INTERIM REPORT

Financial Report as of June 30, 2018

Half-Year Financial Report

Covestro Group Key Data

	2nd quarter 2017	2nd quarter 2018	Change	1st half 2017	1st half 2018	Change
	€ million	€ million	%	€ million	€ million	%
Core volume growth[1, 2]	**–1.7%**	**+4.4%**		**+3.5%**	**+2.2%**	
Sales	**3,498**	**3,863**	**+10.4**	**7,084**	**7,642**	**+7.9**
Change in sales						
Volume	+0.6%	+4.9%		+5.2%	+1.6%	
Price	+15.3%	+9.9%		+14.4%	+12.1%	
Currency	+1.1%	–4.4%		+1.2%	–5.8%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
Sales by region						
EMLA[3]	1,496	1,677	+12.1	3,022	3,356	+11.1
NAFTA[4]	878	885	+0.8	1,761	1,725	–2.0
APAC[5]	1,124	1,301	+15.7	2,301	2,561	+11.3
EBITDA[6, 7]	**848**	**985**	**+16.2**	**1,694**	**2,048**	**+20.9**
Changes in EBITDA						
of which volume	2.2%	11.7%		13.3%	4.7%	
of which price	84.5%	40.8%		80.3%	50.7%	
of which raw material costs	–40.6%	–11.1%		–33.4%	–12.8%	
of which currency	1.5%	–4.1%		1.2%	–6.2%	
EBIT[8, 9]	**687**	**826**	**+20.2**	**1,375**	**1,733**	**+26.0**
Financial result	**(34)**	**(27)**	**–20.6**	**(88)**	**(55)**	**–37.5**
Net income[10]	**484**	**604**	**+24.8**	**952**	**1,248**	**+31.1**
Earnings per share (€)[11]	**2.39**	**3.07**	**+28.5**	**4.70**	**6.31**	**+34.3**
Operating cash flows[12]	**411**	**517**	**+25.8**	**696**	**969**	**+39.2**
Cash outflows for additions to property, plant, equipment and intangible assets	**92**	**153**	**+66.3**	**166**	**241**	**+45.2**
Free operating cash flow[13]	**319**	**364**	**+14.1**	**530**	**728**	**+37.4**

1 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 tons compared with the prior year. Covestro also takes advantage of business opportunities outside its core business, for example the sale of raw materials and by-products such as hydrochloric acid, sodium hydroxide solution and styrene. These transactions are not included in core volume growth.
2 Reference values calculated based on the definition of the core business effective March 31, 2018
3 EMLA: Europe, Middle East, Africa and Latin America (excl. Mexico) region
4 NAFTA: United States, Canada and Mexico region
5 APAC: Asia and Pacific region
6 EBITDA: EBIT plus the sum of depreciation, amortization, impairment losses and impairment loss reversals
7 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.
8 EBIT: Income after income taxes plus financial result and income taxes
9 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.
10 Net income: income after income taxes attributable to the stockholders of Covestro AG
11 Earnings per share: according to IAS 33, earnings per share comprise net income divided by the weighted average number of outstanding no-par voting shares of Covestro AG. The calculation was based on 202,500,000 no-par shares for the previous year, on 196,605,012 no-par shares for the second quarter of 2018, and on 197,746,827 no-par shares for the first half of 2018.
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

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About this Report

Reporting Principles

The consolidated interim report of Covestro AG meets the requirements for a half-yearly financial report pursuant to the applicable provisions of the German Securities Trading Act (WpHG) and in accordance with Section 115 of the German Securities Trading Act comprises condensed consolidated interim financial statements, an interim Group management report, and a responsibility statement. The consolidated interim financial statements were prepared in accordance with IAS 34 according to the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) as endorsed by the European Union (EU) and in effect at the closing date, as well as their Interpretations. The reference information for fiscal 2017 has not been restated to reflect the new financial reporting standards, see Note 2 "Effects of New Financial Reporting Standards". This consolidated interim report should be read alongside the annual report for fiscal 2017 and the additional information about the company contained therein, as well as the Q1 2018 Interim Statement.

Forward-Looking Statements

This Interim Report 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.

Rounding

As the indicators in this report are stated in accordance with commercial rounding principles, totals and percentages may not always be exact.

Percentage Deviations

Percentage deviations are only calculated and reported if they are no more than 100%. Larger deviations are reported as >100%, >200%, etc. If a deviation changes from positive to negative or vice versa, or if it is greater than 1,000%, this is shown by a period.

Alternative Performance Measures

Throughout its financial reporting, Covestro uses alternative performance measures (APMs) to assess the performance of the Group. These are not defined in the International Financial Reporting Standards (IFRSs). They should be considered a supplement to, not a replacement for, the performance measures determined in accordance with IFRSs.

The alternative performance measures of relevance to the Covestro Group include EBITDA, return on capital employed (ROCE), free operating cash flow (FOCF), and net financial debt. Covestro uses ROCE to assess profitability in the context of the company's internal management system. EBITDA is also calculated as an additional indicator of profitability. FOCF is a key factor in the presentation of the liquidity position that indicates the company's ability to generate a cash surplus and finance its activities. Net financial debt gauges the Group's financial condition and financing requirements. The calculation methods for the APMs may vary from those of other companies, thus limiting the extent of the overall comparability. These alternative performance measures should not be viewed in isolation or employed as an alternative to the financial indicators determined in accordance with IFRSs and presented in the consolidated financial statements for purposes of assessing Covestro's net assets, financial position and results of operations.

Explanations of the definition and calculation of the alternative performance measures can be found in section 19 "Alternative Performance Measures" in the Combined Management Report in the Annual Report 2017.

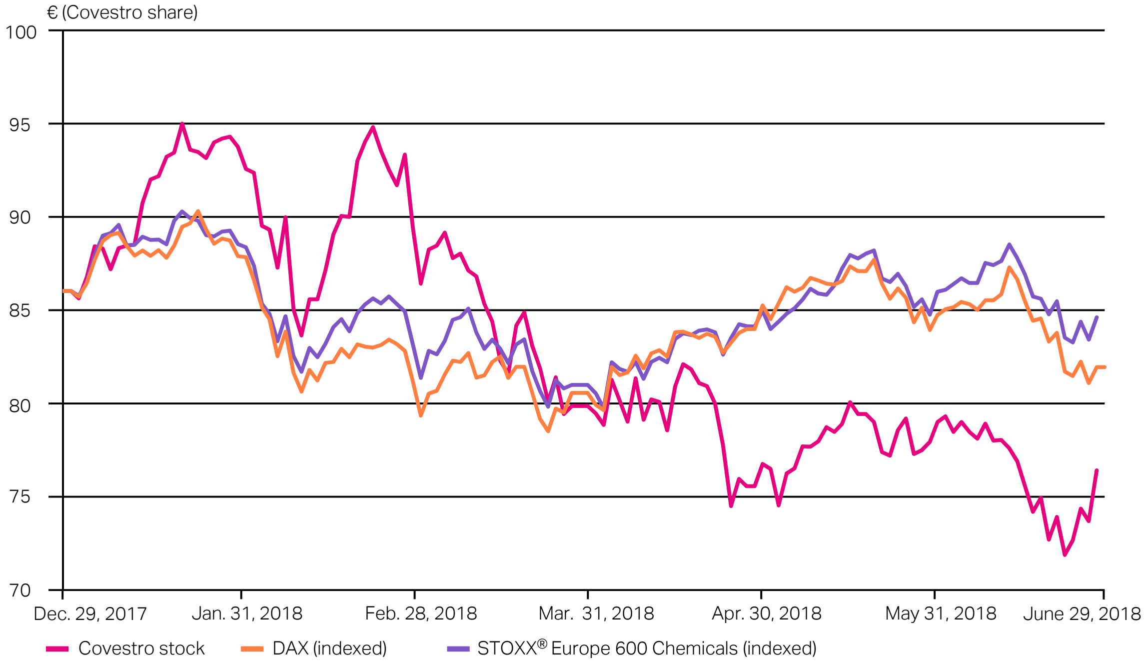
Abbreviations

The abbreviations used in this report are explained in the glossary of the Covestro Annual Report 2017.

This Interim Report was published in German and English on July 26, 2018. Only the German version is binding.

Covestro on the Capital Market

Performance of the Covestro Stock Versus the Market in the First Half of 2018



Covestro closing prices Xetra®; source: Bloomberg

Inclusion in the DAX

On March 19, 2018, Deutsche Börse AG added Covestro to the German benchmark index, the DAX, through a fast-entry process. As a result, Covestro is now one of the 30 most important listed companies in Germany. Its market capitalization and free float have increased continuously since the IPO in October 2015. Covestro was added to the MDAX index at the end of 2015 and has been included in the STOXX® Europe 600 Chemicals, MSCI Global Standard Germany, and FTSE Global Equity Index Series since 2016.

Covestro stock in a weak environment

Many major indices such as the EURO STOXX 50® posted a negative performance in the first half of 2018. At the end of June, the DAX, which is relevant for Covestro, was down 4.7% compared with its value at year-end 2017, while the STOXX® Europe 600 Chemicals Index fell 1.6% during the same period.

Covestro stock finished the first half of 2018 at a Xetra® closing price of €76.42 – a drop of 11.2% compared with the end of 2017. The low for the first six months was a closing price of €71.88 on June 25, 2018. The high for the period was €95.00 on January 19, 2018.

Covestro Share at a Glance

		2nd quarter 2017	2nd quarter 2018	1st half 2017	1st half 2018
Average daily turnover	million shares	0.6	1.3	0.6	1.2
High	€	76.22	82.10	76.22	95.00
Low	€	62.98	71.88	62.07	71.88
Closing date	€	63.21	76.42	63.21	76.42
Outstanding shares (closing date)	million shares	202.5	192.6	202.5	192.6
Market capitalization (closing date)	€ million	12,800	14,717	12,800	14,717

Covestro closing prices Xetra®; source: Bloomberg

Dividend of €2.20 per share paid

At this year's Annual Stockholders' Meeting on April 13, 2018, which took place at the World Conference Center in Bonn (Germany), stockholders approved the dividend of €2.20 per share proposed by the Board of Management and the Supervisory Board of Covestro AG for 2017. Covestro therefore increased its dividend for 2017 considerably, by 63%, compared with the previous year (€1.35 per share). The dividend was paid on April 18, 2018.

Share buy-back program making progress

On October 24, 2017, Covestro AG's Board of Management resolved to buy back shares totaling up to €1.5 billion, or up to 10% of the company's capital stock, whichever comes first. The overall program runs until mid-2019. The first tranche started on November 21, 2017, and ran until February 28, 2018. In this period, 4.5 million shares with a total value of around €400 million were repurchased. The second tranche of the share buy-back program has been running since May 4, 2018. By June 29, 2018, around 5.4 million shares in this tranche with a total value of around €413 million had been repurchased. Overall, around 5% of the capital stock had been repurchased under this program by the end of the first six months of 2018.

