Covestro Group Consolidated Income Statement

	3rd quarter 2019	3rd quarter 2020	1st nine months 2019	1st nine months 2020
	€ million	€ million	€ million	€ million
Sales	**3,162**	**2,760**	**9,548**	**7,699**
Cost of goods sold	(2,460)	(2,057)	(7,316)	(6,106)
Gross profit	**702**	**703**	**2,232**	**1,593**
Selling expenses	(347)	(294)	(1,037)	(883)
Research and development expenses	(64)	(63)	(200)	(187)
General administration expenses	(82)	(79)	(275)	(239)
Other operating income	28	9	81	26
Other operating expenses	(16)	(11)	(42)	(46)
EBIT[1]	**221**	**265**	**759**	**264**
Equity-method loss	(5)	(3)	(19)	(11)
Result from other affiliated companies	–	1	1	1
Interest income	11	4	30	19
Interest expense	(21)	(20)	(66)	(57)
Other financial result	(4)	(4)	(11)	(30)
Financial result	**(19)**	**(22)**	**(65)**	**(78)**
Income before income taxes	**202**	**243**	**694**	**186**
Income taxes	(53)	(63)	(175)	(38)
Income after income taxes	**149**	**180**	**519**	**148**
of which attributable to noncontrolling interest	2	1	4	1
of which attributable to Covestro AG shareholders (net income)	147	179	515	147
	€	€	€	€
Basic earnings per share[2]	**0.80**	**0.98**	**2.82**	**0.80**
Diluted earnings per share[2]	**0.80**	**0.98**	**2.82**	**0.80**

[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 third quarter of 2020 (previous year: 182,704,602 no-par shares) and on 182,864,685 no-par shares for the first nine months of 2020 (previous year:182,704,602 no-par shares).

Covestro Group Consolidated Statement of Comprehensive Income

	3rd quarter 2019	3rd quarter 2020	1st nine months 2019	1st nine months 2020
	€ million	€ million	€ million	€ million
Income after income taxes	**149**	**180**	**519**	**148**
Remeasurements of the net defined benefit liability for post-employment benefit plans	(303)	(147)	(523)	(35)
Income taxes	105	53	179	15
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(198)**	**(94)**	**(344)**	**(20)**
Changes in fair values of equity instruments	–	1	(1)	1
Income taxes	–	–	–	–
Other comprehensive income from equity instruments	**–**	**1**	**(1)**	**1**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(198)**	**(93)**	**(345)**	**(19)**
Exchange differences of foreign operations	101	(104)	150	(144)
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	**101**	**(104)**	**150**	**(144)**
Other comprehensive income that may be reclassified subsequently to profit or loss, if certain conditions are met	**101**	**(104)**	**150**	**(144)**
Total other comprehensive income[1]	**(97)**	**(197)**	**(195)**	**(163)**
of which attributable to noncontrolling interest	1	(1)	2	(1)
of which attributable to Covestro AG shareholders	(98)	(196)	(197)	(162)
Total comprehensive income	**52**	**(17)**	**324**	**(15)**
of which attributable to noncontrolling interest	3	–	6	–
of which attributable to Covestro AG shareholders	49	(17)	318	(15)

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

Covestro Group Consolidated Statement of Financial Position

	Sep. 30, 2019	Sep. 30, 2020	Dec. 31, 2019
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	267	260	264
Other intangible assets	109	108	114
Property, plant and equipment	5,253	5,165	5,286
Investments accounted for using the equity method	199	180	192
Other financial assets	34	35	32
Other receivables	53	93	52
Deferred taxes	934	919	851
	6,849	**6,760**	**6,791**
Current assets			
Inventories	2,057	1,656	1,916
Trade accounts receivable	1,762	1,539	1,561
Other financial assets	19	606	27
Other receivables	336	314	359
Claims for income tax refunds	97	105	104
Cash and cash equivalents	422	1,157	748
Assets held for sale	69	1	12
	4,762	**5,378**	**4,727**
Total assets	**11,611**	**12,138**	**11,518**
Equity			
Capital stock of Covestro AG	183	183	183
Capital reserves of Covestro AG	3,480	3,487	3,487
Other reserves	1,547	1,303	1,537
Equity attributable to Covestro AG shareholders	**5,210**	**4,973**	**5,207**
Equity attributable to noncontrolling interest	47	45	47
	5,257	**5,018**	**5,254**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	2,019	2,031	1,965
Other provisions	218	210	230
Financial liabilities	1,695	2,788	1,601
Income tax liabilities	118	97	95
Other liabilities	30	29	32
Deferred taxes	168	190	206
	4,248	**5,345**	**4,129**
Current liabilities			
Other provisions	260	214	203
Financial liabilities	149	139	151
Trade accounts payable	1,362	1,134	1,507
Income tax liabilities	89	63	69
Other liabilities	212	225	191
Liabilities directly related to assets held for sale	34	–	14
	2,106	**1,775**	**2,135**
Total equity and liabilities	**11,611**	**12,138**	**11,518**

