Covestro Group Consolidated Income Statement

	1st quarter 2019	1st quarter 2020
	€ million	€ million
Sales	**3,175**	**2,783**
Cost of goods sold	(2,407)	(2,232)
Gross profit	**768**	**551**
Selling expenses	(344)	(321)
Research and development expenses	(68)	(65)
General administration expenses	(96)	(92)
Other operating income	22	9
Other operating expenses	(18)	(15)
EBIT[1]	**264**	**67**
Equity-method loss	(6)	(4)
Result from other affiliated companies	1	–
Interest income	10	8
Interest expense	(23)	(19)
Other financial result	(5)	(24)
Financial result	**(23)**	**(39)**
Income before income taxes	**241**	**28**
Income taxes	(61)	(7)
Income after income taxes	**180**	**21**
of which attributable to noncontrolling interest	1	1
of which attributable to Covestro AG stockholders (net income)	179	20
	€	€
Basic earnings per share[2]	**0.98**	**0.11**
Diluted earnings per share[2]	**0.98**	**0.11**

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

[2] Earnings per share: According to IAS 33, 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 182,864,685 no-par shares for the first quarter of 2020 and on 182,704,602 no-par shares for the first quarter of 2019.

Covestro Group Consolidated Statement of Comprehensive Income

	1st quarter 2019	1st quarter 2020
	€ million	€ million
Income after income taxes	**180**	**21**
Remeasurements of the net defined benefit liability for post-employment benefit plans	(200)	549
Income taxes	72	(174)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(128)**	**375**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(128)**	**375**
Exchange differences of foreign operations	143	(4)
Reclassified to profit or loss	–	–
Other comprehensive income from exchange differences	**143**	**(4)**
Other comprehensive income that may be reclassified subsequently to profit or loss, if certain conditions are met	**143**	**(4)**
Subtotal other comprehensive income[1]	**15**	**371**
of which attributable to noncontrolling interest	1	–
of which attributable to Covestro AG stockholders	14	371
Subtotal comprehensive income	**195**	**392**
of which attributable to noncontrolling interest	2	1
of which attributable to Covestro AG stockholders	193	391

[1] Total change recognized in equity outside profit or loss

Covestro Group Consolidated Statement of Financial Position

	Mar. 31, 2019	Mar. 31, 2020	Dec. 31, 2019
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	257	266	264
Other intangible assets	80	112	114
Property, plant and equipment	5,151	5,282	5,286
Investments accounted for using the equity method	214	194	192
Other financial assets	30	35	32
Other receivables	37	55	52
Deferred taxes	820	704	851
	6,589	**6,648**	**6,791**
Current assets			
Inventories	2,237	2,031	1,916
Trade accounts receivable	1,857	1,639	1,561
Other financial assets	68	32	27
Other receivables	372	329	359
Claims for income tax refunds	104	125	104
Cash and cash equivalents	771	1,200	748
Assets held for sale	–	–	12
	5,409	**5,356**	**4,727**
Total assets	**11,998**	**12,004**	**11,518**
Equity			
Capital stock of Covestro AG	183	183	183
Capital reserves of Covestro AG	3,480	3,487	3,487
Other reserves	1,872	1,928	1,537
Equity attributable to Covestro AG stockholders	**5,535**	**5,598**	**5,207**
Equity attributable to noncontrolling interest	35	48	47
	5,570	**5,646**	**5,254**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	1,667	1,435	1,965
Other provisions	256	209	230
Financial liabilities	1,722	1,850	1,601
Income tax liabilities	111	95	95
Other liabilities	18	28	32
Deferred taxes	160	198	206
	3,934	**3,815**	**4,129**
Current liabilities			
Other provisions	527	250	203
Financial liabilities	170	667	151
Trade accounts payable	1,438	1,418	1,507
Income tax liabilities	159	48	69
Other liabilities	200	160	191
Liabilities directly related to assets held for sale	–	–	14
	2,494	**2,543**	**2,135**
Total equity and liabilities	**11,998**	**12,004**	**11,518**

