Covestro Group Consolidated Income Statement

	3rd quarter 2020	3rd quarter 2021	1st nine months 2020	1st nine months 2021
	€ million	€ million	€ million	€ million
Sales	**2,760**	**4,302**	**7,699**	**11,565**
Cost of goods sold	(2,057)	(3,066)	(6,106)	(8,140)
Gross profit	**703**	**1,236**	**1,593**	**3,425**
Selling expenses	(294)	(375)	(883)	(1,045)
Research and development expenses	(63)	(95)	(187)	(255)
General administration expenses	(79)	(104)	(239)	(307)
Other operating income	9	14	26	66
Other operating expenses	(11)	(22)	(46)	(67)
EBIT[1]	**265**	**654**	**264**	**1,817**
Equity-method loss	(3)	(4)	(11)	(11)
Result from other affiliated companies	1	–	1	1
Interest income	4	9	19	24
Interest expense	(20)	(18)	(57)	(59)
Other financial result	(4)	(7)	(30)	(22)
Financial result	**(22)**	**(20)**	**(78)**	**(67)**
Income before income taxes	**243**	**634**	**186**	**1,750**
Income taxes	(63)	(161)	(38)	(432)
Income after income taxes	**180**	**473**	**148**	**1,318**
of which attributable to noncontrolling interest	1	1	1	4
of which attributable to Covestro AG shareholders (net income)	179	472	147	1,314
	€	€	€	€
Basic earnings per share[2]	**0.98**	**2.44**	**0.80**	**6.80**
Diluted earnings per share[2]	**0.98**	**2.44**	**0.80**	**6.80**

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

Covestro Group Consolidated Statement of Comprehensive Income

	3rd quarter 2020	3rd quarter 2021	1st nine months 2020	1st nine months 2021
	€ million	€ million	€ million	€ million
Income after income taxes	**180**	**473**	**148**	**1,318**
Remeasurements of the net defined benefit liability for post-employment benefit plans	(147)	7	(35)	491
Income taxes	53	(2)	15	(156)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(94)**	**5**	**(20)**	**335**
Changes in fair values of equity instruments	1	14	1	14
Income taxes	–	(4)	–	(4)
Other comprehensive income from equity instruments	**1**	**10**	**1**	**10**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(93)**	**15**	**(19)**	**345**
Exchange differences of foreign operations	(104)	98	(144)	198
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	**(104)**	**98**	**(144)**	**198**
Other comprehensive income that may be reclassified subsequently to profit or loss	**(104)**	**98**	**(144)**	**198**
Total other comprehensive income[1]	**(197)**	**113**	**(163)**	**543**
of which attributable to noncontrolling interest	(1)	1	(1)	1
of which attributable to Covestro AG shareholders	(196)	112	(162)	542
Total comprehensive income	**(17)**	**586**	**(15)**	**1,861**
of which attributable to noncontrolling interest	–	2	–	5
of which attributable to Covestro AG shareholders	(17)	584	(15)	1,856

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

Covestro Group Consolidated Statement of Financial Position

	Sep. 30, 2020	Sep. 30, 2021	Dec. 31, 2020
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	260	745	255
Other intangible assets	108	711	109
Property, plant and equipment	5,165	5,824	5,175
Investments accounted for using the equity method	180	172	173
Other financial assets	35	49	32
Other receivables	93	100	65
Deferred taxes	919	804	925
	6,760	**8,405**	**6,734**
Current assets			
Inventories	1,656	2,626	1,663
Trade accounts receivable	1,539	2,357	1,593
Other financial assets	606	747	1,144
Other receivables	314	409	295
Claims for income tax refunds	105	96	55
Cash and cash equivalents	1,157	496	1,404
Assets held for sale	1	22	36
	5,378	**6,753**	**6,190**
Total assets	**12,138**	**15,158**	**12,924**
Equity			
Capital stock of Covestro AG	183	193	193
Capital reserves of Covestro AG	3,487	3,925	3,925
Other reserves	1,303	3,094	1,489
Equity attributable to Covestro AG shareholders	**4,973**	**7,212**	**5,607**
Equity attributable to noncontrolling interest	45	67	37
	5,018	**7,279**	**5,644**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	2,031	1,706	2,123
Other provisions	210	227	218
Financial liabilities	2,788	2,348	2,277
Income tax liabilities	97	109	88
Other liabilities	29	31	31
Deferred taxes	190	295	179
	5,345	**4,716**	**4,916**
Current liabilities			
Other provisions	214	583	155
Financial liabilities	139	146	622
Trade accounts payable[1]	1,102	1,801	1,241
Income tax liabilities	63	277	74
Other liabilities[1]	257	356	262
Liabilities directly related to assets held for sale	–	–	10
	1,775	**3,163**	**2,364**
Total equity and liabilities	**12,138**	**15,158**	**12,924**

