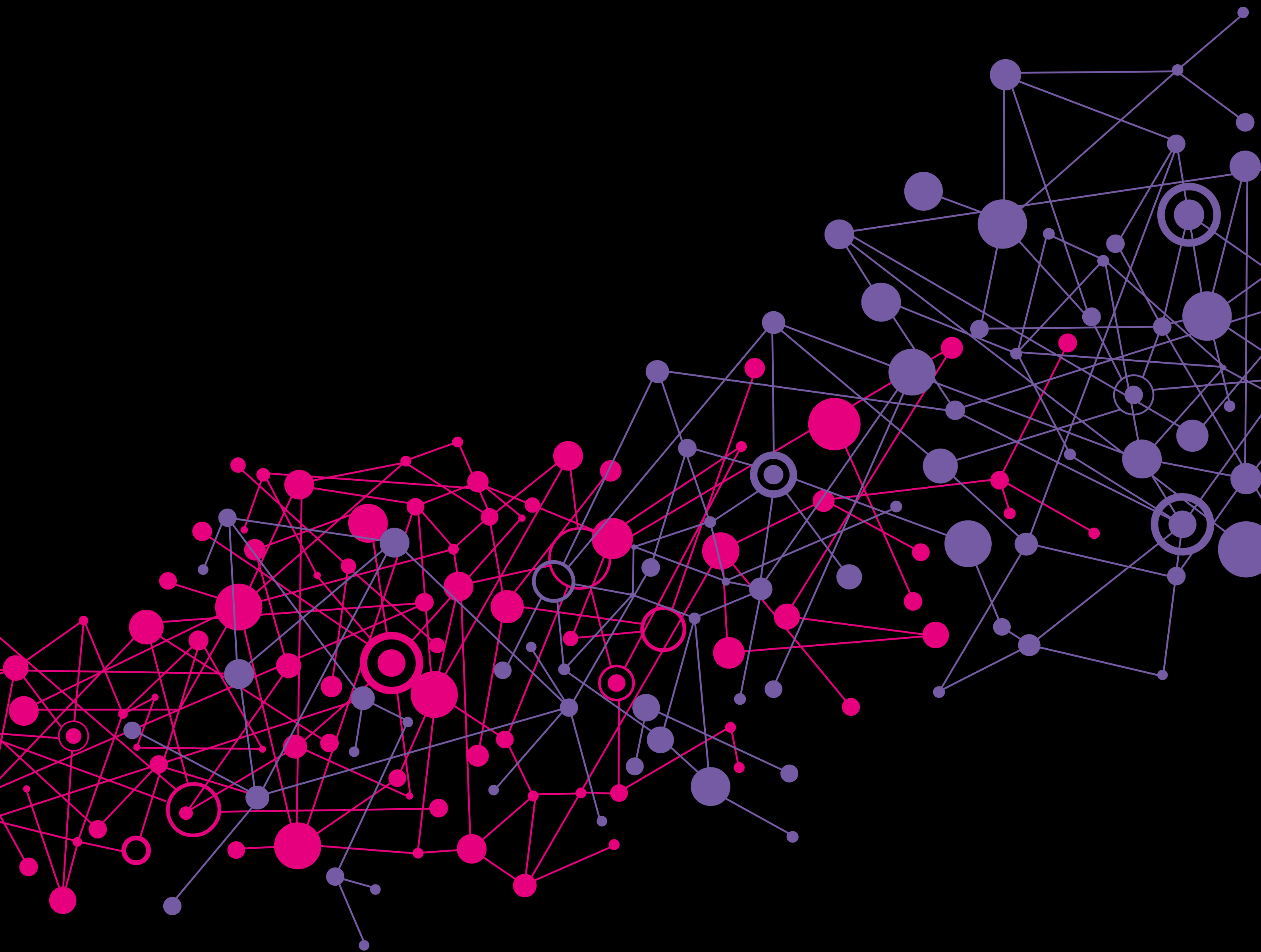
Interim Group Management Report

as of June 30, 2019



1. Business Development of the Covestro Group

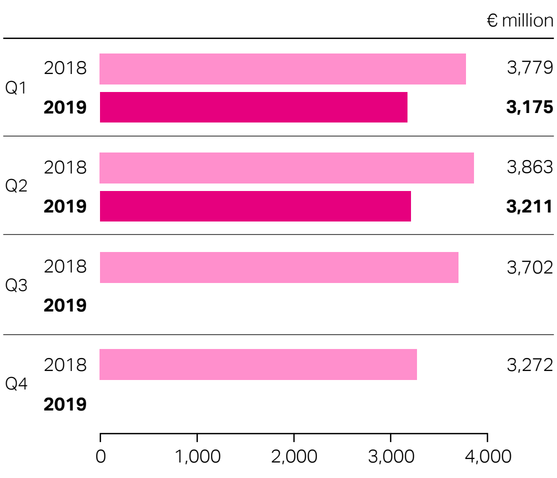
Second quarter of 2019

The Group's core volumes in the second quarter of 2019 rose by 1.1% compared with the prior-year quarter, in particular due to the performance of the Polycarbonates segment, which increased its volumes by 4.4%. Core volume growth in the Polyurethanes segment amounted to 0.7%, whereas volumes in the Coatings, Adhesives, Specialties segment declined by 4.7%.

