HALF-YEAR FINANCIAL REPORT
2021

covestro

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Reporting Profile

Reporting Principles

The Half-Year Financial Report of Covestro AG meets the requirements pursuant to the applicable provisions of the German Securities Trading Act (WpHG) and, in accordance with Section 115, Paragraphs 2–4 of the WpHG (Half-Year Financial Report; power to issue statutory orders), comprises condensed consolidated interim financial statements, an interim group management report, and a responsibility statement. The consolidated interim financial statements were prepared in accordance with IAS 34 (Interim Financial Reporting) according to the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) as endorsed by the European Union (EU) and in effect at the closing date as well as their Interpretations. The Half-Year Financial Report should be read alongside the Annual Report 2020 and the additional information about the company contained therein, as well as the Interim Statement as of March 31, 2021.

Forward-Looking Statements

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

Alternative Performance Measures

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

Explanations of the definition and calculation of these alternative performance measures can be found in the "Management" section in the combined management report in the Annual Report 2020.

Abbreviations

Acronyms and abbreviations used in this Report are explained in this Report or in the Glossary provided in the Annual Report 2020.

Rounding and Percentage Deviations

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

Percentage deviations are only calculated and reported if they are no more than 100%. Larger deviations are reported as >100%, >200%, etc. If a deviation changes from positive to negative or vice versa, or if it is greater than 1,000%, this is shown by a period.

Inclusive Language

We consider equal treatment, diversity and inclusion to be important. To ensure better readability, this report avoids gender-specific wordings. All terms should be taken to apply equally to all genders.

Publication

This Report was published in German and English on August 6, 2021. The German version is binding.

Covestro Group Key Data

Covestro Group key data

	2nd quarter 2020	2nd quarter 2021	Change	1st half 2020	1st half 2021	Change
	€ million	€ million	%	€ million	€ million	%
Core volume growth[1, 2]	**–22.7%**	**+35.0%**		**–13.6%**	**+18.9%**	
Sales	2,156	3,956	+83.5	4,939	7,263	+47.1
Change in sales						
Volume	–22.3%	+29.0%		–12.5%	+14.6%	
Price	–9.0%	+45.9%		–9.1%	+31.4%	
Currency	–0.1%	–5.4%		+0.3%	–5.0%	
Portfolio	–1.5%	+14.0%		–1.4%	+6.1%	
Sales by region						
EMLA[3]	874	1,765	>100	2,174	3,267	+50.3
NA[4]	508	844	+66.1	1,252	1,493	+19.2
APAC[5]	774	1,347	+74.0	1,513	2,503	+65.4
EBITDA[6]	**125**	**817**	**>500**	**379**	**1,560**	**>300**
Changes in EBITDA						
Volume	–72.3%	+245.6%		–42.8%	+90.8%	
Price	–63.2%	+791.2%		–64.4%	+409.5%	
Raw material price effect	+41.4%	–320.8%		+36.6%	–106.6%	
Currency	+1.5%	–16.0%		+1.2%	–11.3%	
EBIT[7]	(68)	607	.	(1)	1,163	.
Financial result	(17)	(18)	+5.9	(56)	(47)	–16.1
Net income[8]	(52)	449	.	(32)	842	.
Earnings per share (€)[9]	(0.28)	2.32	.	(0.17)	4.36	.
Cash flows from operating activities[10]	171	553	>200	61	981	.
Cash outflows for additions to property, plant, equipment and intangible assets	147	179	+21.8	286	289	+1.0
Free operating cash flow[11]	**24**	**374**	**.**	**(225)**	**692**	**.**

1 Core volume growth refers to the core products in the Polyurethanes, Polycarbonates, and Coatings, Adhesives, Specialties segments. It is calculated as the percentage change in externally sold volumes compared with the prior year. Covestro also takes advantage of business opportunities outside its core business, for example the sale of precursors and by-products such as hydrochloric acid, sodium hydroxide solution and styrene. These transactions are not included in core volume growth.

2 Reference values calculated on the basis of the definition of the core business effective March 31, 2021.

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

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

5 APAC: Asia and Pacific region.

6 EBITDA: EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals.

7 EBIT: income after income taxes plus financial result and income taxes.

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

9 Earnings per share: According to IAS 33 (Earnings per Share), earnings per share comprise net income divided by the weighted average number of outstanding no-par voting shares of Covestro AG. The calculation was based on 193,160,544 no-par shares for the second quarter of 2021 (previous year: 182,864,685 no-par shares) and on 193,160,544 no-par shares for the first half of 2021 (previous year: 182,864,685 no-par shares).

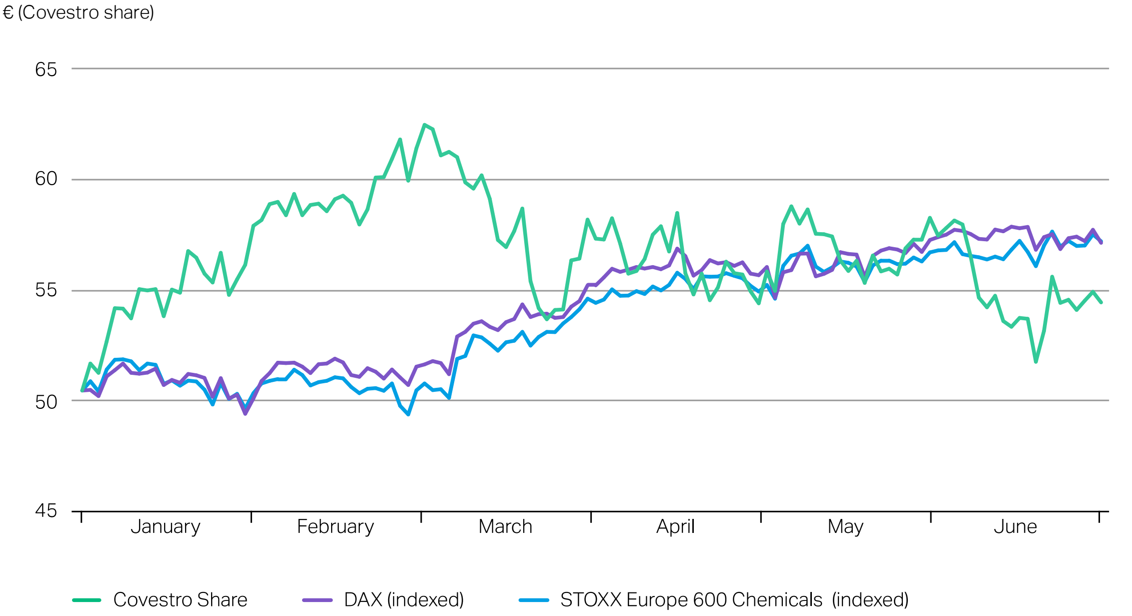
10 Cash flows from operating activities according to IAS 7 (Statement of Cash Flows).

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

COVESTRO ON THE CAPITAL MARKET

Covestro on the Capital Market

Performance of Covestro Stock Versus the Market in the First Half of 2021



Covestro closing prices Xetra; source: Deutsche Börse

Positive Stock Market Performance Driven by Economic Recovery

Although the stock markets and the global economy were marked by the impact of the global coronavirus pandemic in the first half of 2021, year-over-year improvements in the real economy led to positive stock market performance on the whole. International stock markets continued the general upward trend that had begun after a pandemic-related low in March 2020. The DAX, the benchmark German index relevant for Covestro, gained 13.2% to reach 15,531 points in the first half of 2021.

European chemical stocks followed a similar trajectory. At the end of the first six months, the STOXX Europe 600 Chemicals index was up 13.3% from its level at the beginning of the year. At a Xetra closing price of €54.46, Covestro's share price also finished the first half-year up, by 7.9% over December 31, 2020. Covestro's stock marked its low point at the very beginning of the year, closing at €51.28 on January 5, 2021. After volatility in the first two months of the year, Covestro saw its share price close at its high of €62.48 on March 2, 2021. Since April, Covestro's shares have largely moved sideways and hovered at a price around €56.

Covestro share at a glance

		2nd quarter 2020	2nd quarter 2021	1st half 2020	1st half 2021
Average daily turnover	million shares	1.5	1.0	1.8	1.0
High	€	37.44	58.80	42.18	62.48
Low	€	26.86	51.78	24.90	51.28
Closing date (June 30)	€	33.85	54.46	33.85	54.46
Outstanding shares (June 30)	million shares	182.9	193.2	182.9	193.2
Market capitalization (June 30)	€ billion	6.2	10.5	6.2	10.5

Covestro closing prices Xetra; source: Deutsche Börse

Including the dividend for the 2020 fiscal year of €1.30 per share resolved by the Annual General Meeting on April 16, 2021, Covestro's stock performance (with dividend reinvestment) was 10.4% compared with the 2020 year-end closing price of €50.48.

At the end of the first half of 2021, Covestro's market capitalization stood at around €10.5 billion based on the capital stock of 193.2 million shares. The average daily Xetra trading volume was approximately 1.0 million shares.

Virtual Annual General Meeting (AGM) held on April 16, 2021

Covestro AG's 2021 Annual General Meeting was held on April 16, 2021. Due to the ongoing coronavirus pandemic, the company had decided early on to hold a virtual AGM as in the previous year to avoid exposing those present to additional health risks.

The AGM approved the dividend of €1.30 per share for the fiscal year 2020 proposed by the Board of Management and Supervisory Board. Covestro's distribution rate is therefore equivalent to 55% of the Group's net income.

Furthermore, Lise Kingo was elected by the AGM as a new member of the Supervisory Board. She succeeded Ferdinando Falco Beccalli, who resigned effective at the end of the 2021 AGM. Among other things, Lise Kingo is an independent member of the Board of Directors at Sanofi SA and until June 2020 was CEO and Executive Director of the United Nations Global Compact, the world's largest corporate sustainability initiative.

New Dividend Policy

Covestro announced that it would put its dividend policy on a new footing and thus create a stronger link to the Group's overall business situation. In the future, Covestro would like to distribute between 35% and 55% of its net income to shareholders. The aim is for the payout ratio to be around the lower end of the scale in years with strong earnings and around the higher end in challenging years.

Moody's Confirms Covestro Rating and Lifts Outlook

On March 31, 2021, Moody's Investors Service, London (United Kingdom), confirmed Covestro's Baa2 investment-grade rating and lifted the outlook from negative to stable. Covestro intends to continue to maintain financing structures and financial ratios that support a solid investment-grade rating in the future.

Buy Recommendation for Covestro Stock from 17 Analysts

At the end of the first half of 2021, Covestro was covered by 23 securities brokers. 17 analysts issued a buy recommendation, three gave a neutral assessment, and three advised investors to sell. The average share price target was approximately €69 at the reporting date.

Basic Covestro share information

Capital stock	€193,200,000
Outstanding shares (Half-year-end)	193,160,544
Share class	No-par ordinary bearer shares
ISIN	DE0006062144
WKN	606214
Ticker symbol	1COV
Reuters symbol	1COV.DE
Bloomberg symbol	1COV GY
Market segment	Regulated market
Transparency level	Prime standard
Sector	Chemicals
Index	DAX

INTERIM GROUP MANAGEMENT REPORT

AS OF JUNE 30, 2021

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REPORT ON ECONOMIC POSITION

Significant Events

Coronavirus Pandemic

Despite the ongoing coronavirus pandemic, the growing availability of vaccines and the possibilities for combating the pandemic are having a positive impact on the global economy. In parallel, we are observing a significant recovery in demand compared with the prior-year period. The steps taken by Covestro early on last year to protect the health of all employees will stay in place, so extensive health, safety, and hygiene measures are still in effect at our sites. Covestro supports employee access to vaccinations against the coronavirus, including through cooperation with company health facilities. Depending on the local situation in each case, some staff, particularly employees in administrative departments, continue to work from home. Production at our sites was not affected by the pandemic in the first half of 2021.

Covestro is monitoring the development of the coronavirus pandemic worldwide on an ongoing basis to ensure that we can react quickly when necessary. Existing measures are modified and continually expanded as required in line with recommendations and instructions issued by the relevant governments and committees of experts.