Free float at around 93%

Bayer AG reduced its direct interest in Covestro further at the start of 2018 by selling 21 million shares. The share placement took place after the markets closed on January 10, 2018, and was aimed exclusively at institutional investors. On May 3, 2018, Bayer AG initiated the sale of a further block of around 29 million Covestro shares. This block was also offered exclusively to institutional investors. Based on publicly available information, Bayer AG has held approximately 7% of Covestro's outstanding shares since then.

Including its own shares from the ongoing share buy-back program, some 93% of the outstanding shares are in free float in Covestro's view.

Capital Markets Day in London

On June 28, 2018, Covestro held its third Capital Markets Day. The event was once again held in London (United Kingdom) and was attended by around 70 investors and financial analysts. CEO Dr. Markus Steilemann presented the corporate strategy and major growth areas. He was followed by CFO Dr. Thomas Toepfer, who outlined the key financial data and targets. The segment heads then discussed the corporate strategy with the participants.

Buy recommendations from 12 analysts

At the end of the first six months of 2018, Covestro was covered by 20 securities brokers. Their overall conclusions were positive: 12 analysts recommended the stock as a buy, seven were neutral, and one rated it as a sell. The average share price target at the end of the period was €102.

Basic Covestro Share Information

Capital stock	€202,500,000
Outstanding shares (Half-year-end)	192,574,886
Share class	No-par ordinary bearer shares
ISIN	DE0006062144
WKN	606214
Ticker symbol	1COV
Reuters symbol	1COV.DE
Bloomberg symbol	1COV GY
Market segment	Regulated market
Transparency level	Prime standard
Sector	Chemicals
Index	DAX

Interim Group Management Report

as of June 30, 2018

1. Business Development Covestro Group

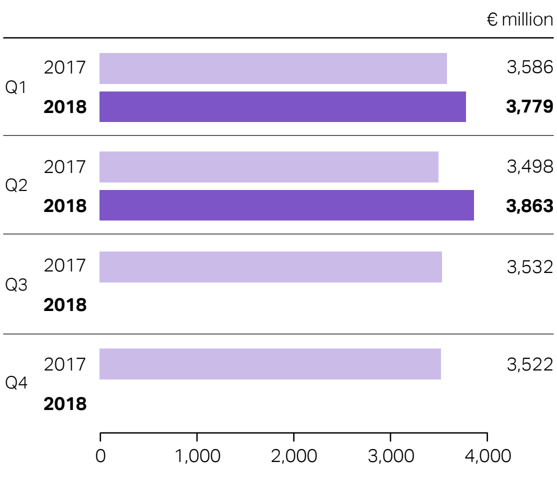
Second quarter 2018

In the second quarter of 2018, the Group's core volumes (in kilotons) were 4.4% higher than in the prior-year quarter. The Coatings, Adhesives, Specialties and Polycarbonates segments reported growth rates of 5.8% and 5.3%, respectively. The Polyurethanes segment increased core volumes by 3.9%.

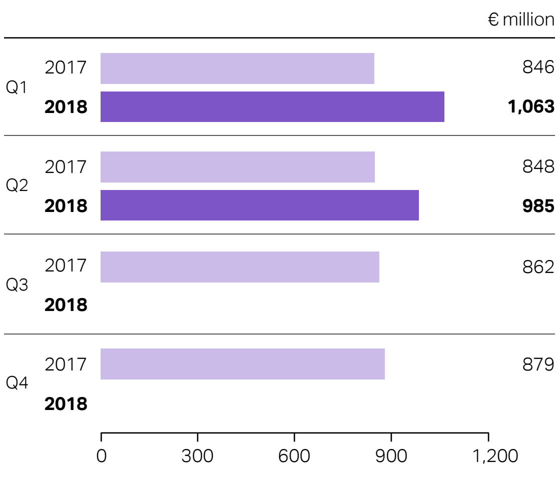
Group sales amounted to €3,863 million, up 10.4% from the prior-year quarter (previous year: €3,498 million). This was mainly due to higher selling prices, which had a positive effect on sales of 9.9%. Total volumes were also higher and increased sales by 4.9%. Exchange rate movements reduced Group sales by 4.4%.

The increase in sales in the second quarter of 2018 was driven principally by the Polycarbonates segment, where sales rose to €1,056 million (previous year: €911 million). The Polyurethanes and Coatings, Adhesives, Specialties segments also reported higher sales. Sales climbed to €1,966 million (previous year: €1,818 million) in the Polyurethanes segment and to €629 million (previous year: €604 million) in the Coatings, Adhesives, Specialties segment.

Covestro Group
Quarterly Sales



Covestro Group
Quarterly EBITDA



In the second quarter of 2018, the Covestro Group improved EBITDA by 16.2% to €985 million (previous year: €848 million). The improvement in earnings was driven primarily by higher margins in the Polycarbonates segment.

EBITDA increased in all segments. EBITDA in the Polyurethanes segment posted a rise of 6.2% to €583 million (previous year: €549 million), and in the Polycarbonates segment EBITDA surged 44.7% to €285 million (previous year: €197 million). In the Coatings, Adhesives, Specialties segment, EBITDA increased by 14.9% to €139 million (previous year: €121 million).

Depreciation, amortization and impairments decreased by 1.2% to €159 million in the second quarter of 2018 (previous year: €161 million). They comprised €153 million (previous year: €156 million) in depreciation and impairments of property, plant and equipment and €6 million (previous year: €5 million) in amortization and impairments of intangible assets.

In the second quarter of 2018, the Covestro Group's EBIT grew by 20.2% to €826 million (previous year: €687 million).

Taking into account a financial result of minus €27 million (previous year: minus €34 million), income before income taxes rose to €799 million, compared with €653 million in the prior-year quarter. After tax expense of €193 million (previous year: €167 million), which increased in line with earnings, income after income taxes was €606 million (previous year: €486 million). After noncontrolling interests, net income amounted to €604 million (previous year: €484 million). Compared with the prior-year quarter, the earnings per share rose to €3.07 (prior year: €2.39).

Operating cash flows increased to €517 million (previous year: €411 million). A reduction in the funds tied up in working capital and a significant improvement in EBITDA were countered by higher income tax payments.

Driven by the improved operating cash flows, free operating cash flow increased by 14.1% in the second quarter of 2018 to €364 million (previous year: €319 million). Cash outflows for additions to property, plant, equipment and intangible assets increased to €153 million (previous year: €92 million).

First half of 2018

In the first half of 2018, the Group's core volumes (in kilotons) were 2.2% higher than in the prior-year period. This increase was attributable to all three segments, but especially the Polycarbonates segment, which posted a growth rate of 4.0%.

In the first six months of 2018, Group sales increased by 7.9% compared with the prior-year period to €7,642 million (previous year: €7,084 million). The sales growth resulted chiefly from an overall increase of 12.1% in selling prices. In the Polycarbonates and Polyurethanes segments in particular, selling prices were well above the level in the prior-year period. Total volumes had a positive effect of 1.6% on sales in the first half of the year. Exchange rate movements had a negative effect of 5.8%.

The Polycarbonates and Polyurethanes segments both increased sales in the first six months of 2018. Sales in the Polycarbonates segment rose by 12.0% to €2,089 million in this period (previous year: €1,865 million). In the Polyurethanes segment, sales were up 7.6% at €3,916 million (previous year: €3,639 million). In the Coatings, Adhesives, Specialties segment, sales slipped 1.6% to €1,221 million (previous year: €1,241 million).

The Group's EBITDA increased by 20.9% year on year in the first six months, from €1,694 million to €2,048 million, driven by increased earnings in the Polyurethanes and Polycarbonates segments.

Depreciation, amortization and impairments in the first half of 2018 decreased by 1.3% to €315 million (previous year: €319 million). They comprised €304 million (previous year: €306 million) in depreciation and impairments of property, plant and equipment and €11 million (previous year: €13 million) in amortization and impairments of intangible assets.

In the first half of 2018, the Covestro Group improved EBIT by 26.0% to €1,733 million (previous year: €1,375 million).

Taking into account a financial result of minus €55 million (previous year: minus €88 million), income before income taxes rose to €1,678 million, compared with €1,287 million in the prior-year period. After tax expense of €426 million (previous year: €332 million), which increased in line with earnings, income after income taxes was €1,252 million (previous year: €955 million). After noncontrolling interests, net income amounted to €1,248 million (previous year: €952 million). Earnings per share increased to €6.31 (prior year: €4.70).

Operating cash flows rose to €969 million in the first six months of 2018 (previous year: €696 million).

Free operating cash flow improved by 37.4% to €728 million in the first half of 2018 (previous year: €530 million).

2. Business Development by Segment

2.1 Polyurethanes

Polyurethanes Key Data[1]

	2nd quarter 2017	2nd quarter 2018	Change	1st half 2017	1st half 2018	Change
	€ million	€ million	%	€ million	€ million	%
Core volume growth[2]	**–2.9%**	**+3.9%**		**+1.6%**	**+1.4%**	
Sales	**1,818**	**1,966**	**+8.1**	**3,639**	**3,916**	**+7.6**
Change in sales						
Volume	–1.8%	+3.3%		+2.4%	+0.3%	
Price	+28.4%	+9.2%		+27.7%	+13.2%	
Currency	+1.2%	–4.4%		+1.3%	–5.9%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
Sales by region						
EMLA	778	871	+12.0	1,555	1,731	+11.3
NAFTA	482	486	+0.8	954	961	+0.7
APAC	558	609	+9.1	1,130	1,224	+8.3
EBITDA	**549**	**583**	**+6.2**	**1,017**	**1,220**	**+20.0**
EBIT	**454**	**492**	**+8.4**	**837**	**1,039**	**+24.1**
Operating cash flows	**210**	**364**	**+73.3**	**246**	**540**	**>100**
Cash outflows for additions to property, plant, equipment and intangible assets	**50**	**84**	**+68.0**	**90**	**130**	**+44.4**
Free operating cash flow	**160**	**280**	**+75.0**	**156**	**410**	**>100**

[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

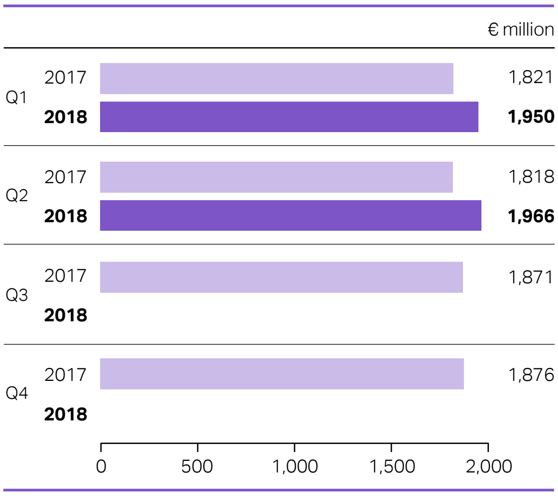
Second quarter 2018

In the second quarter of 2018, the Polyurethanes segment increased core volumes by 3.9% year on year, with most of the rise coming from the MDI product group. The TDI and polyether polyols product groups also reported higher volumes.