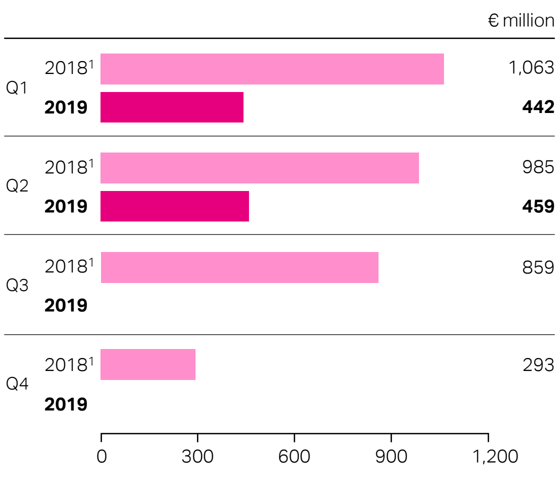
Group sales amounted to €3,211 million, down 16.9% from the prior-year quarter (previous year: €3,863 million). This was mainly due to lower selling prices, which had a negative effect on sales of 18.7%. Total volumes remained at the level of the prior-year quarter. Exchange rate movements had a positive effect of 1.8% on Group sales. In addition, the change in the portfolio reduced sales by 0.8%. In terms of sales in the second quarter of 2019, the sale of the U.S. sheet business in the third quarter of 2018 had a negative effect, and the step acquisition of shares of Japan-based DIC Covestro Polymer Ltd. in the second quarter of 2019 had a positive effect.

All segments were affected by the drop in sales in the second quarter of 2019. Sales in the Polyurethanes segment decreased 24.3% to €1,489 million (previous year: €1,966 million), and in the Polycarbonates segment they were down 15.0% to €898 million (previous year: €1,056 million). In the Coatings, Adhesives, Specialties segment, sales decreased 1.3% to €621 million (previous year: €629 million).

Covestro Group Quarterly Sales



Covestro Group Quarterly EBITDA



[1] Reference information was not restated, see Note 2.1 "Financial Reporting Standards Applied for the First Time in the Reporting Period."

In the second quarter of 2019, the Group's EBITDA was down 53.4% to €459 million (previous year: €985 million). The decline in earnings resulted mainly from lower margins in the Polyurethanes and Polycarbonates segments. In contrast, higher volumes, a decrease in provisions for short-term, variable compensation, and the effects of applying the new financial reporting standard IFRS 16 (Leases) had a positive effect on earnings. In addition, earnings were also improved by the one-time gain from the remeasurement of the shares of DIC Covestro Polymer Ltd., which were previously recognized according to the equity method.

EBITDA in the Polyurethanes segment dropped 70.5% to €172 million (previous year: €583 million), and in the Polycarbonates segment it was down 46.0% to €154 million (previous year: €285 million). In the Coatings, Adhesives, Specialties segment, EBITDA rose 7.9% to €150 million (previous year: €139 million).

Depreciation, amortization, impairments and impairment loss reversals increased by 16.4% to €185 million in the second quarter of 2019 (previous year: €159 million). They comprised €180 million (previous year: €153 million) in depreciation and impairments of property, plant and equipment and €5 million (previous year: €6 million) in amortization and impairments of intangible assets.

In the second quarter of 2019, the Covestro Group's EBIT was down 66.8% to €274 million (previous year: €826 million).

Taking into account a financial result of minus €23 million (previous year: minus €27 million), income before income taxes decreased to €251 million, compared with €799 million in the prior-year quarter. After tax expense of €61 million (previous year: €193 million), which declined in line with earnings, income after income taxes was €190 million (previous year: €606 million). After noncontrolling interests, net income amounted to €189 million (previous year: €604 million). Compared with the prior-year quarter, the earnings per share dropped to €1.03 (prior year: €3.07).

Operating cash flows decreased to €164 million (previous year: €517 million) despite lower income tax payments, largely on account of lower EBITDA.

Free operating cash flow declined to minus €55 million in the second quarter of 2019 (previous year: €364 million). This decrease was due to lower cash outflows from operating activities and the increase in cash outflows for additions to property, plant, equipment and intangible assets, which rose 43.1% to €219 million (previous year: €153 million).

First half of 2019

In the first half of 2019, the Group's core volume growth was negative at minus 0.4%. The Polyurethanes segment saw growth of 0.3%, whereas volumes in the Polycarbonates and Coatings, Adhesives, Specialties segments fell 1.0% and 2.4%, respectively, compared with the prior-year period.

Compared with the prior-year period, Group sales dropped 16.4% to €6,386 million in the first six months of 2019 (previous year: €7,642 million). The decline in sales resulted chiefly from an overall decrease of 18.5% in selling prices. In the Polycarbonates and Polyurethanes segments in particular, selling prices were significantly below the prior-year period. In contrast, total volumes remained at the previous year's level. Exchange rate movements had a positive impact of 2.1%, but the change in the portfolio reduced sales by 0.9%.