Other Events

On February 25, 2021, Covestro signed an agreement on the sale of its 51% equity investment in subsidiary Pearl Covestro Polyurethane Systems FZCO, which operates the systems house business in Dubai (United Arab Emirates), to current co-shareholder Pearl Industries Overseas Ltd. The sale is part of an ongoing effort to optimize the portfolio and represents another step toward strategically refocusing the Polyurethanes segment. The transaction was completed on July 26, 2021, and generated proceeds of USD 8 million (about 7 Mio. €).

See note 11 "Events after the End of the Reporting Period" in the Notes to the Consolidated Interim Financial Statements.

On April 1, 2021, Covestro completed the acquisition of the Resins & Functional Materials (RFM) business from Koninklijke DSM N.V., Heerlen (Netherlands). A total of 27 RFM companies were fully consolidated for the first time on that date. Completing the RFM acquisition makes Covestro one of the world's leading suppliers of sustainable coating resins.

See note 4 "Scope of Consolidation" in the Notes to the Consolidated Interim Financial Statements.

In keeping with the first chapter of the strategy – "Become the best of who we are" – the Group restructured its organization as of July 1, 2021. The Group's three reportable segments to date (Polyurethanes, Polycarbonates and Coatings, Adhesives, Specialties) will be replaced in the future with two new reportable segments: Performance Materials and Solutions & Specialties. The Performance Materials segment concentrates on reliably delivering standard products at competitive market prices. The focus of the Solutions & Specialties segment is on complex products with a high pace of innovation, which Covestro combines with application technology services. Covestro's first report containing the new segment structure will be issued in the third quarter of 2021.

See note 11 "Events after the End of the Reporting Period" in the Notes to the Consolidated Interim Financial Statements.

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

Results of Operations

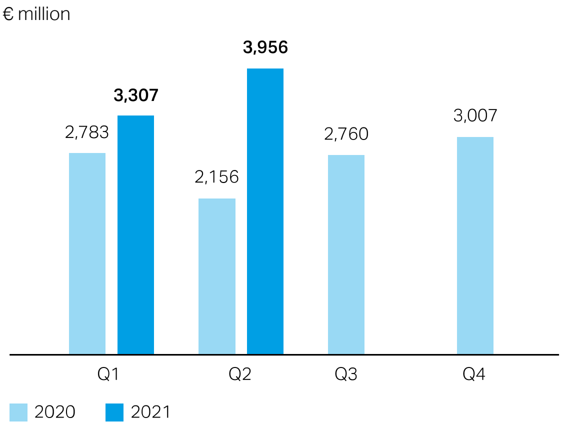
Second Quarter of 2021

Business picked up again considerably in the second quarter of 2021 after the coronavirus pandemic triggered a steep decline in demand in the prior-year quarter. The Group's core volumes sold rose by 35.0%, driven by the strong recovery in all main customer industries, but especially the automotive and transportation industry. Volumes were also up in the Coatings, Adhesives, Specialties segment due to the initial consolidation of the Resins & Functional Materials (RFM) business, which contributed 10.4% to this increase. The Polyurethanes and Polycarbonates segments reported growth in core volumes sold of 27.8% and 15.4%, respectively. Core volumes sold in the Coatings, Adhesives, Specialties segment more than doubled, taking into account the RFM acquisition.

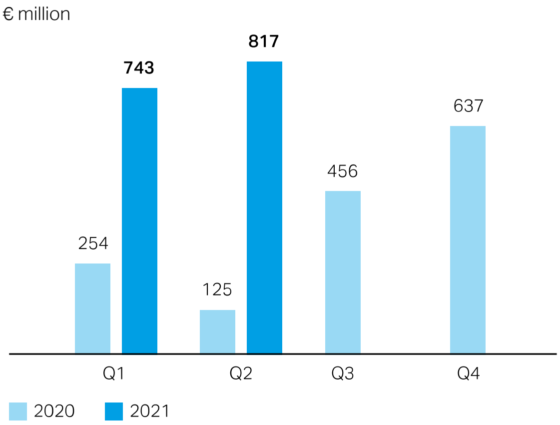
Group sales amounted to €3,956 million, up 83.5% from the prior-year quarter (previous year: €2,156 million). Significantly higher selling prices had a positive effect on sales amounting to 45.9%, chiefly due to a favorable competitive situation in the Polyurethanes and Polycarbonates segments. The growth in total volumes sold also increased sales by 29.0%. Moreover, the portfolio change resulting from the acquisition of the RFM business in the Coatings, Adhesives, Specialties segment in the second quarter of 2021 had a positive effect on sales of 14.0%. In contrast, exchange rate developments reduced sales by 5.4%.

All segments contributed to sales growth in the second quarter of 2021. Sales in the Polyurethanes segment more than doubled to €1,841 million (previous year: €913 million). In the Polycarbonates segment, sales were up 56.6% to €1,015 million (previous year: €648 million). The Coatings, Adhesives, Specialties segment also saw sales more than double to €926 million (previous year: €443 million), taking into account the RFM acquisition.

Covestro Group
Quarterly Sales



Covestro Group
Quarterly EBITDA



In the second quarter of 2021, the Group's EBITDA increased to €817 million (previous year: €125 million). This was largely due to higher selling prices, which more than offset the rise in raw material prices. As a result, all segments reported improved margins, especially Polyurethanes. An increase in total volumes sold also had a positive effect on EBITDA. In contrast, higher provisions for variable compensation reduced earnings. Nonrecurring expenses related to the RFM acquisition also had a negative effect on earnings in the low double-digit million range.

EBITDA in the Polyurethanes segment rose to €452 million (previous year: €–24 million), while the Polycarbonates segment's EBITDA grew to €260 million (previous year: €96 million). In the Coatings, Adhesives, Specialties segment, EBITDA increased to €134 million (previous year: €60 million) taking into account the RFM acquisition.

Depreciation, amortization and impairment losses rose by 8.8% to €210 million in the second quarter of 2021 (previous year: €193 million) for reasons including the takeover of assets as part of the RFM acquisition. They comprised €190 million (previous year: €187 million) in depreciation and impairments of property, plant and equipment and €20 million (previous year: €6 million) in amortization and impairments of intangible assets.

In the second quarter of 2021, the Covestro Group improved EBIT to €607 million (previous year: €–68 million).

Taking into account a financial result of €–18 million (previous year: €–17 million), income before income taxes increased to €589 million compared with the prior-year quarter (previous year: €–85 million). In contrast to the prior-year quarter's tax income of €32 million, the second quarter of 2021 saw a tax expense of €139 million in line with earnings. This resulted in income after taxes of €450 million (previous year: €–53 million). After noncontrolling interests, net income amounted to €449 million (previous year: €–52 million). Compared to the prior-year quarter, earnings per share totaled €2.32 (previous year: €–0.28).

First Half of 2021

In the first half of 2021, the Group's core volumes sold rose by 18.9%, driven by the recovery in demand in all main customer industries. The RFM acquisition contributed 4.7% of this growth. In the Coatings, Adhesives, Specialties segment, core volumes sold increased by 62.4%, mainly due to acquisitions. The Polyurethanes and Polycarbonates segments saw core volumes sold rise by 13.7% and 13.5%, respectively, over the prior-year period.

Group sales in the first half of 2021 increased by 47.1% to €7,263 million (previous year: €4,939 million). This development was largely attributable to higher selling prices, which boosted sales by 31.4%. An increase in total volumes sold had a positive effect on sales amounting to 14.6%. The portfolio change increased sales by 6.1%. In contrast, exchange rate movements reduced sales by 5.0%.

All segments saw sales grow in the first half of 2021. Sales in the Polyurethanes segment thus rose by 60.3% to €3,506 million (previous year: €2,187 million), while the Polycarbonates segment's sales grew by 37.9% to €1,904 million (previous year: €1,381 million), and sales in the Coatings, Adhesives, Specialties segment were up 49.9% to €1,521 million taking into account the RFM acquisition (previous year: €1,015 million).

The Group's EBITDA rose to €1,560 million in the first half of 2021 compared with the prior-year period (previous year: €379 million). This was mainly due to higher selling prices, which more than offset the rise in raw material prices. As a result, all segments reported improved margins, especially Polyurethanes. The increase in total volumes sold also had a positive impact on earnings. In contrast, higher provisions for short-term variable compensation reduced earnings. Nonrecurring expenses related to the RFM acquisition also had a negative effect on earnings in the low double-digit million range.

Depreciation, amortization and impairments in the first half of 2021 increased by 4.5% to €397 million (previous year: €380 million). They comprised €370 million (previous year: €369 million) in depreciation and impairments of property, plant and equipment and €27 million (previous year: €11 million) in amortization and impairments of intangible assets.

The Covestro Group's EBIT rose to €1,163 million in the first half of 2021 (previous year: €–1 million).

Taking into account a financial result of €–47 million (previous year: €–56 million), income before income taxes climbed to €1,116 million compared with the previous year (previous year: €–57 million). In contrast to the prior-year period's tax income of €25 million, the first half of 2021 saw a tax expense of €271 million in line with earnings. This resulted in income after taxes of €845 million (previous year: €–32 million). Net income amounted to €842 million (previous year: €–32 million) after noncontrolling interests. In the first half of 2021, earnings per share increased to €4.36 (previous year: €–0.17).

Financial Position

Covestro Group summary statement of cash flows

	2nd quarter 2020	2nd quarter 2021	1st half 2020	1st half 2021
	€ million	€ million	€ million	€ million
EBITDA	**125**	**817**	**379**	**1,560**
Income taxes paid	(12)	(126)	(102)	(176)
Change in pension provisions	6	12	17	21
(Gains) losses on retirements of noncurrent assets	(1)	(8)	1	(8)
Change in working capital/other noncash items	53	(142)	(234)	(416)
Cash flows from operating activities	**171**	**553**	**61**	**981**
Cash outflows for additions to property, plant, equipment and intangible assets	(147)	(179)	(286)	(289)
Free operating cash flow	**24**	**374**	**(225)**	**692**
Cash flows from investing activities	**(660)**	**(1,472)**	**(792)**	**(1,145)**
Cash flows from financing activities	**795**	**(341)**	**1,494**	**(395)**
Change in cash and cash equivalents due to business activities	**306**	**(1,260)**	**763**	**(559)**
Cash and cash equivalents at beginning of period	**1,200**	**2,106**	**748**	**1,404**
Change in cash and cash equivalents due to changes in scope of consolidation	–	–	1	–
Change in cash and cash equivalents due to exchange rate movements	(2)	10	(8)	11
Cash and cash equivalents at end of period	**1,504**	**856**	**1,504**	**856**

Cash Flows from Operating Activities/Free Operating Cash Flow

In the second quarter of 2021, cash flows from operating activities were up, rising to €553 million (previous year: €171 million). The key driver here was an increase in EBITDA, which more than offset any negative effects. These mainly comprised cash tied up in working capital, whereas in the prior-year quarter funds had been freed up from working capital. In addition, higher income tax payments had a negative effect. After deduction of cash outflows for additions to property, plant, equipment and intangible assets of €179 million (previous year: €147 million), free operating cash flow totaled €374 million (previous year: €24 million).

At €981 million, cash flows from operating activities in the first half of 2021 exceeded the prior-year figure of €61 million, chiefly on account of higher EBITDA. An increase in funds tied up in working capital and higher income tax payments had the opposite effect. After deduction of cash outflows for additions to property, plant, equipment and intangible assets of €289 million (previous year: €286 million), free operating cash flow totaled €692 million (previous year: €–225 million).

Cash Flows from Investing Activities

In the second quarter of 2021, net cash used in investing activities totaled €1,472 million (previous year: cash outflow of €660 million). Net purchase price payments of €1,469 million for the acquisition of the RFM business and additions to property, plant, equipment and intangible assets of €179 million (previous year: €147 million) were the main factors here. The net sale of money market fund units produced a cash inflow of €208 million.

