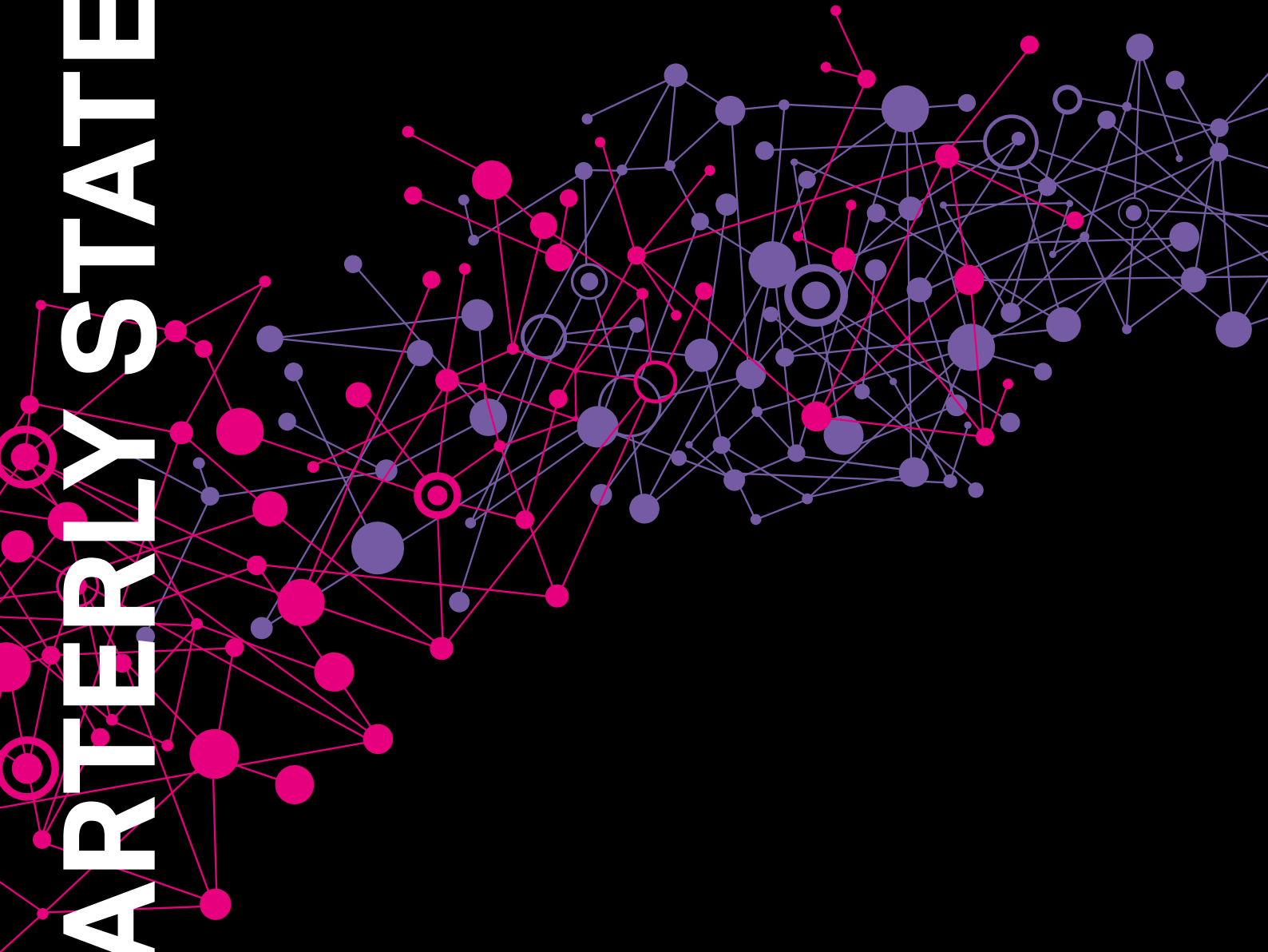


QUARTERLY STATEMENT

Interim Statement as of March 31, 2019
First Quarter 2019



Key Data Covestro Group

	1st quarter 2018 ¹	1st quarter 2019	Change
	€ million	€ million	%
Core volume growth^{2,3}	0.0%	-1.8%	
Sales	3,779	3,175	-16.0
Change in sales			
Volume	-1.7%	+0.9%	
Price	+14.3%	-18.3%	
Currency	-7.2%	+2.4%	
Portfolio	0.0%	-1.0%	
Sales by region			
EMLA ⁴	1,679	1,414	-15.8
NAFTA ⁵	840	788	-6.2
APAC ⁶	1,260	973	-22.8
EBITDA^{7,8}	1,063	442	-58.4
Changes in EBITDA			
of which volume	-2.2%	+3.1%	
of which price	+60.6%	-64.9%	
of which raw material price effect	-14.5%	+2.9%	
of which currency	-8.3%	+1.0%	
EBIT^{9,10}	907	264	-70.9
Financial result	(28)	(23)	-17.9
Net income¹¹	644	179	-72.2
Operating cash flows¹²	452	120	-73.5
Cash outflows for additions to property, plant, equipment and intangible assets	88	165	+87.5
Free operating cash flow¹³	364	(45)	.

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

² Core volume growth refers to the core products in the Polyurethanes, Polycarbonates and Coatings, Adhesives, Specialties segments. It is calculated as the percentage change in externally sold volumes in thousand metric tons compared with the prior year. Covestro also takes advantage of business opportunities outside its core business, for example the sale of precursors and by-products such as hydrochloric acid, sodium hydroxide solution and styrene. These transactions are not included in core volume growth.

³ Reference values calculated on the basis of the definition of the core business effective March 31, 2019.

⁴ EMLA: Europe, Middle East, Africa and Latin America (excluding Mexico) region

⁵ NAFTA: United States, Canada and Mexico region

⁶ APAC: Asia and Pacific region

⁷ EBITDA: EBIT plus the sum of depreciation, amortization, impairment losses and impairment loss reversals

⁸ Adjusted EBITDA is not reported because no income or expense items were recognized as special items either in the reporting period or in the corresponding prior-year period.

⁹ EBIT: income after income taxes plus financial result and income taxes

¹⁰ Adjusted EBIT is not reported because no income or expense items were recognized as special items either in the reporting period or in the corresponding prior-year period.