In the Polyurethanes and Polycarbonates segments, sales were down in the first six months of 2019. Sales in the Polyurethanes segment declined 24.3% to €2,965 million (previous year: €3,916 million), and in the Polycarbonates segment sales decreased 15.8% to €1,758 million (previous year: €2,089 million). However, sales in the Coatings, Adhesives, Specialties segment rose 2.2% to €1,248 million (previous year: €1,221 million).

The Group's EBITDA fell 56.0% from the prior-year period, dropping from €2,048 million to €901 million in the first half of 2019. This was a result of lower earnings in the Polyurethanes and Polycarbonates segments.

Depreciation, amortization, impairment and impairment loss reversals increased by 15.2% to €363 million (previous year: €315 million) in the first half of 2019. They comprised €354 million (previous year: €304 million) in depreciation and impairments of property, plant and equipment and €9 million (previous year: €11 million) in amortization and impairments of intangible assets.

In the first six months of 2019, the Covestro Group's EBIT slid 69.0% to €538 million (previous year: €1,733 million).

Taking into account a financial result of minus €46 million (previous year: minus €55 million), income before income taxes decreased to €492 million, compared with €1,678 million in the prior-year period. After tax expense of €122 million (previous year: €426 million), which declined in line with earnings, income after income taxes was €370 million (previous year: €1,252 million). After noncontrolling interests, net income amounted to €368 million (previous year: €1,248 million). Earnings per share dropped to €2.01 (previous year: €6.31).

Operating cash flows sank to €284 million in the first six months of 2019 (previous year: €969 million). This is mostly due to the decline in EBITDA, which could not be balanced out by lower income tax payments and reduced funds tied up in working capital.

Free operating cash flow declined to minus €100 million (previous year: €728 million) in the first half of 2019. In addition to lower cash flows from operating activities, cash outflows for additions to property, plant, equipment and intangible assets rose to €384 million (previous year: €241 million).

2. Business Development by Segment

2.1 Polyurethanes

Polyurethanes Key Data

	2nd quarter 2018[1]	2nd quarter 2019	Change	1st half 2018[1]	1st half 2019	Change
	€ million	€ million	%	€ million	€ million	%
Core volume growth[2]	**+3.9%**	**+0.7%**		**+1.4%**	**+0.3%**	
Sales	**1,966**	**1,489**	**–24.3**	**3,916**	**2,965**	**–24.3**
Change in sales						
Volume	+3.3%	+0.8%		+0.3%	+1.9%	
Price	+9.2%	–26.8%		+13.2%	–28.1%	
Currency	–4.4%	+1.7%		–5.9%	+1.9%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
Sales by region						
EMLA	871	643	–26.2	1,731	1,312	–24.2
NAFTA	486	444	–8.6	961	855	–11.0
APAC	609	402	–34.0	1,224	798	–34.8
EBITDA	**583**	**172**	**–70.5**	**1,220**	**329**	**–73.0**
EBIT	**492**	**72**	**–85.4**	**1,039**	**129**	**–87.6**
Operating cash flows	**364**	**116**	**–68.1**	**540**	**120**	**–77.8**
Cash outflows for additions to property, plant, equipment and intangible assets	**84**	**138**	**+64.3**	**130**	**240**	**+84.6**
Free operating cash flow	**280**	**(22)**	**.**	**410**	**(120)**	**.**

[1] Reference information was not restated, see Note 2.1 "Financial Reporting Standards Applied for the First Time in the Reporting Period."
[2] Reference values calculated on the basis of the definition of the core business effective March 31, 2019

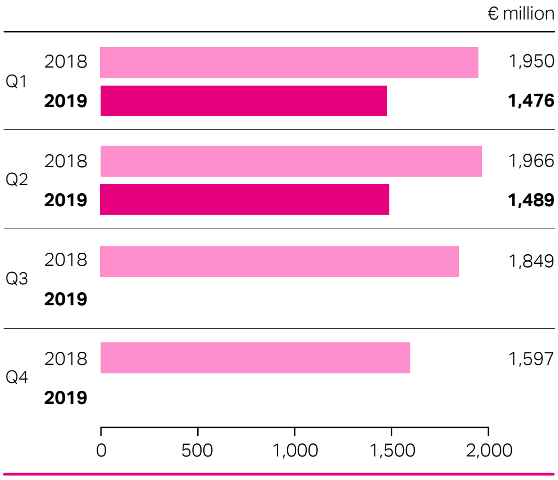
Second quarter of 2019

In the second quarter of 2019, core volume growth in Polyurethanes totaled 0.7%. Positive growth in volumes in the furniture and construction sectors was able to balance out weaker demand from the automotive industry.

