

QUARTERLY STATEMENT 2023

First quarter

Q1



Content

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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. This Statement is not an interim report within the meaning of IAS 34 (Interim Financial Reporting) or a set of financial statements within the meaning of IAS 1 (Presentation of Financial Statements). This report covers the period from January 1 to March 31, 2023. This Quarterly Statement should be read alongside the Annual Report 2022 and the additional information about the Covestro Group contained therein. The Annual Report 2022 is 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'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 Report. 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 April 28, 2023. The German version is binding.

Covestro Group Key Data

	1st quarter 2022	1st quarter 2023	Change
Sales	€4,683 million	€3,743 million	-20.1%
Change in sales			
Volume	3.6%	-16.8%	
Price	22.9%	-3.9%	
Currency	5.6%	0.6%	
Portfolio	9.5%	0.0%	
EBITDA¹	€806 million	€286 million	-64.5%
Changes in EBITDA			
Volume	5.2%	-36.2%	
Price	101.9%	-22.5%	
Raw material price	-110.4%	-11.8%	
Currency	6.9%	0.0%	
Other ²	4.8%	6.0%	
EBIT ³	€589 million	€39 million	-93.4%
Financial result	(€28 million)	(€29 million)	3.6%
Net income⁴	€416 million	(€26 million)	.
Earnings per share ⁵	€2.15	(€0.14)	.
Cash flows from operating activities ⁶	€157 million	(€19 million)	.
Cash outflows for additions to property, plant, equipment and intangible assets	€140 million	€120 million	-14.3%
Free operating cash flow⁷	€17 million	(€139 million)	.

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

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 for the first quarter of 2023 was based on 189,948,365 no-par value shares (previous year: 193,143,311 no-par value 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

The situation in the European energy markets largely stabilized in the first quarter of 2023 compared with the volatile full-year 2022, mainly due to a significant decrease in gas prices. This is, however, set against persistently weak demand, driven especially by lower consumer spending. The adverse macroeconomic conditions impacted above all on the volumes sold by Covestro in the EMLA region.

War in Ukraine

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

Events within the Company and Funding Measures

Operations Start at New Chlorine Plant in Tarragona

In Tarragona (Spain), Covestro has successfully commissioned a new large-scale plant for the manufacture of chlorine. It is the world's first industrial-scale production plant using the innovative and energy-efficient oxygen-depolarized cathode technology developed by Covestro and partners. The new plant guarantees efficient, continuous, and independent supplies of chlorine for the diphenylmethane diisocyanate (MDI) production in Tarragona, thus strengthening the European MDI production network. 50 new jobs were created at the site as a result of the investment.

Maezio® Product Line to be Discontinued

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

Chief Financial Officer (CFO) Dr. Thomas Toepfer to Leave Covestro at the End of August 2023

