Covestro Group Consolidated Income Statement

	3rd quarter 2017[1]	3rd quarter 2018	1st nine months 2017[1]	1st nine months 2018
	€ million	€ million	€ million	€ million
Sales	**3,532**	**3,702**	**10,616**	**11,344**
Cost of goods sold	(2,298)	(2,499)	(7,044)	(7,327)
Gross profit	**1,234**	**1,203**	**3,572**	**4,017**
Selling expenses	(327)	(346)	(1,017)	(1,054)
Research and development expenses	(68)	(65)	(200)	(201)
General administration expenses	(120)	(126)	(347)	(373)
Other operating income	6	62	117	85
Other operating expenses	(20)	(21)	(45)	(34)
EBIT[2]	**705**	**707**	**2,080**	**2,440**
Equity-method loss	(6)	(6)	(18)	(16)
Result from other affiliated companies	–	1	–	1
Interest income	5	8	16	20
Interest expense	(27)	(20)	(98)	(61)
Other financial result	(7)	(8)	(23)	(24)
Financial result	**(35)**	**(25)**	**(123)**	**(80)**
Income before income taxes	**670**	**682**	**1,957**	**2,360**
Income taxes	(177)	(185)	(509)	(611)
Income after income taxes	**493**	**497**	**1,448**	**1,749**
of which attributable to noncontrolling interest	2	1	5	5
of which attributable to Covestro AG stockholders (net income)	491	496	1,443	1,744
	€	€	€	€
Basic earnings per share[3]	**2.43**	**2.59**	**7.13**	**8.92**
Diluted earnings per share[3]	**2.43**	**2.59**	**7.13**	**8.92**

1 Reference information has not been adjusted, see section 6 "Changes in Accounting as a Result of the Initial Application of IFRS 9 and IFRS 15."
2 EBIT: income after income taxes plus financial result and income taxes
3 The weighted average number of outstanding no-par voting shares of Covestro AG amounted to 195,524,586 in the first nine months of 2018 (previous year: 202,500,000) and 191,152,569 in the third quarter of 2018 (previous year: 202,500,000).

Covestro Group Consolidated Statement of Comprehensive Income

	3rd quarter 2017[1]	3rd quarter 2018	1st nine months 2017[1]	1st nine months 2018
	€ million	€ million	€ million	€ million
Income after income taxes	**493**	**497**	**1,448**	**1,749**
Remeasurements of the net defined benefit liability for post-employment benefit plans	(57)	59	4	(35)
Income taxes	18	(16)	(3)	5
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(39)**	**43**	**1**	**(30)**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(39)**	**43**	**1**	**(30)**
Changes in exchange differences recognized on translation of operations outside the eurozone	(68)	(48)	(259)	16
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	**(68)**	**(48)**	**(259)**	**16**
Other comprehensive income that may be reclassified subsequently to profit or loss, if certain conditions are met	**(68)**	**(48)**	**(259)**	**16**
Total other comprehensive income[2]	**(107)**	**(5)**	**(258)**	**(14)**
of which attributable to noncontrolling interest	(1)	–	(2)	1
of which attributable to Covestro AG stockholders	(106)	(5)	(256)	(15)
Total comprehensive income	**386**	**492**	**1,190**	**1,735**
of which attributable to noncontrolling interest	1	1	3	6
of which attributable to Covestro AG stockholders	385	491	1,187	1,729

[1] Reference information has not been adjusted, see section 6 “Changes in Accounting as a Result of the Initial Application of IFRS 9 and IFRS 15.”
[2] Total change recognized in equity outside profit or loss