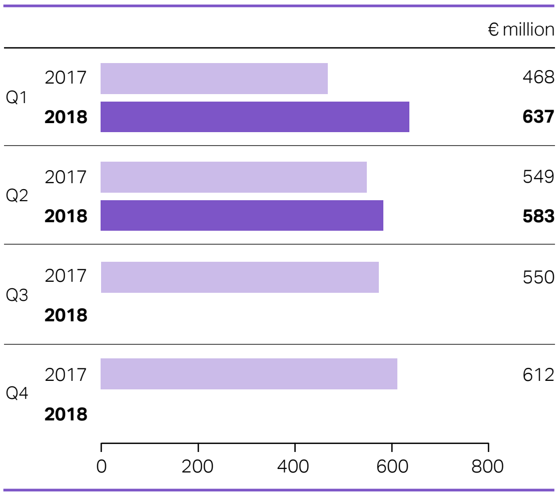
Sales of Polyurethanes amounted to €1,966 million, an increase of 8.1% compared with the prior-year quarter (previous year: €1,818 million). Selling prices were up 9.2%, which had a positive impact on sales. A favorable supply/demand situation enabled all product groups to report considerably higher average selling prices. The development of total volumes lifted sales by 3.3%, whereas changes in exchange rates diminished sales by 4.4%.

In the EMLA region, sales grew 12.0% to €871 million (previous year: €778 million). The higher average selling prices had a significantly positive effect, while the overall increase in volumes boosted sales slightly. Exchange rate effects had a mildly negative impact on sales. In the NAFTA region, sales were stable at €486 million (previous year: €482 million). Significantly higher selling prices could not compensate for the slight drop in total volumes and strongly negative exchange rate effects. Sales in the APAC region rose 9.1% to €609 million (previous year: €558 million). Sales were lifted by the considerable rise in total volumes sold and by slightly higher average selling prices. Changes in exchange rates had a somewhat negative effect on sales.

Polyurethanes Quarterly Sales[1]



Polyurethanes Quarterly EBITDA[1]



[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.

The Polyurethanes segment's EBITDA rose 6.2% year on year to €583 million in the second quarter of 2018 (previous year: €549 million). Earnings were lifted by the positive overall development of selling prices and higher volumes.

EBIT rose to €492 million (previous year: €454 million).

Free operating cash flow increased by 75.0% to €280 million (previous year: €160 million). This was chiefly due to improved EBITDA and a significant reduction in funds tied up in working capital.

First half of 2018

In the first half of 2018, core volumes in the Polyurethanes segment rose by 1.4% compared with the prior-year period. Positive core volume growth in the polyether polyols and MDI product groups more than offset the decline in volumes in the TDI product group.

The Polyurethanes segment's sales rose 7.6% year on year to €3,916 million in the first six months of 2018 (previous year: €3,639 million). Sales were lifted by a 13.2% increase in the selling price level. Total volumes remained stable at the prior-year level, with a 0.3% impact on sales, while exchange rate changes reduced sales by 5.9%.

EBITDA advanced 20.0% compared with the prior-year period to €1,220 million (previous year: €1,017 million), mainly because selling prices developed positively.

EBIT rose by 24.1% to €1,039 million (previous year: €837 million).

Free operating cash flow increased by 162.8% to €410 million (previous year: €156 million). This rise was driven by an improvement in EBITDA and an overall reduction in the funds tied up in working capital.

2.2 Polycarbonates

Polycarbonates Key Data

	2nd quarter 2017	2nd quarter 2018	Change	1st half 2017	1st half 2018	Change
	€ million	€ million	%	€ million	€ million	%
Core volume growth[1]	**+0.7%**	**+5.3%**		**+7.5%**	**+4.0%**	
Sales	**911**	**1,056**	**+15.9**	**1,865**	**2,089**	**+12.0**
Change in sales						
Volume	+2.5%	+5.6%		+9.5%	+2.8%	
Price	+6.1%	+15.2%		+4.6%	+15.8%	
Currency	+1.0%	–4.9%		+1.2%	–6.6%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
Sales by region						
EMLA	305	353	+15.7	627	715	+14.0
NAFTA	225	209	–7.1	456	412	–9.6
APAC	381	494	+29.7	782	962	+23.0
EBITDA	**197**	**285**	**+44.7**	**429**	**588**	**+37.1**
EBIT	**152**	**241**	**+58.6**	**336**	**501**	**+49.1**
Operating cash flows	**1**	**155**	**.**	**61**	**234**	**>200**
Cash outflows for additions to property, plant, equipment and intangible assets	**26**	**44**	**+69.2**	**45**	**67**	**+48.9**
Free operating cash flow	**(25)**	**111**	**.**	**16**	**167**	**>900**

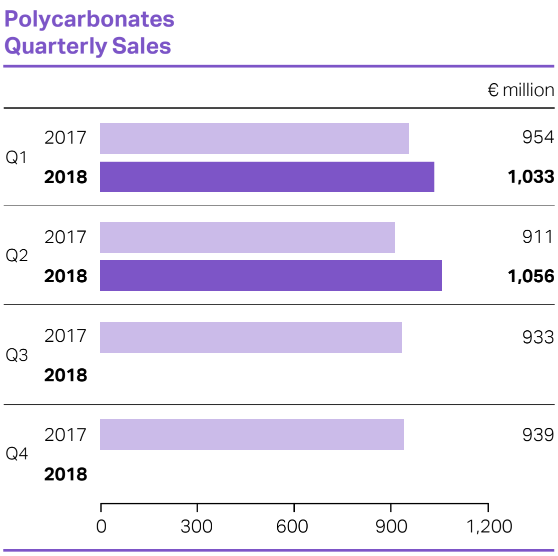
[1] Reference values calculated based on the definition of the core business effective March 31, 2018

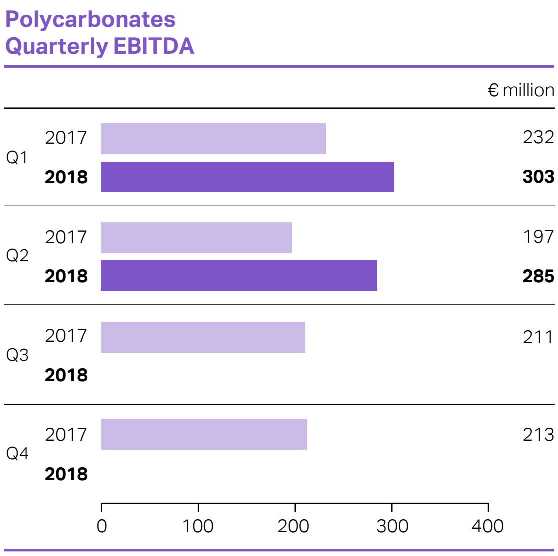
Second quarter 2018

In the second quarter of 2018, core volumes in the Polycarbonates segment were 5.3% higher than in the prior-year quarter. In particular, the APAC region contributed to this increase.

Sales in the Polycarbonates segment rose by 15.9% to €1,056 million (previous year: €911 million). The main driver was higher selling prices, which increased sales by 15.2%. The rise in total volumes sold increased sales by 5.6%. Exchange rate movements reduced sales by 4.9%.

In the EMLA region, sales grew by 15.7% to €353 million (previous year: €305 million). A considerable rise in total volumes and in the selling price level had a positive impact on sales. In the NAFTA region, sales declined by 7.1% to €209 million (previous year: €225 million). A robust increase in average selling prices was unable to compensate for the clearly negative effects of exchange rate movements and the reduction in total volumes. In the APAC region, sales jumped 29.7% to €494 million (previous year: €381 million). Much higher selling prices and a significant rise in total volumes outweighed the considerable adverse effects of exchange rate movements.





In the second quarter of 2018, EBITDA in the Polycarbonates segment increased 44.7% compared with the prior-year quarter, to €285 million (previous year: €197 million). The positive development of selling prices and an increase in volumes sold more than compensated for higher raw material prices.

EBIT rose by 58.6% to €241 million (previous year: €152 million).

Free operating cash flow increased to €111 million (previous year: minus €25 million). The main drivers here were an improvement in EBITDA and an overall reduction in the funds tied up in working capital.

First half of 2018

In the first half of 2018, core volumes in the Polycarbonates segment were 4.0% higher than in the prior-year period. The APAC region was a key driving force behind this rise.

Sales in the Polycarbonates segment grew by 12.0% to €2,089 million in the first half of 2018 (previous year: €1,865 million). The expansion of total volumes had a positive effect of 2.8% on sales. The development of average selling prices boosted sales by 15.8%, whereas the change in exchange rates diminished sales by 6.6%.

In the first six months of 2018, EBITDA in the Polycarbonates segment increased 37.1% over the prior-year period to €588 million (previous year: €429 million), largely due to the positive development of selling prices.

EBIT rose by 49.1% to €501 million (previous year: €336 million).

Free operating cash flow increased to €167 million (previous year: €16 million). This was mainly attributable to the increase in EBITDA. The reduction in funds tied up in working capital also had a positive effect.

2.3 Coatings, Adhesives, Specialties

Coatings, Adhesives, Specialties Key Data[1]

	2nd quarter 2017	2nd quarter 2018	Change	1st half 2017	1st half 2018	Change
	€ million	€ million	%	€ million	€ million	%
Core volume growth[2]	**–0.2%**	**+5.8%**		**+5.1%**	**+2.1%**	
Sales	**604**	**629**	**+4.1**	**1,241**	**1,221**	**–1.6**
Change in sales						
Volume	+1.3%	+6.3%		+6.2%	+2.0%	
Price	–0.1%	+1.7%		–0.4%	+1.3%	
Currency	+1.0%	–3.9%		+1.3%	–4.9%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
Sales by region						
EMLA	285	299	+4.9	580	597	+2.9
NAFTA	138	137	–0.7	281	259	–7.8
APAC	181	193	+6.6	380	365	–3.9
EBITDA	**121**	**139**	**+14.9**	**281**	**275**	**–2.1**
EBIT	**101**	**116**	**+14.9**	**237**	**229**	**–3.4**
Operating cash flows	**50**	**66**	**+32.0**	**84**	**83**	**–1.2**
Cash outflows for additions to property, plant, equipment and intangible assets	**16**	**25**	**+56.3**	**30**	**44**	**+46.7**
Free operating cash flow	**34**	**41**	**+20.6**	**54**	**39**	**–27.8**

[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

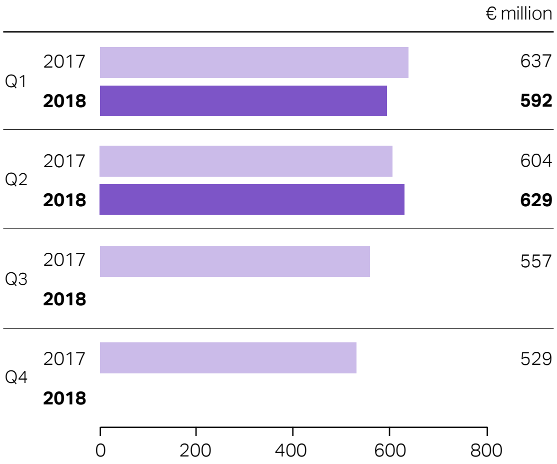
Second quarter 2018

In the second quarter of 2018, core volumes in the Coatings, Adhesives, Specialties segment were 5.8% higher than in the prior-year quarter.