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

Issuance of Schuldschein Loans

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

Results of Operations and Financial Position of the Covestro Group

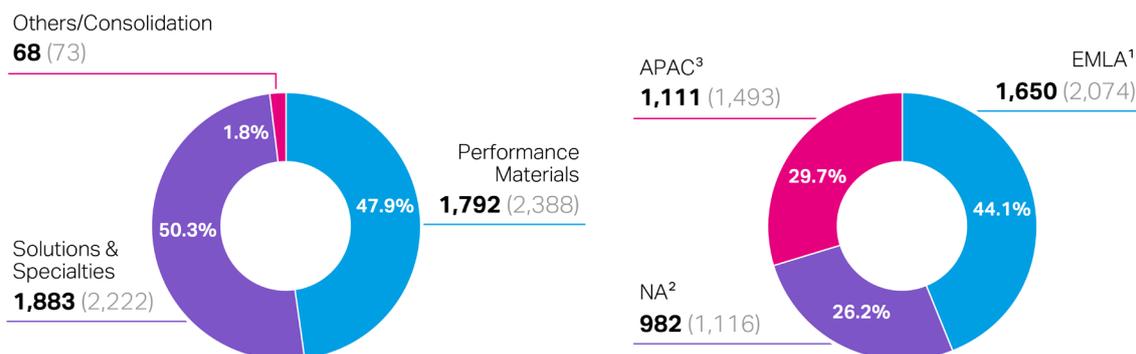
Results of Operations

Group sales were down 20.1% in the first quarter of 2023, to €3,743 million (previous year: €4,683 million). The decline in sales was due to lower volumes sold and this had a lowering effect on sales of 16.8%, especially because of weaker demand and availability constraints in the EMLA region. Another factor was the lower selling price level, which had a reducing effect of 3.9% on sales, affecting especially the APAC and NA regions. Exchange rate changes had a positive effect on sales, increasing them by 0.6%.

In the first quarter of 2023, sales decreased by 25.0% to €1,792 million (previous year: €2,388 million) in the Performance Materials segment and by 15.3% to €1,883 million (previous year: €2,222 million) in the Solutions & Specialties segment. Sales were down in all three regions in the first quarter of 2023. In the EMLA region, sales fell by 20.4% to €1,650 million (previous year: €2,074 million). Sales went down by 12.0% to €982 million (previous year: €1,116 million) in the NA region, and by 25.6% to €1,111 million (previous year: €1,493 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 declined by 64.5% to €286 million in the first quarter of 2023 (previous year: €806 million), primarily due to a reduction in volumes sold driven by demand and availability factors. A decline in average selling prices for demand-related reasons, combined with a rise in raw material prices, led to lower margins, which in turn contributed to lower earnings. In contrast, a decline in provisions for variable compensation had a beneficial effect on EBITDA, while exchange rate movements did not have any notable effect.

EBITDA decreased by 72.1% to €173 million (previous year: €620 million) in the Performance Materials segment and by 26.3% to €165 million (previous year: €224 million) in the Solutions & Specialties segment.

The Covestro Group's EBIT was down 93.4% to €39 million in the first quarter of 2023 (previous year: €589 million).

Financial Position

In the first quarter of 2023 cash outflows for operating activities amounted to €19 million (previous year: inflows of €157 million), driven primarily by the decline in EBITDA. This was partially offset by a smaller amount of cash tied up in working capital than in the prior-year quarter as well as lower income tax payments.

Free operating cash flow was down, amounting to €-139 million in the first quarter of 2023 (previous year: €17 million), largely due to lower cash flows from operating activities.

Net financial debt

	Dec. 31, 2022	Mar. 31, 2023
	€ million	€ million
Bonds	1,988	1,988
Liabilities to banks	922	1,036
Lease liabilities	746	785
Liabilities from derivatives	32	29
Other financial liabilities	1	1
Receivables from derivatives	(42)	(13)
Financial debt	3,647	3,826
Cash and cash equivalents	(1,198)	(949)
Current financial assets	(15)	(202)
Net financial debt	2,434	2,675

The Covestro Group's financial debt amounted to €3,826 million on March 31, 2023, an increase of €179 million compared with December 31, 2022, due in particular to the €114 million increase in liabilities to banks.

Cash and cash equivalents declined in comparison with the figure on December 31, 2022, by €249 million to €949 million. This was mainly the result of net investments of €187 million in short-term bank deposits, cash outflows of €120 million for additions to property, plant, equipment and intangible assets, and net cash outflows from operating activities of €19 million. This was set against cash inflows from the issuance of Schuldschein loans in an amount of €100 million. The net investments in short-term bank deposits mentioned earlier led to an increase in current financial assets by €187 million to €202 million.

Net financial debt therefore grew by €241 million compared with the figure on December 31, 2022, to €2,675 million as of March 31, 2023.