Covestro Group Consolidated Statement of Cash Flows

	3rd quarter 2019	3rd quarter 2020	1st nine months 2019	1st nine months 2020
	€ million	€ million	€ million	€ million
Income after income taxes	149	180	519	148
Income taxes	53	63	175	38
Financial result	19	22	65	78
Income taxes paid	(42)	(13)	(265)	(115)
Depreciation, amortization and impairment losses and impairment loss reversals	204	191	567	571
Change in pension provisions	(3)	9	23	26
(Gains)/losses on retirements of noncurrent assets	1	1	(16)	2
Decrease/(increase) in inventories	52	227	200	206
Decrease/(increase) in trade accounts receivable	72	(251)	55	(12)
(Decrease)/increase in trade accounts payable	(78)	100	(307)	(357)
Changes in other working capital, other noncash items	35	9	(270)	14
Cash flows from operating activities	**462**	**538**	**746**	**599**
Cash outflows for additions to property, plant, equipment and intangible assets	(219)	(177)	(603)	(463)
Cash inflows from sales of property, plant, equipment and other assets	–	–	4	–
Cash inflows from divestments less divested cash	–	–	–	(3)
Cash outflows for noncurrent financial assets	(4)	(2)	(11)	(11)
Cash inflows from noncurrent financial assets	1	–	2	1
Cash outflows for acquisitions less acquired cash	(3)	–	(11)	–
Interest and dividends received	14	6	32	23
Cash inflows from/(outflows for) other current financial assets	(2)	(40)	1	(552)
Cash flows from investing activities	**(213)**	**(213)**	**(586)**	**(1,005)**
Dividend payments and withholding tax on dividends	(1)	(219)	(442)	(221)
Issuances of debt	11	6	439	1,774
Retirements of debt	(453)	(431)	(544)	(665)
Interest paid	(25)	(23)	(64)	(61)
Cash flows from financing activities	**(468)**	**(667)**	**(611)**	**827**
Change in cash and cash equivalents due to business activities	**(219)**	**(342)**	**(451)**	**421**
Cash and cash equivalents at beginning of period	**640**	**1,504**	**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	1	(5)	9	(13)
Cash and cash equivalents at end of period	**422**	**1,157**	**422**	**1,157**

Employees and Pension Obligations

As of September 30, 2020, the Covestro Group had 16,626 employees worldwide (December 31, 2019: 17,201). Personnel expenses were down by €30 million from the prior-year quarter to €389 million in the third quarter of 2020 (previous year: €419 million). This was mainly due to lower provisions for short- and long-term variable compensation.

Employees by corporate function[1]

	Dec. 31, 2019	Sep. 30, 2020
Production	11,162	10,811
Marketing and distribution	3,314	3,148
Research and development	1,217	1,219
General administration	1,508	1,448
Total	**17,201**	**16,626**

[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 increased to €2,031 million as of September 30, 2020 (December 31, 2019: €1,965 million). In particular, this was attributable to a lower discount rate in the United States. A positive change in the value of plan assets partly compensated for this development.

Discount rate for pension obligations

	Dec. 31, 2019	Sep. 30, 2020
	%	%
Germany	1.00	1.00[1]
United States	3.00	2.20

[1] A third-party consulting firm has been calculating the discount rate for pension obligations in the euro area using a standard methodology since the first quarter of 2020. Without the change in calculation procedure, the discount rate would have been at 0.90% for Germany as of September 30, 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/		Sep. 30, 2019	Dec. 31, 2019	Sep. 30, 2020
BRL	Brazil	4.53	4.52	6.63
CNY	China	7.78	7.82	7.97
HKD	Hong Kong	8.54	8.75	9.07
INR	India	77.16	80.19	86.30
JPY	Japan	117.59	121.94	123.76
MXN	Mexico	21.45	21.22	26.18
USD	United States	1.09	1.12	1.17

Average rates for major currencies

		Average rates	
€1/		1st nine months 2019	1st nine months 2020
BRL	Brazil	4.36	5.61
CNY	China	7.72	7.86
HKD	Hong Kong	8.81	8.71
INR	India	78.82	83.30
JPY	Japan	122.60	120.78
MXN	Mexico	21.63	24.29
USD	United States	1.12	1.12

Scope of Consolidation

Changes in the scope of consolidation

As of September 30, 2020, the scope of consolidation comprised Covestro AG and 47 consolidated companies (December 31, 2019: 47 companies), and was therefore unchanged in the third quarter of 2020 compared to the end of fiscal 2019.

Acquisitions and divestitures

Acquisitions

On September 30, 2020, Covestro signed an agreement to acquire the Resins & Functional Materials business (RFM) of DSM. The acquisition of RFM will make the Coatings, Adhesives, Specialties segment one of the leading suppliers of sustainable coating resins. Thanks to the acquisition, the segment's more comprehensive and highly innovative portfolio of products enables it to offer its customers clear added value. In fiscal 2019, the core RFM business generated sales of €1.0 billion and an EBITDA amounting to €141 million. The transaction also includes the associated innovation ventures Additive Manufacturing, Advanced Solar Coatings and Niaga. Covestro agreed a preliminary purchase price of €1.6 billion. The acquisition is financed through a financing agreement which Covestro intends to fund with a combination of equity, debt instruments and own cash generation. Closing of the transaction is expected for the first quarter of 2021 and is subject to regulatory approvals, including antitrust clearance and other standard authorizations.

Divestitures

No divestitures were made in the third quarter of 2020.