¹¹ Net income: income after income taxes attributable to the stockholders of Covestro AG

¹² Operating cash flows: cash flows from operating activities according to IAS 7

¹³ Free operating cash flow: operating cash flows less cash outflows for additions to property, plant, equipment and intangible assets

Covestro Share at a Glance

		1st quarter 2018	1st quarter 2019
High	€	95.00	51.60
Low	€	79.44	42.80
Closing date	€	79.86	49.02

Covestro closing prices Xetra®; source: Bloomberg

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)
EBIT²	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 share³	3.24	0.98
Diluted earnings per share³	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 income²	(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."

1. Business Development of Covestro Group

Results of operations

In the first quarter of 2019, the Group's core volumes declined by 1.8%, mainly due to lower volumes in the Polycarbonates segment, which were down by 6.3% from the prior-year period. Volumes in the Polyurethanes (-0.2%) and Coatings, Adhesives, Specialties (-0.1%) segments remained around the level of the prior-year quarter.

Group sales amounted to €3,175 million, down by 16.0% from the prior-year quarter (previous year: €3,779 million). The main factor here was the decline in selling prices, which had a negative impact of 18.3% on sales. This development was attributable to the Polyurethanes and Polycarbonates segments, whereas the trend in average selling prices in the Coatings, Adhesives, Specialties segment had a positive effect of 1.7% on sales. Total volumes sold impacted sales, which increased by 0.9%. Exchange rate movements had a positive impact of 2.4%. The change in the portfolio resulting from the sale of the U.S. sheets business in the Polycarbonates segment in the third quarter of 2018 impacted sales, which dipped by 1.0%.

In the first quarter of 2019, lower sales were attributable to the Polyurethanes and Polycarbonates segments. Sales in the Polyurethanes segment dropped by 24.3% to €1,476 million (previous year: €1,950 million), and in the Polycarbonates segment they were down by 16.7% to €860 million (previous year: €1,033 million). In the Coatings, Adhesives, Specialties segment, sales increased by 5.9% to €627 million (previous year: €592 million).