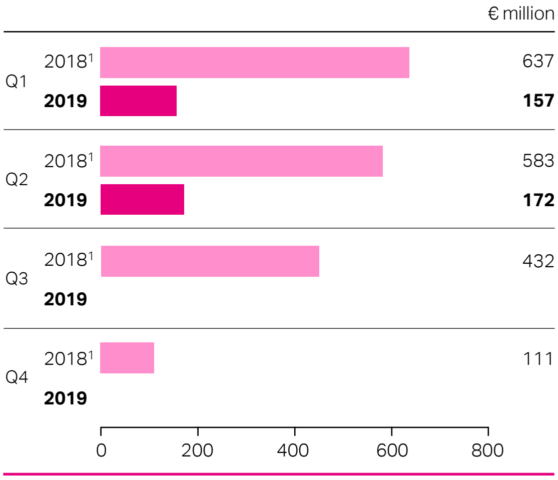
Sales in the Polyurethanes segment amounted to €1,489 million, down 24.3% from the prior-year quarter (previous year: €1,966 million), mainly due to a 26.8% decrease in selling prices as a result of increased competition. Volumes had a 0.8% effect on sales. In addition, exchange rate movements had a positive effect of 1.7% on sales.

The EMLA region's sales dropped 26.2% to €643 million (previous year: €871 million) due to much lower average selling prices. Stable total volumes and neutral exchange rate effects stood in contrast to this development. In the NAFTA region, sales declined by 8.6% to €444 million (previous year: €486 million). A significant increase in total volumes and very positive exchange rate effects could not offset the significantly lower selling price level. Sales in the APAC region declined 34.0% to €402 million (previous year: €609 million). Considerably lower average selling prices and total volumes had a negative effect on sales, whereas exchange rate movements improved sales slightly.

**Polyurethanes
Quarterly Sales**



**Polyurethanes
Quarterly EBITDA**



[1] Reference information was not restated, see Note 2.1 "Financial Reporting Standards Applied for the First Time in the Reporting Period."

In the second quarter of 2019, EBITDA in the Polyurethanes segment decreased 70.5% compared with the prior-year quarter, dropping to €172 million (previous year: €583 million). This decline was driven by the strongly negative development of selling prices as a result of increased competition.

EBIT declined to €72 million (previous year: €492 million).

Free operating cash flow decreased to minus €22 million (previous year: €280 million). The main reasons for this were lower EBITDA and higher cash outflows for additions to property, plant and equipment. In contrast, freeing up working capital in inventories and other items positively influenced free operating cash flow.

First half of 2019

In the first half of 2019, core volume growth in Polyurethanes was 0.3%.

Sales in the segment declined 24.3% to €2,965 million (previous year: €3,916 million) in the same period. Selling prices were down 28.1%, which had a negative effect on sales, whereas an increase in total volumes gave sales a 1.9% boost. Exchange rate fluctuations had a positive impact of 1.9% on sales.

EBITDA declined 73.0% to €329 million (previous year: €1,220 million) on account of the significantly negative change in selling prices.

EBIT decreased 87.6% to €129 million (previous year: €1,039 million).

Free operating cash flow fell to minus €120 million (previous year: €410 million). The key reasons for this development were lower EBITDA and higher cash outflows for additions to property, plant and equipment. Freeing up working capital in inventories and receivables had a positive effect.

2.2 Polycarbonates

Polycarbonates Key Data

	2nd quarter 2018[1]	2nd quarter 2019	Change	1st half 2018[1]	1st half 2019	Change
	€ million	€ million	%	€ million	€ million	%
Core volume growth[2]	**+5.3%**	**+4.4%**		**+4.0%**	**–1.0%**	
Sales	**1,056**	**898**	**–15.0**	**2,089**	**1,758**	**–15.8**
Change in sales						
Volume	+5.6%	+5.7%		+2.8%	+1.5%	
Price	+15.2%	–18.8%		+15.8%	–15.8%	
Currency	–4.9%	+1.7%		–6.6%	+2.1%	
Portfolio	0.0%	–3.6%		0.0%	–3.6%	
Sales by region						
EMLA	353	306	–13.3	715	595	–16.8
NAFTA	209	190	–9.1	412	378	–8.3
APAC	494	402	–18.6	962	785	–18.4
EBITDA	**285**	**154**	**–46.0**	**588**	**309**	**–47.4**
EBIT	**241**	**99**	**–58.9**	**501**	**204**	**–59.3**
Operating cash flows	**155**	**93**	**–40.0**	**234**	**231**	**–1.3**
Cash outflows for additions to property, plant, equipment and intangible assets	**44**	**42**	**–4.5**	**67**	**81**	**+20.9**
Free operating cash flow	**111**	**51**	**–54.1**	**167**	**150**	**–10.2**

[1] Reference information was not restated, see Note 2.1 "Financial Reporting Standards Applied for the First Time in the Reporting Period."
[2] Reference values calculated on the basis of the definition of the core business effective March 31, 2019

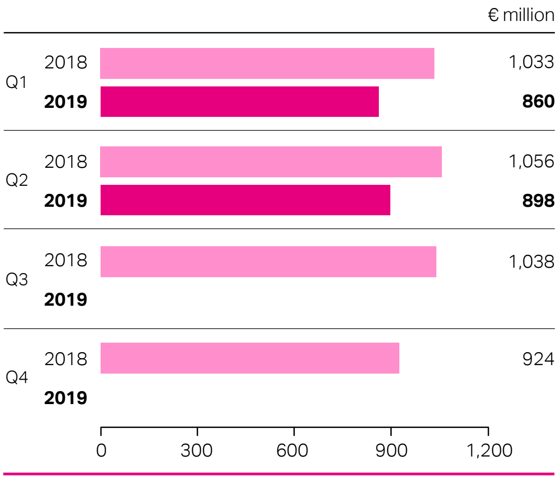
Second quarter of 2019

In the second quarter of 2019, core volumes in the Polycarbonates segment were 4.4% higher than in the prior-year quarter. Whereas the electrical and electronics industry and the construction sector contributed to this growth, weak demand from the auto industry led to a drop in volumes.

