Covestro Group Consolidated Income Statement

	3rd quarter 2021	3rd quarter 2022	1st nine months 2021	1st nine months 2022
	€ million	€ million	€ million	€ million
Sales	**4,302**	**4,618**	**11,565**	**14,004**
Cost of goods sold	(3,066)	(4,058)	(8,140)	(11,338)
Gross profit	**1,236**	**560**	**3,425**	**2,666**
Selling expenses	(375)	(396)	(1,045)	(1,193)
Research and development expenses	(95)	(83)	(255)	(273)
General administration expenses	(104)	(86)	(307)	(275)
Other operating income	14	91	66	125
Other operating expenses	(22)	(20)	(67)	(88)
EBIT[1]	**654**	**66**	**1,817**	**962**
Equity-method loss	(4)	(5)	(11)	(15)
Result from other affiliated companies	–	1	1	1
Interest income	9	16	24	53
Interest expense	(18)	(34)	(59)	(91)
Other financial result	(7)	(18)	(22)	(60)
Financial result	**(20)**	**(40)**	**(67)**	**(112)**
Income before income taxes	**634**	**26**	**1,750**	**850**
Income taxes	(161)	(15)	(432)	(224)
Income after income taxes	**473**	**11**	**1,318**	**626**
attributable to noncontrolling interest	1	(1)	4	(1)
attributable to Covestro AG shareholders (net income)	472	12	1,314	627
	€	€	€	€
Basic earnings per share[2]	**2.44**	**0.06**	**6.80**	**3.28**
Diluted earnings per share[2]	**2.44**	**0.06**	**6.80**	**3.28**

[1] Earnings before interest and taxes (EBIT): income after income taxes plus financial result and income taxes

[2] Earnings per share: According to IAS 33 (Earnings per Share), 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 189,720,044 no-par shares for the third quarter of 2022 (previous year: 193,160,544 no-par shares) and on 191,298,857 no-par shares for the first nine months of 2022 (previous year: 193,160,544 no-par shares).

Covestro Group Consolidated Statement of Comprehensive Income

	3rd quarter 2021	3rd quarter 2022	1st nine months 2021	1st nine months 2022
	€ million	€ million	€ million	€ million
Income after income taxes	**473**	**11**	**1,318**	**626**
Remeasurements of the net defined benefit liability for post-employment benefit plans	7	43	491	969
Income taxes	(2)	(11)	(156)	(279)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**5**	**32**	**335**	**690**
Changes in fair values of equity instruments	14	–	14	(1)
Income taxes	(4)	–	(4)	–
Other comprehensive income from equity instruments	**10**	**–**	**10**	**(1)**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**15**	**32**	**345**	**689**
Exchange differences of foreign operations	98	139	198	405
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	**98**	**139**	**198**	**405**
Other comprehensive income that may be reclassified subsequently to profit or loss	**98**	**139**	**198**	**405**
Total other comprehensive income	**113**	**171**	**543**	**1,094**
attributable to noncontrolling interest	1	1	1	(1)
attributable to Covestro AG shareholders	112	170	542	1,095
Total comprehensive income	**586**	**182**	**1,861**	**1,720**
attributable to noncontrolling interest	2	–	5	(2)
attributable to Covestro AG shareholders	584	182	1,856	1,722