In the first half of 2021, the net cash outflow for investing activities totaled €1,145 million (previous year: cash outflow of €792 million). This figure largely comprised the aforementioned net purchase price payments for the RFM acquisition and additions to property, plant, equipment and intangible assets of €289 million (previous year: €286 million). In contrast, net redemptions of short-term bank deposits amounted to €335 million, and the net sale of money market fund units generated €269 million.

Cash Flows from Financing Activities

In the second quarter of 2021, the Covestro Group's net cash outflow for financing activities totaled €341 million (previous year: cash inflow of €795 million), mainly due to dividend payments of €257 million. Of this amount, €251 million was attributable to Covestro AG shareholders.

Largely due to the aforementioned dividend payments, net cash used in financing activities in the first half of 2021 amounted to €395 million (previous year: cash inflow of €1,494 million). Net cash provided by financing activities in the prior-year period consisted mainly of bond issues totaling €1.0 billion.

Net financial debt

	Dec. 31, 2020	June 30, 2021
	€ million	€ million
Bonds	1,990	1,991
Liabilities to banks	227	225
Lease liabilities	672	757
Liabilities from derivatives	9	21
Other financial liabilities	1	1
Receivables from derivatives	(13)	(13)
Financial debt	**2,886**	**2,982**
Cash and cash equivalents	(1,404)	(856)
Current financial assets	(1,126)	(522)
Net financial debt	**356**	**1,604**

In comparison with December 31, 2020, the Covestro Group's financial debt increased by €96 million to €2,982 million in the first half of 2021.

Cash and cash equivalents decreased in comparison with the figure on December 31, 2020, by €548 million to €856 million. This change was mainly driven by the net purchase price payments for the RFM acquisition amounting to €1,469 million. Moreover, cash and cash equivalents declined on account of cash outflows for additions to property, plant, equipment and intangible assets of €289 million and dividend payments of €257 million. In contrast, positive cash flows from operating activities (€981 million), net proceeds of short-term bank deposits maturing (€335 million), and the net sale of money market fund units (€269 million) increased cash and cash equivalents. The redemption of short-term bank deposits and net sale of money market fund units in particular decreased current financial assets, which were down €604 million to €522 million.

In comparison with December 31, 2020, the Covestro Group's net financial debt increased by €1,248 million to €1,604 million as of June 30, 2021.

Net Assets

Covestro Group summary statement of financial position

	Dec. 31, 2020	June 30, 2021
	€ million	€ million
Noncurrent assets	6,734	8,226
Current assets	6,190	6,533
Total assets	**12,924**	**14,759**
Equity	**5,644**	**6,701**
Noncurrent liabilities	4,916	4,644
Current liabilities	2,364	3,414
Liabilities	**7,280**	**8,058**
Total equity and liabilities	**12,924**	**14,759**

Total assets were up €1,835 million as compared with December 31, 2020, to €14,759 million as of June 30, 2021.

Noncurrent assets increased by €1,492 million to €8,226 million (December 31, 2020: €6,734 million). The key factor here was the addition of noncurrent assets as part of the initial consolidation of RFM. Current assets were up €343 million to €6,533 million (December 31, 2020: €6,190 million). In particular, this was also due to the acquisition of the RFM business.

Equity grew to €6,701 million, increasing by €1,057 million as compared with December 31, 2020. This increase was largely attributable to income after income taxes.

Noncurrent liabilities were down €272 million to €4,644 million as of June 30, 2021 (December 31, 2020: €4,916 million). This stemmed principally from the change in provisions for pensions and other post-employment benefits, which dropped by €431 million to €1,692 million (December 31, 2020: €2,123 million). In contrast, noncurrent financial liabilities rose by €74 million to €2,351 million (December 31, 2020: €2,277 million), mainly on account of the initial consolidation of RFM. Current liabilities were also up €1,050 million to €3,414 million as of the reporting date (December 31, 2020: €2,364 million). The key drivers of this development were increases in trade accounts payable and other provisions.

Performance of the Reportable Segments

Polyurethanes

Polyurethanes key data

	2nd quarter 2020	2nd quarter 2021	Change	1st half 2020	1st half 2021	Change
	€ million	€ million	%	€ million	€ million	%
Core volume growth[1]	**–25.9%**	**+27.8%**		**–14.9%**	**+13.7%**	
Sales	913	1,841	>100	2,187	3,506	+60.3
Change in sales						
Volume	–24.8%	+29.1%		–13.7%	+12.3%	
Price	–12.3%	+78.5%		–11.5%	+53.8%	
Currency	–0.4%	–6.0%		+0.1%	–5.8%	
Portfolio	–1.2%	0.0%		–1.1%	0.0%	
Sales by region						
EMLA	359	874	>100	948	1,678	+77.0
NA	266	457	+71.8	661	814	+23.1
APAC	288	510	+77.1	578	1,014	+75.4
EBITDA	**(24)**	**452**	**.**	**26**	**895**	**.**
EBIT	(130)	348	.	(181)	688	.
Cash flows from operating activities	7	288	.	(79)	490	.
Cash outflows for additions to property, plant, equipment and intangible assets	84	113	+34.5	168	184	+9.5
Free operating cash flow	**(77)**	**175**	**.**	**(247)**	**306**	**.**

[1] Reference values calculated on the basis of the definition of the core business effective March 31, 2021.

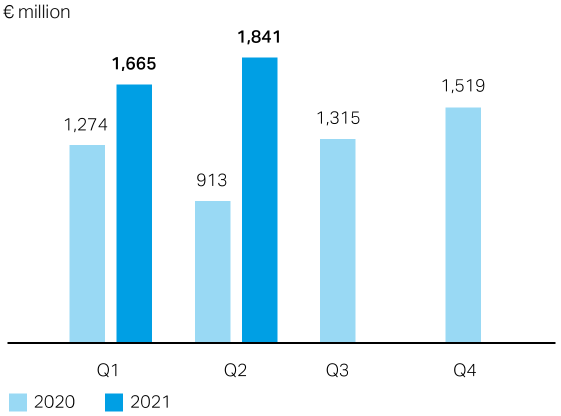
Second Quarter of 2021

In the second quarter of 2021, core volumes sold in the Polyurethanes segment grew by 27.8% over the prior-year quarter, which had been heavily affected by the coronavirus pandemic. Core volumes sold were up in all main customer industries across the three regions. This was particularly evident in the construction industry as well as in the automotive and transportation industry. In contrast, the consequences of the unplanned weather-related production stoppages in the NA region in the first quarter of 2021 continued to be felt well into the second quarter of 2021. This led to limited product availability and impaired our growth potential.

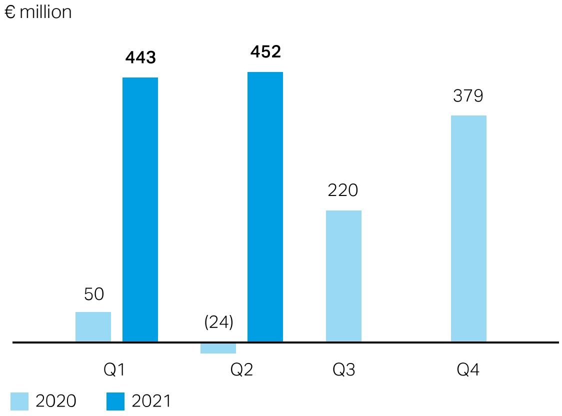
The Polyurethanes segment's sales more than doubled over the prior-year quarter to €1,841 million (previous year: €913 million). Key drivers of this development were an increase in average selling prices, which lifted sales by 78.5%, and especially a favorable competitive situation. Growth in total volumes sold also had a positive effect on sales of 29.1%. In contrast, exchange rate developments had a negative impact on sales of 6.0%.

The EMLA region's sales more than doubled to €874 million (previous year: €359 million). Higher selling prices and growth in total volumes sold contributed substantially to the increase in sales. However, exchange rate changes had a slightly negative effect on sales. In the NA region, sales were up by 71.8% to €457 million (previous year: €266 million). This was the result of a massive rise in average selling prices and strong increase in total volumes sold, both factors which positively affected sales. In contrast, the development of exchange rates pushed sales down significantly. Sales in the APAC region were up by 77.1% to €510 million (previous year: €288 million). A higher selling price level and positive trend in total volumes sold each had a substantially positive effect on sales. Exchange rate movements had a slightly negative impact on sales.

Polyurethanes
Quarterly Sales



Polyurethanes
Quarterly EBITDA



In the second quarter of 2021, the Polyurethanes segment's EBITDA rose over the prior-year quarter, increasing to €452 million (previous year: €–24 million). The main drivers of this development were the increase in selling prices, which offset the contrasting effect of higher raw material prices and led to higher margins, and the growth in total volumes sold. However, higher provisions for variable compensation reduced earnings.

EBIT advanced to €348 million (previous year: €–130 million).

Free operating cash flow climbed to €175 million (previous year: €–77 million). This was mainly due to the sharp rise in EBITDA, which stood in contrast to an increase in funds tied up in working capital and higher cash outflows for additions to property, plant and equipment.

First Half of 2021

Core volumes sold in the Polyurethanes segment increased by 13.7% in the first half of 2021 in contrast to the prior-year period, which had been adversely affected by the coronavirus pandemic. This development was attributable to the growth in core volumes sold in all main customer industries, especially the automotive and transportation industry as well as the construction industry, particularly in the EMLA and APAC regions. However, the aforementioned effects of the unplanned weather-related production stoppages in the NA region limited product availability and growth potential during the first half of 2021.

In the same period, the segment's sales were up by 60.3% to €3,506 million (previous year: €2,187 million). Higher selling prices attributable to an advantageous competitive situation and growth in total volumes sold had positive effects on sales of 53.8% and 12.3%, respectively. Exchange rate changes reduced sales by 5.8%.

In the first half of 2021, EBITDA increased to €895 million (previous year: €26 million). Higher selling prices more than compensated for the rise in raw material prices and increased margins. Likewise, the increase in total volumes sold had a positive effect on EBITDA. However, higher provisions for variable compensation had a negative effect on earnings.

EBIT rose to €688 million (previous year: €–181 million).

Free operating cash flow was up, amounting to €306 million (previous year: €–247 million), largely due to the improvement in EBITDA. This increase stood in contrast to greater funds tied up in working capital and higher cash outflows for additions to property, plant, equipment and intangible assets.

Polycarbonates

Polycarbonates key data

	2nd quarter 2020	2nd quarter 2021	Change	1st half 2020	1st half 2021	Change
	€ million	€ million	%	€ million	€ million	%
Core volume growth[1]	**–14.4%**	**+15.4%**		**–9.8%**	**+13.5%**	
Sales	648	1,015	+56.6	1,381	1,904	+37.9
Change in sales						
Volume	–16.4%	+28.1%		–9.6%	+19.9%	
Price	–7.8%	+33.3%		–8.6%	+22.9%	
Currency	–0.1%	–4.8%		+0.4%	–4.9%	
Portfolio	–3.5%	0.0%		–3.6%	0.0%	
Sales by region						
EMLA	197	310	+57.4	459	602	+31.2
NA	121	166	+37.2	302	313	+3.6
APAC	330	539	+63.3	620	989	+59.5
EBITDA	**96**	**260**	**>100**	**205**	**482**	**>100**
EBIT	41	208	>400	95	376	>200
Cash flows from operating activities	68	140	>100	103	245	>100
Cash outflows for additions to property, plant, equipment and intangible assets	34	22	–35.3	63	38	–39.7
Free operating cash flow	**34**	**118**	**>200**	**40**	**207**	**>400**

[1] Reference values calculated on the basis of the definition of the core business effective March 31, 2021.