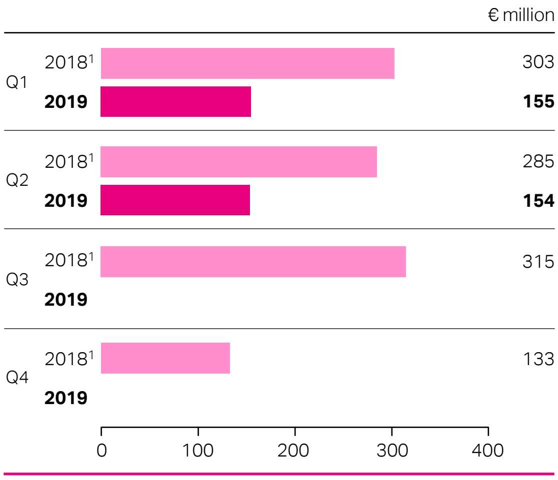
Sales in the Polycarbonates segment tumbled 15.0% to €898 million (previous year: €1,056 million). Lower selling prices had the effect of reducing sales by 18.8% due to increased competition, while the rise in total volumes had a positive effect on sales of 5.7%. Exchange rate fluctuations bumped up sales by 1.7%. Moreover, the portfolio effect from the sale of the U.S. sheet business in the third quarter of 2018 also impacted sales in the second quarter of 2019 with a negative effect of 3.6%.

In the EMLA region, sales were down by 13.3% to €306 million (previous year: €353 million). The decline in total volumes had a slightly negative effect on sales. In addition, lower selling prices pushed sales down considerably. The effect of exchange rate developments remained neutral. The NAFTA region's sales dropped 9.1% to €190 million (previous year: €209 million) primarily due to the aforementioned significant effect that portfolio changes had on sales.. A significant jump in total volumes and substantially positive exchange rate movements resulted in an increase in sales. In contrast, the drop in the selling price level had a major negative effect on sales. The APAC region's sales fell 18.6% to €402 million (previous year: €494 million). Significant growth in total volumes and slightly positive exchange rate movements could not compensate for a considerable decrease in the selling price level.

Polycarbonates
Quarterly Sales



Polycarbonates
Quarterly EBITDA



[1] Reference information was not restated, see Note 2.1 "Financial Reporting Standards Applied for the First Time in the Reporting Period."

In the second quarter of 2019, EBITDA in the Polycarbonates segment decreased 46.0% compared with the prior-year quarter, dropping to €154 million (previous year: €285 million), mostly on account of the negative change in selling prices. In contrast, larger volumes sold and lower raw material prices positively influenced earnings. The portfolio effect from the sale of the U.S. sheet business additionally had a negative impact on EBITDA.

EBIT tumbled 58.9% to €99 million (previous year: €241 million).

Free operating cash flow decreased 54.1% to €51 million (previous year: €111 million). The key driver here was the decrease in EBITDA, which was partly offset by freeing up working capital in inventories.

First half of 2019

In the first half of 2019, core volumes in the Polycarbonates segment were 1.0% lower than in the prior-year period.

Sales in the Polycarbonates segment were down 15.8% to €1,758 million in the first six months of 2019 (previous year: €2,089 million). The lower selling price level was the primary factor in the reduction in sales by 15.8%. The changes in total volumes and exchange rates, which had a positive effect of 1.5% and 2.1%, respectively, were able to compensate for the negative effect of 3.6% from the sale of the U.S. sheet business in the third quarter of 2018.

In the first half of 2019, EBITDA in the Polycarbonates segment decreased by 47.4% compared with the prior-year period, dropping to €309 million (previous year: €588 million), mostly on account of the negative change in selling prices.

EBIT decreased 59.3% to €204 million (previous year: €501 million).

Free operating cash flow was down by 10.2% to €150 million (previous year: €167 million). Freeing up working capital in inventories and receivables partly offset the lower EBITDA.

2.3 Coatings, Adhesives, Specialties

Coatings, Adhesives, Specialties Key Data

	2nd quarter 2018[1]	2nd quarter 2019	Change	1st half 2018[1]	1st half 2019	Change
	€ million	€ million	%	€ million	€ million	%
Core volume growth[2]	**+5.4%**	**–4.7%**		**+2.0%**	**–2.4%**	
Sales	**629**	**621**	**–1.3**	**1,221**	**1,248**	**+2.2**
Change in sales						
Volume	+6.3%	–4.5%		+2.0%	–1.7%	
Price	+1.7%	–0.4%		+1.3%	+0.6%	
Currency	–3.9%	+2.2%		–4.9%	+2.6%	
Portfolio	0.0%	+1.4%		0.0%	+0.7%	
Sales by region						
EMLA	299	277	–7.4	597	571	–4.4
NAFTA	137	144	+5.1	259	288	+11.2
APAC	193	200	+3.6	365	389	+6.6
EBITDA	**139**	**150**	**+7.9**	**275**	**296**	**+7.6**
EBIT	**116**	**120**	**+3.4**	**229**	**238**	**+3.9**
Operating cash flows	**66**	**38**	**–42.4**	**83**	**50**	**–39.8**
Cash outflows for additions to property, plant, equipment and intangible assets	**25**	**40**	**+60.0**	**44**	**64**	**+45.5**
Free operating cash flow	**41**	**(2)**	**.**	**39**	**(14)**	**.**

