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.