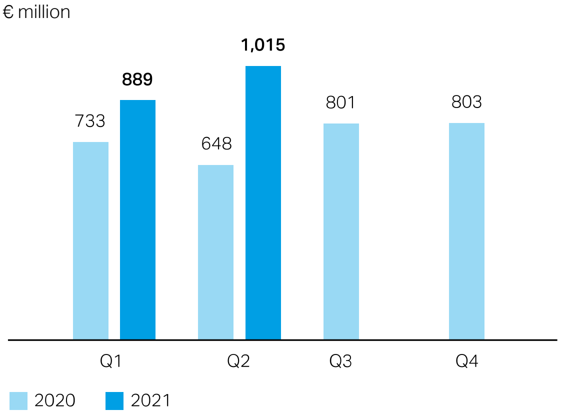
Second Quarter of 2021

In the second quarter of 2021, core volumes sold in the Polycarbonates segment rose by 15.4% over the prior-year quarter, which had been adversely affected by the coronavirus pandemic. This change was mainly due to growth in core volumes sold in the automotive and transportation industry observed across all regions. At the same time, the unplanned weather-related production stoppages in the NA region in the first quarter of 2021 resulted in limited product availability and therefore reduced our growth potential.

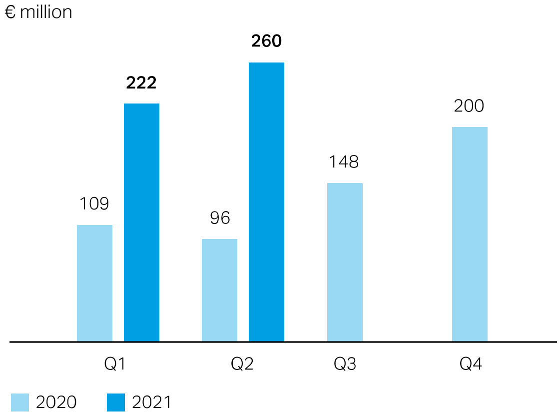
The Polycarbonates segment’s sales were up by 56.6% to €1,015 million in the second quarter of 2021 (previous year: €648 million). Sales saw positive effects of 33.3% from higher selling prices due to a favorable competitive situation and 28.1% from growth in total volumes sold. Exchange rate changes reduced sales by 4.8%, however.

In the EMLA region, sales were up by 57.4% to €310 million (previous year: €197 million). A positive trend in total volumes sold had a strong positive impact on sales. In addition, a rise in the selling price level increased sales significantly, while exchange rate changes were neutral overall with respect to sales. In the NA region, sales climbed by 37.2% to €166 million (previous year: €121 million). This development was driven by a massive increase in total volumes sold. At the same time, exchange rate movements had a considerable negative effect on sales, whereas the decline in average selling prices only reduced sales slightly. In the APAC region, sales grew by 63.3% to €539 million (previous year: €330 million). Higher selling price levels caused sales to increase substantially. Moreover, the expansion of total volumes sold had a considerable positive effect on sales. In contrast, exchange rate developments pushed sales down significantly.

Polycarbonates
Quarterly Sales



Polycarbonates
Quarterly EBITDA



In the second quarter of 2021, the Polycarbonates segment's EBITDA rose to €260 million over the prior-year quarter (previous year: €96 million). Higher selling prices more than offset the rise in raw material prices and led to substantially improved margins, which had a positive effect on EBITDA. Growth in total volumes sold also increased earnings. However, higher provisions for variable compensation had a negative effect on earnings.

EBIT increased more than fivefold, amounting to €208 million (previous year: €41 million).

Free operating cash flow rose to €118 million (previous year: €34 million). The key drivers of this development were the higher EBITDA and lower cash outflows for additions to property, plant and equipment, which stood in contrast to an increase in funds tied up in working capital.

First Half of 2021

In the first half of 2021, the Polycarbonates segment saw core volumes sold grow by 13.5% over the prior-year period, which was adversely affected by the coronavirus pandemic. Core volumes sold were up, particularly in the automotive and transportation industry across all regions and in the electrical, electronics and household appliance industry in the APAC region. The aforementioned production stoppages in the first quarter of 2021 resulted in limited product availability and impeded our growth opportunities.

In the Polycarbonates segment, sales climbed by 37.9% in the first half of 2021 to €1,904 million (previous year: €1,381 million). Higher selling prices increased sales by 22.9% due to an advantageous competitive situation. Growth in total volumes sold also had a positive impact on sales totaling 19.9%. In contrast, exchange rate developments reduced sales by 4.9%.

EBITDA in the Polycarbonates segment in the first half of 2021 more than doubled over the prior-year period, growing to €482 million (previous year: €205 million). The main factor driving this development was the rise in margins, with higher selling prices more than offsetting the countereffect of higher raw material prices. At the same time, an increase in total volumes sold gave earnings a boost. However, higher provisions for variable compensation had a negative effect on earnings.

EBIT advanced to €376 million (previous year: €95 million).

Free operating cash flow grew to €207 million (previous year: €40 million). This was due to the increase in EBITDA and lower cash outflows for additions to property, plant and equipment. An increase in funds tied up in working capital had a negative effect.

Coatings, Adhesives, Specialties

Coatings, Adhesives, Specialties key data

	2nd quarter 2020	2nd quarter 2021	Change	1st half 2020	1st half 2021	Change
	€ million	€ million	%	€ million	€ million	%
Core volume growth[1]	**–25.3%**	**+133.5%**		**–15.2%**	**+62.4%**	
Sales	443	926	>100	1,015	1,521	+49.9
Change in sales						
Volume	–25.8%	+34.4%		–16.4%	+18.1%	
Price	–3.2%	+13.2%		–3.5%	+7.1%	
Currency	+0.3%	–6.5%		+0.7%	–5.0%	
Portfolio	0.0%	+67.9%		+0.5%	+29.7%	
Sales by region						
EMLA	188	434	>100	467	702	+50.3
NA	101	198	+96.0	240	325	+35.4
APAC	154	294	+90.9	308	494	+60.4
EBITDA	**60**	**134**	**>100**	**190**	**248**	**+30.5**
EBIT	28	81	>100	128	166	+29.7
Cash flows from operating activities	94	132	+40.4	134	177	+32.1
Cash outflows for additions to property, plant, equipment and intangible assets	29	43	+48.3	54	66	+22.2
Free operating cash flow	**65**	**89**	**+36.9**	**80**	**111**	**+38.8**

1 Reference values calculated on the basis of the definition of the core business effective March 31, 2021.

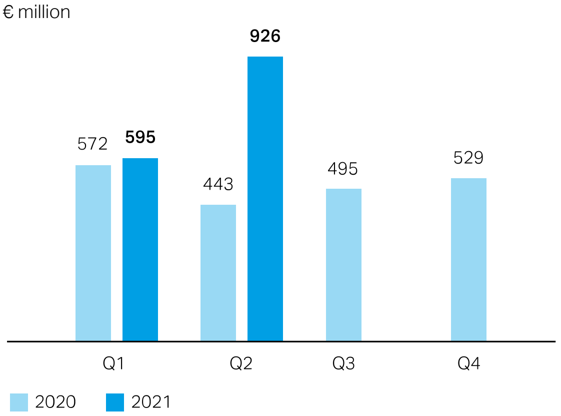
Second Quarter of 2021

In the second quarter of 2021, core volumes sold in the Coatings, Adhesives, Specialties segment rose by 133.5% over the prior-year quarter. The initial consolidation of the Resins & Functional Materials (RFM) business contributed 100.6% of this figure. Moreover, volumes sold increased in the main customer industries, especially in the EMLA region, where demand recovered in contrast to the prior-year quarter adversely affected by the coronavirus pandemic. At the same time, raw material bottlenecks ongoing since the first quarter of 2021 continued to limit product availability in the Coatings, Adhesives, Specialties segment in the second quarter of 2021 and impeded our organic growth opportunities.

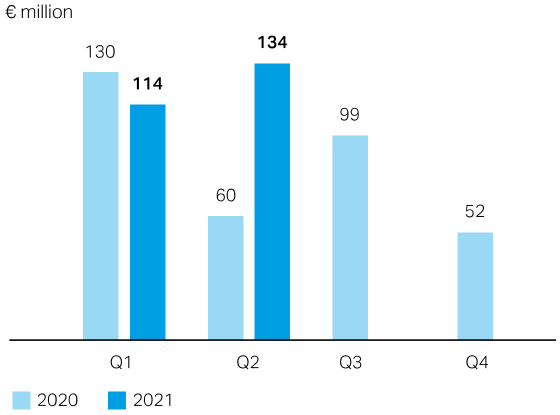
In the second quarter of 2021, the segment’s sales more than doubled, growing to €926 million (previous year: €443 million). The portfolio effect stemming from the acquisition of RFM had a positive effect on sales of 67.9%. Likewise, growth in total volumes sold and higher selling prices also increased sales by 34.4% and 13.2%, respectively. However, exchange rate movements reduced sales by 6.5%.

In the EMLA region, sales more than doubled over the prior-year quarter, amounting to €434 million (previous year: €188 million). Key drivers here were the aforementioned portfolio effect and an increase in total volumes sold, both of which massively increased sales. Higher average selling prices also had a significantly positive effect on sales. Exchange rate developments were neutral overall in terms of sales. Sales in the NA region were up by 96.0% to €198 million (previous year: €101 million). Both the aforementioned portfolio effect and an increase in total volumes sold substantially boosted sales. At the same time, a rise in the selling price level had a significant positive impact on sales, whereas exchange rate changes reduced sales considerably. In the APAC region, sales climbed by 90.9% to €294 million (previous year: €154 million). The above-mentioned portfolio effect, a positive trend in total volumes sold, and higher average selling prices strongly increased sales. In contrast, exchange rate movements had a clearly negative effect on sales.

Coatings, Adhesives, Specialties
Quarterly Sales



Coatings, Adhesives, Specialties
Quarterly EBITDA



In the second quarter of 2021, EBITDA in the Coatings, Adhesives, Specialties segment more than doubled over the prior-year period, growing to €134 million (previous year: €60 million). The increase in total volumes sold was the key factor in this development. At the same time, a higher selling price level led to improved margins despite an increase in raw material prices, which in turn buoyed earnings. However, higher provisions for variable compensation reduced earnings. Nonrecurring expenses in the low double-digit million range resulting from the RFM acquisition also had a negative effect on earnings.

EBIT was up, increasing to €81 million (previous year: €28 million).

In the second quarter of 2021, free operating cash flow rose to €89 million (previous year: €65 million). Higher EBITDA had a positive effect here, whereas a decrease in funds freed up from working capital and higher cash outflows for additions to property, plant and equipment each had a negative effect on free operating cash flow.

First Half of 2021

In the first half of 2021, core volumes sold in the Coatings, Adhesives, Specialties segment were up by 62.4% over the prior-year period. This was chiefly due to the aforementioned RFM acquisition and growth in volumes sold across all main customer industries as a result of the recovery in demand since the prior-year quarter, which had felt the impact of the coronavirus pandemic. At the same time, persistent raw material bottlenecks and the resulting limited availability of products curbed our organic growth potential.

Sales of Coatings, Adhesives, Specialties were up by 49.9% to €1,521 million in the same period (previous year: €1,015 million). The above-mentioned portfolio effect and higher total volumes sold increased sales by 29.7% and 18.1%, respectively. Average selling prices also increased, which gave sales a 7.1% lift, but exchange rate movements reduced sales by 5.0%.

In the first half of 2021, EBITDA grew by 30.5% to €248 million over the prior-year period (previous year: €190 million), mainly due to the increase in total volumes sold. In addition, higher selling prices led to improved margins despite an increase in raw material prices, which had a positive effect on earnings. However, higher provisions for variable compensation had a negative effect on EBITDA. At the same time, nonrecurring effects in the low double-digit million range in connection with the RFM acquisition also reduced earnings.

EBIT increased by 29.7% to €166 million (previous year: €128 million).

Free operating cash flow rose by 38.8% in the first half of 2021 to €111 million (previous year: €80 million). The rise in EBITDA more than offset higher cash outflows for additions to property, plant, equipment and intangible assets and an increase in funds tied up in working capital.

REPORT ON FUTURE PERSPECTIVES AND ON OPPORTUNITIES AND RISKS

Economic Outlook

Global Economy

The lingering coronavirus pandemic is likely to make the year 2021 another challenging one for the global economy. Likewise, the spread of coronavirus variants raise the possibility of new waves of the pandemic, which could affect growth negatively. However, as a result of the increasing availability of vaccines and the start of a controlled approach to fighting the pandemic, we continue to expect a return to positive growth rates in all regions. In contrast to the outlook we published in the Annual Report 2020, we now anticipate a faster recovery of the global economy and a resulting greater increase in economic performance of 5.8%.