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

Covestro Group Consolidated Statement of Cash Flows

	3rd quarter 2020	3rd quarter 2021	1st nine months 2020	1st nine months 2021
	€ million	€ million	€ million	€ million
Income after income taxes	180	473	148	1,318
Income taxes	63	161	38	432
Financial result	22	20	78	67
Income taxes paid	(13)	(133)	(115)	(309)
Depreciation, amortization and impairment losses and impairment loss reversals	191	208	571	605
Change in pension provisions	9	9	26	30
(Gains)/losses on retirements of noncurrent assets	1	4	2	(4)
Decrease/(increase) in inventories	227	(245)	206	(773)
Decrease/(increase) in trade accounts receivable	(251)	(52)	(12)	(498)
(Decrease)/increase in trade accounts payable[1]	92	(59)	(313)	335
Changes in other working capital, other noncash items[1]	17	178	(30)	342
Cash flows from operating activities	**538**	**564**	**599**	**1,545**
Cash outflows for additions to property, plant, equipment and intangible assets	(177)	(183)	(463)	(472)
Cash inflows from sales of property, plant, equipment and other assets	–	–	–	10
Cash inflows from divestments less divested cash	–	12	(3)	12
Cash outflows for noncurrent financial assets	(2)	(7)	(11)	(29)
Cash inflows from noncurrent financial assets	–	20	1	22
Cash outflows for acquisitions less acquired cash	–	–	–	(1,469)
Interest and dividends received	6	10	23	27
Cash inflows from other current financial assets/cash outflows for other current financial assets	(40)	(204)	(552)	402
Cash flows from investing activities	**(213)**	**(352)**	**(1,005)**	**(1,497)**
Dividend payments and withholding tax on dividends	(219)	(2)	(221)	(259)
Issuances of debt	6	(1)	1,774	1
Retirements of debt	(431)	(538)	(665)	(636)
Interest paid	(23)	(27)	(61)	(69)
Cash flows from financing activities	**(667)**	**(568)**	**827**	**(963)**
Change in cash and cash equivalents due to business activities	**(342)**	**(356)**	**421**	**(915)**
Cash and cash equivalents at beginning of period	**1,504**	**856**	**748**	**1,404**
Change in cash and cash equivalents due to changes in scope of consolidation	–	–	1	–
Change in cash and cash equivalents due to exchange rate movements	(5)	(4)	(13)	7
Cash and cash equivalents at end of period	**1,157**	**496**	**1,157**	**496**

[1] Reference information was restated accordingly, see note 4.1 "Change in presentation of rebates granted to customers" in the Annual Report 2020.

Employees and Pension Obligations

As of September 30, 2021, the Covestro Group had 17,883 employees worldwide (December 31, 2020: 16,501). Personnel expenses were up by €221 million from the prior-year quarter to €610 million in the third quarter of 2021 (previous year: €389 million). This was due to an increase in expenses arising from provisions for short-term variable compensation and the higher headcount as a result of the acquisition of the Resins & Functional Materials (RFM) business from Koninklijke DSM N.V., Heerlen (Netherlands), on April 1, 2021.

