Covestro Group Consolidated Income Statement

	1st quarter 2020	1st quarter 2021
	€ million	€ million
Sales	**2,783**	**3,307**
Cost of goods sold	(2,232)	(2,261)
Gross profit	**551**	**1,046**
Selling expenses	(321)	(313)
Research and development expenses	(65)	(73)
General administration expenses	(92)	(98)
Other operating income	9	12
Other operating expenses	(15)	(18)
EBIT[1]	**67**	**556**
Equity-method loss	(4)	(3)
Result from other affiliated companies	–	1
Interest income	8	6
Interest expense	(19)	(19)
Other financial result	(24)	(14)
Financial result	**(39)**	**(29)**
Income before income taxes	**28**	**527**
Income taxes	(7)	(132)
Income after income taxes	**21**	**395**
of which attributable to noncontrolling interest	1	2
of which attributable to Covestro AG shareholders (net income)	20	393
	€	€
Basic earnings per share[2]	**0.11**	**2.03**
Diluted earnings per share[2]	**0.11**	**2.03**

1 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 for the first quarter of 2021 was based on 193,160,544 no-par shares (previous year: 182,864,685 no-par shares).

Covestro Group Consolidated Statement of Comprehensive Income

	1st quarter 2020	1st quarter 2021
	€ million	€ million
Income after income taxes	**21**	**395**
Remeasurements of the net defined benefit liability for post-employment benefit plans	549	371
Income taxes	(174)	(108)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**375**	**263**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**375**	**263**
Exchange differences of foreign operations	(4)	130
Reclassified to profit or loss	–	–
Other comprehensive income from exchange differences	**(4)**	**130**
Other comprehensive income that may be reclassified subsequently to profit or loss, if certain conditions are met	**(4)**	**130**
Total other comprehensive income[1]	**371**	**393**
of which attributable to noncontrolling interest	–	–
of which attributable to Covestro AG shareholders	371	393
Total comprehensive income	**392**	**788**
of which attributable to noncontrolling interest	1	2
of which attributable to Covestro AG shareholders	391	786

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

Covestro Group Consolidated Statement of Financial Position

	Mar. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	266	258	255
Other intangible assets	112	109	109
Property, plant and equipment	5,282	5,234	5,175
Investments accounted for using the equity method	194	173	173
Other financial assets	35	32	32
Other receivables	55	72	65
Deferred taxes	704	797	925
	6,648	**6,675**	**6,734**
Current assets			
Inventories	2,031	1,928	1,663
Trade accounts receivable	1,639	1,880	1,593
Other financial assets	32	733	1,144
Other receivables	329	308	295
Claims for income tax refunds	125	54	55
Cash and cash equivalents	1,200	2,106	1,404
Assets held for sale	–	42	36
	5,356	**7,051**	**6,190**
Total assets	**12,004**	**13,726**	**12,924**
Equity			
Capital stock of Covestro AG	183	193	193
Capital reserves of Covestro AG	3,487	3,925	3,925
Other reserves	1,928	2,275	1,489
Equity attributable to Covestro AG shareholders	**5,598**	**6,393**	**5,607**
Equity attributable to noncontrolling interest	48	39	37
	5,646	**6,432**	**5,644**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	1,435	1,775	2,123
Other provisions	209	313	218
Financial liabilities	1,850	2,288	2,277
Income tax liabilities	95	92	88
Other liabilities	28	31	31
Deferred taxes	198	168	179
	3,815	**4,667**	**4,916**
Current liabilities			
Other provisions	250	201	155
Financial liabilities	667	638	622
Trade accounts payable[1]	1,380	1,407	1,241
Income tax liabilities	48	146	74
Other liabilities[1]	198	223	262
Liabilities directly related to assets held for sale	–	12	10
	2,543	**2,627**	**2,364**
Total equity and liabilities	**12,004**	**13,726**	**12,924**

[1] Reference information was restated accordingly. See note 4.1 “Change in presentation of rebates granted to customers” in the 2020 Annual Report.