Covestro Group Consolidated Statement of Financial Position

	Sep. 30, 2017[1]	Sep. 30, 2018	Dec. 31, 2017[1]
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	254	255	253
Other intangible assets	79	77	81
Property, plant and equipment	4,230	4,262	4,296
Investments accounted for using the equity method	213	211	208
Other financial assets	31	28	31
Other receivables[2]	39	47	35
Deferred taxes	661	725	702
	5,507	**5,605**	**5,606**
Current assets			
Inventories	1,827	2,202	1,913
Trade accounts receivable	1,967	2,118	1,882
Other financial assets	665	14	285
Other receivables[2]	303	357	281
Claims for income tax refunds	52	32	138
Cash and cash equivalents	637	846	1,232
Assets held for sale	3	–	4
	5,454	**5,569**	**5,735**
Total assets	**10,961**	**11,174**	**11,341**
Equity			
Capital stock of Covestro AG	203	188	201
Capital reserves of Covestro AG	4,908	3,806	4,767
Other reserves	(8)	1,667	367
Equity attributable to Covestro AG stockholders	**5,103**	**5,661**	**5,335**
Equity attributable to noncontrolling interest	29	32	30
	5,132	**5,693**	**5,365**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	1,208	1,264	1,187
Other provisions	291	232	229
Financial liabilities	1,233	1,171	1,213
Income tax liabilities	44	99	74
Other liabilities[2]	16	21	21
Deferred taxes	169	154	161
	2,961	**2,941**	**2,885**
Current liabilities			
Other provisions	490	447	529
Financial liabilities	607	76	583
Trade accounts payable	1,393	1,581	1,618
Income tax liabilities	199	170	161
Other liabilities[2]	179	266	200
	2,868	**2,540**	**3,091**
Total equity and liabilities	**10,961**	**11,174**	**11,341**

[1] Reference information has not been adjusted, see section 6 "Changes in Accounting as a Result of the Initial Application of IFRS 9 and IFRS 15."
[2] As of September 30, 2018, this contains the contract assets, contract liabilities, and refund liabilities from initial application of IFRS 15.

Covestro Group Consolidated Statement of Cash Flows

	3rd quarter 2017[1]	3rd quarter 2018	1st nine months 2017[1]	1st nine months 2018
	€ million	€ million	€ million	€ million
Income after income taxes	493	497	1,448	1,749
Income taxes	177	185	509	611
Financial result	35	25	123	80
Income taxes paid	(207)	(170)	(269)	(505)
Depreciation, amortization and impairment losses and impairment loss reversals	157	152	476	467
Change in pension provisions	(13)	10	13	18
(Gains)/losses on retirements of noncurrent assets	–	(36)	(45)	(35)
Decrease/(increase) in inventories	(13)	(117)	(213)	(314)
Decrease/(increase) in trade accounts receivable	(13)	61	(395)	(238)
(Decrease)/increase in trade accounts payable	51	113	(77)	(16)
Changes in other working capital, other noncash items	108	46	(99)	(82)
Cash flows from operating activities	**775**	**766**	**1,471**	**1,735**
Cash outflows for additions to property, plant, equipment and intangible assets	(117)	(188)	(283)	(429)
Cash inflows from sales of property, plant, equipment and other assets	–	1	12	1
Cash inflows from divestitures	–	66	47	66
Cash outflows for noncurrent financial assets	(11)	(6)	(28)	(14)
Cash inflows from noncurrent financial assets	–	–	1	1
Cash outflows for acquisitions less acquired cash	–	–	(4)	–
Interest and dividends received	7	8	25	20
Cash inflows from/(outflows for) other current financial assets	(177)	62	(445)	263
Cash flows from investing activities	**(298)**	**(57)**	**(675)**	**(92)**
Reacquisition of treasury shares	–	(304)	–	(974)
Dividend payments and withholding tax on dividends	–	–	(274)	(440)
Issuances of debt	27	6	183	46
Retirements of debt	(123)	(19)	(222)	(608)
Interest paid	(39)	(20)	(102)	(53)
Cash flows from financing activities	**(135)**	**(337)**	**(415)**	**(2,029)**
Change in cash and cash equivalents due to business activities	**342**	**372**	**381**	**(386)**
Cash and cash equivalents at beginning of period	**300**	**475**	**267**	**1,232**
Change in cash and cash equivalents due to exchange rate movements	(5)	(1)	(11)	–
Cash and cash equivalents at end of period	**637**	**846**	**637**	**846**

[1] Reference information has not been adjusted; see section 6 "Changes in Accounting as a Result of the Initial Application of IFRS 9 and IFRS 15."

4. Employees and Pension Obligations

As of September 30, 2018, the Covestro Group had 16,648 employees worldwide (December 31, 2017: 16,176). Personnel expenses rose by €29 million to €1,465 million in the first nine months of 2018 (previous year: €1,436 million).