The Group's EBITDA declined by 58.4% to €442 million in the first quarter of 2019 (previous year: €1,063 million), in particular due to significantly lower margins. 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 EBITDA.

EBITDA in the Polyurethanes segment dropped by 75.4% to €157 million (previous year: €637 million), and in the Polycarbonates segment it was down by 48.8% to €155 million (previous year: €303 million). In the Coatings, Adhesives, Specialties segment, EBITDA rose by 7.4% to €146 million (previous year: €136 million).

In the first quarter of 2019, the Covestro Group's EBIT was down by 70.9% to €264 million (previous year: €907 million).

Financial position

Operating cash flows decreased to €120 million from the prior-year quarter (previous year: €452 million), largely due to the significant drop in EBITDA. In contrast, the reduction in funds tied up in working capital had a positive effect.

Free operating cash flow declined to minus €45 million in the first quarter of 2019 (previous year: €364 million). This was mainly due to lower cash outflows from operating activities and the planned increase in cash outflows for additions to property, plant, equipment and intangible assets.

Net Financial Debt¹

	Dec. 31, 2018 ²	Mar. 31, 2019
	€ million	€ million
Bonds	996	996
Liabilities to banks	24	28
Lease liabilities ³	193	834
Liabilities from derivatives	12	22
Other financial liabilities	–	12
Receivables from derivatives	(12)	(22)
Financial liabilities	1,213	1,870
Cash and cash equivalents	(865)	(771)
Current financial assets	–	(40)
Net financial debt	348	1,059

¹ Net financial debt is not defined in the International Financial Reporting Standards and is calculated as shown in this table.

² Reference information was not restated; see section 6 "Changes in Accounting as a Result of the Initial Application of IFRS 16."

³ As of March 31, 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 €711 million to reach €1,059 million as of March 31, 2019. This rise was mainly attributable to the initial application of the IFRS 16 financial reporting standard and the resulting increase in lease liabilities. The decrease in cash and cash equivalents is chiefly the result of higher cash outflows for additions to property, plant, equipment and intangible assets, which exceeded net cash provided by operations. In addition, an investment was made in short-term bank deposits.

2. Business Development by Segment

2.1 Polyurethanes

Polyurethanes Key Data

	1st quarter 2018 ¹	1st quarter 2019	Change
	€ million	€ million	%
Core volume growth²	-1.0%	-0.2%	
Sales	1,950	1,476	-24.3
Change in sales			
Volume	-2.8%	+3.0%	
Price	+17.3%	-29.4%	
Currency	-7.4%	+2.1%	
Portfolio	0.0%	0.0%	
Sales by region			
EMLA	860	669	-22.2
NAFTA	475	411	-13.5
APAC	615	396	-35.6
EBITDA	637	157	-75.4
EBIT	547	57	-89.6
Operating cash flows	176	4	-97.7
Cash outflows for additions to property, plant, equipment and intangible assets	46	102	>100
Free operating cash flow	130	(98)	.

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

² Reference values calculated on the basis of the definition of the core business effective March 31, 2019

In the first quarter of 2019, core volumes in the Polyurethanes segment remained stable compared with the prior-year quarter.

Sales in the Polyurethanes segment declined by 24.3% to €1,476 million in the first quarter of 2019 (previous year: €1,950 million). The trend in selling prices impacted sales, which fell by 29.4% chiefly due to more intense competitive pressure. In contrast, total volumes sold had a positive effect on sales, which rose by 3.0%. Furthermore, exchange rate movements resulted in a 2.1% increase in sales.

In the EMLA region, sales were down by 22.2% to €669 million (previous year: €860 million) from the prior-year quarter due to the steep decline in selling prices. Conversely, total volumes sold saw a significant increase. The effect of exchange rate movements remained neutral. Sales in the NAFTA region decreased by 13.5% to €411 million (previous year: €475 million). Much lower selling prices and a considerable drop in total volumes sold combined to negatively impact sales. In contrast, changes in exchange rates had a significantly positive effect on sales figures. The APAC region's sales fell by 35.6% to €396 million (previous year: €615 million). Total volumes sold were substantially higher, while selling prices were down considerably. Exchange rate movements had a minor positive effect on sales.