Performance of the Segments

Performance Materials

Performance Materials key data

	1st quarter 2022	1st quarter 2023	Change
Sales (external)	€2,388 million	€1,792 million	-25.0%
Intersegment sales ¹	€810 million	€607 million	-25.1%
Sales (total)	€3,198 million	€2,399 million	-25.0%
Change in sales (external)			
Volume	5.5%	-18.6%	
Price	26.4%	-7.1%	
Currency	5.3%	0.7%	
Portfolio	0.0%	0.0%	
Sales by region (external)			
EMLA	€1,142 million	€839 million	-26.5%
NA	€604 million	€489 million	-19.0%
APAC	€642 million	€464 million	-27.7%
EBITDA²	€620 million	€173 million	-72.1%
EBIT ²	€475 million	€29 million	-93.9%
Cash flows from operating activities ³	€206 million	€19 million	-90.8%
Cash outflows for additions to property, plant, equipment and intangible assets	€94 million	€76 million	-19.1%
Free operating cash flow³	€112 million	(€57 million)	.

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

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

³ An imputed tax rate of 25% has been used since the Annual Report 2022 to calculate income taxes paid by the reportable segments; see 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, first quarter sales in 2023 were down 25.0% to €1.792 million (previous year: €2.388 million). A decline in volumes sold due to demand and availability factors had an adverse effect on sales of 18.6%. At the same time, lower average selling prices had a negative effect of 7.1% on sales – mainly due to weaker demand. Exchange rate movements caused sales to rise by 0.7%.

Sales in the EMLA region were down by 26.5% from the prior-year quarter to €839 million (previous year: €1.142 million), driven by a considerable drop in volumes sold. Changes in selling prices and in exchange rates both had an overall neutral effect on sales. In the NA region, sales declined by 19.0% to €489 million (previous year: €604 million). This is attributable to lower average selling prices and a reduction in volumes sold, both of which caused sales to decline significantly. Exchange rate movements, in contrast, had a slightly positive effect on sales. Sales in the APAC region were down by 27.7% to €464 million (previous year: €642 million). A decline in volumes sold and changes in the selling price level both had a considerable negative effect on sales. Furthermore, changes in exchange rates also had the effect of slightly reducing sales.

In the first quarter of 2023, the Performance Materials segment's EBITDA was down 72.1% on the prior-year quarter, declining to €173 million (previous year: €620 million). This was mainly driven by lower margins, to which both higher raw material prices and a decline in selling prices – as a result of weak demand – contributed. In addition, the drop in volumes sold for demand and availability-related reasons had a negative effect on earnings. In contrast, lower provisions for short-term variable compensation boosted earnings. Exchange rate movements had no notable effect on sales.

In the first quarter of 2023, EBIT decreased by 93.9% to €29 million (previous year: €475 million).

Free operating cash flow in the first quarter of 2023 declined to €-57 million (previous year: €112 million), driven primarily by the drop in EBITDA. In contrast, a smaller amount of cash tied up in working capital than in the prior-year quarter, caused above all by changes in inventories and trade accounts receivable, as well as lower cash outflows for additions to property, plant and equipment had a beneficial effect on free operating cash flow.

Solutions & Specialties

Solutions & Specialties key data

	1st quarter 2022	1st quarter 2023	Change
Sales (external)	€2,222 million	€1,883 million	-15.3%
Intersegment sales ¹	€9 million	€8 million	-11.1%
Sales (total)	€2,231 million	€1,891 million	-15.2%
Change in sales (external)			
Volume	-0.5%	-15.4%	
Price	19.4%	-0.5%	
Currency	5.9%	0.6%	
Portfolio	20.5%	0.0%	
Sales by region (external)			
EMLA	€873 million	€755 million	-13.5%
NA	€501 million	€485 million	-3.2%
APAC	€848 million	€643 million	-24.2%
EBITDA²	€224 million	€165 million	-26.3%
EBIT ²	€152 million	€63 million	-58.6%
Cash flows from operating activities ³	(€101 million)	(€5 million)	-95.0%
Cash outflows for additions to property, plant, equipment and intangible assets	€45 million	€43 million	-4.4%
Free operating cash flow³	(€146 million)	(€48 million)	-67.1%

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

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

³ An imputed tax rate of 25% has been used since the Annual Report 2022 (previous year: effective tax rate) 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, first-quarter sales in 2023 were down 15.3% to €1.883 billion (previous year: €2.222 billion). The main driver of this trend was a drop in volumes sold, which had a negative effect of 15.4% on sales. At the same time, lower average selling prices had a decreasing effect of 0.5% on sales. Both factors arose in particular from weaker demand. In contrast, exchange rate movements had a sales increasing effect of 0.6%.