[1] Reference information was not restated, see Note 2.1 "Financial Reporting Standards Applied for the First Time in the Reporting Period."
[2] Reference values calculated on the basis of the definition of the core business effective March 31, 2019

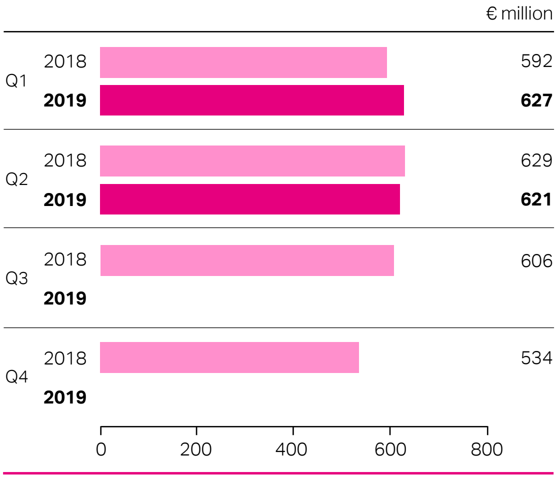
Second quarter of 2019

In the second quarter of 2019, core volumes in the Coatings, Adhesives, Specialties segment were 4.7% lower than in the prior-year quarter because of weaker demand from the automotive and construction industries.

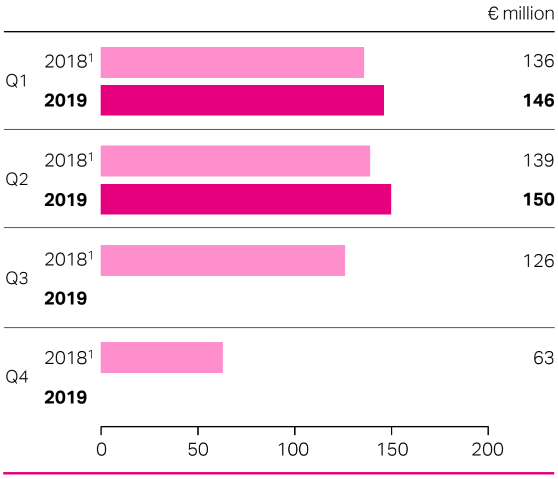
Segment sales decreased by 1.3% to €621 million (previous year: €629 million). Lower total volumes negatively affected sales by 4.5%, while the change in the selling price level amounted to minus 0.4%. Exchange rate movements increased sales by 2.2%. In addition, the step acquisition of shares of Japan-based DIC Covestro Polymer Ltd. had a positive effect on sales of 1.4%.

In the EMLA region, sales were down 7.4% to €277 million (previous year: €299 million). The drop in total volumes sold caused sales to decline considerably. In contrast, average selling prices remained largely stable at the previous year's level. The effect of exchange rate movements was also neutral. In the NAFTA region, sales rose by 5.1% to €144 million (previous year: €137 million). Exchange rate movements had a significant positive effect, which more than compensated for the modest decrease in total volumes. The change in average selling prices also had a slightly positive impact on sales. The APAC region's sales grew 3.6% to €200 million (previous year: €193 million). The aforementioned portfolio effect and changes in exchange rates boosted up sales slightly. Total volumes remained stable at the prior-year level, although average selling prices had a modestly negative effect on sales.

Coatings, Adhesives, Specialties Quarterly Sales



Coatings, Adhesives, Specialties Quarterly EBITDA



[1] Reference information was not restated, see Note 2.1 "Financial Reporting Standards Applied for the First Time in the Reporting Period."

EBITDA in the Coatings, Adhesives, Specialties segment increased by 7.9% in the second quarter of 2019, rising to €150 million (previous year: €139 million). This was mostly due to the one-time gain from the remeasurement of previously held interest in Japan-based DIC Covestro Polymer Ltd., interest that had been accounted for under the equity method. In contrast, lower volumes adversely affected EBITDA performance.

EBIT rose 3.4% to €120 million (previous year: €116 million).

In the second quarter of 2019, free operating cash flow amounted to minus €2 million (previous year: €41 million). The improvement in EBITDA and freed-up working capital in receivables stood in contrast to higher cash outflows for additions to property, plant and equipment and an increase in cash tied up in liabilities.

First half of 2019

In the first half of 2019, core volumes in the Coatings, Adhesives, Specialties segment were 2.4% lower than in the prior-year period.

