
Depreciation, amortization and impairment losses and impairment loss reversals	236	206	693	672
Change in pension provisions	6	(7)	18	(24)
(Gains)/losses on retirements of noncurrent assets	-	1	-	(33)
Decrease/(increase) in inventories	(21)	298	(672)	179
Decrease/(increase) in trade accounts receivable	284	86	(51)	(15)
(Decrease)/increase in trade accounts payable	(139)	(52)	152	(249)
Changes in other working capital, other noncash items	(100)	17	(525)	61
Cash flows from operating activities	246	490	131	620
Cash outflows for additions to property, plant, equipment and intangible assets	(213)	(182)	(543)	(461)
Cash inflows from sales of property, plant, equipment and other assets	2	-	5	2
Cash inflows from divestments less divested cash	-	-	6	51
Cash outflows for noncurrent financial assets	(3)	(7)	(10)	(15)
Cash inflows from noncurrent financial assets	1	-	2	41
Interest and dividends received	23	20	56	54
Cash inflows from/(Cash outflows for) other current financial assets	(34)	139	414	(160)
Cash flows from investing activities	(224)	(30)	(70)	(488)
Acquisition of treasury shares	-	-	(150)	(49)
Dividend payments	-	-	(653)	(2)
Issuances of debt	436	25	1,015	327
Retirements of debt	(441)	(138)	(531)	(447)
Interest paid	(42)	(37)	(105)	(105)
Cash outflows for the purchase of additional interests in subsidiaries	-	-	(4)	-
Cash flows from financing activities	(47)	(150)	(428)	(276)
Change in cash and cash equivalents due to business activities	(25)	310	(367)	(144)
Cash and cash equivalents at beginning of period	315	741	649	1,198
Change in cash and cash equivalents due to exchange rate movements	2	1	10	(2)
Cash and cash equivalents at end of period	292	1,052	292	1,052

Employees and Pension Obligations

As of September 30, 2023, Covestro had 17,536 employees worldwide (December 31, 2022: 17,985). In the third quarter of 2023, personnel expenses were up €74 million on the prior-year quarter, increasing to €526 million (previous year: €452 million), largely due to higher expenses for short- and long-term variable compensation.

Employees by division¹

	Dec. 31, 2022	Sep. 30, 2023
Production	11,760	11,954
Marketing and distribution	3,261	2,847
Research and development	1,477	1,352
General administration	1,487	1,383
Total	17,985	17,536

¹ The number of employees on either permanent or temporary contracts is stated in full-time equivalents (FTE). 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 €340 million as of September 30, 2023 (December 31, 2022: €486 million). This was mainly due to a reduction in the measurement of obligations as a result of higher discount rates.

Discount rate for pension obligations

	Dec. 31, 2022	Sep. 30, 2023
	%	%
Germany	3.70	4.20
United States	4.90	5.60

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		
		Sep. 30, 2022	Dec. 31, 2022	Sep. 30, 2023
BRL	Brazil	5.26	5.64	5.31
CNY	China	6.95	7.37	7.72
HKD	Hong Kong ¹	7.65	8.32	8.30
INR	India	79.43	88.17	88.02
JPY	Japan	141.01	140.66	158.10
MXN	Mexico	19.64	20.86	18.50
USD	United States	0.97	1.07	1.06

Average rates for major currencies

€1/		Average rates	
		1st nine months 2022	1st nine months 2023
BRL	Brazil	5.44	5.42
CNY	China	7.03	7.62
HKD	Hong Kong ¹	8.32	8.49
INR	India	82.29	89.19
JPY	Japan	135.76	149.19
MXN	Mexico	21.51	19.27
USD	United States	1.06	1.08

¹ Special Administration Region (China)

Scope of Consolidation

Changes in the Scope of Consolidation

As of September 30, 2023, the scope of consolidation comprised Covestro AG and 57 (December 31, 2022: 60) consolidated companies.

Effective September 1, 2023, the consolidated companies Covestro Intellectual Property GmbH & Co. KG, Leverkusen (Germany), and Covestro Procurement Services GmbH & Co. KG, Leverkusen (Germany), were merged into Covestro Deutschland AG, Leverkusen (Germany).

Acquisitions and Divestitures

No reportable acquisitions or divestitures were made in the third quarter of 2023.