Sales in the EMLA region were down by 13.5% to €755 million (previous year: €873 million), driven by a significant drop in volumes sold. However, higher average selling prices increased sales considerably. Exchange rate movements had no notable effect on sales. The NA region's sales declined by 3.2% to €485 million (previous year: €501 million), primarily due to a significant decline in volumes sold. Exchange rate movements, on the other hand, had a slightly positive effect on sales. The selling price level remained stable compared with the prior-year quarter. Sales in the APAC region declined by 24.2% to €643 million (previous year: €848 million), with lower volumes sold and a reduction in average selling prices both leading sales significantly lower. In addition, exchange rate movements had a slight negative effect.

In the first quarter of 2023, EBITDA in the Solutions & Specialties segment was down 26.3% on the prior-year quarter, declining to €165 million (previous year: €224 million). This was chiefly due to a decrease in volumes sold for demand-related reasons. In contrast, a rise in margins had a positive effect as lower raw material prices outweighed the lower selling prices. Both lower provisions for short-term variable compensation and exchange rate movements also contributed to the rise in EBITDA.

In the first quarter of 2023, EBIT fell by 58.6% to €63 million (previous year: €152 million).

Free operating cash flow improved by 67.1% in the first quarter of 2023 to €-48 million (previous year: €-146 million). This was mainly driven by a smaller amount of cash tied up in working capital than in the prior-year quarter, caused above all by changes in inventories and trade accounts receivable.

Forecast, Opportunities, and Risks

Economic Outlook

Global Economy

For the current fiscal year, we expect global economic performance to rise more sharply – now by 1.9% – than indicated in the outlook published in the Annual Report 2022. The latest economic data for the leading industrialized countries is more positive than previously expected. Especially the reduction in major cost drivers such as energy prices has recently had a boosting effect on private consumption. For reasons that include the relaxation of China's zero-COVID policy, we expect a recovery of macroeconomic performance in the APAC region and an improvement in global growth prospects.

The economic growth forecast for the EMLA and NA regions continues to be below the global growth rate. Nevertheless, the easing of supply chain bottlenecks and a significant fall in energy prices since the outlook published in the Annual Report 2022 had a positive effect on the economic growth expected in both regions. We now forecast that the economy will expand by 0.8% in the EMLA region and by 0.9% in the NA region.

In the APAC region, our forecast is for growth in excess of global economic expansion. Following the lifting of all measures to control the spread of the coronavirus pandemic, we expect that, driven by an increase in private consumption and economic stimulus measures, China will record economic growth of 5.0%.

Economic growth¹

	Growth forecast 2023 (Annual Report 2022)		Growth forecast 2023
	Growth 2022		
	%	%	%
World	3.1	1.5	1.9
Europe, Middle East, Latin America², Africa (EMLA)	3.6	0.6	0.8
of which Europe	3.3	0.2	0.6
of which Germany	1.9	-0.2	0.3
of which Middle East	6.0	2.7	2.2
of which Latin America ²	3.6	0.3	0.4
of which Africa	3.4	2.4	2.4
North America³ (NA)	2.2	-0.1	0.9
of which United States	2.1	0.0	0.9
Asia-Pacific (APAC)	3.2	3.4	3.6
of which China	3.0	4.5	5.0

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

² Latin America (excluding Mexico).

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

Main Customer Industries

For the automotive industry, we anticipate significant growth in the year 2023, while we expect slight growth for the electrical, electronics and household appliances industry and stable growth for the construction and furniture industry. Compared with the outlook presented in the Annual Report 2022, growth expectations are slightly lower for all sectors except the furniture industry. Despite that, the more encouraging macroeconomic performance also offers opportunities for improved growth prospects in the main customer industries.

