Covestro Group Consolidated Income Statement

	1st quarter 2018[1]	1st quarter 2019
	€ million	€ million
Sales	**3,779**	**3,175**
Cost of goods sold	(2,348)	(2,407)
Gross profit	**1,431**	**768**
Selling expenses	(344)	(344)
Research and development expenses	(68)	(68)
General administration expenses	(115)	(96)
Other operating income	12	22
Other operating expenses	(9)	(18)
EBIT[2]	**907**	**264**
Equity-method loss	(4)	(6)
Result from other affiliated companies	–	1
Interest income	5	10
Interest expense	(20)	(23)
Other financial result	(9)	(5)
Financial result	**(28)**	**(23)**
Income before income taxes	**879**	**241**
Income taxes	(233)	(61)
Income after income taxes	**646**	**180**
of which attributable to noncontrolling interest	2	1
of which attributable to Covestro AG stockholders (net income)	644	179
	€	€
Basic earnings per share[3]	**3.24**	**0.98**
Diluted earnings per share[3]	**3.24**	**0.98**

[1] Reference information was not restated; see section 6 "Changes in Accounting as a Result of the Initial Application of IFRS 16."
[2] EBIT: income after income taxes plus financial result and income taxes
[3] Weighted average number of outstanding no-par voting shares of Covestro AG in issue: 182,704,602 (previous year: 198,901,329)

Covestro Group Consolidated Statement of Comprehensive Income

	1st quarter 2018[1]	1st quarter 2019
	€ million	€ million
Income after income taxes	**646**	**180**
Remeasurements of the net defined benefit liability for post-employment benefit plans	(100)	(200)
Income taxes	34	72
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(66)**	**(128)**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(66)**	**(128)**
Changes in fair values of financial assets	–	–
Reclassified to profit or loss	(1)	–
Income taxes	–	–
Other comprehensive income from financial assets	**(1)**	**–**
Changes in exchange differences recognized on translation of operations outside the eurozone	(8)	143
Reclassified to profit or loss	–	–
Other comprehensive income from exchange differences	**(8)**	**143**
Other comprehensive income that may be reclassified subsequently to profit or loss, if certain conditions are met	**(9)**	**143**
Total other comprehensive income[2]	**(75)**	**15**
of which attributable to noncontrolling interest	1	1
of which attributable to Covestro AG stockholders	(76)	14
Total comprehensive income	**571**	**195**
of which attributable to noncontrolling interest	3	2
of which attributable to Covestro AG stockholders	568	193

[1] Reference information was not restated; see section 6 “Changes in Accounting as a Result of the Initial Application of IFRS 16.”
[2] Total change recognized in equity outside profit or loss

Covestro Group Consolidated Statement of Financial Position

	Mar. 31, 2018[1]	Mar. 31, 2019	Dec. 31, 2018[1]
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	250	257	256
Other intangible assets	78	80	77
Property, plant and equipment[2]	4,216	5,151	4,409
Investments accounted for using the equity method	203	214	214
Other financial assets	31	30	31
Other receivables	51	37	32
Deferred taxes	759	820	782
	5,588	**6,589**	**5,801**
Current assets			
Inventories	2,011	2,237	2,213
Trade accounts receivable	2,108	1,857	1,786
Other financial assets	180	68	17
Other receivables	318	372	346
Claims for income tax refunds	101	104	55
Cash and cash equivalents	926	771	865
Assets held for sale	30	–	1
	5,674	**5,409**	**5,283**
Total assets	**11,262**	**11,998**	**11,084**
Equity			
Capital stock of Covestro AG	198	183	183
Capital reserves of Covestro AG	4,513	3,480	3,480
Other reserves	942	1,872	1,679
Equity attributable to Covestro AG stockholders	**5,653**	**5,535**	**5,342**
Equity attributable to noncontrolling interest	33	35	33
	5,686	**5,570**	**5,375**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	1,293	1,667	1,445
Other provisions	243	256	237
Financial liabilities[2]	1,204	1,722	1,166
Income tax liabilities	79	111	107
Other liabilities	26	18	18
Deferred taxes	154	160	153
	2,999	**3,934**	**3,126**
Current liabilities			
Other provisions	490	527	493
Financial liabilities[2]	83	170	59
Trade accounts payable	1,442	1,438	1,637
Income tax liabilities	330	159	172
Other liabilities	231	200	222
Liabilities directly related to assets held for sale	1	–	–
	2,577	**2,494**	**2,583**
Total equity and liabilities	**11,262**	**11,998**	**11,084**

[1] Reference information was not restated; see section 6 "Changes in Accounting as a Result of the Initial Application of IFRS 16."
[2] As of March 31, 2019, this also contains the right-of-use assets and lease liabilities from initial application of IFRS 16.