Significant Events after the End of the Reporting Period

At the beginning of October 2023, Covestro prematurely repaid a partial amount of €252 million of the Schuldschein loans issued on October 7, 2022.

Segment Information

Segment information 3rd quarter

	Performance Materials		Solutions & Specialties		Others/Consolidation		Covestro Group	
	3rd quarter 2022	3rd quarter 2023	3rd quarter 2022	3rd quarter 2023	3rd quarter 2022	3rd quarter 2023	3rd quarter 2022	3rd quarter 2023
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	2,330	1,707	2,196	1,809	92	52	4,618	3,568
Intersegment sales	760	542	11	6	(771)	(548)	–	–
Sales (total)	3,090	2,249	2,207	1,815	(679)	(496)	4,618	3,568
Change in sales								
Volume	–6.2%	–2.4%	–7.2%	–3.7%	–	–	–5.7%	–3.8%
Price	5.2%	–19.9%	5.7%	–8.9%	–	–	5.4%	–14.3%
Currency	7.6%	–4.4%	7.6%	–5.0%	–	–	7.6%	–4.6%
Portfolio	0.0%	0.0%	0.0%	0.0%	–	–	0.0%	0.0%
Sales by region								
EMLA	970	695	798	653	73	39	1,841	1,387
NA	702	465	543	461	16	10	1,261	936
APAC	658	547	855	695	3	3	1,516	1,245
EBITDA¹	53	85	280	246	(31)	(54)	302	277
EBIT ¹	(107)	(52)	207	178	(34)	(55)	66	71
Depreciation, amortization, impairment losses and impairment loss reversals	160	137	73	68	3	1	236	206
Cash flows from operating activities ²	227	438	142	247	(123)	(195)	246	490
Cash outflows for additions to property, plant, equipment and intangible assets	134	121	77	62	2	(1)	213	182
Free operating cash flow²	93	317	65	185	(125)	(194)	33	308
Trade working capital ³	1,704	1,163	2,085	1,669	(7)	(24)	3,782	2,808

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

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

³ Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of September 30, 2022/2023.

Segment information first nine months

	Performance Materials		Solutions & Specialties		Others/Consolidation		Covestro Group	
	1st nine months 2022	1st nine months 2023	1st nine months 2022	1st nine months 2023	1st nine months 2022	1st nine months 2023	1st nine months 2022	1st nine months 2023
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	7,179	5,288	6,583	5,564	242	179	14,004	11,031
Intersegment sales	2,323	1,706	28	21	(2,351)	(1,727)	–	–
Sales (total)	9,502	6,994	6,611	5,585	(2,109)	(1,548)	14,004	11,031
Change in sales								
Volume	–0.2%	–10.4%	–5.4%	–8.0%	–	–	–1.8%	–9.5%
Price	15.6%	–14.1%	11.6%	–5.3%	–	–	13.5%	–9.7%
Currency	6.6%	–1.8%	6.7%	–2.2%	–	–	6.7%	–2.0%
Portfolio	0.0%	0.0%	5.7%	0.0%	–	–	2.7%	0.0%
Sales by region								
EMLA	3,367	2,347	2,522	2,144	193	143	6,082	4,634
NA	1,931	1,430	1,607	1,433	39	26	3,577	2,889
APAC	1,881	1,511	2,454	1,987	10	10	4,345	3,508
EBITDA¹	1,040	560	717	632	(102)	(244)	1,655	948
EBIT ¹	572	135	498	390	(108)	(249)	962	276
Depreciation, amortization, impairment losses and impairment loss reversals	468	425	219	242	6	5	693	672
Cash flows from operating activities ²	528	483	(42)	447	(355)	(310)	131	620
Cash outflows for additions to property, plant, equipment and intangible assets	360	300	178	160	5	1	543	461
Free operating cash flow²	168	183	(220)	287	(360)	(311)	(412)	159
Trade working capital ³	1,704	1,163	2,085	1,669	(7)	(24)	3,782	2,808

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

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

³ Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of September 30, 2022/2023.

Financial Calendar

Annual Report 2023	February 29, 2024
Annual General Meeting 2024.....	April 17, 2024
Quarterly Statement First Quarter 2024	April 30, 2024
Half-Year Financial Report 2024	July 30, 2024

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