We revised our estimates for all regions upward, principally due to expected higher production volumes and consumer spending. In the NA region, we anticipate a more significant increase in expected economic growth compared with our outlook published in the Annual Report 2020. This is due to factors including the increase in the US economic stimulus package to USD 1.9 trillion and the demand for travel and services in excess of expectations to date. Another overall economic situation significantly better than the assessment we presented in our Annual Report 2020 is taking shape in the EMLA region. This is mostly due to rising vaccination rates and an increasing number of pandemic-related restrictions being lifted. In the APAC region, we expect the economic recovery to proceed slightly faster than stated in our outlook in the Annual Report 2020, driven mainly by growth in China coming in stronger than expected.

Economic growth[1]

	Growth 2020	Growth forecast 2021 (Annual Report 2020)	Growth forecast 2021
	%	%	%
World	**–3.6**	**+4.4**	**+5.8**
Europe, Middle East, Latin America[2], Africa (EMLA)	**–5.8**	**+3.4**	**+4.8**
of which Europe	–6.1	+3.2	+5.0
of which Germany	–5.1	+2.8	+3.8
of which Middle East	–4.0	+4.5	+4.4
of which Latin America[2]	–7.5	+3.7	+4.9
of which Africa	–2.8	+2.4	+3.7
North America[3] (NA)	**–3.9**	**+4.0**	**+6.5**
of which United States	–3.5	+4.0	+6.6
Asia-Pacific (APAC)	**–1.1**	**+5.7**	**+6.2**
of which China	+2.3	+7.6	+8.5

[1] Real growth of gross domestic product; source: IHS (Global Insight), "Growth 2020" and "Growth forecast 2021" as of July 2021.
[2] Latin America (excluding Mexico).
[3] North America (Canada, Mexico, United States).

Main Customer Industries

In all main customer industries, we continue to forecast positive growth for the year 2021. However, we expect the pace of growth to differ in the individual industries.

Growth in main customer industries[1]

	Growth 2020	Growth forecast 2021 (Annual Report 2020)	Growth forecast 2021
	%	%	%
Automotive	–15.9	+17.3	+13.8
Construction	–1.8	+0.6	+1.3
Electrical, electronics and household appliances	+4.5	+6.3	+13.9
Furniture	–6.8	+4.6	+4.7

[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 (not the transportation or wood processing segments). As of: July 2021.

Growth in the automotive industry is projected to be 13.8%, down from the outlook presented in the Annual Report 2020. This is chiefly due to bottlenecks in the supply of semiconductors and petrochemical by-products, and the resulting limitations in car manufacturing. At 1.3%, growth in the construction industry will likely exceed the projection in the Annual Report 2020. Likewise, we anticipate the growth rate in the electrical, electronic, and household appliances industry to come in at 13.9%, higher than expected in the Annual Report 2020, on account of the growth in consumer expenditure persisting throughout the pandemic. The projected growth rate for the furniture industry was raised to 4.7%.

Forecast for the Covestro Group

The analysis of the development of our key management indicators is based on the business performance described in this Half-Year Financial Report, the economic outlook outlined above, and consideration of our potential risks and opportunities. The acquisition completed on April 1, 2021, and the integration of the Resins & Functional Materials (RFM) business of Koninklijke DSM N.V., Heerlen (Netherlands), into the Coatings, Adhesives, Specialties segment has been factored into this forecast.

Covestro adjusted the forecast presented in the Annual Report 2020 on April 13, 2021, as a result of business development that has been better than previously expected. An increasingly positive outlook led to the forecast being raised again on July 12, 2021. We hereby confirm the forecast for fiscal year 2021 amended on July 12, 2021, and expect the following development of our key performance indicators:

Forecast key management indicators

	2020	Forecast 2021 (Annual Report 2020)	Previous forecast 2021 (April 13, 2021)	Adjusted forecast 2021 (July 12, 2021)
Core volume growth	–5.6%	Between 10% and 15%	Between 10% and 15%	Between 10% and 15%
Free operating cash flow (FOCF)	€530 million	Between €900 million and €1,400 million	Between €1,300 million and €1,800 million	Between €1,600 million and €2,000 million
Return on capital employed (ROCE)[1]	+7.0%	Between 7% and 12%	Between 12% and 17%	Between 16% and 20%

[1] ROCE: The return on capital employed is calculated as the ratio of EBIT after taxes to capital employed. Capital employed is the capital used by the company. It is the sum of noncurrent and current assets less noninterest-bearing liabilities such as trade accounts payable.

We still anticipate that core volume growth for the Covestro Group will be between 10% and 15%, with around 6 percentage points attributable to the acquisition of the RFM business. We also continue to project growth for the Coatings, Adhesives, Specialties segment significantly above the corridor expected for the Group. For the Polyurethanes and Polycarbonates segments, our growth projection remains in the mid- to high-single-digit percentage range.

This year, FOCF is forecast to fall between €1,600 million and €2,000 million. We continue to expect a FOCF well over the prior-year figures for the Polyurethanes and Polycarbonates segments and now project a similar trend for the Coatings, Adhesives, Specialties segment (previously: FOCF well under the prior-year figure).

For fiscal year 2021, we now expect a ROCE of between 16% and 20%.

Opportunities and Risks

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

Opportunity and risk management at Covestro is an integral part of the Group's corporate governance system. See the "Opportunities and Risks Report" in the Combined Management Report in the Annual Report 2020 for a detailed explanation of our opportunity and risk management system and opportunity and risk situation.

Changes in the Risk Situation

At the time this Half-Year Financial Report was prepared, there had been no fundamental changes in the opportunity or risk situation since December 31, 2020. Additionally, there are no risks that could endanger the Group's continued existence, and no such risks are currently identifiable for the future.

No new material developments have occurred in the legal proceedings presented in the Annual Report 2020, and no new material legal proceedings are pending.

See note 28 "Legal Risks" in the Notes to the Consolidated Financial Statements for additional information.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

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COVESTRO GROUP CONSOLIDATED INCOME STATEMENT

	2nd quarter 2020	2nd quarter 2021	1st half 2020	1st half 2021
	€ million	€ million	€ million	€ million
Sales	**2,156**	**3,956**	**4,939**	**7,263**
Cost of goods sold	(1,817)	(2,813)	(4,049)	(5,074)
Gross profit	**339**	**1,143**	**890**	**2,189**
Selling expenses	(268)	(357)	(589)	(670)
Research and development expenses	(59)	(87)	(124)	(160)
General administration expenses	(68)	(105)	(160)	(203)
Other operating income	8	40	17	52
Other operating expenses	(20)	(27)	(35)	(45)
EBIT[1]	**(68)**	**607**	**(1)**	**1,163**
Equity-method loss	(4)	(4)	(8)	(7)
Result from other affiliated companies	–	–	–	1
Interest income	7	9	15	15
Interest expense	(18)	(22)	(37)	(41)
Other financial result	(2)	(1)	(26)	(15)
Financial result	**(17)**	**(18)**	**(56)**	**(47)**
Income before income taxes	**(85)**	**589**	**(57)**	**1,116**
Income taxes	32	(139)	25	(271)
Income after income taxes	**(53)**	**450**	**(32)**	**845**
of which attributable to noncontrolling interest	(1)	1	–	3
of which attributable to Covestro AG shareholders (net income)	(52)	449	(32)	842
	€	€	€	€
Basic earnings per share[2]	**(0.28)**	**2.32**	**(0.17)**	**4.36**
Diluted earnings per share[2]	**(0.28)**	**2.32**	**(0.17)**	**4.36**

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

[2] Earnings per share: According to IAS 33 (Earnings per Share) corresponds to net income divided by the weighted average number of outstanding no-par voting shares of Covestro AG. The calculation was based on 193,160,544 no-par shares for the second quarter of 2021 (previous year: 182,864,685 no-par shares) and on 193,160,544 no-par shares for the first half of 2021 (previous year: 182,864,685).

COVESTRO GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2nd quarter 2020	2nd quarter 2021	1st half 2020	1st half 2021
	€ million	€ million	€ million	€ million
Income after income taxes	(53)	450	(32)	845
Remeasurements of the net defined benefit liability for post-employment benefit plans	(437)	113	112	484
Income taxes	136	(46)	(38)	(154)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(301)**	**67**	**74**	**330**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(301)**	**67**	**74**	**330**
Exchange differences of foreign operations	(36)	(30)	(40)	100
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	**(36)**	**(30)**	**(40)**	**100**
Other comprehensive income that may be reclassified subsequently to profit or loss	**(36)**	**(30)**	**(40)**	**100**
Total other comprehensive income[1]	(337)	37	34	430
of which attributable to noncontrolling interest	–	–	–	–
of which attributable to Covestro AG shareholders	(337)	37	34	430
Total comprehensive income	(390)	487	2	1,275
of which attributable to noncontrolling interest	(1)	1	–	3
of which attributable to Covestro AG shareholders	(389)	486	2	1,272

[1] Total change recognized outside profit or loss

COVESTRO GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	June 30, 2020	June 30, 2021	Dec. 31, 2020
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	264	739	255
Other intangible assets	109	716	109
Property, plant and equipment	5,243	5,747	5,175
Investments accounted for using the equity method	187	169	173
Other financial assets	35	31	32
Other receivables	75	88	65
Deferred taxes	861	736	925
	6,774	**8,226**	**6,734**
Current assets			
Inventories	1,922	2,363	1,663
Trade accounts receivable	1,311	2,266	1,593
Other financial assets	557	561	1,144
Other receivables	288	335	295
Claims for income tax refunds	133	93	55
Cash and cash equivalents	1,504	856	1,404
Assets held for sale	–	59	36
	5,715	**6,533**	**6,190**
Total assets	**12,489**	**14,759**	**12,924**
Equity			
Capital stock of Covestro AG	183	193	193
Capital reserves of Covestro AG	3,487	3,925	3,925
Other reserves	1,539	2,510	1,489
Equity attributable to Covestro AG shareholders	**5,209**	**6,628**	**5,607**
Equity attributable to noncontrolling interest	45	73	37
	5,254	**6,701**	**5,644**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	1,881	1,692	2,123
Other provisions	209	211	218
Financial liabilities	2,817	2,351	2,277
Income tax liabilities	96	103	88
Other liabilities	16	31	31
Deferred taxes	196	256	179
	5,215	**4,644**	**4,916**
Current liabilities			
Other provisions	208	407	155
Financial liabilities	532	644	622
Trade accounts payable[1]	1,024	1,846	1,241
Income tax liabilities	33	223	74
Other liabilities[1]	223	280	262
Liabilities directly related to assets held for sale	–	14	10
	2,020	**3,414**	**2,364**
Total equity and liabilities	**12,489**	**14,759**	**12,924**

[1] Reference information as of June 30, 2020, was restated accordingly, see note 4.1 “Change in Presentation of Rebates Granted to Customers” in the Annual Report 2020.