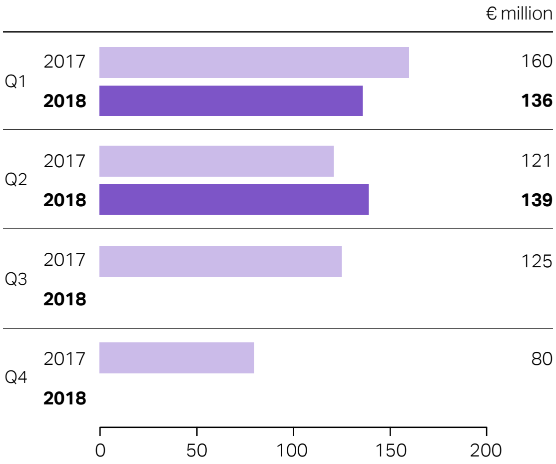
Segment sales rose by 4.1% to €629 million (previous year: €604 million). The 6.3% rise in total volumes and the 1.7% rise in average selling prices had a positive effect on sales. Exchange rate movements reduced sales by 3.9%.

In the EMLA region, sales grew 4.9% to €299 million (previous year: €285 million). A rise in total volumes and average selling prices had a slightly positive impact on sales. In the NAFTA region, sales were stable year on year at €137 million (previous year: €138 million). A minor increase in total volumes and average selling prices offset the significantly negative effect of changes in exchange rates. In the APAC region, sales grew 6.6% to €193 million (previous year: €181 million), mainly due to a substantial increase in total volumes sold. By contrast, average selling prices had a minor negative effect, and exchange rates had a considerable negative effect on sales.

Coatings, Adhesives, Specialties
Quarterly Sales[1]



Coatings, Adhesives, Specialties
Quarterly EBITDA[1]



[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.

EBITDA in the Coatings, Adhesives, Specialties segment increased by 14.9% to €139 million in the second quarter of 2018 (previous year: €121 million). In particular, higher sales volumes had a positive effect on EBITDA.

EBIT rose by 14.9% to €116 million (previous year: €101 million).

In the second quarter of 2018, the free operating cash flow grew 20.6% year on year to €41 million (previous year: €34 million). The improvement in EBITDA was higher than the increase in cash outflows for additions to property, plant and equipment.

First half of 2018

In the first half of 2018, core volumes in the Coatings, Adhesives, Specialties segment were 2.1% higher than in the prior-year period.

During the same period, sales of Coatings, Adhesives, Specialties fell 1.6% to €1,221 million (previous year: €1,241 million). This was principally attributable to changes in exchange rates, which negatively affected sales by 4.9%. The rise in total volumes increased sales by 2.0%, while higher average selling prices lifted sales by 1.3%.

In the first half of 2018, EBITDA decreased by 2.1% compared with the prior-year period to €275 million (previous year: €281 million) due to a weaker first quarter.

EBIT was 3.4% lower at €229 million (previous year: €237 million).

Free operating cash flow declined by 27.8% to €39 million (previous year: €54 million), mainly due to higher cash outflows for additions to property, plant and equipment.

3. Net Assets and Financial Position of the Covestro Group

Covestro Group Summary Statement of Cash Flows

	2nd quarter 2017	2nd quarter 2018	1st half 2017	1st half 2018
	€ million	€ million	€ million	€ million
EBITDA	**848**	**985**	**1,694**	**2,048**
Income taxes paid	(33)	(279)	(62)	(335)
Change in pension provisions	16	–	26	8
(Gains) losses on retirements of noncurrent assets	(38)	–	(45)	1
Change in working capital/other noncash items	(382)	(189)	(917)	(753)
Cash flows from operating activities	**411**	**517**	**696**	**969**
Cash outflows for additions to property, plant, equipment and intangible assets	(92)	(153)	(166)	(241)
Free operating cash flow	**319**	**364**	**530**	**728**
Cash flows from investing activities	**(250)**	**(65)**	**(377)**	**(35)**
Cash flows from financing activities	**(289)**	**(903)**	**(280)**	**(1,692)**
Change in cash and cash equivalents due to business activities	**(128)**	**(451)**	**39**	**(758)**
Cash and cash equivalents at beginning of period	**434**	**926**	**267**	**1,232**
Change in cash and cash equivalents due to exchange rate movements	(6)	–	(6)	1
Cash and cash equivalents at end of period	**300**	**475**	**300**	**475**

Cash flows from operating activities

In the second quarter of 2018, cash flows from operating activities rose to €517 million (previous year: €411 million). The main factors behind this improvement were the reduction in funds tied up in working capital and higher EBITDA. They were countered by higher income tax payments. After deduction of cash outflows for additions to property, plant, equipment and intangible assets, free operating cash flow totaled €364 million (previous year: €319 million).

In the first half of 2018, cash flows from operating activities amounted to €969 million, up from the previous year's figure of €696 million. After deduction of cash outflows for additions to property, plant, equipment, and intangible assets totaling €241 million (previous year: €166 million), free operating cash flow was €728 million (previous year: €530 million).

Cash flows from investing activities

Cash outflows for investing activities in the second quarter of 2018 totaled €65 million (previous year: €250 million). Cash outflows for additions to property, plant and equipment and intangible assets totaling €153 million (previous year: €92 million) were offset by cash inflows from items such as maturing bank deposits.

Cash outflows for investing activities in the first half of 2018 totaled €35 million (previous year: €377 million). Cash outflows for additions to property, plant and equipment and intangible assets totaling €241 million (previous year: €166 million) were balanced out by cash inflows from items such as maturing bank deposits.

Cash flows from financing activities

Cash outflows for financing activities for the Covestro Group in the second quarter of 2018 amounted to €903 million (previous year: €289 million). This figure was mainly attributable to Covestro AG's dividend distribution of €436 million and cash outflows of €413 million for the purchase of treasury shares. In addition, borrowings of €34 million stood in contrast to repaid debt of €64 million and interest paid of €20 million.

In the first six months of 2018, the Covestro Group's cash outflows for financing activities totaled €1,692 million (previous year: €280 million). In addition to the cash outflows in the second quarter of 2018, the effect of the redemption of the first tranche of the debt issuance program in the amount of €500 million was still noticeable here.

Net Financial Debt[1]

	Dec. 31, 2017	June 30, 2018
	€ million	€ million
Bonds	1,495	996
Liabilities to banks	69	40
Liabilities under finance leases	223	210
Liabilities from derivatives	9	19
Receivables from derivatives	(15)	(5)
Financial liabilities	**1,781**	**1,260**
Cash and cash equivalents	(1,232)	(475)
Current financial assets	(266)	(79)
Net financial debt	**283**	**706**

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

The Covestro Group's net financial debt increased by €423 million as of December 31, 2017, to €706 million as of June 30, 2018. Cash and cash equivalents and cash inflows from operating activities were used to redeem the first tranche of the €500 million debt issuance program and for Covestro AG's dividend payment of €436 million. In addition, additional shares with a total value of €670 million were purchased under the share buy-back program in the first half of 2018. Covestro AG repurchased 8,256,602 shares between January 1 and June 30, 2018. Current financial assets declined to €79 million (previous year: €266 million), partly because bank deposits matured.

Covestro Group Summary Statement of Financial Position

	Dec. 31, 2017	June 30, 2018
	€ million	€ million
Noncurrent assets	5,606	5,633
Current assets	5,735	5,269
Total assets	**11,341**	**10,902**
Equity	**5,365**	**5,505**
Noncurrent liabilities	2,885	2,981
Current liabilities	3,091	2,416
Liabilities	**5,976**	**5,397**
Total equity and liabilities	**11,341**	**10,902**

Total assets declined by €439 million compared with December 31, 2017, to €10,902 million as of June 30, 2018.

Noncurrent assets remained at the year-end level of €5,633 million. Current assets decreased by €466 million to €5,269 million. This drop resulted mainly from a reduction in cash and cash equivalents and in other financial assets. By contrast, trade accounts receivable and inventories increased.

Equity grew by €140 million as compared with December 31, 2017, to €5,505 million. The increase in income after income taxes was offset by equity-reducing effects from the repurchase of shares in the company and the dividend payment.

Liabilities were down €579 million, totaling €5,397 million as of June 30, 2018. Provisions for pensions and other post-employment benefits increased by €118 million to €1,305 million. Noncurrent financial liabilities decreased by €31 million to €1,182 million. Current financial liabilities declined by €500 million to €83 million. This was attributable to redemption of the first tranche of the debt issuance program.

4. Economic Outlook

Economic Outlook

	Growth[1] 2017	Growth[1] forecast 2018 (Annual Report 2017)	Growth[1] forecast 2018
	%	%	%
World	**+3.3**	**+3.3**	**+3.3**
European Union	+2.6	+2.2	+2.1
of which Germany	+2.5	+2.8	+2.2
NAFTA	+2.3	+2.6	+2.9
of which United States	+2.3	+2.7	+3.0
Asia-Pacific	+5.1	+5.0	+5.0
of which China	+6.9	+6.6	+6.7

[1] Real growth of gross domestic product, source: IHS (Global Insight), Growth 2017 and Growth forecast 2018, as of July 2018

We expect the global economy to grow at the same pace as in the previous year, by slightly over 3% in 2018. Our current assessment of the macroeconomic environment and developments in the individual regions is therefore largely in line with our outlook in the Annual Report 2017.

We also see only a minor change, or none at all, as compared with our expectations in the Annual Report 2017 for the performance of our main customer industries, assuming no further global trade barriers.

5. Report on Future Perspectives

Based on the business performance described in this report, along with our consideration of the potential associated risks and opportunities, we are revising the forecast for key data made in the Quarterly Statement as of March 31, 2018, for the rest of the 2018 fiscal year.

We still expect core volume growth in the low-to-mid-single-digit-percentage range. This projection applies to the Covestro Group as well as the Polyurethanes, Polycarbonates, and Coatings, Adhesives, Specialties segments. The Polycarbonates segment is expected to perform somewhat better than the other two segments.

In fiscal 2018, free operating cash flow is now expected to be over €2 billion (forecast in Annual Report 2017: significantly above the average of the last three years). We anticipate that free operating cash flow will be significantly above the previous year's level in the Polycarbonates segment, and slightly above the previous year's level in the Polyurethanes and Coatings, Adhesives, Specialties segments (forecast in Annual Report 2017: Polyurethanes and Polycarbonates significantly above the average of the last three years; Coatings, Adhesives, Specialties slightly below the average of the last three years).