Compared with the prior-year quarter, the Polyurethanes segment's EBITDA slid by 75.4% to €157 million in the first quarter of 2019 (previous year: €637 million). Greater competitive pressure led to a significant drop in margins, whereas volumes had a positive effect on EBITDA.

EBIT was down by 89.6% in the same period, dropping to €57 million (previous year: €547 million).

In the first quarter of 2019, free operating cash flow amounted to minus €98 million, down from the prior-year figure of €130 million. The main reasons for this development are the decline in EBITDA and greater cash outflows for property, plant and equipment, which stood in contrast to overall lower funds tied up in working capital.

2.2 Polycarbonates

Polycarbonates Key Data

	1st quarter 2018 ¹	1st quarter 2019	Change
	€ million	€ million	%
Core volume growth²	+2.7%	-6.3%	
Sales	1,033	860	-16.7
Change in sales			
Volume	+0.2%	-2.9%	
Price	+16.3%	-12.8%	
Currency	-8.2%	+2.6%	
Portfolio	0.0%	-3.6%	
Sales by region			
EMLA	362	289	-20.2
NAFTA	203	188	-7.4
APAC	468	383	-18.2
EBITDA	303	155	-48.8
EBIT	260	105	-59.6
Operating cash flows	79	138	+74.7
Cash outflows for additions to property, plant, equipment and intangible assets	23	39	+69.6
Free operating cash flow	56	99	+76.8

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

² Reference values calculated on the basis of the definition of the core business effective March 31, 2019

In the first quarter of 2019, core volumes in the Polycarbonates segment were 6.3% lower than in the prior-year period.

The Polycarbonates segment's sales slipped by 16.7% to €860 million (previous year: €1,033 million) in the first quarter of 2019. Average selling prices impacted sales, which dropped by 12.8%, while the decline in total volumes sold resulted in sales dipping by 2.9%. Exchange rate fluctuations had a positive impact of 2.6%. Moreover, the portfolio effect from the sale of the U.S. sheets business in the third quarter of 2018 also impacted sales, which decreased by 3.6%.

The EMLA region's sales dropped by 20.2% to €289 million (previous year: €362 million) due to much lower total volumes sold and average selling prices. The effect of exchange rate developments remained neutral. In the NAFTA region, sales declined by 7.4% to €188 million (previous year: €203 million), chiefly due to the aforementioned portfolio effect, which resulted in sales in the region declining considerably. A slight drop in the average selling price level was more than balanced out by a significant increase in total volumes sold and the strongly positive effects of exchange rate movements. Sales in the APAC region declined by 18.2% to €383 million (previous year: €468 million), with lower average selling prices exerting a considerable negative effect on sales. Conversely, the slight increase in total volumes sold and minor positive effect of exchange rate fluctuations resulted in higher sales.

EBITDA in the Polycarbonates segment in the first quarter of 2019 decreased by 48.8% compared with the prior-year quarter, dropping to €155 million (previous year: €303 million). In view of stable raw material prices overall, a drop in selling prices led to lower margins. In addition, a downturn in volumes and the portfolio effect from the sale of the U.S. sheets business adversely affected EBITDA.

EBIT was down by 59.6% in the same period, dropping to €105 million (previous year: €260 million).

In contrast, free operating cash flow improved by 76.8% to €99 million in the first quarter of 2019 (previous year: €56 million). In particular, the overall greater availability of working capital more than compensated for the lower EBITDA.

2.3 Coatings, Adhesives, Specialties

Coatings, Adhesives, Specialties Key Data

	1st quarter 2018 ¹	1st quarter 2019	Change
	€ million	€ million	%
Core volume growth²	-1.3%	-0.1%	
Sales	592	627	+5.9
Change in sales			
Volume	-2.2%	+1.1%	
Price	+1.0%	+1.7%	
Currency	-5.9%	+3.1%	
Portfolio	0.0%	0.0%	
Sales by region			
EMLA	298	294	-1.3
NAFTA	122	144	+18.0
APAC	172	189	+9.9
EBITDA	136	146	+7.4
EBIT	113	118	+4.4
Operating cash flows	17	12	-29.4
Cash outflows for additions to property, plant, equipment and intangible assets	19	24	+26.3
Free operating cash flow	(2)	(12)	>500

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

² Reference values calculated on the basis of the definition of the core business effective March 31, 2019

In the first quarter of 2019, core volumes in the Coatings, Adhesives, Specialties segment remained stable compared with the prior-year quarter.