COVESTRO GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

	2nd quarter 2020	2nd quarter 2021	1st half 2020	1st half 2021
	€ million	€ million	€ million	€ million
Income after income taxes	(53)	450	(32)	845
Income taxes	(32)	139	(25)	271
Financial result	17	18	56	47
Income taxes paid	(12)	(126)	(102)	(176)
Depreciation, amortization and impairment losses and impairment loss reversals	193	210	380	397
Change in pension provisions	6	12	17	21
(Gains)/losses on retirements of noncurrent assets	(1)	(8)	1	(8)
Decrease/(increase) in inventories	94	(298)	(21)	(528)
Decrease/(increase) in trade accounts receivable	308	(191)	239	(446)
(Decrease)/increase in trade accounts payable[1]	(347)	255	(405)	394
Changes in other working capital, other noncash items[1]	(2)	92	(47)	164
Cash flows from operating activities	**171**	**553**	**61**	**981**
Cash outflows for additions to property, plant, equipment and intangible assets	(147)	(179)	(286)	(289)
Cash inflows from sales of property, plant, equipment and other assets	–	10	–	10
Cash inflows from divestments less divested cash	–	–	(3)	–
Cash outflows for noncurrent financial assets	(2)	(22)	(9)	(22)
Cash inflows from noncurrent financial assets	1	2	1	2
Cash outflows for acquisitions less acquired cash	–	(1,469)	–	(1,469)
Interest and dividends received	7	11	17	17
Cash inflows from/(outflows for) other current financial assets	(519)	175	(512)	606
Cash flows from investing activities	**(660)**	**(1,472)**	**(792)**	**(1,145)**
Dividend payments and withholding tax on dividends	(2)	(257)	(2)	(257)
Issuances of debt	1,011	1	1,768	2
Retirements of debt	(198)	(63)	(234)	(98)
Interest paid	(16)	(22)	(38)	(42)
Cash flows from financing activities	**795**	**(341)**	**1,494**	**(395)**
Change in cash and cash equivalents due to business activities	**306**	**(1,260)**	**763**	**(559)**
Cash and cash equivalents at beginning of period	**1,200**	**2,106**	**748**	**1,404**
Change in cash and cash equivalents due to changes in scope of consolidation	–	–	1	–
Change in cash and cash equivalents due to exchange rate movements	(2)	10	(8)	11
Cash and cash equivalents at end of period	**1,504**	**856**	**1,504**	**856**

[1] Reference information was restated accordingly, see note 4.1 “Change in Presentation of Rebates Granted to Customers” in the Annual Report 2020.

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, 2019	**183**	**3,487**	**1,122**	**415**	**5,207**	**47**	**5,254**
Dividend payments			–		–	(2)	(2)
Income after income taxes			(32)		(32)	–	(32)
Other comprehensive income			74	(40)	34	–	34
Total comprehensive income			**42**	**(40)**	**2**	**–**	**2**
June 30, 2020	**183**	**3,487**	**1,164**	**375**	**5,209**	**45**	**5,254**
of which treasury shares	–	(7)			(7)		(7)
Dec. 31, 2020	**193**	**3,925**	**1,280**	**209**	**5,607**	**37**	**5,644**
Dividend payments			(251)		(251)	(6)	(257)
Other changes[1]			–		–	39	39
Income after income taxes			842		842	3	845
Other comprehensive income			330	100	430	–	430
Total comprehensive income			**1,172**	**100**	**1,272**	**3**	**1,275**
June 30, 2021	**193**	**3,925**	**2,201**	**309**	**6,628**	**73**	**6,701**
of which treasury shares	–	(2)			(2)		(2)

[1] Other changes in noncontrolling interests result from the acquisition of the Resins & Functional Materials (RFM) business from Koninklijke DSM N.V., Heerlen (Netherlands), see note 4.2 "Acquisitions and Divestitures."

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, 2021, have been prepared according to 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 closing date.

The accounting policies and measurement principles described in the consolidated financial statements as of December 31, 2020, were applied unchanged in preparing the consolidated interim financial statements as of June 30, 2021, 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) except where otherwise indicated.

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, 2020	Dec. 31, 2020	June 30, 2021
BRL	Brazil	6.11	6.37	5.91
CNY	China	7.92	7.98	7.68
HKD	Hong Kong	8.68	9.51	9.23
INR	India	84.62	89.66	88.32
JPY	Japan	120.66	126.49	131.43
MXN	Mexico	25.95	24.42	23.58
USD	United States	1.12	1.23	1.19

Average rates for major currencies

		Average rates	
€1/		1st half 2020	1st half 2021
BRL	Brazil	5.33	6.49
CNY	China	7.76	7.80
HKD	Hong Kong	8.55	9.35
INR	India	81.60	88.38
JPY	Japan	119.22	129.76
MXN	Mexico	23.58	24.32
USD	United States	1.10	1.21

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 IFRS 16 (May 28, 2020)	COVID-19-Related Rent Concessions	June 1, 2020
Amendments to IFRS 4 (June 25, 2020)	Extension of the Temporary Exemption from Applying IFRS 9	January 1, 2021
Amendments to IFRS 9, IAS 38, IFRS 7, IFRS 4 and IFRS 16 (August 27, 2020)	Interest Rate Benchmark Reform – Phase 2	January 1, 2021

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

2.2 Published Financial Reporting Standards That Have Not Yet Been Applied

There were no new findings regarding the potential effects of reporting standards newly published up to the authorization for issue of the financial statements, but not yet required to be applied, whose application could affect the presentation of the net assets, financial position and results of operations that differ from the information presented in the 2020 consolidated financial statements.

"Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021" approved by the IASB on March 31, 2021, and "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" approved by the IASB on May 7, 2021, have not yet been adopted in the EU. Subject to an analysis to be completed, their initial application is not expected to (materially) affect the presentation of net assets, financial position and results of operations.

3. Segment and Regional Reporting

The Board of Management of Covestro AG, as the chief operating decision maker of the Covestro Group, allocates resources to the operating segments and assesses their performance. The reportable segments and regions are identified, and the disclosures selected, in line with the internal financial reporting system (management approach). They are based on the same accounting policies outlined in the consolidated financial statements as of December 31, 2020.

As of June 30, 2021, the Covestro Group comprises three reportable segments with the following activities:

Polyurethanes

The Polyurethanes segment develops, produces and markets high-quality precursors for polyurethanes. These precursors are diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI), and polyether polyols. Rigid foam based on MDI is used mainly in the construction industry as an insulating material as well as along the entire refrigeration chain. Flexible polyurethane foam based on TDI is used primarily in the furniture and automotive industries (e.g., in upholstered furniture, mattresses and car seats). The segment operates production facilities worldwide. Formulating and supplying customized polyurethane systems takes place primarily in the APAC region.

Polycarbonates

The Polycarbonates segment develops, produces and markets the high-performance plastic polycarbonate in the form of granules, composite materials and semifinished products. The material is used primarily in the automotive industry (e.g., in the vehicle interior and for vehicle lighting) and in the construction industry (e.g., for roof structures). It is also used in the electrical and electronics industry (e.g., for connectors and laptop cases), the medical technology industry and the lighting industry (e.g., for LED components). The Covestro Group produces polycarbonate all around the world and processes it at compounding centers to meet specific customer requirements.

Coatings, Adhesives, Specialties

The Coatings, Adhesives, Specialties segment develops, produces and markets Covestro's precursors for coatings, adhesives and sealants as well as specialties — primarily for polyurethane systems. They include polymer materials and aqueous dispersions based on the isocyanates HDI and IPDI, which are produced at facilities located throughout the world. The main areas of application are automotive and transportation, infrastructure and construction, wood processing, and furniture. The specialties comprise elastomers, high-quality films and precursors for the cosmetics, textiles and health care industries. On April 1, 2021, Covestro additionally completed the acquisition of the Resins & Functional Materials (RFM) business from Koninklijke DSM N.V., Heerlen (Netherlands). The Completion of this acquisition of RFM in the Coatings, Adhesives, Specialties segment makes Covestro one of the world's leading suppliers of sustainable coating resins.

Business activities that cannot be allocated to any of the aforementioned segments are reported under **"All other segments."** The external sales from these activities are generated mainly from by-products of chlorine production and use.

The costs of Corporate Center functions, higher or lower expenses for long-term stock-based compensation arising from fluctuations in the performance of Covestro AG stock, as well as one-time costs in the course of the LEAP transformation program are presented in the segment reporting as **"Corporate Center and reconciliation."**

The segment data is calculated as follows:

- EBIT and EBITDA are not defined in the International Financial Reporting Standards. EBIT is equal to income after income taxes plus financial result and income taxes. EBITDA is the EBIT as reported in the income statement plus depreciation and impairment losses on property, plant and equipment, and amortization and impairment losses on intangible assets, less impairment loss reversals.
- Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities and refund liabilities.

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

Segment reporting 2nd quarter

	Polyurethanes	Polycarbonates	Coatings, Adhesives, Specialties	Other/consolidation: All other segments	Other/consolidation: Corporate Center and reconciliation	Covestro Group
	€ million	€ million	€ million	€ million	€ million	€ million
2nd quarter 2021						
Net sales	1,841	1,015	926	174	–	3,956
EBITDA	452	260	134	(11)	(18)	817
EBIT	348	208	81	(12)	(18)	607
2nd quarter 2020						
Net sales	913	648	443	152	–	2,156
EBITDA	(24)	96	60	3	(10)	125
EBIT	(130)	41	28	3	(10)	(68)

Segment reporting 1st half

	Polyurethanes	Polycarbonates	Coatings, Adhesives, Specialties	Other/consolidation: All other segments	Other/consolidation: Corporate Center and reconciliation	Covestro Group
	€ million	€ million	€ million	€ million	€ million	€ million
1st half 2021						
Net sales	3,506	1,904	1,521	332	–	7,263
EBITDA	895	482	248	(24)	(41)	1,560
EBIT	688	376	166	(26)	(41)	1,163
1st half 2020						
Net sales	2,187	1,381	1,015	356	–	4,939
EBITDA	26	205	190	(20)	(22)	379
EBIT	(181)	95	128	(21)	(22)	(1)

Trade working capital by segment

	Dec. 31, 2020	June 30, 2021
	€ million	€ million
Polyurethanes	900	1,238
Polycarbonates	550	760
Coatings, Adhesives, Specialties	444	675
Total of reportable segments	**1,894**	**2,673**
All other segments	66	67
Corporate Center	(11)	(15)
Trade working capital	**1,949**	**2,725**
of which inventories	1,663	2,363
of which trade accounts receivable	1,593	2,266
of which trade accounts payable	(1,241)	(1,846)
of which IFRS 15 items[1]	(66)	(58)

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

Information on geographical areas

The following tables show information by geographical area. The EMLA region consists of Europe, the Middle East, Latin America except Mexico, and Africa. Mexico forms together with the United States and Canada 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 2021				
Net sales (external) by market	1,765	844	1,347	3,956
Net sales (external) by point of origin	1,785	851	1,320	3,956
2nd quarter 2020				
Net sales (external) by market	874	508	774	2,156
Net sales (external) by point of origin	869	517	770	2,156

Regional reporting 1st half

	EMLA	NA	APAC	Total
	€ million	€ million	€ million	€ million
1st half 2021				
Net sales (external) by market	3,267	1,493	2,503	7,263
Net sales (external) by point of origin	3,273	1,515	2,475	7,263
1st half 2020				
Net sales (external) by market	2,174	1,252	1,513	4,939
Net sales (external) by point of origin	2,154	1,278	1,507	4,939

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 2020	2nd quarter 2021	1st half 2020	1st half 2021
	€ million	€ million	€ million	€ million
EBITDA of segments	135	835	401	1,601
EBITDA of Corporate Center	(10)	(18)	(22)	(41)
EBITDA	**125**	**817**	**379**	**1,560**
Depreciation, amortization and impairment losses of segments	(193)	(210)	(380)	(397)
Depreciation, amortization and impairment losses of Corporate Center	–	–	–	–
Depreciation, amortization and impairment losses	**(193)**	**(210)**	**(380)**	**(397)**
EBIT of segments	(58)	625	21	1,204
EBIT of Corporate Center	(10)	(18)	(22)	(41)
EBIT	**(68)**	**607**	**(1)**	**1,163**
Financial result	(17)	(18)	(56)	(47)
Income before income taxes	**(85)**	**589**	**(57)**	**1,116**

4. Scope of Consolidation

4.1 Changes in the Scope of Consolidation

As of June 30, 2021, the scope of consolidation comprised Covestro AG and 74 (December 31, 2020: 47) consolidated companies.

The increase in the number of consolidated companies in the first half of 2021 is attributable to the acquisition of the Resins & Functional Materials (RFM) business from Koninklijke DSM N.V., Heerlen (Netherlands). A total of 27 RFM companies were fully consolidated effective April 1, 2021, for the first time.