We now assume that in 2018 ROCE[1] will be around the 2017 level (forecast in Annual Report 2017: approaching the 2017 level).

[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.

6. 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 22 "Opportunities and Risks Report" of the Covestro Annual Report 2017.

There have been no material changes since December 31, 2017. 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 Annual Report 2017 (Note 27 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.

Consolidated Interim Financial Statements

as of June 30, 2018

Covestro Group Consolidated Income Statement

	2nd quarter 2017[1]	2nd quarter 2018	1st half 2017[1]	1st half 2018
	€ million	€ million	€ million	€ million
Sales	**3,498**	**3,863**	**7,084**	**7,642**
Cost of goods sold	(2,358)	(2,480)	(4,746)	(4,828)
Gross profit	**1,140**	**1,383**	**2,338**	**2,814**
Selling expenses	(344)	(364)	(690)	(708)
Research and development expenses	(68)	(68)	(132)	(136)
General administration expenses	(114)	(132)	(227)	(247)
Other operating income	87	11	111	23
Other operating expenses	(14)	(4)	(25)	(13)
EBIT[2]	**687**	**826**	**1,375**	**1,733**
Equity-method loss	(6)	(6)	(12)	(10)
Interest income	8	7	11	12
Interest expense	(30)	(21)	(71)	(41)
Other financial result	(6)	(7)	(16)	(16)
Financial result	**(34)**	**(27)**	**(88)**	**(55)**
Income before income taxes	**653**	**799**	**1,287**	**1,678**
Income taxes	(167)	(193)	(332)	(426)
Income after income taxes	**486**	**606**	**955**	**1,252**
of which attributable to noncontrolling interest	2	2	3	4
of which attributable to Covestro AG stockholders (net income)	484	604	952	1,248
	€	€	€	€
Basic earnings per share[3]	**2.39**	**3.07**	**4.70**	**6.31**
Diluted earnings per share[3]	**2.39**	**3.07**	**4.70**	**6.31**

[1] Reference information has not been restated, see Note 2 "Effects of New Financial Reporting Standards."
[2] EBIT: income after income taxes plus financial result and income tax expense
[3] The weighted average number of outstanding no-par voting shares of Covestro AG amounted to 197,746,827 in the first half of 2018 (previous year: 202,500,000) and 196,605,012 in the second quarter of 2018 (previous year: 202,500,000).

Covestro Group Consolidated Statement of Comprehensive Income

	2nd quarter 2017[1]	2nd quarter 2018	1st half 2017[1]	1st half 2018
	€ million	€ million	€ million	€ million
Income after income taxes	**486**	**606**	**955**	**1,252**
Remeasurements of the net defined benefit liability for post-employment benefit plans	(18)	6	61	(94)
Income taxes	6	(13)	(21)	21
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(12)**	**(7)**	**40**	**(73)**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(12)**	**(7)**	**40**	**(73)**
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	(175)	72	(191)	64
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	**(175)**	**72**	**(191)**	**64**
Other comprehensive income that may be reclassified subsequently to profit or loss	**(175)**	**73**	**(191)**	**64**
Total other comprehensive income[2]	**(187)**	**66**	**(151)**	**(9)**
of which attributable to noncontrolling interest	(1)	–	(1)	1
of which attributable to Covestro AG stockholders	(186)	66	(150)	(10)
Total comprehensive income	**299**	**672**	**804**	**1,243**
of which attributable to noncontrolling interest	1	2	2	5
of which attributable to Covestro AG stockholders	298	670	802	1,238

[1] Reference information has not been restated, see Note 2 "Effects of New Financial Reporting Standards".
[2] Total change recognized outside profit or loss

Covestro Group Consolidated Statement of Financial Position

	June 30, 2017[1]	June 30, 2018	Dec. 31, 2017[1]
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	258	254	253
Other intangible assets	85	79	81
Property, plant and equipment	4,327	4,262	4,296
Investments accounted for using the equity method	216	212	208
Other financial assets	31	30	31
Other receivables[2]	40	40	35
Deferred taxes	636	756	702
	5,593	**5,633**	**5,606**
Current assets			
Inventories	1,842	2,091	1,913
Trade accounts receivable	1,982	2,185	1,882
Other financial assets	465	88	285
Other receivables[2]	282	317	281
Claims for income tax refunds	53	81	138
Cash and cash equivalents	300	475	1,232
Assets held for sale	3	32	4
	4,927	**5,269**	**5,735**
Total assets	**10,520**	**10,902**	**11,341**
Equity			
Capital stock of Covestro AG	203	193	201
Capital reserves of Covestro AG	4,908	4,105	4,767
Other reserves	(393)	1,176	367
Equity attributable to Covestro AG stockholders	**4,718**	**5,474**	**5,335**
Equity attributable to noncontrolling interest	28	31	30
	4,746	**5,505**	**5,365**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	1,167	1,305	1,187
Other provisions	287	227	229
Financial liabilities	1,245	1,182	1,213
Income tax liabilities	40	93	74
Other liabilities[2]	18	19	21
Deferred taxes	163	155	161
	2,920	**2,981**	**2,885**
Current liabilities			
Other provisions	384	370	529
Financial liabilities	701	83	583
Trade accounts payable	1,358	1,473	1,618
Income tax liabilities	236	219	161
Other liabilities[2]	175	269	200
Liabilities directly related to assets held for sale	–	2	–
	2,854	**2,416**	**3,091**
Total equity and liabilities	**10,520**	**10,902**	**11,341**

[1] Reference information has not been restated, see Note 2 "Effects of New Financial Reporting Standards".
[2] As of June 30, 2018, contain the contract assets and contract liabilities/refund liabilities from IFRS 15.

Covestro Group Consolidated Statement of Cash Flows

	2nd quarter 2017[1]	2nd quarter 2018	1st half 2017[1]	1st half 2018
	€ million	€ million	€ million	€ million
Income after income taxes	486	606	955	1,252
Income taxes	167	193	332	426
Financial result	34	27	88	55
Income taxes paid	(33)	(279)	(62)	(335)
Depreciation, amortization and impairment losses and impairment loss reversals	161	159	319	315
Change in pension provisions	16	–	26	8
(Gains)/losses on retirements of noncurrent assets	(38)	–	(45)	1
Decrease/(increase) in inventories	(43)	(48)	(200)	(197)
Decrease/(increase) in trade accounts receivable	(54)	(41)	(382)	(299)
(Decrease)/increase in trade accounts payable	(172)	8	(128)	(129)
Changes in other working capital, other noncash items	(113)	(108)	(207)	(128)
Cash flows from operating activities	**411**	**517**	**696**	**969**
Cash outflows for additions to property, plant, equipment and intangible assets	(92)	(153)	(166)	(241)
Cash inflows from sales of property, plant, equipment and other assets	–	–	12	–
Cash inflows from divestitures	47	–	47	–
Cash outflows for noncurrent financial assets	(4)	(4)	(17)	(8)
Cash inflows from noncurrent financial assets	1	1	1	1
Cash outflows for acquisitions less acquired cash	(4)	–	(4)	–
Interest and dividends received	9	7	18	12
Cash inflows from/(outflows for) other current financial assets	(207)	84	(268)	201
Cash flows from investing activities	**(250)**	**(65)**	**(377)**	**(35)**
Reacquisition of treasury shares	–	(413)	–	(670)
Dividend payments and withholding tax on dividends	(274)	(440)	(274)	(440)
Issuances of debt	81	34	156	40
Retirements of debt	(64)	(64)	(99)	(589)
Interest paid	(32)	(20)	(63)	(33)
Cash flows from financing activities	**(289)**	**(903)**	**(280)**	**(1,692)**
Change in cash and cash equivalents due to business activities	**(128)**	**(451)**	**39**	**(758)**
Cash and cash equivalents at beginning of period	**434**	**926**	**267**	**1,232**
Change in cash and cash equivalents due to exchange rate movements	(6)	–	(6)	1
Cash and cash equivalents at end of period	**300**	**475**	**300**	**475**

[1] Reference information has not been restated, see Note 2 "Effects of New Financial Reporting Standards".

Covestro Group Consolidated Statement of Changes in Equity

				Accumulated other comprehensive income				
	Capital stock of Covestro AG	Capital reserves of Covestro AG	Retained earnings incl. total income	Currency translation	Fair value measurement of financial assets	Equity attributable to Covestro AG stockholders	Equity attributable to noncontrolling interest	Equity
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2016[1]	**203**	**4,908**	**(1,441)**	**519**	**–**	**4,189**	**27**	**4,216**
Reacquisiton of treasury shares	–	–				–		–
Dividend payments			(273)			(273)	(1)	(274)
Income after income taxes			952			952	3	955
Other comprehensive income			40	(190)	–	(150)	(1)	(151)
Total comprehensive income			**992**	**(190)**	**–**	**802**	**2**	**804**
June 30, 2017[1]	**203**	**4,908**	**(722)**	**329**	**–**	**4,718**	**28**	**4,746**
of which treasury shares	-	-				–		–
Dec. 31, 2017[1]	**201**	**4,767**	**113**	**253**	**1**	**5,335**	**30**	**5,365**
Changes in accounting for initial application of new IFRS			8		(1)	7		7
Jan. 1, 2018 adjusted	**201**	**4,767**	**121**	**253**	**–**	**5,342**	**30**	**5,372**
Reacquisiton of treasury shares	(8)	(662)				(670)		(670)
Dividend payments			(436)			(436)	(4)	(440)
Income after income taxes			1,248			1,248	4	1,252
Other comprehensive income			(73)	63	–	(10)	1	(9)
Total comprehensive income			**1,175**	**63**	**–**	**1,238**	**5**	**1,243**
June 30, 2018	**193**	**4,105**	**860**	**316**	**–**	**5,474**	**31**	**5,505**
of which treasury shares	(10)	(803)				(813)		(813)

[1] Reference information has not been restated, see Note 2 "Effects of New Financial Reporting Standards".

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General Information

Information on the consolidated interim financial statements

Pursuant to Section 115 of the German Securities Trading Act (WpHG), the consolidated interim financial statements of Covestro AG, Leverkusen (Germany), (Covestro AG) as of June 30, 2018, have been prepared according to the International Financial Reporting Standards (IFRSs) – including IAS 34 (Interim Financial Reporting) – of the International Accounting Standards Board (IASB), London (United Kingdom), the Interpretations (IFRICs) of the IFRS Interpretations Committee (IFRS IC), and the interpretations published by the Standing Interpretations Committee (SIC), endorsed by the European Union and in effect at the closing date.

The accounting policies and measurement principles described in the consolidated financial statements as of December 31, 2017, were applied unchanged in preparing the consolidated interim financial statements as of June 30, 2018, subject to the effects of financial reporting standards adopted for the first time in the current fiscal year as described in Note 2 “Effects of New Financial Reporting Standards”. The reference information for fiscal 2017 was not required to be restated to reflect the new financial reporting standards.