The Coatings, Adhesives, Specialties segment's sales rose by 5.9% to €627 million (previous year: €592 million) in the first quarter of 2019. Total volumes sold and the increase in selling prices on average had positive effects on sales in the amount of 1.1% and 1.7%, respectively. The exchange rate trend also impacted sales, which improved by 3.1%.

In the EMLA region, sales were down by 1.3% to €294 million (previous year: €298 million). A light uptick in average selling prices could only partly offset the small drop in total volumes sold. The effect of exchange rate developments remained neutral. In the NAFTA region, sales rose by 18.0% to €144 million (previous year: €122 million). A slight increase in total volumes sold and a slight rise in average selling prices contributed positively to this sales growth. In addition, exchange rate fluctuations had the effect of boosting sales considerably. Sales in the APAC region grew by 9.9% to €189 million (previous year: €172 million). The trend in total volumes sold had a significantly positive effect on sales, although lower selling prices had a slightly negative impact on sales. Sales saw a small increase resulting from the effect of exchange rate movements.

EBITDA in the Coatings, Adhesives, Specialties segment in the first quarter of 2019 increased by 7.4% compared with the prior-year quarter, reaching €146 million (previous year: €136 million). The positive effect of higher volumes and increased margins contributed to this growth.

In the same period, EBIT climbed by 4.4% to €118 million (previous year: €113 million).

Free operating cash flow declined to minus €12 million in the first quarter of 2019 (previous year: minus €2 million). The increase in EBITDA stood in contrast to overall higher cash tied up in working capital and greater cash outflows for additions to property, plant, equipment and intangible assets.

3. Forecast

3.1 Economic Outlook

Economic Outlook

	Growth ¹ 2018	Growth ¹ forecast 2019 (Annual Report 2018)	Growth ¹ forecast 2019
	%	%	%
World	+3.1	+2.8	+2.6
European Union	+2.0	+1.3	+1.2
of which Germany	+1.5	+1.0	+0.8
NAFTA	+2.7	+2.4	+2.2
of which United States	+2.9	+2.5	+2.3
Asia-Pacific	+4.9	+4.7	+4.6
of which China	+6.6	+6.3	+6.3

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

In 2019, we expect weaker global economic growth than in the previous year at 2.6%. Our current assessment of the macroeconomic environment and of developments in the individual regions is therefore slightly weaker than our outlook in the Annual Report 2018.

Compared with our expectations from the Annual Report 2018, we so far see only minor changes, or none at all, for the performance of our main customer industries, with the exception of the automotive sector, assuming no further global trade barriers. Growth in the automotive industry is anticipated to be weaker than presented in the Annual Report 2018.

3.2 Forecast for Key Data

On the basis of the business performance described in this quarterly statement and with consideration of the potential associated risks and opportunities, we confirm the forecast made in the Annual Report 2018 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 2019, we anticipate free operating cash flow (FOCF) of between €300 million and €700 million. For the Polyurethanes segment, we assume an increase in cash outflows for additions to property, plant, equipment and intangible assets that will exceed the expected operating cash flows. 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 fiscal 2019, we expect ROCE¹ of between 8% and 13%.

¹ 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.

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 Function¹

	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

€1/		Closing rates		
		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

€1/		Average rates	
		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		Covestro Group
	Polyurethanes	Polycarbonates	Coatings, Adhesives, Specialties	All other segments	Corporate Center and reconciliation	
	€ 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 growth¹	-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 capital²	1,172	785	610	94	(5)	2,656
1st quarter 2018³						
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 growth¹	-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 capital²	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

Half-Year Financial Report 2019	July 24, 2019
Q3 2019 Interim Statement	October 28, 2019
Annual Report 2019	February 19, 2020
Annual General Meeting 2020	April 17, 2020

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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