Covestro Group Consolidated Statement of Financial Position

	Sep. 30, 2021	Sep. 30, 2022	Dec. 31, 2021
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	745	764	757
Other intangible assets	711	677	706
Property, plant and equipment	5,828	6,274	6,032
Investments accounted for using the equity method	172	189	172
Other financial assets	49	45	49
Other receivables	100	223	76
Deferred taxes	804	703	818
	8,409	**8,875**	**8,610**
Current assets			
Inventories	2,626	3,762	2,914
Trade accounts receivable	2,357	2,548	2,343
Other financial assets	747	41	493
Other receivables	409	574	434
Claims for income tax refunds	96	85	128
Cash and cash equivalents	496	292	649
Assets held for sale	18	19	–
	6,749	**7,321**	**6,961**
Total assets	**15,158**	**16,196**	**15,571**
Equity			
Capital stock of Covestro AG	193	190	193
Capital reserves of Covestro AG	3,925	3,780	3,927
Other reserves	3,094	4,655	3,576
Equity attributable to Covestro AG shareholders	**7,212**	**8,625**	**7,696**
Equity attributable to noncontrolling interest	67	50	66
	7,279	**8,675**	**7,762**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	1,706	420	1,199
Other provisions	227	195	223
Financial liabilities	2,348	2,340	2,349
Income tax liabilities	109	106	98
Other liabilities	31	31	34
Deferred taxes	295	320	300
	4,716	**3,412**	**4,203**
Current liabilities			
Other provisions	583	297	637
Financial liabilities	146	849	192
Trade accounts payable	1,801	2,456	2,214
Income tax liabilities	277	119	239
Other liabilities	356	386	324
Liabilities directly related to assets held for sale	–	2	–
	3,163	**4,109**	**3,606**
Total equity and liabilities	**15,158**	**16,196**	**15,571**

Covestro Group Consolidated Statement of Cash Flows

	3rd quarter 2021	3rd quarter 2022	1st nine months 2021	1st nine months 2022
	€ million	€ million	€ million	€ million
Income after income taxes	473	11	1,318	626
Income taxes	161	15	432	224
Financial result	20	40	67	112
Income taxes paid	(133)	(86)	(309)	(446)
Depreciation, amortization and impairment losses and impairment loss reversals	208	236	605	693
Change in pension provisions	9	6	30	18
(Gains)/losses on retirements of noncurrent assets	4	–	(4)	–
Decrease/(increase) in inventories	(245)	(21)	(773)	(672)
Decrease/(increase) in trade accounts receivable	(52)	284	(498)	(51)
(Decrease)/increase in trade accounts payable	(59)	(139)	335	152
Changes in other working capital, other noncash items	178	(100)	342	(525)
Cash flows from operating activities	**564**	**246**	**1,545**	**131**
Cash outflows for additions to property, plant, equipment and intangible assets	(183)	(213)	(472)	(543)
Cash inflows from sales of property, plant, equipment and other assets	–	2	10	5
Cash inflows from divestments less divested cash	12	–	12	6
Cash outflows for noncurrent financial assets	(7)	(3)	(29)	(10)
Cash inflows from noncurrent financial assets	20	1	22	2
Cash outflows for acquisitions less acquired cash	–	–	(1,469)	–
Interest and dividends received	10	23	27	56
Cash inflows from/(Cash outflows for) other current financial assets	(204)	(34)	402	414
Cash flows from investing activities	**(352)**	**(224)**	**(1,497)**	**(70)**
Reacquisition of treasury shares	–	–	–	(150)
Dividend payments and withholding tax on dividends	(2)	–	(259)	(653)
Issuances of debt	(1)	436	1	1,015
Retirements of debt	(538)	(441)	(636)	(531)
Interest paid	(27)	(42)	(69)	(105)
Cash outflows for the purchase of additional interests in subsidiaries	–	–	–	(4)
Cash flows from financing activities	**(568)**	**(47)**	**(963)**	**(428)**
Change in cash and cash equivalents due to business activities	**(356)**	**(25)**	**(915)**	**(367)**
Cash and cash equivalents at beginning of period	**856**	**315**	**1,404**	**649**
Change in cash and cash equivalents due to exchange rate movements	(4)	2	7	10
Cash and cash equivalents at end of period	**496**	**292**	**496**	**292**

Employees and Pension Obligations

As of September 30, 2022, Covestro had 18,064 employees worldwide (December 31, 2021: 17,909). In the third quarter of 2022, personnel expenses were down €158 million on the prior-year quarter, decreasing to €452 million (previous year: €610 million), largely due to lower expenses for short-term variable compensation.