The consolidated interim financial statements are drawn up in euros. Amounts are stated in millions of euros (€ million) except where otherwise indicated.

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/		June 30, 2017	Dec. 31, 2017	June 30, 2018
BRL	Brazil	3.76	3.97	4.49
CNY	China	7.74	7.81	7.72
HKD	Hong Kong	8.91	9.37	9.15
INR	India	73.74	76.61	79.81
JPY	Japan	127.75	135.01	129.04
MXN	Mexico	20.58	23.66	22.88
USD	United States	1.14	1.20	1.17

Average Rates for Major Currencies

		Average rates	
€1/		1st half 2017	1st half 2018
BRL	Brazil	3.43	4.13
CNY	China	7.42	7.70
HKD	Hong Kong	8.41	9.49
INR	India	71.09	79.44
JPY	Japan	121.61	131.63
MXN	Mexico	20.99	23.07
USD	United States	1.08	1.21

2. Effects of New Financial Reporting Standards

2.1 Financial Reporting Standards Applied for the First Time in the Reporting Period

IFRS pronouncement (published on)	Title	Effective for annual periods beginning on or after
IFRS 15 (May 28, 2014)	Revenue from Contracts with Customers	January 1, 2018
Amendments to IFRS 15 (September 11, 2015)	Effective Date of IFRS 15	January 1, 2018
Amendments to IFRS 15 (April 12, 2016)	Clarifications to IFRS 15 – Revenue from Contracts with Customers	January 1, 2018
IFRS 9 (July 24, 2014)	Financial Instruments	January 1, 2018
Amendments to IFRS 2 (June 20, 2016)	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amendments to IFRS 4 (September 12, 2016)	Applying IFRS 9 – Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
Amendments to IAS 40 (December 8, 2016)	Transfers of Investment Property	January 1, 2018
IFRIC Interpretation 22 (December 8, 2016)	Foreign Currency Transactions and Advance Consideration	January 1, 2018
Annual Improvements to IFRSs (December 8, 2016)	2014 –2016 Cycle (IFRS 1, IAS 28)	January 1, 2018

In the **"Annual Improvements to IFRS Standards 2014–2016 Cycle"** published by the IASB on December 8, 2016, only the amendments to IFRS 12 had to be applied for the first time as of January 1, 2017. By contrast, the amendments to IFRS 1 and IAS 28 were required to be applied for the first time as of January 1, 2018.

With the exception of IFRS 9 and IFRS 15, initial application of the standards listed in the table had little or no material impact on the presentation of the net assets, financial position, and results of operations. The impact of the initial application of **IFRS 9 (Financial Instruments)** and **IFRS 15 (Revenue from Contracts with Customers)** as well as **Amendments to IFRS 15 (Effective Date of IFRS 15** and **Clarifications to IFRS 15)** is outlined below.

The following table shows the effect of initial application of IFRS 9 and IFRS 15 on the items in the consolidated statement of financial position as of January 1, 2018.

Adjustments to the Relevant Items on the Consolidated Statement of Financial Position as of January 1, 2018

	Dec. 31, 2017	Effects of IFRS 9	Effects of IFRS 15	Jan. 01, 2018
	€ million	€ million	€ million	€ million
Noncurrent assets				
Other financial assets	31	(1)	–	30
Other receivables[1]	35	2	–	37
Deferred taxes	702	2	2	706
Current assets				
Inventories	1,913	–	(33)	1,880
Trade accounts receivable	1,882	(10)	(8)	1,864
Other receivables[1]	281	–	59	340
Equity				
Other reserves	367	(7)	14	374
Noncurrent liabilities				
Deferred taxes	161	–	6	167
Current liabilities				
Other provisions	529	–	(28)	501
Trade accounts payable	1,618	–	(37)	1,581
Other liabilities[1]	200	–	65	265

[1] Contain the contract assets and contract liabilities/refund liabilities from initial application of IFRS 15.

Initial Application of IFRS 9

The new financial reporting standard **IFRS 9 (Financial Instruments)** has been applied since January 1, 2018. It replaces the previous regulations on financial instruments. The new standard contains rules on classifying and measuring financial assets and financial liabilities. IFRS 9 defines three instead of four measurement categories for financial assets, with classification based partly on the entity's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. In the case of equity investments that are not held for trading, an entity may irrevocably opt at initial recognition to recognize future changes in their fair value outside profit or loss in the statement of comprehensive income. Furthermore, the hedge accounting rules were revised with the aim of achieving a closer link between risk management activities and the reporting of hedging instruments in the financial statements. This involves additional disclosures in the notes. IFRS 9 also includes new rules for the recognition of impairments on financial instruments. This new impairment model is based on the principle of accounting for expected losses.

In accordance with the transition requirements, IFRS 9 was applied retrospectively without restatement for reference periods. The cumulative effect of initially applying the standard as of January 1, 2018, has been recognized outside of profit or loss in retained earnings. The data for the reference periods are presented on the basis of the previous rules.

The new impairment rules result in an increase in provisions for default on financial assets due to the inclusion of expected credit losses. The following table provides a reconciliation from impairment losses based on the IAS 39 rules to the new impairment losses based on IFRS 9:

Impairment Losses on Financial Assets

	€ million
Impairment losses as of December 31, 2017 (based on IAS 39)	**(41)**
Additional impairment losses included in retained earnings	(10)
Impairment losses as of January 1, 2018 (based on IFRS 9)	**(51)**

Additional impairment losses were recognized almost exclusively for trade accounts receivable. The additional impairments calculated for cash and cash equivalents, financial assets, receivables under lease agreements, contract assets as defined in IFRS 15, and other financial assets are not material.

As a result of the introduction of the new classification and measurement rules, financial assets were allocated to the new IFRS 9 measurement categories on the basis of their business model and the underlying cash flow characteristics of the respective financial asset. The following table shows a reconciliation from the original measurement categories and carrying amounts of financial assets based on IAS 39 to the new measurement categories and carrying amounts based on IFRS 9:

Measurement Categories According to IAS 39 and IFRS 9 and Carrying Amounts of Financial Instruments by Categories

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 Dec. 31, 2017	New carrying amount under IFRS 9 Jan. 1, 2018
			€ million	€ million
Financial assets				
Trade accounts receivable	Loans and receivables	Financial assets carried at amortized cost	1,882	1,872
Other financial assets				
Loans	Loans and receivables	Financial assets carried at amortized cost	279	279
Derivatives that do not qualify for hedge accounting	Financial assets held for trading	Financial assets carried at fair value through profit or loss	23	23
Receivables under lease agreements[1]	–	–	8	8
Other investments	Available-for-sale financial assets	Financial assets carried at fair value through other comprehensive income	5	6
Other receivables	Loans and receivables	Financial assets carried at amortized cost	34	34
Cash and cash equivalents	Loans and receivables	Financial assets carried at amortized cost	1,232	1,232
Total financial assets			**3,463**	**3,454**

[1] Measurement in accordance with IAS 17.

The €10 million difference in the carrying amounts of trade accounts receivable results from remeasurement due to the introduction of the new impairment model.

For equity investments that were not held for trading as of January 1, 2018, Covestro applies the option of recognizing changes in fair value in other comprehensive income without transfer from equity on retirement. The €1 million increase in the carrying amount of the relevant other investments results from reclassification from the IAS 39 valuation category “available-for-sale financial assets” to the new IFRS 9 category “at fair value through other comprehensive income”. While the other investments were carried at amortized cost under IAS 39, they are now recognized in the statement of financial position at fair value as stipulated by IFRS 9.

Trade accounts receivable, other financial assets, other receivables, and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortized cost under IFRS 9, because the cash flow criterion is fulfilled and Covestro holds these financial assets with the objective of collecting the contractual cash flows.

Subsidiaries that are not consolidated due to their immateriality for the consolidated financial statements and which were previously classified as available-for-sale financial instruments and carried at amortized cost in accordance with IAS 39 are recognized in other receivables from fiscal 2018 onward. The corresponding carrying amount of €2 million was reclassified as of January 1, 2018.

The initial application of IFRS 9 did not have any impact on the classification and measurement of financial liabilities.

The fundamental changes in hedge accounting did not lead to any reclassification effects because Covestro did not have any designated hedges pursuant to IFRS 9 either at the date of initial recognition or on the reporting date.

Initial Application of IFRS 15

On May 28, 2014, the IASB issued **IFRS 15 (Revenue from Contracts with Customers)**. An amendment (Effective Date of IFRS 15) was published on September 11, 2015, and clarifications (Clarifications to IFRS 15 – Revenue from Contracts with Customers) were published on April 12, 2016. IFRS 15 replaces IAS 11 (Construction Contracts), IAS 18 (Revenue), IFRIC 13 (Customer Loyalty Programmes), IFRIC 15 (Agreements for the Construction of Real Estate), IFRIC 18 (Transfers of Assets from Customers), and SIC-31 (Revenue – Barter Transactions Involving Advertising Services). In principle, IFRS 15 specifies that an entity must recognize the expected consideration for the transfer of goods or services as sales as soon as control over the goods passes to the customer or the services are rendered. To comply with this, recognizing sales involves the following five steps: In step one, the contract with the customer is identified. In step two, the distinct performance obligations in the contract are identified. The transaction price is determined in step three. Step four involves allocating the transaction price to the distinct performance obligations. In step five, sales are recognized either over time or at a point in time, depending when control is transferred. As a result of these principles, IFRS 15 may affect the timing of sales recognition, among other things. IFRS 15 also results in new items in the statement of financial position, such as contract assets, contract liabilities, and refund liabilities and requires additional disclosures in the notes to the financial statements.

IFRS 15 was applied as of January 1, 2018, using the modified retrospective approach. The positive cumulative effect of €14 million resulting from initial application of the standard was recognized in equity as of January 1, 2018. The reference periods were not restated. At the date of initial application, IFRS 15 was applied retrospectively to contracts that had not yet been completed. Where contracts were modified before initial application of the standard, the aggregate effect of such modifications was recognized. The use of this practical expedient is not expected to have any material effect.

The application of IFRS 15 resulted in changes to the following issues at Covestro:

- Consignment warehousing agreements: In line with the control concept in IFRS 15, under certain agreements the customer obtains control of the goods when they are delivered to the consignment warehouse. As a consequence, the corresponding sales are realized at this point in time and not, as in the past, upon documented withdrawal.

- Transportation clauses: Under certain transportation clauses agreed with customers, Covestro is responsible for transportation of the goods sold. For some of these clauses, the control concept in IFRS 15 means that control over the goods sold is only transferred to the customer at the end of the transportation or freight service. Therefore, the transportation or freight service does not constitute a separate performance obligation. The transfer of control at the end of the transportation or freight services means that under some transportation clauses all sales for the transaction are recognized at a later point in time than in the past. In addition, under some transportation clauses, Covestro provides transportation or freight services in connection with the delivery of the goods sold after the customer has obtained control over these goods. In general, the sales allocated to these transportation or freight services are recognized at the time of performance of the service.