During the same period, sales of Coatings, Adhesives, Specialties rose 2.2% to €1,248 million (previous year: €1,221 million). Average selling prices had an effect on sales that amounted to 0.6%, whereas the decline in total volumes reduced sales by 1.7%. Exchange rate movements had a positive impact on sales of 2.6%. The step acquisition of shares of Japan-based DIC Covestro Polymer Ltd. resulted in a portfolio effect on sales of 0.7%.

In the first half of 2019, EBITDA improved by 7.6% compared with the prior-year period, growing to €296 million (previous year: €275 million), mostly on account of the previously mentioned one-time gain. Moreover, the change in selling prices also increased earnings. Lower volumes, however, had a negative effect.

EBIT increased 3.9% to €238 million (previous year: €229 million).

Free operating cash flow totaled minus €14 million in the first half of 2019 (previous year: €39 million). An increase in cash tied up in inventories and liabilities and higher cash outflows for additions to property, plant and equipment outweighed the increase in EBITDA and the cash freed up from receivables.

3. Net Assets and Financial Position of the Covestro Group

Covestro Group Summary Statement of Cash Flows

	2nd quarter 2018[1]	2nd quarter 2019	1st half 2018[1]	1st half 2019
	€ million	€ million	€ million	€ million
EBITDA	**985**	**459**	**2,048**	**901**
Income taxes paid	(279)	(144)	(335)	(223)
Change in pension provisions	–	17	8	26
(Gains) losses on retirements of noncurrent assets	–	(19)	1	(17)
Change in working capital/other noncash items	(189)	(149)	(753)	(403)
Cash flows from operating activities	**517**	**164**	**969**	**284**
Cash outflows for additions to property, plant, equipment and intangible assets	(153)	(219)	(241)	(384)
Free operating cash flow	**364**	**(55)**	**728**	**(100)**
Cash flows from investing activities	**(65)**	**(184)**	**(35)**	**(373)**
Cash flows from financing activities	**(903)**	**(109)**	**(1,692)**	**(143)**
Change in cash and cash equivalents due to business activities	**(451)**	**(129)**	**(758)**	**(232)**
Cash and cash equivalents at beginning of period	**926**	**771**	**1,232**	**865**
Change in cash and cash equivalents due to exchange rate movements	–	(2)	1	7
Cash and cash equivalents at end of period	**475**	**640**	**475**	**640**

[1] Reference information was not restated, see Note 2.1 "Financial Reporting Standards Applied for the First Time in the Reporting Period."

Cash flows from operating activities

In the second quarter of 2019, cash flows from operating activities declined to €164 million (previous year: €517 million). Reduced EBITDA was the key reason for this development. However, income tax payments were lower. After deduction of cash outflows for additions to property, plant, equipment and intangible assets, free operating cash flow totaled minus €55 million (previous year: €364 million).

In the first half of 2019, cash flows from operating activities amounted to €284 million, down from the previous year's figure of €969 million. After deduction of cash outflows for additions to property, plant, equipment, and intangible assets totaling €384 million (previous year: €241 million), free operating cash flow was minus €100 million (previous year: €728 million).

Cash flows from investing activities

In the second quarter of 2019, cash outflows for investing activities totaled €184 million (previous year: cash outflows €65 million). Cash outflows for additions to property, plant and equipment and intangible assets totaling €219 million (previous year: €153 million) stood in contrast to cash inflows from items such as maturing bank deposits.

Cash outflows for investing activities in the first half of 2019 totaled €373 million (previous year: cash outflows €35 million). These mainly included cash outflows for additions to property, plant and equipment and intangible assets of €384 million (previous year: €241 million).

Cash flows from financing activities

The Covestro Group saw cash outflows for financing activities amounting to €109 million in the second quarter of 2019 (previous year: cash outflows €903 million). The Covestro AG dividend paid in April 2019 totaled €438 million, while cash received from issuance of debt stood at €440 million. Additional cash outflows comprised debt repayments in the amount of €87 million and interest payments of €21 million.

Cash outflows for financing activities in the first half of 2019 totaled €143 million (previous year: cash outflows €1,692 million).

Net Financial Debt

	Dec. 31, 2018[1]	June 30, 2019
	€ million	€ million
Bonds	996	997
Liabilities to banks	24	425
Lease liabilities[2]	193	821
Liabilities from derivatives	12	11
Other financial liabilities	–	–
Receivables from derivatives	(12)	(10)
Financial debt	**1,213**	**2,244**
Cash and cash equivalents	(865)	(640)
Current financial assets	–	–
Net financial debt	**348**	**1,604**

[1] Reference information was not restated, see Note 2.1 "Financial Reporting Standards Applied for the First Time in the Reporting Period."
[2] As of June 30, 2019, this also contains the lease liabilities from initial application of IFRS 16.

In comparison with December 31, 2018, the Covestro Group's net financial debt increased by €1,256 million to reach €1,604 million as of June 30, 2019. The rise in financial debt stemmed largely from the initial application of IFRS 16 and the resulting increase in lease liabilities as well as the assumption of short-term loans. Furthermore, cash and cash equivalents decreased by €225 million to €640 million.