Covestro Group Consolidated Statement of Cash Flows

	1st quarter 2018[1]	1st quarter 2019
	€ million	€ million
Income after income taxes	646	180
Income taxes	233	61
Financial result	28	23
Income taxes paid	(56)	(79)
Depreciation, amortization and impairment losses and impairment loss reversals	156	178
Change in pension provisions	8	9
(Gains)/losses on retirements of noncurrent assets	1	2
Decrease/(increase) in inventories	(149)	13
Decrease/(increase) in trade accounts receivable	(258)	(46)
(Decrease)/increase in trade accounts payable	(137)	(224)
Changes in other working capital/other noncash items	(20)	3
Cash flows from operating activities	**452**	**120**
Cash outflows for additions to property, plant, equipment and intangible assets	(88)	(165)
Cash inflows from sales of property, plant, equipment and other assets	–	3
Cash outflows for noncurrent financial assets	(4)	(2)
Cash inflows from noncurrent financial assets	–	2
Interest and dividends received	5	9
Cash inflows from/(outflows for) other current financial assets	117	(36)
Cash flows from investing activities	**30**	**(189)**
Reacquisition of treasury shares	(257)	–
Issuances of debt	6	50
Retirements of debt	(525)	(66)
Interest paid	(13)	(18)
Cash flows from financing activities	**(789)**	**(34)**
Change in cash and cash equivalents due to business activities	**(307)**	**(103)**
Cash and cash equivalents at beginning of period	**1,232**	**865**
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	1	10
Cash and cash equivalents at end of period	**926**	**771**

[1] Reference information was not restated; see section 6 "Changes in Accounting as a Result of the Initial Application of IFRS 16."

4. Employees and Pension Obligations

As of March 31, 2019, the Covestro Group had 16,910 employees worldwide (December 31, 2018: 16,770). Personnel expenses were down by €23 million to €470 million in the first quarter of 2019 (previous year: €493 million). This was mainly due to lower provisions for short-term variable compensation.

Employees by Corporate Function[1]

	Dec. 31, 2018	Mar. 31, 2019
Production	10,479	10,647
Marketing and distribution	3,601	3,586
Research and development	1,123	1,112
General administration	1,567	1,565
Total	**16,770**	**16,910**

[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 €1,667 million as of March 31, 2019 (December 31, 2018: €1,445 million). In particular, this was attributable to a lower discount rate in Germany. A positive change in the value of plan assets partly compensated for this development.

Discount Rate for Pension Obligations

	Dec. 31, 2018	Mar. 31, 2019
	%	%
Germany	1.80	1.40
United States	4.00	3.60

5. 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, 2018	Dec. 31, 2018	Mar. 31, 2019
BRL	Brazil	4.09	4.44	4.39
CNY	China	7.73	7.87	7.54
HKD	Hong Kong	9.67	8.97	8.82
INR	India	80.30	79.73	77.72
JPY	Japan	131.15	125.85	124.45
MXN	Mexico	22.52	22.49	21.69
USD	United States	1.23	1.15	1.12

Average Rates for Major Currencies

		Average rates	
€1/		1st quarter 2018	1st quarter 2019
BRL	Brazil	3.99	4.28
CNY	China	7.81	7.68
HKD	Hong Kong	9.61	8.91
INR	India	79.03	80.09
JPY	Japan	133.20	125.11
MXN	Mexico	23.05	21.83
USD	United States	1.23	1.14

6. Changes in Accounting as a Result of the Initial Application of IFRS 16

The new financial reporting standard **IFRS 16 (Leases)** was adopted on January 1, 2019, and replaces the previous regulations addressing the topic of leases. IFRS 16 was applied using the modified retrospective approach. For this reason, the reference information was not restated. These continue to be presented in accordance with the previous accounting rules (for further details, see the Annual Report 2018, Notes 2.2 and 3).

The IFRS 16 transition rules stipulate that no new assessment must be made at the date of initial application as to whether an existing agreement meets the definition of a lease according to IFRS 16. Instead, existing assessments of leases can continue to be applied. Covestro made use of this exemption provision when applying IFRS 16 for the first time.

With regard to lessees, right-of-use assets required upon initial application of IFRS 16 were generally recognized by Covestro in the amount of the corresponding lease liabilities. In specific cases, an adjustment was made to the right-of-use asset by the amount of the deferred advance payments or liabilities recognized in the financial statements as of the end of fiscal 2018. The initial application did not affect equity. The corresponding lease liability was measured using the incremental borrowing rate at the date of initial application. In addition, Covestro took advantage of the optional exemptions regarding the carrying amount of short-term leases and leases on low-value assets.

The following reconciliations of the carrying amounts of the right-of-use assets and lease liabilities as of January 1, 2019, to the carrying amounts as of March 31, 2019, are broken down into the former finance leases already recognized in the statement of financial position under IAS 17 in conjunction with IFRIC 4 and the former operating leases recognized for the first time as a result of the adoption of IFRS 16.