- Provisional prices: Under some contracts with customers, the final prices are only determined after control over the respective products has passed to the customer. Provisional prices are billed at the time of delivery. In view of the uncertainty about the resulting variable consideration at this point in time, the amount of the corresponding sales is initially estimated observing the relevant rules constraining estimates of variable consideration.

- Licenses: A contractual right to use intellectual property is transferred to some customers. The consideration takes the form, among other things, of usage-based royalties, for which a minimum annual amount is agreed for the term of the contract. When IFRS 15 was initially applied, the minimum outstanding royalties that Covestro will receive were taken into account.

- Customer-specific products: Certain products are only sold to one customer. Covestro has no alternative use for some of these products. Insofar as Covestro has an enforceable right to receive payment for completed performance, sales are recognized on the basis of progress towards satisfaction of the performance obligation and thus earlier than in the past.

In addition, the application of IFRS 15 results in changes to the presentation of the financial statements.

The adjustments to all items in the income statement and statement of financial position resulting from IFRS 15 compared with the application of the standards and interpretations replaced by IFRS 15 are presented below, together with an explanation of the reasons. There are no material effects on the statement of comprehensive income or the statement of cash flows.

Effects on the Income Statement in the 1st Half of 2018

	1st half 2018 according to IAS 11 /IAS 18	Effects of IFRS 15	1st half 2018 according to IFRS 15
	€ million	€ million	€ million
Sales	**7,658**	**(16)**	**7,642**
Cost of goods sold	(4,828)	–	(4,828)
Gross profit	**2,830**	**(16)**	**2,814**
Selling expenses	(708)	–	(708)
Research and development expenses	(136)	–	(136)
General administration expenses	(247)	–	(247)
Other operating income	23	–	23
Other operating expenses	(13)	–	(13)
EBIT	**1,749**	**(16)**	**1,733**
Equity-method income (loss)	(10)	–	(10)
Interest income	12	–	12
Interest expense	(41)	–	(41)
Other financial result	(16)	–	(16)
Financial result	**(55)**	**–**	**(55)**
Income before income taxes	**1,694**	**(16)**	**1,678**
Income taxes	(431)	5	(426)
Income after income taxes	**1,263**	**(11)**	**1,252**
of which attributable to noncontrolling interest	4	–	4
of which attributable to Covestro AG stockholders (net income)	1,259	(11)	1,248
	€	€	€
Basic earnings per share	**6.37**	**–0.06**	**6.31**
Diluted earnings per share	**6.37**	**–0.06**	**6.31**

The reduction in sales is mainly due to transportation clauses. Countereffects result from consignment warehousing agreements. Further decreases in sales are due to licenses and provisional prices. An increase in the cost of goods sold arising from consignment warehouse agreements almost entirely offset a decline in the cost of goods sold attributable to transportation clauses. This results in lower EBIT and earnings per share.

Effects on the Consolidated Statement of Financial Position in the 1st Half of 2018

	June 30, 2018 according to IAS 11 /IAS 18	Effects of IFRS 15	June 30, 2018 according to IFRS 15
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	254	–	254
Other intangible assets	79	–	79
Property, plant and equipment	4,262	–	4,262
Investments accounted for using the equity method	212	–	212
Other financial assets	30	–	30
Other receivables[1]	40	–	40
Deferred taxes	750	6	756
	5,627	**6**	**5,633**
Current assets			
Inventories	2,124	(33)	2,091
Trade accounts receivable	2,209	(24)	2,185
Other financial assets	88	–	88
Other receivables[1]	251	66	317
Claims for income tax refunds	81	–	81
Cash and cash equivalents	475	–	475
Assets held for sale	32	–	32
	5,260	**9**	**5,269**
Total assets	**10,887**	**15**	**10,902**
Equity			
Capital stock of Covestro AG	193	–	193
Capital reserves of Covestro AG	4,105	–	4,105
Other reserves	1,173	3	1,176
Equity attributable to Covestro AG stockholders	**5,471**	**3**	**5,474**
Equity attributable to noncontrolling interest	31	–	31
	5,502	**3**	**5,505**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	1,305	–	1,305
Other provisions	227	–	227
Financial liabilities	1,182	–	1,182
Income tax liabilities	93	–	93
Other liabilities[1]	19	–	19
Deferred taxes	149	6	155
	2,975	**6**	**2,981**
Current liabilities			
Other provisions	423	(53)	370
Financial liabilities	83	–	83
Trade accounts payable	1,516	(43)	1,473
Income tax liabilities	219	–	219
Other liabilities[1]	167	102	269
Liabilities directly associated with assets held for sale	2	–	2
	2,410	**6**	**2,416**
Total equity and liabilities	**10,887**	**15**	**10,902**

[1] Contain the contract assets and contract liabilities/refund liabilities from IFRS 15

The principal reasons for the above adjustments to the amounts reported in the statement of financial position are as follows:

- Inventories: The decline is mainly attributable to consignment warehousing agreements. This effect is compensated by an increase from transportation clauses.
- Trade accounts receivable: The decline is mainly attributable to transportation clauses.
- Other receivables: The increase in contract assets, which are included in other receivables, is mainly attributable to consignment warehousing agreements.
- Other reserves: The increase is mainly attributable to consignment warehousing agreements and also licenses. This is offset by a decline attributable to transportation clauses and provisional prices.
- Other provisions: The decline reflects the reclassification of amounts that Covestro has received or will receive from customers for which refunds are anticipated. These mainly comprise amounts for rebates. As a result of the application of IFRS 15, these are included in refund liabilities within other liabilities.
- Trade accounts payable: The decline is mainly attributable to the reclassification of advance payments received from customers for future product deliveries to contract liabilities, which are included in other liabilities.
- Other liabilities: The increase is mainly attributable to reclassifications from other provisions to refund liabilities and trade accounts payable to contract liabilities, as described above.

2.2 Published Financial Reporting Standards That Have Not yet Been Applied

The following information supplements the disclosure presented in the 2017 Annual Report regarding potential effects of those published reporting standards which are not yet effective to be applied but whose application could affect the presentation of the net assets, financial position, and results of operations.

On January 13, 2016, the IASB published **IFRS 16 (Leases)**, a new standard for recognizing leases which replaces IAS 17 (Leases), IFRIC 4 (Determining whether an Arrangement Contains a Lease), SIC-15 (Operating Leases – Incentives), and SIC-27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). While IFRS 16, which was endorsed by the European Union on October 31, 2017, basically retains the previous accounting rules for lessors, only one accounting model is now intended for use by lessees. This requires a lessee to recognize a right-of-use asset and a corresponding lease liability for each lease, unless a lease has a term of less than 12 months or the underlying asset is of low value. The right-of-use asset reflects a lessee's right to use the asset being leased. The lease liability recognizes the lessee's obligation to make contractual lease payments.

From Covestro's perspective as lessee, IFRS 16 will probably have material effects on the statement of financial position, because the payment obligations under existing and new contracts within the scope of the new standard will be recognized in the statement of financial position as a right-of-use asset and a corresponding liability, and will therefore result in an increase in noncurrent assets and noncurrent liabilities. Expenses for transactions previously classified as operating leases will in future be recognized outside of profit and loss as repayments of the lease liability and as interest expense. Further, alongside the interest expense, amortization of the right of use will be recognized in the income statement. This substitution results in an improvement in EBITDA corresponding to the amortization of the right of use and interest expense, and an improvement in EBIT corresponding to the recognized interest expense.

The presentation of the actual payments for leases within the meaning of IFRS 16 will be included in cash flows from financing activities, thus reducing pressure on the operating cash flows.

IFRS 16 will be introduced on January 1, 2019. Covestro has not yet decided on the use of options, e.g., with regard to the treatment of leases that run for less than 12 months or where the underlying asset is of low value. The analysis of data systems and processes is still underway, as is the technical accounting analysis. No quantitative statement can yet be made regarding the effects on the presentation of Covestro's net assets, financial position, and results of operations.

3. Segment and Regional Reporting

The Board of Management of Covestro AG, as the chief operating decision maker of the Covestro Group, allocates resources to the operating segments and assesses their performance. The reportable segments and regions are identified, and the disclosures selected, in line with the internal financial reporting system (management approach). These disclosures are based on the Covestro Group's accounting policies, which are outlined in the consolidated financial statements as of December 31, 2017, subject to the effects of the first-time adoption of financial reporting standards in the current fiscal year as described in Note 2 "Effects of New Financial Reporting Standards" above.

As of June 30, 2018, the Covestro Group comprises three reportable segments with the following activities:

Polyurethanes

The Polyurethanes segment develops, produces and markets high-quality precursors for polyurethanes. These precursors are isocyanates (MDI, TDI) and polyether polyols. Flexible polyurethane foam is used primarily in the furniture and automotive industries (e.g., in upholstered furniture, mattresses, and automobile seats); rigid foam is used in particular as insulating material in the construction industry and along the cold chain. The segment operates production facilities worldwide as well as systems houses for formulating and supplying customized polyurethane systems.

Polycarbonates

The Polycarbonates segment develops, produces and markets the high-performance plastic polycarbonate in the form of granules, composite materials and semifinished products (sheets). The material is used primarily in the automotive industry (e.g., in the passenger compartment and for vehicle lighting) and in the construction industry (e.g., for roof structures). It is also used in the electrical and electronics industry (e.g., for connector housings, computer cases, and DVDs), the medical technology sector, and the lighting industry (e.g., for LED components). The Covestro Group produces polycarbonate all around the world and processes it at compounding centers to meet specific customer requirements.

Coatings, Adhesives, Specialties

The Coatings, Adhesives, Specialties segment develops, produces and markets raw materials for coatings, adhesives and sealants as well as specialties – primarily for polyurethane systems. They include polymer materials and aqueous dispersions based on the isocyanates HDI and IPDI, which are produced at facilities located throughout the world. The main areas of application are automotive and transportation, infrastructure and construction, wood processing, and furniture. The specialties comprise elastomers, high-quality films and raw materials for the cosmetics, textiles, and health care sectors.

Business activities that cannot be allocated to any of the aforementioned segments are reported under **"All other segments"**. The external sales from these activities are mainly based on by-products of chlorine production and use.

The costs of Corporate Center functions and higher or lower expenses for long-term stock-based compensation arising from fluctuations in the performance of Covestro AG stock are presented in the segment reporting as **"Corporate Center and reconciliation"**.

The segment data are calculated as follows:

- EBIT and EBITDA are not defined in the International Financial Reporting Standards. EBIT is equal to income after income taxes plus financial result and income tax expense. EBITDA is the EBIT as reported in the income statement plus depreciation and impairment losses on property, plant, and equipment and amortization and impairment losses on intangible assets, less impairment loss reversals.

- Working capital comprises inventories plus trade accounts receivable, less trade accounts payable.