Employees by Corporate Function[1]

	Dec. 31, 2017	Sep. 30, 2018
Production	10,115	10,247
Marketing and distribution	3,476	3,594
Research and development	1,072	1,122
General administration	1,513	1,685
Total	**16,176**	**16,648**

[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 €1,264 million as of September 30, 2018 (December 31, 2017: €1,187 million), mainly due to the adverse change in plan assets. In part, this development was balanced out by actuarial gains following an increase in the discount rate for pension obligations in the United States.

Discount Rate for Pension Obligations

	Dec. 31, 2017	Sep. 30, 2018
	%	%
Germany	1.90	1.90
United States	3.40	4.00

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/		Sep. 30, 2017	Dec. 31, 2017	Sep. 30, 2018
BRL	Brazil	3.76	3.97	4.65
CNY	China	7.84	7.81	7.96
HKD	Hong Kong	9.22	9.37	9.06
INR	India	77.07	76.61	83.92
JPY	Japan	132.82	135.01	131.23
MXN	Mexico	21.46	23.66	21.78
USD	United States	1.18	1.20	1.16

Average Rates for Major Currencies

		Average rates	
€1/		1st nine months 2017	1st nine months 2018
BRL	Brazil	3.52	4.27
CNY	China	7.55	7.77
HKD	Hong Kong	8.65	9.36
INR	India	72.48	80.10
JPY	Japan	124.36	130.93
MXN	Mexico	20.97	22.73
USD	United States	1.11	1.19

6. Changes in Accounting as a Result of the Initial Application of IFRS 9 and IFRS 15

6.1 Accounting for Financial Instruments in Accordance with IFRS 9

The new **IFRS 9 (Financial Instruments)** accounting standard, which replaces the rules on financial instruments in place previously, has been applied since January 1, 2018. Covestro applied IFRS 9 retrospectively without adjusting prior-year figures. As a result, the effects of initial application as of January 1, 2018, are recognized cumulatively in equity, and the figures for the reference period continue to be presented in accordance with the previous rules (for additional details, see the Annual Report 2017, Notes 2.2 and 3). The cumulative negative effect of initial application of the standard amounts to €7 million.

The changes at Covestro resulted from the new impairment model and the amended classification and measurement rules stipulated by the new IFRS 9 standard. The new impairment rules increase provisions to account for defaults of financial instruments by recognizing expected credit losses, particularly for trade accounts receivable. In the case of equity investments that were not held for trading as of January 1, 2018, Covestro opted to recognize future changes in their fair value in other comprehensive income and to continue recognizing these in equity on disposal. Additional information about the new accounting rules and the effects of initial application is provided in the half-year financial report as of June 30, 2018, Note 2.1.

6.2 Accounting for Sales in Accordance with IFRS 15

The new **IFRS 15 (Revenue from Contracts with Customers)** accounting standard, which replaces the rules in place previously for the recognition of sales, has been applied since January 1, 2018. IFRS 15 was introduced at Covestro using the modified retrospective approach. As a result, there is no requirement to adjust figures from prior periods, so these continue to be presented in accordance with the previously applicable accounting rules in IAS 11 and IAS 18 (for additional information, see the Annual Report 2017, Notes 2.2 and 3). The positive cumulative effect of initially applying the standard as of January 1, 2018, totals €14 million and is recognized in equity.

According to IFRS 15, sales are recognized using a five-step model with the new principles affecting parameters including the point in time or time period when sales are recognized and resulting in new balance sheet items such as contract assets, contract liabilities, and refund liabilities, which Covestro reports in other receivables or in other liabilities. For Covestro, the application of IFRS 15 resulted in changes in the recognition of sales in particular from consignment warehousing agreements, transportation clauses, contracts with provisional prices, licenses, and customer-specific products. Additional information about the new accounting rules and the effects of initial application is provided in the half-year financial report as of June 30, 2018, Note 2.1.

7. Scope of Consolidation

7.1 Changes in the Scope of Consolidation

In the third quarter of 2018, the scope of consolidation did not change.