4.2 Acquisitions and Divestitures

Acquisitions

On April 1, 2021, Covestro successfully completed the acquisition of the Resins & Functional Materials (RFM) business from Koninklijke DSM N.V., Heerlen (Netherlands), which was included in the consolidated financial statements for the first time as of that date. The responsible authorities approved the transaction after Covestro and Koninklijke DSM N.V. reached an agreement on the purchase at the end of September 2020. The acquisition of RFM makes the Coatings, Adhesives, Specialties segment a leading supplier of sustainable coating resins. A due to the acquisition even more comprehensive and highly innovative product portfolio will offer customers clear added value. The transaction covers innovative projects such as Additive Manufacturing, Advanced Solar Coatings and Niaga.

The acquisition was accounted for as a business combination in accordance with IFRS 3 (Business Combinations). For purposes of the purchase price allocation, the acquired company's identifiable assets, the assumed liabilities and contingent liabilities, and any noncontrolling interest in the acquiree were recognized at fair value. According to IFRS 3, the purchase price allocation can be adjusted within one year of the acquisition date based on new information and findings. This can affect especially items that are based on assumptions and estimates, which mainly include provisions, contingent liabilities and deferred taxes. No assurance can be given that other items may not change.

The acquisition also includes the following shares and voting rights in four companies with noncontrolling interests that are nonetheless fully consolidated: the 50% interest (57% voting rights) in DSM Eternal Resins Kunshan Co. Ltd., Kunshan, (China); the 60% interest (60% voting rights) in Covestro Eternal Resins (Far East) Ltd., Pingtung (Taiwan); the 72% (72% voting rights) interest in Covestro Amulix V.O.F., Zwolle (Netherlands); and the 70% interest (100% voting rights) in Japan Fine Coatings Co., Ltd., Tsukuba (Japan).

Covestro and Koninklijke DSM N.V. agreed on a preliminary consideration transferred of €1,544 million, which was paid in cash. The purchase price allocation resulted in a goodwill of €481 million. This goodwill includes expected synergies arising from administrative processes and infrastructure, including cost savings in procurement, sales and general administration, and from unlocking future business opportunities with new customers. Goodwill is not tax deductible in the countries involved in the acquisition, except the United States. The share of tax deductible goodwill attributable to the United States amounts to €68 million.

The following overview shows the acquired assets and liabilities at fair value as of the acquisition date:

Fair value of acquired assets and liabilities at acquisition

	RFM
	€ million
Goodwill	481
Other intangible assets	624
Property, plant and equipment	462
Inventories	147
Trade accounts receivable	202
Other receivables	21
Cash and cash equivalents	75
Deferred tax assets	21
Provisions	(33)
Financial liabilities	(33)
Trade accounts payable	(194)
Other liabilities	(42)
Deferred tax liabilities	(148)
Net assets	**1,583**
Noncontrolling interest	(39)
Consideration transferred	**1,544**
Acquired cash and cash equivalents	(75)
Net cash outflow for acquisitions	**1,469**

The other intangible assets mainly include customer relationships in the amount of € 411 million as well as technologies relating to water-based hybrid technologies, powder coating resins and radiation curing resins in the amount of € 176 million.

The fair value of acquired receivables totaling €223 million relates mainly to trade accounts receivable. At the acquisition date, gross contractual receivables amounted to €225 million, with €2 million of this amount estimated to be unrecoverable.

Noncontrolling interests were measured according to the partial goodwill method in the course of initial consolidation. Based on the partial goodwill method, the value of the noncontrolling interests totals €39 million.

Acquisition related costs associated with the business combination of €41 million were recognized in the income statement in the amount of €37 million and in equity in the amount of €4 million. Of this amount, €38 million had already been recognized in the previous year.

The sales generated by the acquired RFM business since the acquisition date amounted to €294 million, with income after taxes amounting to €– 7 million. The income after taxes comprised expenses resulting from one-time effects and the purchase price allocation. If the aforementioned acquisition had been completed by January 1, 2021, Covestro would have reported net sales of €7,626 million. Income after taxes would have amounted to €861 million, including expenses from one-time effects and the purchase price allocation. Intercompany profits between Covestro and RFM companies were eliminated in this case.

The purchase price allocation for RFM has not yet been completed, because the preparation and audit of the underlying financial information will still take some time. Allocations of the purchase price to the individual assets and liabilities could therefore still change.

Divestitures

On January 29, 2021, RFM signed an agreement on the sale of assets (disposal group) in Taoyuan (Taiwan), which were also part of the RFM acquisition, to Evermore Chemical Industry Co. Ltd., Nantou (Taiwan). In connection with the sale, production-related assets of €12 million were classified as "held for sale" in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). Inventories, which are measured separately, are also being transferred. The transaction is scheduled to be closed up in the third quarter of 2021 at the latest.

On February 25, 2021, Covestro signed an agreement to sell the assets and liabilities (disposal group) of the systems house business in the Middle East to the current co-shareholder Pearl Industries Overseas Ltd., Dubai (United Arab Emirates). The sale of this systems house business is part of Covestro's portfolio optimization process, during the course of which Covestro sold the only North American systems house in April 2017 and the European systems house business in November 2019. The systems house business is part of the company's Polyurethanes segment and offers customer-specific polyurethane systems to the construction sector in particular. The transaction is structured as a share deal. The expected selling price was lower than the value of the net assets to be sold, which were written down accordingly. Impairment charges led to a loss totaling €16 million reported in manufacturing costs, selling expenses and general administration expenses in fiscal year 2020. In connection with this sale, current assets amounting to €30 million and liabilities of €14 million were classified as "held for sale" in accordance with IFRS 5. This transaction was expected to be closed in the third quarter of 2021 and was subject to approval by regulators. The transaction was completed on July 26, 2021.

See note 11 "Events after the End of the Reporting Period" in the Consolidated Interim Financial Statements.

5. Net Sales

Net sales are categorized according to "geographical regions and key countries" and mainly comprise sales from contracts with customers and an insignificant amount of rental and leasing sales. The table also contains a breakdown of net sales by reportable segments.

Disaggregation of sales

				Other/consolidation		
	Polyurethanes	Polycarbonates	Coatings, Adhesives, Specialties	All other segments	Corporate Center and reconciliation	Covestro Group
	€ million	€ million	€ million	€ million	€ million	€ million
1st half 2021						
EMLA	1,678	602	702	285	–	3,267
of which Germany	328	140	269	192	–	929
NA	814	313	325	41	–	1,493
of which United States	644	256	295	41	–	1,236
APAC	1,014	989	494	6	–	2,503
of which China	663	662	267	2	–	1,594
1st half 2020						
EMLA	948	459	467	300	–	2,174
of which Germany	186	99	202	171	–	658
NA	661	302	240	49	–	1,252
of which United States	539	255	219	49	–	1,062
APAC	578	620	308	7	–	1,513
of which China	351	422	157	2	–	932

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 reporting period to the weighted average number of outstanding no-par voting shares of Covestro AG. In the first half of 2021, a weighted average number of outstanding no-par voting shares of 193,160,544 was used to calculate earnings per share, while in the first half of 2020, these shares amounted to 182,864,685. There were no dilution effects to consider.

Earnings per Share

	1st half 2020	1st half 2021
	€ million	€ million
Income after income taxes	(32)	845
of which attributable to noncontrolling interest	–	3
of which attributable to Covestro AG shareholders (net income)	(32)	842
	Shares	Shares
Weighted average number of no-par voting shares of Covestro AG	182,864,685	193,160,544
	€	€
Basic earnings per share	(0.17)	4.36
Diluted earnings per share	(0.17)	4.36

7. Employees and Pension Obligations

As of June 30, 2021, the Covestro Group had 18,039 employees worldwide (December 31, 2020: 16,501). The increase resulted mainly from the acquisition of the Resins & Functional Materials (RFM) business. In the first half of 2021, personnel expenses rose by €233 million to €1,146 million (previous year: €913 million), largely due to higher expenses for provisions for short-term variable compensation.

Employees by division[1]

	Dec. 31, 2020	June 30, 2021
Production	10,753	11,607
Marketing and distribution	3,101	3,360
Research and development	1,205	1,489
General administration	1,442	1,583
Total	**16,501**	**18,039**

[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 €1,692 million (December 31, 2020: €2,123 million), mainly on account of lower obligations due to higher discount rates.

Discount rate for pension obligations

	Dec. 31, 2020	June 30, 2021
	%	%
Germany	0.70	1.20
United States	2.10	2.50

8. Financial Instruments

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

Carrying amounts of financial instruments and their fair values as of June 30, 2021

		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	2,266	2,266				2,266
Other financial assets	592					
Money market funds	502	–	–	502		502
Loans and bank deposits	50	45	–	5		50
Other investments	13		13	–		13
Receivables under lease agreements	8				8	25
Derivatives that do not qualify for hedge accounting	19			19		19
Other receivables[1]	37	29	–	8		37
Cash and cash equivalents	856	856	–	–		856
Financial liabilities						
Financial debts	2,995					
Bonds	1,991	1,991		–		2,090
Lease liabilities	757				757	
Liabilities to banks	225	225		–		231
Derivatives that do not qualify for hedge accounting	21			21		21
Other financial liabilities	1	1		–		1
Trade accounts payable	1,846	1,846		–		1,846
Other liabilities[2]	129					
Derivatives that do not qualify for hedge accounting	3			3		3
Refund liabilities	77	77		–		77
Miscellaneous other liabilities	49	49		–		49

[1] The other receivables recognized in the consolidated statement of financial position also include nonfinancial assets totaling €386 million.
[2] The other liabilities recognized in the consolidated statement of financial position also include nonfinancial liabilities totaling €182 million .

Carrying amounts of financial instruments and their fair values as of December 31, 2020

		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	1,593	1,593	–	–		1,593
Other financial assets	1,176					
Money market funds	771	–	–	771		771
Loans and bank deposits	365	360	–	5		365
Other investments	14		14	–		14
Receivables under lease agreements	8				8	21
Derivatives that do not qualify for hedge accounting	18			18		18
Other receivables[1]	31	25	–	6		31
Cash and cash equivalents	1,404	1,404	–	–		1,404
Financial liabilities						
Financial debts	2,899					
Bonds	1,990	1,990		–		2,107
Lease liabilities	672				672	
Liabilities to banks	227	227		–		234
Derivatives that do not qualify for hedge accounting	9			9		9
Other financial liabilities	1	1		–		1
Trade accounts payable	1,241	1,241		–		1,241
Other liabilities[2]	150					
Derivatives that do not qualify for hedge accounting	3			3		3
Refund liabilities	87	87		–		87
Miscellaneous other liabilities	60	60		–		60

[1] The other receivables recognized in the consolidated statement of financial position also include nonfinancial assets totaling €329 million.

[2] The other liabilities recognized in the consolidated statement of financial position also include nonfinancial liabilities totaling €143 million.

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

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

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

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

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

Fair value hierarchy of financial instruments

	Fair value Dec. 31, 2020	Level 1	Level 2	Level 3	Fair value June 30, 2021	Level 1	Level 2	Level 3
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Financial assets carried at fair value								
Money market funds	771	–	771	–	502	–	502	–
Loans	5	–	–	5	5	–	–	5
Other investments	14	5	–	9	13	4	–	9
Derivatives that do not qualify for hedge accounting	18	–	13	5	19	–	13	6
Other receivables	6	–	–	6	8	–	–	8
Financial assets not carried at fair value								
Receivables under lease agreements	21	–	–	21	25	–	–	25
Financial liabilities carried at fair value								
Derivatives that do not qualify for hedge accounting	12	–	9	3	24	–	21	3
Financial liabilities not carried at fair value								
Bonds	2,107	2,107	–	–	2,090	2,090	–	–
Liabilities to banks	234	–	234	–	231	–	231	–
Other financial liabilities	1	–	1	–	1	–	1	–

Reallocation between the different levels of the fair value hierarchy takes place at the end of the reporting period in which the change occurred. During the first half of 2021, no transfers were made between the levels of the fair value hierarchy.

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

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

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

The fair values of money market funds correspond to the quoted prices of the funds in accordance with Article 29 in conjunction with Article 33 of EU Regulation 2017/1131 on money market funds (Level 2).