Growth in main customer industries¹

	Growth 2022	Growth forecast 2023	Growth forecast 2023
		(Annual Report 2022)	(April 28, 2023)
	%	%	%
Automotive	7.1	4.6	4.2
Construction	0.9	0.8	0.5
Electrical, electronics and household appliances	4.6	2.0	1.7
Furniture	-3.6	0.3	0.3

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

In view of the results of the first quarter of 2023 and higher margins and an improved cost level compared with the forecast published in the Annual Report 2022, Covestro has adjusted the guidance for the key management indicators EBITDA, free operating cash flow, and ROCE above WACC for fiscal 2023. Reductions of emissions expected in energy procurement have led to the guidance for greenhouse gas (GHG) emissions being narrowed.

Forecast for key management indicators

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

¹ 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 project a figure between €1,100 million and €1,600 million (previously: significantly down on the previous year). The forecast for the Performance Materials segment's EBITDA is unchanged and EBITDA is still expected to be 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 between €0 million and €500 million (previously: significantly down on the previous year). 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 to be between -6% points and -2% points (previously: significantly down on the previous year).

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

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

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.

Covestro Group Consolidated Income Statement

	1st quarter 2022	1st quarter 2023
	€ million	€ million
Sales	4,683	3,743
Cost of goods sold	(3,497)	(3,124)
Gross profit	1,186	619
Selling expenses	(388)	(379)
Research and development expenses	(94)	(105)
General administration expenses	(93)	(87)
Other operating income	18	15
Other operating expenses	(40)	(24)
EBIT¹	589	39
Equity-method loss	(4)	(7)
Interest income	15	17
Interest expense	(23)	(41)
Other financial result	(16)	2
Financial result	(28)	(29)
Income before income taxes	561	10
Income taxes	(144)	(37)
Income after income taxes	417	(27)
attributable to noncontrolling interest	1	(1)
attributable to Covestro AG shareholders (net income)	416	(26)
	€	€
Basic earnings per share²	2.15	(0.14)
Diluted earnings per share²	2.15	(0.14)

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 for the first quarter of 2023 was based on 189,948,365 no-par value shares (previous year: 193,143,311 no-par value shares).

Covestro Group Consolidated Statement of Comprehensive Income

	1st quarter 2022	1st quarter 2023
	€ million	€ million
Income after income taxes	417	(27)
Remeasurements of the net defined benefit liability for post-employment benefit plans	375	17
Income taxes	(107)	2
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	268	19
Changes in fair values of equity instruments	(1)	–
Income taxes	–	–
Other comprehensive income from equity instruments	(1)	–
Other comprehensive income that will not be reclassified subsequently to profit or loss	267	19
Exchange differences of foreign operations	106	(81)
Reclassified to profit or loss	–	–
Other comprehensive income from exchange differences	106	(81)
Other comprehensive income that may be reclassified subsequently to profit or loss	106	(81)
Total other comprehensive income	373	(62)
attributable to noncontrolling interest	(1)	(1)
attributable to Covestro AG shareholders	374	(61)
Total comprehensive income	790	(89)
attributable to noncontrolling interest	–	(2)
attributable to Covestro AG shareholders	790	(87)

Covestro Group Consolidated Statement of Financial Position

	Mar. 31, 2022	Mar. 31, 2023	Dec. 31, 2022
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	759	717	729
Other intangible assets	697	572	603
Property, plant and equipment	6,036	5,739	5,801
Investments accounted for using the equity method	174	177	185
Other financial assets	47	144	143
Other receivables	84	126	110
Deferred taxes	744	372	345
	8,541	7,847	7,916
Current assets			
Inventories	3,258	2,866	2,814
Trade accounts receivable	2,685	2,144	2,011
Other financial assets	469	219	62
Other receivables	412	460	451
Claims for income tax refunds	128	78	115
Cash and cash equivalents	623	949	1,198
Assets held for sale	-	26	18
	7,575	6,742	6,669
Total assets	16,116	14,589	14,585
Equity			
Capital stock of Covestro AG	192	190	190
Capital reserves of Covestro AG	3,880	3,788	3,788
Other reserves	4,372	3,021	3,108
Equity attributable to Covestro AG shareholders	8,444	6,999	7,086
Equity attributable to noncontrolling interest	55	34	36
	8,499	7,033	7,122
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	835	462	486
Other provisions	241	178	184
Financial liabilities	2,327	3,513	3,368
Income tax liabilities	98	29	26
Other liabilities	31	38	32
Deferred taxes	291	278	312
	3,823	4,498	4,408
Current liabilities			
Other provisions	713	238	171
Financial liabilities	226	326	321
Trade accounts payable	2,226	1,972	2,016
Income tax liabilities	329	182	149
Other liabilities	300	331	396
Liabilities directly related to assets held for sale	-	9	2
	3,794	3,058	3,055
Total equity and liabilities	16,116	14,589	14,585