Right-of-Use Assets

	Former finance leases	Former operating leases	Totals
	€ million	€ million	€ million
Right-of-use assets, January 1, 2019	**218**	**660**	**878**
Depreciation	(7)	(28)	(35)
Other changes	7	11	18
Right-of-use assets, March 31, 2019	**218**	**643**	**861**

Lease Liabilities

	Former finance leases	Former operating leases	Totals
	€ million	€ million	€ million
Lease liabilities, January 1, 2019	**193**	**656**	**849**
Repayment	(7)	(25)	(32)
thereof lease rate	(11)	(30)	(41)
thereof interest portion	4	5	9
Other changes	6	11	17
Lease liabilities, March 31, 2019	**192**	**642**	**834**

As of January 1, 2019, property, plant and equipment and financial liabilities increased by €660 million and €656 million, respectively, due to the initial application of IFRS 16. The underlying leases relate mainly to real estate leases and to leases for production and logistics infrastructure.

7. Scope of Consolidation

7.1 Changes in the Scope of Consolidation

As of March 31, 2019, the scope of consolidation comprised Covestro AG and 48 consolidated companies (December 31, 2018: 49 companies). OOO Covestro, Moscow (Russia) was reclassified as an immaterial subsidiary in the first quarter of 2019 for reasons including the fact that local production was halted. It was therefore no longer included in the consolidated financial statements in the first quarter of 2019.

7.2 Acquisitions and Divestitures

No reportable acquisitions or divestitures were made in the first quarter of 2019.

8. Segment Information

Segment Reporting First Quarter

				Other /Consolidation		
	Polyurethanes	Polycarbonates	Coatings, Adhesives, Specialties	All other segments	Corporate Center and reconciliation	Covestro Group
	€ million	€ million	€ million	€ million	€ million	€ million
1st quarter 2019						
Sales	1,476	860	627	212	–	3,175
Change in sales						
Volume	+3.0%	–2.9%	+1.1%	–0.1%	–	+0.9%
Price	–29.4%	–12.8%	+1.7%	+2.2%	–	–18.3%
Currency	+2.1%	+2.6%	+3.1%	+1.8%	–	+2.4%
Portfolio	0.0%	–3.6%	0.0%	0.0%	–	–1.0%
Core volume growth[1]	–0.2%	–6.3%	–0.1%	–	–	–1.8%
Sales by region						
EMLA	669	289	294	162	–	1,414
NAFTA	411	188	144	45	–	788
APAC	396	383	189	5	–	973
EBITDA	157	155	146	2	(18)	442
EBIT	57	105	118	2	(18)	264
Depreciation, amortization, impairment losses and impairment loss reversals	100	50	28	–	–	178
Operating cash flows	4	138	12	(23)	(11)	120
Cash outflows for additions to property, plant, equipment and intangible assets	102	39	24	–	–	165
Free operating cash flow	(98)	99	(12)	(23)	(11)	(45)
Working capital[2]	1,172	785	610	94	(5)	2,656
1st quarter 2018[3]						
Sales	1,950	1,033	592	204	–	3,779
Change in sales						
Volume	–2.8%	+0.2%	–2.2%	+0.4%	–	–1.7%
Price	+17.3%	+16.3%	+1.0%	+20.5%	–	+14.3%
Currency	–7.4%	–8.2%	–5.9%	–3.7%	–	–7.2%
Portfolio	0.0%	0.0%	0.0%	0.0%	–	0.0%
Core volume growth[1]	–1.0%	+2.7%	–1.3%	–	–	–
Sales by region						
EMLA	860	362	298	159	–	1,679
NAFTA	475	203	122	40	–	840
APAC	615	468	172	5	–	1,260
EBITDA	637	303	136	7	(20)	1,063
EBIT	547	260	113	7	(20)	907
Depreciation, amortization, impairment losses and impairment loss reversals	90	43	23	–	–	156
Operating cash flows	176	79	17	187	(7)	452
Cash outflows for additions to property, plant, equipment and intangible assets	46	23	19	–	–	88
Free operating cash flow	130	56	(2)	187	(7)	364
Working capital[2]	1,291	773	536	79	(2)	2,677

[1] Reference values calculated on the basis of the definition of the core business effective March 31, 2019
[2] Working capital comprises inventories plus trade accounts receivable, less trade accounts payable, as of March 31, 2019.
[3] Reference information was not restated; see section 6 "Changes in Accounting as a Result of the Initial Application of IFRS 16."

Financial Calendar

Reporting Principles

This Covestro AG Quarterly Statement was prepared in accordance with Section 53 of the Stock Exchange Rules and Regulations (Börsenordnung). This Statement is not an interim report within the meaning of IAS 34 or a set of financial statements within the meaning of IAS 1. It was not subjected to a review by an auditor. This Quarterly Statement should be read alongside the Annual Report for the 2018 fiscal year and the additional information about the company contained therein. The Annual Report 2018 is available on our website at **www.covestro.com**. Comparative information relating to the 2018 fiscal year was not restated according to the new accounting standards; see section 6 "Changes in Accounting as a Result of the Initial Application of IFRS 16."

This Quarterly Statement was published in German and English on April 29, 2019. Only the German version is binding.

Forward-Looking Statements

This Quarterly Statement may contain forward-looking statements based on current assumptions and forecasts made by the management of Covestro AG. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Covestro's public reports, which are available at **www.covestro.com**. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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