Covestro Group Summary Statement of Financial Position

	Dec. 31, 2018[1]	June 30, 2019
	€ million	€ million
Noncurrent assets[2]	5,801	6,612
Current assets	5,283	5,049
Total assets	**11,084**	**11,661**
Equity	**5,375**	**5,205**
Noncurrent liabilities[2]	3,126	3,957
Current liabilities	2,583	2,499
Liabilities	**5,709**	**6,456**
Total equity and liabilities	**11,084**	**11,661**

[1] Reference information was not restated, see Note 2.1 "Financial Reporting Standards Applied for the First Time in the Reporting Period."
[2] As of June 30, 2019, this also contains the lease liabilities from initial application of IFRS 16.

Total assets grew by €577 million compared with December 31, 2018, rising to €11,661 million as of June 30, 2019.

Noncurrent assets rose €811 million to €6,612 million, primarily due to an increase in property, plant and equipment, which chiefly resulted from the initial application of IFRS 16. Current assets decreased by €234 million to €5,049 million. This resulted mainly from a reduction in cash and cash equivalents and inventories, which stood in contrast to higher income tax refund claims and an increase in assets held for sale.

Compared with December 31, 2018, equity declined €170 million to €5,205 million. The drop was attributable to the dividend distribution, which was not offset by income after income taxes.

Liabilities were up €747 million, totaling €6,456 million as of June 30, 2019. Provisions for pensions and other post-employment benefits increased by €259 million to €1,704 million. Noncurrent financial liabilities grew by €536 million to €1,702 million, a change mostly attributable to the increase in lease liabilities resulting from the initial application of IFRS 16. Current financial liabilities increased €493 million to €552 million, mainly due to the assumption of short-term loans.

4. Forecast

4.1 Economic Outlook

Economic Outlook

	Growth[1] 2018	Growth[1] forecast 2019 (2018 Annual Report)	Growth[1] forecast 2019
	%	%	%
World	**+3.1**	**+2.8**	**+2.7**
European Union	+2.0	+1.3	+1.3
of which Germany	+1.5	+1.0	+0.5
NAFTA	+2.7	+2.4	+2.4
of which United States	+2.9	+2.5	+2.6
Asia-Pacific	+4.8	+4.7	+4.5
of which China	+6.6	+6.3	+6.2

[1] Real growth of gross domestic product; source: IHS (Global Insight), Growth 2018 and Growth forecast 2019, as of July 2019.

We expect global economic growth of 2.7% for 2019, slightly weaker than our outlook in the 2018 Annual Report. The current assessment of developments in the Asia-Pacific region has clouded somewhat, whereas assessments for the NAFTA region and the European Union remain unchanged. The expectation for Germany has, however, been significantly scaled back. Overall, we expect to see ongoing difficult economic conditions due to such issues as political uncertainties in Europe and increasing trade barriers.

Main customer industries[1]

Compared with the expectations we expressed in the 2018 Annual Report, we so far see only minor changes, or none at all, for the performance of the construction sector industry, assuming no further global trade barriers. Growth in the furniture industry is anticipated to be somewhat weaker than presented in the 2018 Annual Report. We expect a significant decline for the electrical and electronics industry and, in particular, for the automotive industry.

4.2 Forecast for Key Data

On the basis of the business performance described in this report, along with our consideration of the potential associated risks and opportunities, we confirm the forecast for key data made in both the 2018 Annual Report and the Quarterly Statement as of March 31, 2019, for the rest of the 2019 fiscal year.

We expect core volume growth in the low-to-mid-single-digit-percentage range. This projection applies to the Covestro Group as well as to the Polyurethanes, Polycarbonates and Coatings, Adhesives, Specialties segments.

In fiscal year 2019, we anticipate free operating cash flow (FOCF) of between €300 million and €700 million. For the Polyurethanes segment, we project an increase in cash outflows for additions to property, plant, equipment and intangible assets, which will exceed the expected net cash provided by operating activities. FOCF is anticipated to decline in the Polycarbonates segment as well, although the trend here will likely be much more positive than for the Group as a whole. For the Coatings, Adhesives, Specialties segment, we expect FOCF around the prior-year level.

For 2019, we expect ROCE[2] of between 8% and 13%.

[1] Covestro's estimate, based on the following sources: LMC Automotive Limited, B+L, CSIL (Centre for Industrial Studies), Oxford Economics
[2] ROCE: The return on capital employed is calculated as the ratio of EBIT after taxes to capital employed. Capital employed is the capital used by the company. It is the sum of current and noncurrent assets less noninterest-bearing liabilities such as trade accounts payable. Starting in fiscal year 2019, assets held for sale and the associated liabilities are also included in the calculation of capital employed.

5. Opportunities and Risks

As a global enterprise with a diversified portfolio, the Covestro Group is exposed to a wide range of opportunities and risks.

The Covestro Group regards opportunity and risk management as an integral part of corporate governance. Our opportunity and risk management system and the opportunity and risk situation are outlined in detail in section 21 “Opportunities and Risks Report” of the 2018 Covestro Annual Report.

There have been no material changes since December 31, 2018. At the time this interim financial report was prepared, the Group faced no risks that could endanger its continued existence.

In comparison with the situation presented in the 2018 Annual Report (Note 26 to the Consolidated Financial Statements, “Legal Risks”), there have been no new significant developments in the legal proceedings described there, and no new material legal proceedings are pending.