Covestro Group Consolidated Statement of Cash Flows

	1st quarter 2019	1st quarter 2020
	€ million	€ million
Income after income taxes	180	21
Income taxes	61	7
Financial result	23	39
Income taxes paid	(79)	(90)
Depreciation, amortization and impairment losses and impairment loss reversals	178	187
Change in pension provisions	9	11
(Gains)/losses on retirements of noncurrent assets	2	2
Decrease/(increase) in inventories	13	(115)
Decrease/(increase) in trade accounts receivable	(46)	(69)
(Decrease)/increase in trade accounts payable	(224)	(97)
Changes in other working capital, other noncash items	3	(6)
Cash flows from operating activities	**120**	**(110)**
Cash outflows for additions to property, plant, equipment and intangible assets	(165)	(139)
Cash inflows from sales of property, plant, equipment and other assets	3	–
Cash inflows from divestments less divested cash	–	(3)
Cash outflows for noncurrent financial assets	(2)	(7)
Cash inflows from noncurrent financial assets	2	–
Interest and dividends received	9	10
Cash inflows from/(outflows for) other current financial assets	(36)	7
Cash flows from investing activities	**(189)**	**(132)**
Issuances of debt	26	757
Retirements of debt	(42)	(36)
Interest paid	(18)	(22)
Cash flows from financing activities	**(34)**	**699**
Change in cash and cash equivalents due to business activities	**(103)**	**457**
Cash and cash equivalents at beginning of period	**865**	**748**
Change in cash and cash equivalents due to changes in scope of consolidation	(1)	1
Change in cash and cash equivalents due to exchange rate movements	10	(6)
Cash and cash equivalents at end of period	**771**	**1,200**

Employees and Pension Obligations

As of March 31, 2020, the Covestro Group had 17,014 employees worldwide (December 31, 2019: 17,201). Personnel expenses were down by €44 million from the prior-year period to €426 million in the first quarter of 2020 (previous year: €470 million). This was mainly due to lower provisions for short- and long-term variable compensation.

Employees by corporate function[1]

	Dec. 31, 2019	Mar. 31, 2020
Production	11,162	11,058
Marketing and distribution	3,314	3,254
Research and development	1,217	1,219
General administration	1,508	1,483
Total	**17,201**	**17,014**

[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 €1,435 million as of March 31, 2020 (December 31, 2019: €1,965 million). In particular, this was attributable to a higher discount rate in Germany. A negative change in the value of plan assets partly compensated for this development.

Discount rate for pension obligations

	Dec. 31, 2019	Mar. 31, 2020
	%	%
Germany	1.00	1.90[1]
United States	3.00	2.90

[1] The discount rate for pension obligations in the euro area will be calculated by a third-party consulting firm starting in the first quarter of 2020. Adjusted for the change in calculation procedure, the discount rate would have amounted to 1.40% for Germany as of March 31, 2020.

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/		Mar. 31, 2019	Dec. 31, 2019	Mar. 31, 2020
BRL	Brazil	4.39	4.52	5.70
CNY	China	7.54	7.82	7.79
HKD	Hong Kong	8.82	8.75	8.49
INR	India	77.72	80.19	82.90
JPY	Japan	124.45	121.94	118.90
MXN	Mexico	21.69	21.22	26.18
USD	United States	1.12	1.12	1.10

Average rates for major currencies

		Average rates	
€1/		1st quarter 2019	1st quarter 2020
BRL	Brazil	4.28	4.87
CNY	China	7.68	7.71
HKD	Hong Kong	8.91	8.57
INR	India	80.09	79.82
JPY	Japan	125.11	120.16
MXN	Mexico	21.83	21.82
USD	United States	1.14	1.10

Scope of Consolidation

Changes in the scope of consolidation

As of March 31, 2020, the scope of consolidation comprised Covestro AG and 46 consolidated companies (December 31, 2019: 47 companies).

Effective January 1, 2020, Asellion B.V., Amsterdam (Netherlands), was included in the consolidated financial statements for the first time as a result of growth in business activities. Previously, the company had been classified as an immaterial subsidiary. Asellion B.V. provides a digital platform for online direct sales where manufacturers, suppliers and service providers can do business in a flexible, secure and private environment.

Covestro (Tielt) NV, Tielt (Belgium), and Covestro S.p.A., Milan (Italy), were deconsolidated in the course of the sale of the European polycarbonate sheets business to Munich-based Serafin Group concluded on January 2, 2020.

Acquisitions and divestitures

Acquisitions

No material acquisitions were made in the first quarter of 2020.

Divestitures

On January 2, 2020, Covestro concluded the sale of the assets and liabilities (disposal group) of the European polycarbonate sheets business, belonging to the Polycarbonates segment, to the Serafin Group, Munich (Germany). Polycarbonate sheets are extremely strong and are used primarily in the areas of industrial protection, construction systems and for advertising applications. The European polycarbonate sheets business comprises production sites in Belgium and Italy as well as central management and distribution functions in Europe. Within the scope of the sale, net liabilities totaling €2 million were transferred to the buyer and net payments amounting to €3 million were made by Covestro to Serafin. The loss on the disposal of this business totaling €1 million was recognized in other operating result.