Covestro Group Consolidated Statement of Cash Flows

	1st quarter 2020	1st quarter 2021
	€ million	€ million
Income after income taxes	21	395
Income taxes	7	132
Financial result	39	29
Income taxes paid	(90)	(50)
Depreciation, amortization and impairment losses and impairment loss reversals	187	187
Change in pension provisions	11	9
(Gains)/losses on retirements of noncurrent assets	2	–
Decrease/(increase) in inventories	(115)	(230)
Decrease/(increase) in trade accounts receivable	(69)	(255)
(Decrease)/increase in trade accounts payable[1]	(58)	139
Changes in other working capital, other noncash items[1]	(45)	72
Cash flows from operating activities	**(110)**	**428**
Cash outflows for additions to property, plant, equipment and intangible assets	(139)	(110)
Cash inflows from divestments less divested cash	(3)	–
Cash outflows for noncurrent financial assets	(7)	–
Interest and dividends received	10	6
Cash inflows from/(outflows for) other current financial assets	7	431
Cash flows from investing activities	**(132)**	**327**
Issuances of debt	757	1
Retirements of debt	(36)	(35)
Interest paid	(22)	(20)
Cash flows from financing activities	**699**	**(54)**
Change in cash and cash equivalents due to business activities	**457**	**701**
Cash and cash equivalents at beginning of period	**748**	**1,404**
Change in cash and cash equivalents due to changes in scope of consolidation	1	0
Change in cash and cash equivalents due to exchange rate movements	(6)	1
Cash and cash equivalents at end of period	**1,200**	**2,106**

[1] Reference information was restated accordingly. See note 4.1 “Change in presentation of rebates granted to customers” in the 2020 Annual Report.

Employees and Pension Obligations

As of March 31, 2021, the Covestro Group had 16,395 employees worldwide (December 31, 2020: 16,501). Personnel expenses rose by €70 million from the prior-year quarter to €553 million in the first quarter of 2021 (previous year: €483 million), largely due to higher expenses for provisions for short-term and long-term variable compensation.

Employees by division[1]

	Dec. 31, 2020	Mar. 31, 2021
Production	10,752	10,701
Marketing and distribution	3,101	3,079
Research and development	1,205	1,198
General administration	1,443	1,417
Total	**16,501**	**16,395**

[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 declined to €1,775 million as of March 31, 2021 (December 31, 2020: €2,123 million), mainly on account of the increase in the discount rate in Germany and the United States. This development was partly offset by negative performance of plan assets.

Discount rate for pension obligations

	Dec. 31, 2020	Mar. 31, 2021
	%	%
Germany	0.70	1.10
United States	2.10	2.90

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, 2020	Dec. 31, 2020	Mar. 31, 2021
BRL	Brazil	5.70	6.37	6.74
CNY	China	7.79	7.98	7.69
HKD	Hong Kong	8.49	9.51	9.12
INR	India	82.90	89.66	85.81
JPY	Japan	118.90	126.49	129.91
MXN	Mexico	26.18	24.42	24.05
USD	United States	1.10	1.23	1.17

Average rates for major currencies

		Average rates	
€1/		1st quarter 2020	1st quarter 2021
BRL	Brazil	4.87	6.59
CNY	China	7.71	7.81
HKD	Hong Kong	8.57	9.35
INR	India	79.82	87.92
JPY	Japan	120.16	127.72
MXN	Mexico	21.82	24.52
USD	United States	1.10	1.21

Scope of Consolidation

Changes in the Scope of Consolidation

As of March 31, 2021, the scope of consolidation comprised Covestro AG and 47 consolidated companies (December 31, 2020: 47 companies) and was therefore unchanged in the first quarter of 2021 compared to the end of fiscal 2020.

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). 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. Covestro and Koninklijke DSM N.V. agreed on a preliminary purchase price of €1,624 million, which was paid in cash.

Divestitures

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 Covestro's 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 production costs, selling expenses, and general administration expenses in fiscal 2020. In connection with this sale, current assets amounting to €25 million and liabilities of €12 million were classified as "held for sale" in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). This transaction is expected to close in the second quarter of 2021 and is subject to approval by regulators.