Covestro Group Consolidated Statement of Cash Flows

	1st quarter 2022	1st quarter 2023
	€ million	€ million
Income after income taxes	417	(27)
Income taxes	144	37
Financial result	28	29
Income taxes paid	(98)	(22)
Depreciation, amortization and impairment losses and impairment loss reversals	217	247
Change in pension provisions	2	(10)
Decrease/(increase) in inventories	(310)	(81)
Decrease/(increase) in trade accounts receivable	(312)	(148)
(Decrease)/increase in trade accounts payable	(5)	(28)
Changes in other working capital, other noncash items	74	(16)
Cash flows from operating activities	157	(19)
Cash outflows for additions to property, plant, equipment and intangible assets	(140)	(120)
Cash inflows from sales of property, plant, equipment and other assets	1	1
Cash inflows from divestments less divested cash	1	–
Cash outflows for noncurrent financial assets	(2)	(2)
Cash inflows from noncurrent financial assets	1	–
Interest and dividends received	14	18
Cash inflows from/(Cash outflows for) other current financial assets	46	(176)
Cash flows from investing activities	(79)	(279)
Acquisition of treasury shares	(48)	–
Dividend payments and withholding tax on dividends	–	(2)
Issuances of debt	14	271
Retirements of debt	(38)	(188)
Interest paid	(29)	(34)
Cash outflows for the purchase of additional interests in subsidiaries	(4)	–
Cash flows from financing activities	(105)	47
Change in cash and cash equivalents due to business activities	(27)	(251)
Cash and cash equivalents at beginning of period	649	1,198
Change in cash and cash equivalents due to exchange rate movements	1	2
Cash and cash equivalents at end of period	623	949

Employees and Pension Obligations

As of March 31, 2023, Covestro had 17,825 employees worldwide (December 31, 2022: 17,985). Personnel expenses were down by €7 million from the prior-year quarter to €565 million in the first quarter of 2023 (previous year: €572 million).

Employees by division¹

	Dec. 31, 2022	Mar. 31, 2023
Production	11,760	11,969
Marketing and distribution	3,261	2,966
Research and development	1,477	1,428
General administration	1,487	1,462
Total	17,985	17,825

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 €462 million as of March 31, 2023 (December 31, 2022: €486 million). This is mainly attributable to the return on plan assets.

Discount rate for pension obligations

	Dec. 31, 2022	Mar. 31, 2023
	%	%
Germany	3.70	3.70
United States	4.90	4.60

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		
		Mar. 31, 2022	Dec. 31, 2022	Mar. 31, 2023
BRL	Brazil	5.30	5.64	5.52
CNY	China	7.05	7.37	7.48
HKD	Hong Kong ¹	8.69	8.32	8.54
INR	India	84.13	88.17	89.40
JPY	Japan	135.17	140.66	144.83
MXN	Mexico	22.09	20.86	19.64
USD	United States	1.11	1.07	1.09

Average rates for major currencies

€1/		Average rates	
		1st quarter 2022	1st quarter 2023
BRL	Brazil	5.86	5.58
CNY	China	7.13	7.35
HKD	Hong Kong ¹	8.76	8.41
INR	India	84.39	88.22
JPY	Japan	130.36	141.89
MXN	Mexico	23.00	20.05
USD	United States	1.12	1.07

¹ Special Administrative Region (China)

Scope of Consolidation

Changes in the Scope of Consolidation

As of March 31, 2023, the scope of consolidation comprised Covestro AG and 60 (December 31, 2022: 60) consolidated companies and was therefore unchanged in the first quarter of 2023 compared to the end of fiscal 2022.