7.2 Acquisitions and Divestitures

On August 1, 2018, Covestro's Polycarbonates segment signed an asset deal to divest the assets and liabilities (disposal group) of the U.S. polycarbonate sheet business to Plaskolite LLC, Columbus (United States) for a selling price of €62 million. Production-related assets and inventories of €29 million and liabilities of €3 million were transferred to the buyer. The gain on the disposal of this business totaling €36 million was recognized in the other operating result.

8. Segment Information

Segment Reporting 3rd Quarter

				Other/Consolidation		
	Polyurethanes[1]	Polycarbonates	Coatings, Adhesives, Specialties[1]	All other segments	Corporate Center and reconciliation	Covestro Group
	€ million	€ million	€ million	€ million	€ million	€ million
3rd quarter 2018						
Net sales	**1,849**	**1,038**	**606**	**209**	**–**	**3,702**
Change in sales						
Volume	+0.1%	+5.1%	+9.7%	+2.5%	–	+3.0%
Price	–0.5%	+9.6%	–0.5%	+19.4%	–	+3.1%
Currency	–0.8%	–0.6%	–0.4%	+0.3%	–	–0.6%
Portfolio	0.0%	–2.8%	0.0%	0.0%	–	–0.7%
Core volume growth[2]	**–2.0%**	**+2.6%**	**+7.2%**	**–**	**–**	**+0.2%**
Sales by region						
EMLA	773	331	280	157	–	1,541
NAFTA	512	205	131	48	–	896
APAC	564	502	195	4	–	1,265
EBITDA	**432**	**315**	**126**	**6**	**(20)**	**859**
EBIT	**346**	**272**	**103**	**6**	**(20)**	**707**
Depreciation, amortization, impairment losses and impairment loss reversals	**86**	**43**	**23**	**–**	**–**	**152**
Operating cash flows	**453**	**185**	**119**	**32**	**(23)**	**766**
Cash outflows for additions to property, plant, equipment and intangible assets	**113**	**49**	**26**	**(1)**	**1**	**188**
Free operating cash flow	**340**	**136**	**93**	**33**	**(24)**	**578**
Working capital[3]	**1,292**	**842**	**542**	**84**	**(21)**	**2,739**
3rd quarter 2017						
Net sales	**1,871**	**933**	**557**	**171**	**–**	**3,532**
Change in sales						
Volume	+2.6%	+4.4%	–3.7%	+5.2%	–	+2.0%
Price	+31.0%	+9.4%	+3.2%	+5.6%	–	+18.4%
Currency	–3.8%	–3.8%	–2.8%	–1.2%	–	–3.5%
Portfolio	0.0%	0.0%	0.0%	0.0%	–	0.0%
Core volume growth[2]	**+4.1%**	**+1.5%**	**–3.1%**	**–**	**–**	**+2.6%**
Sales by region						
EMLA	805	299	264	132	–	1,500
NAFTA	472	212	118	34	–	836
APAC	594	422	175	5	–	1,196
EBITDA	**550**	**211**	**125**	**(1)**	**(23)**	**862**
EBIT	**460**	**167**	**103**	**(2)**	**(23)**	**705**
Depreciation, amortization, impairment losses and impairment loss reversals	**90**	**44**	**22**	**1**	**–**	**157**
Operating cash flows	**511**	**170**	**110**	**(1)**	**(15)**	**775**
Cash outflows for additions to property, plant, equipment and intangible assets	**60**	**36**	**20**	**2**	**(1)**	**117**
Free operating cash flow	**451**	**134**	**90**	**(3)**	**(14)**	**658**
Working capital[3]	**1,145**	**677**	**513**	**70**	**(4)**	**2,401**

[1] All prior-year figures have been adjusted to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment as of January 1, 2018.
[2] Reference values calculated based on the definition of the core business effective March 31, 2018
[3] Working capital comprises inventories plus trade accounts receivable, less trade accounts payable, as of September 30, 2018.