Employees by division[1]

	Dec. 31, 2020	Sep. 30, 2021
Production	10,753	11,469
Marketing and distribution	3,101	3,336
Research and development	1,205	1,518
General administration	1,442	1,560
Total	**16,501**	**17,883**

[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 €1,706 million as of September 30, 2021 (December 31, 2020: €2,123 million). In particular, this was attributable to a higher discount rate in Germany and the United States.

Discount rate for pension obligations

	Dec. 31, 2020	Sep. 30, 2021
	%	%
Germany	0.70	1.20
United States	2.10	2.50

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, 2020	Dec. 31, 2020	Sep. 30, 2021
BRL	Brazil	6.63	6.37	6.26
CNY	China	7.97	7.98	7.49
HKD	Hong Kong	9.07	9.51	9.02
INR	India	86.30	89.66	86.08
JPY	Japan	123.76	126.49	129.67
MXN	Mexico	26.18	24.42	23.74
USD	United States	1.17	1.23	1.16

Average rates for major currencies

		Average rates	
€1/		1st nine months 2020	1st nine months 2021
BRL	Brazil	5.61	6.37
CNY	China	7.86	7.74
HKD	Hong Kong	8.71	9.29
INR	India	83.30	88.04
JPY	Japan	120.78	129.77
MXN	Mexico	24.29	24.07
USD	United States	1.12	1.20

Scope of Consolidation

Changes in the Scope of Consolidation

As of September 30, 2021, the scope of consolidation comprised Covestro AG and 68 (December 31, 2020: 47) consolidated companies.

In the third quarter of 2021, the number of consolidated companies was down due to the sale of Pearl Polyurethane Systems FZCO, Dubai (United Arab Emirates), and Pearl Polyurethane Systems L.L.C, Dubai (United Arab Emirates), as part of completion of the sale of the polyurethane systems house business in the Middle East. In addition, Asellion B.V., Amsterdam (Netherlands); DSM NeoResins Holdings B.V., Waalwijk (Netherlands); and DSM Resins Holding (Netherlands) B.V., Zwolle (Netherlands), merged with Covestro (Netherlands) B.V., Nieuwegein (Netherlands), and Healthy Nest Inc., Wilmington, Delaware (USA) merged with Covestro LLC, Pittsburgh, Pennsylvania (USA).

The changes in the scope of consolidation in the first half of fiscal 2021 are described in note 4.1 “Changes in the Scope of Consolidation” in the Half-Year Financial Report 2021.

Acquisitions and Divestitures

Acquisitions

No reportable acquisitions were made in the third quarter of 2021. There were no significant developments to report in the third quarter regarding the acquisition of the Resins & Functional Materials business (RFM) from Koninklijke DSM N.V., Heerlen (Netherlands).

Divestitures

On July 26, 2021, Covestro successfully completed the sale of the assets and liabilities (disposal group) of the system house business in the Middle East to the former 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 the European systems house business in November 2019. The systems house business was part of the Solutions & Specialties segment and offers customer-specific polyurethane systems to the construction sector in particular. The transaction was structured as a share deal. The selling price expected in the fourth quarter of 2020 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 manufacturing costs, selling expenses, and general administration expenses in fiscal 2020. In connection with this disposal, current assets amounting to €55 million and liabilities of €22 million were sold. The loss of €1 million on the disposal was recognized in the other operating result and led to an insignificant negative effect on earnings due to impairment charges on the assets in the previous year.

On July 31, 2021, the sale of assets (disposal group) in Taoyuan (Taiwan) to Evermore Chemical Industry Co. Ltd., Nantou (Taiwan), was completed successfully. These were part of the RFM acquisition and therefore attributable to the Solutions & Specialties segment. Production-related assets totaling €12 million were sold. Inventories, which are measured separately, were also transferred. The loss of €1 million on the disposal was recognized in the other operating result and led to an insignificant negative effect on earnings due to remeasurement of the purchase price allocation.