The fair values of derivatives for which no publicly quoted market prices existed are determined using valuation techniques based on observable market data as of the reporting date (Level 2). Credit value adjustments and debt value adjustments are determined to allow for both the contracting party’s credit risk and Covestro’s own credit risk. The currency forward contracts are measured individually at their forward rates or forward prices as of the reporting date. These depend on spot rates or prices including time spreads.

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

Covestro works with and invests in start-ups under the auspices of the Covestro Venture Capital (COVeC) approach, which was newly developed during the 2020 fiscal year. Debt instruments associated with COVeC activities are recognized at fair value through profit and loss. The fair value is calculated as the present value of the future cash flows estimated based on available performance indicators. The cash flows are discounted at the current interest rate for the appropriate term on the reporting date and reflecting the creditworthiness of the venture capital company. The main input factors are not based on observable market data (Level 3). The estimated fair value of the debt instruments classified in Level 3 would rise (fall) if the expected cash inflows were to be higher (lower) or if the risk-adjusted discount rate were to be lower (higher).

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

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

Other receivables include a contingent purchase price receivable from divestments. The fair value of the receivable is measured as the present value of the future cash inflows. The basis is the expected EBITDA of the business unit sold for fiscal year 2021. The cash flows are discounted at the current interest rate for the appropriate term on the reporting date and reflecting the creditworthiness of the buyer. The contingent purchase price receivable is assigned to Level 3 of the fair value hierarchy. The estimated fair value would rise (fall) if the expected cash inflows were to be higher (lower) or if the risk-adjusted discount rate were to be lower (higher).

The table below shows the reconciliation of Level 3 financial instruments:

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

	2020	2021
	€ million	€ million
Net carrying amounts, Jan. 1	**21**	**22**
Gains (losses) recognized in profit or loss	(4)	3
of which related to assets / liabilities recognized in the statement of financial position	(4)	3
Gains (losses) recognized outside profit or loss	1	–
Additions of assets (liabilities)	5	–
Net carrying amounts, June 30	**23**	**25**

Gains and losses from embedded derivatives (Level 3) recognized in profit or loss are reported in other operating expenses or income.

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 28 "Legal Risks" to the Consolidated Financial Statements as of December 31, 2020. 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 parties as defined in IAS 24 (Related Party Disclosures) are those legal entities and natural persons 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, joint control or have at least significant influence. They include nonconsolidated subsidiaries, joint ventures and associated companies, post-employment benefit plans and corporate officers of Covestro AG.

Receivables from and liabilities to related parties

	Dec. 31, 2020		June 30, 2021	
	Receivables	Liabilities	Receivables	Liabilities
	€ million	€ million	€ million	€ million
Nonconsolidated subsidiaries and associates	3	8	4	10
Associates	6	–	9	–

Sales and purchases of goods and services to/from related parties

	1st half 2020		1st half 2021	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services
	€ million	€ million	€ million	€ million
Nonconsolidated subsidiaries and associates	15	20	22	30
Associates	6	216	12	362

The goods and services provided by associated companies mainly result from the ongoing operating business with PO JV, LP, Wilmington (United States). Covestro benefits from fixed long-term supply quotas/volumes of propylene oxide (PO) from this company's production.

Receivables from and payables to related parties mainly comprise leasing and financing matters, trade in goods and services, and other transactions.

11. Events after the End of the Reporting Period

In keeping with the first chapter of the strategy – "Become the best of who we are" – the Group restructured its organization as of July 1, 2021. The Group's three reportable segments to date (Polyurethanes, Polycarbonates, and Coatings, Adhesives, Specialties) will be replaced in the future with two new reportable segments: Performance Materials and Solutions and Specialties. The Performance Materials segment forms a separate business entity comprising Covestro's standard polycarbonates, standard urethane components and base chemicals businesses. The focus here is on reliably delivering standard products at competitive market prices. The Solutions and Specialties segment comprises six business entities: Engineering Plastics, Coatings and Adhesives, Tailored Urethanes, Thermoplastic Polyurethanes, Specialty Films and Elastomers. The focus here is on complex products with a high pace of innovation combined by Covestro with application technology services.

On July 7, 2021, the Eurobond placed in 2016 with a total volume of €500 million and maturing in October 2021 was fully repaid at par value ahead of schedule.

On July 26, 2021, Covestro successfully completed the sale of the assets and liabilities of the system house business in the Middle East to the current co-shareholder Pearl Industries Overseas Ltd., Dubai (United Arab Emirates). The sale has an expected insignificant effect on earnings due to recognition of impairment losses on the assets of the business sold in fiscal year 2020.

See note 4.2 "Acquisitions and Divestitures" in the Consolidated Interim Financial Statements.

Leverkusen (Germany), August 3, 2021

Covestro AG

The Board of Management

FURTHER INFORMATION

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Responsibility Statement

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

Leverkusen (Germany), August 3, 2021

Covestro AG

The Board of Management

Review Report

To Covestro AG, Leverkusen

We have reviewed the condensed interim consolidated financial statements – comprising the statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and selected explanatory notes – together with the interim group management report of Covestro AG, Leverkusen, for the period from January 1, 2021 to June 30, 2021 that are part of the semi annual financial report according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with the IFRSs applicable to interim report-ing as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim con-solidated financial statements and on the interim group management report based on our review.

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

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

Düsseldorf, August 4, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Zeimes
Wirtschaftsprüfer
[German Public Auditor]

Schenk
Wirtschaftsprüferin
[German Public Auditor]

Segment and Quarterly Overview

Segment information 2nd quarter

	Polyurethanes		Polycarbonates		Coatings, Adhesives, Specialties		Others/consolidation		Covestro Group	
	2nd quarter 2020	2nd quarter 2021	2nd quarter 2020	2nd quarter 2021	2nd quarter 2020	2nd quarter 2021	2nd quarter 2020	2nd quarter 2021	2nd quarter 2020	2nd quarter 2021
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	913	1,841	648	1,015	443	926	152	174	2,156	3,956
Change in sales										
Volume	–24.8%	+29.1%	–16.4%	+28.1%	–25.8%	+34.4%	–17.1%	+17.1%	–22.3%	+29.0%
Price	–12.3%	+78.5%	–7.8%	+33.3%	–3.2%	+13.2%	–8.2%	–1.2%	–9.0%	+45.9%
Currency	–0.4%	–6.0%	–0.1%	–4.8%	+0.3%	–6.5%	+0.2%	–1.4%	–0.1%	–5.4%
Portfolio	–1.2%	0.0%	–3.5%	0.0%	0.0%	+67.9%	0.0%	0.0%	–1.5%	+14.0%
Core volume growth[1]	**–25.9%**	**+27.8%**	**–14.4%**	**+15.4%**	**–25.3%**	**+133.5%**			**–22.7%**	**+35.0%**
Sales by region										
EMLA	359	874	197	310	188	434	130	147	874	1,765
NA	266	457	121	166	101	198	20	23	508	844
APAC	288	510	330	539	154	294	2	4	774	1,347
EBITDA	**(24)**	**452**	**96**	**260**	**60**	**134**	**(7)**	**(29)**	**125**	**817**
EBIT	(130)	348	41	208	28	81	(7)	(30)	(68)	607
Depreciation, amortization, impairment losses and impairment loss reversals	106	104	55	52	32	53	–	1	193	210
Cash flows from operating activities	7	288	68	140	94	132	2	(7)	171	553
Cash outflows for additions to property, plant, equipment and intangible assets	84	113	34	22	29	43	–	1	147	179
Free operating cash flow	**(77)**	**175**	**34**	**118**	**65**	**89**	**2**	**(8)**	**24**	**374**
Trade working capital[2]	959	1,238	650	760	497	675	62	52	2,168	2,725

[1] Reference values calculated on the basis of the definition of the core business effective March 31, 2021.

[2] Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of June 30, 2020/2021. Reference information was restated accordingly, see note 4 "Change in presentation for rebates granted to customers and trade working capital" in the Annual Report 2020.

Segment information 1st half

	Polyurethanes		Polycarbonates		Coatings, Adhesives, Specialties		Others/consolidation		Covestro Group	
	1st half 2020	1st half 2021	1st half 2020	1st half 2021	1st half 2020	1st half 2021	1st half 2020	1st half 2021	1st half 2020	1st half 2021
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	2,187	3,506	1,381	1,904	1,015	1,521	356	332	4,939	7,263
Change in sales										
Volume	–13.7%	+12.3%	–9.6%	+19.9%	–16.4%	+18.1%	–4.5%	–2.0%	–12.5%	+14.6%
Price	–11.5%	+53.8%	–8.6%	+22.9%	–3.5%	+7.1%	–10.0%	–3.7%	–9.1%	+31.4%
Currency	+0.1%	–5.8%	+0.4%	–4.9%	+0.7%	–5.0%	+0.3%	–1.0%	+0.3%	–5.0%
Portfolio	–1.1%	0.0%	–3.6%	0.0%	+0.5%	+29.7%	0.0%	0.0%	–1.4%	+6.1%
Core volume growth[1]	**–14.9%**	**+13.7%**	**–9.8%**	**+13.5%**	**–15.2%**	**+62.4%**			**–13.6%**	**+18.9%**
Sales by region										
EMLA	948	1,678	459	602	467	702	300	285	2,174	3,267
NA	661	814	302	313	240	325	49	41	1,252	1,493
APAC	578	1,014	620	989	308	494	7	6	1,513	2,503
EBITDA	**26**	**895**	**205**	**482**	**190**	**248**	**(42)**	**(65)**	**379**	**1,560**
EBIT	(181)	688	95	376	128	166	(43)	(67)	(1)	1,163
Depreciation, amortization, impairment losses and impairment loss reversals	207	207	110	106	62	82	1	2	380	397
Cash flows from operating activities	(79)	490	103	245	134	177	(97)	69	61	981
Cash outflows for additions to property, plant, equipment and intangible assets	168	184	63	38	54	66	1	1	286	289
Free operating cash flow	**(247)**	**306**	**40**	**207**	**80**	**111**	**(98)**	**68**	**(225)**	**692**
Trade working capital[2]	959	1,238	650	760	497	675	62	52	2,168	2,725

[1] Reference values calculated on the basis of the definition of the core business effective March 31, 2021.

[2] Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of June 30, 2020/2021. Reference information was restated accordingly, see note 4 "Change in presentation for rebates granted to customers and trade working capital" in the Annual Report 2020.

Quarterly Overview

	1st quarter 2020	2nd quarter 2020	3rd quarter 2020	4th quarter 2020	1st quarter 2021	2nd quarter 2021
	€ million	€ million	€ million	€ million	€ million	€ million
Sales	2,783	2,156	2,760	3,007	3,307	3,956
Polyurethanes	1,274	913	1,315	1,519	1,665	1,841
Polycarbonates	733	648	801	803	889	1,015
Coatings, Adhesives, Specialties	572	443	495	529	595	926
Core volume growth[1]	**–4.1%**	**–22.7%**	**+3.0%**	**+1.7%**	**+5.3%**	**+35.0%**
EBITDA	**254**	**125**	**456**	**637**	**743**	**817**
Polyurethanes	50	(24)	220	379	443	452
Polycarbonates	109	96	148	200	222	260
Coatings, Adhesives, Specialties	130	60	99	52	114	134
EBIT	67	(68)	265	432	556	607
Polyurethanes	(51)	(130)	114	264	340	348
Polycarbonates	54	41	94	143	168	208
Coatings, Adhesives, Specialties	100	28	68	19	85	81
Financial result	(39)	(17)	(22)	(13)	(29)	(18)
Income before income taxes	28	(85)	243	419	527	589
Income after taxes	21	(53)	180	306	395	450
Net income	20	(52)	179	312	393	449
Cash flows from operating activities	(110)	171	538	635	428	553
Cash outflows for additions to property, plant, equipment and intangible assets	139	147	177	241	110	179
Free operating cash flow	**(249)**	**24**	**361**	**394**	**318**	**374**

[1] Reference values calculated on the basis of the definition of the core business effective March 31, 2021.

Financial Calendar

Quarterly Statement Third Quarter 2021	November 08, 2021
Annual Report 2021	March 01, 2022
Annual General Meeting 2022	April 21, 2022
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