Segment Reporting 1st Nine Months

				Other/Consolidation		
	Polyurethanes[1]	Polycarbonates	Coatings, Adhesives, Specialties[1]	All other segments	Corporate Center and reconciliation	Covestro Group
	€ million	€ million	€ million	€ million	€ million	€ million
1st nine months 2018						
Net sales	**5,765**	**3,127**	**1,827**	**625**	**–**	**11,344**
Change in sales						
Volume	+0.2%	+3.6%	+4.3%	+5.1%	–	+2.1%
Price	+8.6%	+13.7%	+0.8%	+19.5%	–	+9.1%
Currency	–4.2%	–4.6%	–3.5%	–2.1%	–	–4.1%
Portfolio	0.0%	–0.9%	0.0%	0.0%	–	–0.2%
Core volume growth[2]	**+0.3%**	**+3.5%**	**+3.8%**	**–**	**–**	**+1.5%**
Sales by region						
EMLA	2,504	1,046	877	470	–	4,897
NAFTA	1,473	617	390	141	–	2,621
APAC	1,788	1,464	560	14	–	3,826
EBITDA	**1,652**	**903**	**401**	**20**	**(69)**	**2,907**
EBIT	**1,385**	**773**	**332**	**19**	**(69)**	**2,440**
Depreciation, amortization, impairment losses and impairment loss reversals	**267**	**130**	**69**	**1**	**–**	**467**
Operating cash flows	**993**	**419**	**202**	**178**	**(57)**	**1,735**
Cash outflows for additions to property, plant, equipment and intangible assets	**243**	**116**	**70**	**–**	**–**	**429**
Free operating cash flow	**750**	**303**	**132**	**178**	**(57)**	**1,306**
Working capital[3]	**1,292**	**842**	**542**	**84**	**(21)**	**2,739**
1st nine months 2017						
Net sales	**5,510**	**2,798**	**1,798**	**510**	**–**	**10,616**
Change in sales						
Volume	+2.3%	+7.9%	+2.9%	+4.1%	–	+4.2%
Price	+28.9%	+6.2%	+0.8%	+3.0%	–	+15.7%
Currency	–0.4%	–0.6%	–0.1%	0.0%	–	–0.4%
Portfolio	0.0%	0.0%	0.0%	0.0%	–	0.0%
Core volume growth[2]	**+2.4%**	**+5.4%**	**+2.3%**	**–**	**–**	**+3.2%**
Sales by region						
EMLA	2,360	926	844	392	–	4,522
NAFTA	1,426	668	399	104	–	2,597
APAC	1,724	1,204	555	14	–	3,497
EBITDA	**1,567**	**640**	**406**	**8**	**(65)**	**2,556**
EBIT	**1,297**	**503**	**340**	**5**	**(65)**	**2,080**
Depreciation, amortization, impairment losses and impairment loss reversals	**270**	**137**	**66**	**3**	**–**	**476**
Operating cash flows	**757**	**231**	**194**	**352**	**(63)**	**1,471**
Cash outflows for additions to property, plant, equipment and intangible assets	**150**	**81**	**50**	**2**	**–**	**283**
Free operating cash flow	**607**	**150**	**144**	**350**	**(63)**	**1,188**
Working capital[3]	**1,145**	**677**	**513**	**70**	**(4)**	**2,401**

[1] All prior-year figures have been adjusted to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment as of January 1, 2018.
[2] Reference values calculated based on the definition of the core business effective March 31, 2018
[3] Working capital comprises inventories plus trade accounts receivable, less trade accounts payable, as of September 30, 2018.

Financial Calendar

Annual Report 2018	**February 25, 2019**
Annual General Meeting 2019	**April 12, 2019**
Q1 2019 Interim Statement	**April 29, 2019**
Half-Year Financial Report 2019	**July 24, 2019**

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 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 2017 fiscal year and the additional information about the company contained therein. The Annual Report 2017 is available on our website at **www.covestro.com**. Comparative information relating to the 2017 fiscal year has not been adjusted according to the new accounting standards; see section 6 "Changes in Accounting as a Result of the Initial Application of IFRS 9 and IFRS 15."

This Quarterly Statement was published in German and English on October 25, 2018. 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.

Publishing Information

Published by

Covestro AG
Kaiser-Wilhelm-Allee 60
51373 Leverkusen
Germany
Email: info@covestro.com

covestro.com

Local Court of Cologne
HRB 85281
VAT No. DE815579850

IR contact
Email: ir@covestro.com

Press contact
Email: communications@covestro.com

Translation
Leinhäuser Language Services GmbH
Unterhaching, Germany

Design and layout
TERRITORY CTR GmbH
Leverkusen, Germany

Quarterly Statement produced with firesys