Acquisitions and Divestitures

Acquisitions

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

Divestitures

On August 5, 2022, Covestro signed an agreement for the sale of assets and liabilities (disposal group) of the additive manufacturing business to Stratasys, a U.S.-Israeli manufacturer of 3D printers and 3D production systems. The business sold by Covestro includes employees, research and development facilities, production units, and offices in the Netherlands, the United States, China, Japan, Germany, and the United Kingdom as well as access to a large network of partners around the world. The portfolio also includes products that are part of the Resins & Functional Materials business (RFM) acquired from Koninklijke DSM N.V., Heerlen (Netherlands), in fiscal 2021. The additive manufacturing business, which is part of the Solutions & Specialties segment, offers material solutions for common polymer 3D printing processes. Covestro's decision to sell the additive manufacturing business is consistent with the optimization of its portfolio to make its organization more efficient and allow the company to sharpen its focus on the extensive range of offerings for customers in its main customer industries. The selling price amounts to €43 million and an additional payment for certain assets, less any liabilities transferred. In addition, the agreement specifies a variable earn-out payment which depends on the achievement of various success factors. The transaction is structured as an asset deal. In connection with the sale, noncurrent assets and inventories of €19 million and liabilities of €2 million were classified as held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). The transaction was completed effective April 3, 2023.

Significant Events after the End of the Reporting Period

On April 3, 2023, Covestro completed the sale of assets and liabilities (disposal group) of the additive manufacturing business to Stratasys, a U.S.-Israeli manufacturer of 3D printers and 3D production systems.

See "Divestitures."

Segment Information

Segment information 1st quarter

	Performance Materials		Solutions & Specialties		Others/Consolidation		Covestro Group	
	1st quarter 2022	1st quarter 2023	1st quarter 2022	1st quarter 2023	1st quarter 2022	1st quarter 2023	1st quarter 2022	1st quarter 2023
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	2,388	1,792	2,222	1,883	73	68	4,683	3,743
Intersegment sales ¹	810	607	9	8	(819)	(615)	–	–
Sales (total)	3,198	2,399	2,231	1,891	(746)	(547)	4,683	3,743
Change in sales								
Volume	5.5%	–18.6%	–0.5%	–15.4%	90.1%	–7.4%	3.6%	–16.8%
Price	26.4%	–7.1%	19.4%	–0.5%	0.0%	0.0%	22.9%	–3.9%
Currency	5.3%	0.7%	5.9%	0.6%	2.0%	0.6%	5.6%	0.6%
Portfolio	0.0%	0.0%	20.5%	0.0%	0.0%	0.0%	9.5%	0.0%
Sales by region								
EMLA	1,142	839	873	755	59	56	2,074	1,650
NA	604	489	501	485	11	8	1,116	982
APAC	642	464	848	643	3	4	1,493	1,111
EBITDA²	620	173	224	165	(38)	(52)	806	286
EBIT ²	475	29	152	63	(38)	(53)	589	39
Depreciation, amortization, impairment losses and impairment loss reversals	144	144	72	102	–	1	217	247
Cash flows from operating activities ³	206	19	(101)	(5)	52	(33)	157	(19)
Cash outflows for additions to property, plant, equipment and intangible assets	94	76	45	43	1	1	140	120
Free operating cash flow³	112	(57)	(146)	(48)	51	(34)	17	(139)
Trade working capital ⁴	1,745	1,291	1,918	1,712	–	(27)	3,663	2,976

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

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

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

⁴ Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of March 31, 2022/2023.

Financial Calendar

Half-Year Financial Report 2023	August 1, 2023
Quarterly Statement Third Quarter 2023.....	October 27, 2023
Annual Report 2023	February 29, 2024

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