Employees by division[1]

	Dec. 31, 2021	Sep. 30, 2022
Production	11,618	11,786
Marketing and distribution	3,254	3,317
Research and development	1,477	1,462
General administration	1,560	1,499
Total	**17,909**	**18,064**

[1] The number of employees on either permanent or temporary contracts is stated in full-time equivalents (FTE). Part-time employees are included on a pro-rated basis in line with their contractual working hours. Employees in vocational training are not included.

Provisions for pensions and other post-employment benefits decreased to €420 million as of September 30, 2022 (December 31, 2021: €1,199 million). This was mainly due to a reduction in the measurement of obligations as a result of significantly higher discount rates. The rise in projected future benefit increases in Germany to 2.0% (December 31, 2021: 1.8%) had an offsetting effect on the measurement of obligations.

Discount rate for pension obligations

	Dec. 31, 2021	Sep. 30, 2022
	%	%
Germany	1.20	3.70
United States	2.60	5.10

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/		Sep. 30, 2021	Dec. 31, 2021	Sep. 30, 2022
BRL	Brazil	6.26	6.31	5.26
CNY	China	7.49	7.20	6.95
HKD	Hong Kong[1]	9.02	8.83	7.65
INR	India	86.08	84.23	79.43
JPY	Japan	129.67	130.38	141.01
MXN	Mexico	23.74	23.14	19.64
USD	United States	1.16	1.13	0.97

Average rates for major currencies

		Average rates	
€1/		1st nine months 2021	1st nine months 2022
BRL	Brazil	6.37	5.44
CNY	China	7.74	7.03
HKD	Hong Kong[1]	9.29	8.32
INR	India	88.04	82.29
JPY	Japan	129.77	135.76
MXN	Mexico	24.07	21.51
USD	United States	1.20	1.06

[1] Special Administration Region (China)

Scope of Consolidation

Changes in the scope of consolidation

As of September 30, 2022, the scope of consolidation comprised Covestro AG and 60 (December 31, 2021: 66) consolidated companies.

In the third quarter of 2022, the consolidated company Covestro GmbH, Leverkusen (Germany), was merged with Covestro Deutschland AG, Leverkusen (Germany). In addition, the Covestro Polymers (Zhuhai) Company Limited, Zhuhai (China), was consolidated for the first time. This company had previously been classified as an immaterial subsidiary.

Acquisitions and Divestitures

Acquisitions

No reportable acquisitions were made in the third quarter of 2022.

Divestitures

On August 5, 2022, Covestro signed an agreement for the sale of assets and liabilities (disposal group) of the additive manufacturing business to Stratasys, a U.S.-Israeli manufacturer of 3D printers and 3D production systems. The business sold by Covestro includes employees, research and development facilities, production units, and offices in the Netherlands, the United States, China, Japan, Germany, and the United Kingdom as well as access to a large network of partners around the world. The portfolio also includes products that are part of the Resins & Functional Materials business (RFM) acquired from Koninklijke DSM N.V., Heerlen, (Netherlands), in fiscal 2021. The additive manufacturing business, which is part of the Solutions & Specialties segment, offers material solutions for common polymer 3D printing processes. Covestro’s decision to sell the additive manufacturing business is consistent with the optimization of its portfolio to make its organization more efficient and allow the company to sharpen its focus on the extensive range of offerings for customers in its main customer industries. The selling price amounts to €43 million and an additional payment for certain assets, less any liabilities transferred. In addition, the agreement specifies a variable earn-out of up to €37 million, which depends on the achievement of various success factors. The transaction is structured as an asset deal. In connection with the sale, noncurrent assets and inventories of €19 million and liabilities of €2 million were classified as “held for sale” in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). The closing is expected for the first quarter of 2023.

Significant Events after the End of the Reporting Period

Covestro issued its first-ever Schuldschein debt instrument on October 7, 2022. The Schuldschein is linked to an environmental, social, governance (ESG) rating. It was issued in tranches comprising fixed and variable interest rates with terms of three, five, and seven years. The issue is denominated in U.S. dollars and euros. The total volume of the Schuldschein amounts to €650 million equivalent. The proceeds from the issue will be used for general corporate purposes.