The following tables show the segment reporting data for the second quarter and for the first half year (as of June 30), respectively:

Segment Reporting 2nd 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
2nd quarter 2018						
Sales	1,966	1,056	629	212	–	3,863
EBITDA	583	285	139	7	(29)	985
EBIT	492	241	116	6	(29)	826
2nd quarter 2017						
Sales	1,818	911	604	165	–	3,498
EBITDA	549	197	121	2	(21)	848
EBIT	454	152	101	1	(21)	687

[1] All prior-year figures restated due to the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment effective January 1, 2018

Segment Reporting 1st Half

				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 half 2018						
Sales	3,916	2,089	1,221	416	–	7,642
EBITDA	1,220	588	275	14	(49)	2,048
EBIT	1,039	501	229	13	(49)	1,733
1st half 2017						
Sales	3,639	1,865	1,241	339	–	7,084
EBITDA	1,017	429	281	9	(42)	1,694
EBIT	837	336	237	7	(42)	1,375

[1] All prior-year figures restated due to the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment effective January 1, 2018

Working Capital by Segment

	Dec. 31, 2017	June 30, 2018
	€ million	€ million
Polyurethanes[1]	1,005	1,370
Polycarbonates	644	811
Coatings, Adhesives, Specialties[1]	460	545
Total of reportable segments	**2,109**	**2,726**
All other segments	75	80
Corporate Center	(7)	(3)
Working capital	**2,177**	**2,803**
of which inventories	1,913	2,091
of which trade accounts receivable	1,882	2,185
of which trade accounts payable	(1,618)	(1,473)

[1] All prior-year figures restated due to the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment effective January 1, 2018

Information on geographical areas

The following tables show information by geographical area. The EMLA region consists of Europe, the Middle East, Africa, and Latin America except Mexico, which together with the United States and Canada forms the NAFTA region. The APAC region includes Asia and the Pacific region.

The following tables show the regional reporting data for the second quarter and for the first half year:

Regional Reporting 2nd Quarter

	EMLA	NAFTA	APAC	Total
	€ million	€ million	€ million	€ million
2nd quarter 2018				
Sales (external) by market	1,677	885	1,301	3,863
Sales (external) by point of origin	1,659	916	1,288	3,863
2nd quarter 2017				
Sales (external) by market	1,496	878	1,124	3,498
Sales (external) by point of origin	1,488	899	1,111	3,498

Regional Reporting 1st Half

	EMLA	NAFTA	APAC	Total
	€ million	€ million	€ million	€ million
1st half 2018				
Sales (external) by market	3,356	1,725	2,561	7,642
Sales (external) by point of origin	3,330	1,777	2,535	7,642
1st half 2017				
Sales (external) by market	3,022	1,761	2,301	7,084
Sales (external) by point of origin	3,018	1,797	2,269	7,084

Reconciliation

The following table shows the reconciliation of EBITDA of the segments to income before income taxes of the Group:

Reconciliation of Segments' EBITDA to Group Income Before Income Taxes

	2nd quarter 2017	2nd quarter 2018	1st half 2017	1st half 2018
	€ million	€ million	€ million	€ million
EBITDA of segments	869	1,014	1,736	2,097
EBITDA of Corporate Center	(21)	(29)	(42)	(49)
EBITDA	**848**	**985**	**1,694**	**2,048**
Depreciation, amortization and impairment losses of segments	(161)	(159)	(319)	(315)
Depreciation, amortization and impairment losses of Corporate Center	–	–	–	–
Depreciation, amortization and impairment losses	**(161)**	**(159)**	**(319)**	**(315)**
EBIT of segments	708	855	1,417	1,782
EBIT of Corporate Center	(21)	(29)	(42)	(49)
EBIT	**687**	**826**	**1,375**	**1,733**
Financial result	(34)	(27)	(88)	(55)
Income before income taxes	**653**	**799**	**1,287**	**1,678**

4. Scope of Consolidation

4.1 Changes in the Scope of Consolidation

As of June 30, 2018, the scope of consolidation comprised Covestro AG and 49 consolidated companies (December 31, 2017: 49 companies). As in the financial statements as of December 31, 2017, one joint operation is accounted for in line with Covestro's share of its assets, liabilities, sales, and expenses in accordance with IFRS 11 (Joint Arrangements). The numbers of joint ventures (one) and associated companies (two) accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates and Joint Ventures) were unchanged as of June 30, 2018.

4.2 Acquisitions and Divestitures

Acquisitions

No reportable acquisitions were made in the first half of 2018.

Divestitures

On March 14, 2018, Covestro's Polycarbonates segment signed an agreement to divest the assets and liabilities (disposal group) of the North American polycarbonate sheet business to Plaskolite LLC, Columbus (United States). In connection with this divestiture, production-related assets and inventories amounting to €28 million, and liabilities of €2 million were classified as "held for sale" in accordance with IFRS 5. This transaction should be completed in the third quarter of 2018 at the latest.

5. Sales

Sales are categorized according to "geographical regions and key countries," and mainly comprise sales from contracts with customers and an insignificant amount of rental and leasing sales. The table also contains a breakdown of sales by reportable segments.

Disaggregation of Sales

				Other/Consolidation		
	Polyurethanes	Polycarbonates	Coatings, Adhesives, Specialties	All other segments	Corporate Center and reconciliation	Covestro Group
	€ million	€ million	€ million	€ million	€ million	€ million
1st half 2018						
EMLA	1,731	715	597	313	–	3,356
of which Germany	302	183	262	188	–	935
NAFTA	961	412	259	93	–	1,725
of which United States	755	337	235	91	–	1,418
APAC	1,224	962	365	10	–	2,561
of which China	849	619	191	2	–	1,661

6. Earnings per Share

Earnings per share are calculated according to IAS 33 (Earnings per Share) by dividing net income for the reporting period by the weighted average number of outstanding no-par voting shares of Covestro AG. There were no dilution effects to consider. For the first half of 2017, the earnings per share figure was calculated based on 202,500,000 shares. Since November 21, 2017, Covestro AG has been acquiring treasury shares as part of a share buy-back program. The second tranche of this share buy-back program with a volume of up to €450 million started on May 4, 2018. Taking into account the treasury shares acquired as of June 30, 2018, the weighted average number of outstanding no-par voting shares of Covestro AG was 197,746,827 in the first half of 2018.

Earnings per Share

	1st half 2017	1st half 2018
	€ million	€ million
Income after income taxes	955	1,252
of which attributable to noncontrolling interest	3	4
of which attributable to Covestro AG stockholders (net income)	952	1,248
	Shares	Shares
Weighted average number of no-par voting shares of Covestro AG	202,500,000	197,746,827
	€	€
Basic earnings per share	4.70	6.31
Diluted earnings per share	4.70	6.31

7. Employees and Provisions for Pensions and Other Post-employment Benefits

As of June 30, 2018, the Covestro Group had 16,559 employees worldwide (December 31, 2017: 16,176). Personnel expenses rose by €28 million to €997 million in the first six months of 2018 (previous year: €969 million).

Employees by Corporate Function[1]

	Dec. 31, 2017	June 30, 2018
Production	10,115	10,365
Marketing and distribution	3,476	3,581
Research and development	1,072	1,086
General administration	1,513	1,527
Total	**16,176**	**16,559**

[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.

Provisions for pensions and other post-employment benefits increased to €1,305 million (December 31, 2017: €1,187 million). This was principally attributable to the lower discount rate in Germany and to the negative measurement effects affecting plan assets.

Discount Rate for Pension Obligations

	Dec. 31, 2017	June 30, 2018
	%	%
Germany	1.90	1.80
United States	3.40	4.00

8. Financial Instruments

The following tables show the carrying amounts and fair values of financial assets and liabilities as of June 30, 2018, based on IFRS 9 and as of December 31, 2017, based on IAS 39. The effects of the changes in the classification and measurement of financial instruments resulting from the introduction of IFRS 9 are outlined in Note 2 "Effects of New Financial Reporting Standards."

Carrying Amounts of Financial Instruments According to IFRS 9 and Their Fair Values

						June 30, 2018
		Measurement according to IFRS 9				
	Carrying amount	Carried at amortized cost	Fair value recognized outside profit or loss	Fair value recognized in profit or loss	Measurement according to IAS 17	Fair value
	€ million	€ million	€ million	€ million	€ million	€ million
Financial assets						
Trade accounts receivable	2,185	2,185				2,185
Other financial assets	118					
Loans	91	91				91
Derivatives that do not qualify for hedge accounting	14			14		14
Receivables under finance lease agreements	7				7	15
Other investments	6		6			6
Other receivables[1]	40	40				40
Cash and cash equivalents	475	475				475
Financial liabilities						
Financial debts	1,265					
Bonds	996	996				1,048
Liabilities under finance lease agreements	210				210	245
Liabilities to banks	40	40				40
Derivatives that do not qualify for hedge accounting	19			19		19
Trade accounts payable	1,473	1,473				1,473
Other liabilities[2]	39					
Derivatives that do not qualify for hedge accounting	5			5		5
Miscellaneous other liabilities	34	34				34

[1] The other receivables recognized in the consolidated statement of financial position also include nonfinancial assets totaling €317 million.
[2] The other liabilities recognized in the consolidated statement of financial position also contain nonfinancial liabilities totaling €249 million.

Carrying Amounts of Financial Instruments According to IAS 39 and Their Fair Values

					Dec. 31, 2017
		Measurement according to IAS 39			
	Carrying amount	Carried at amortized cost	Fair value recognized outside profit or loss	Fair value recognized in profit or loss	Fair value
	€ million	€ million	€ million	€ million	€ million
Assets					
Trade accounts receivable	1,882				
Loans and receivables	1,882	1,882			1,882
Other financial assets	316				
Loans and receivables	279	279			279
Available-for-sale financial assets	6	4	2		6
Derivatives that do not qualify for hedge accounting	23			23	23
Receivables under finance lease agreements[1]	8				15
Other receivables	316				
Loans and receivables	34	34			34
Nonfinancial assets	282				
Cash and cash equivalents	1,232				
Loans and receivables	1,232	1,232			1,232
Liabilities					
Financial liabilities	1,796				
Carried at amortized cost	1,564	1,564			1,627
Derivatives that do not qualify for hedge accounting	9			9	9
Liabilities under finance lease agreements[1]	223				262
Trade accounts payable	1,618				
Carried at amortized cost	1,581	1,581			1,581
Nonfinancial liabilities	37				
Other liabilities	221				
Carried at amortized cost	28	28			28
Derivatives that do not qualify for hedge accounting	5			5	5
Nonfinancial liabilities	188				

[1] Measurement in accordance with IAS 17

The fair values of financial instruments are determined and reported in accordance with IFRS 13 (Fair Value Measurement) on the basis of the fair value hierarchy described below:

Level 1 covers fair values determined on the basis of unadjusted prices which exist in active markets.

Level 2 comprises fair values determined on the basis of parameters which are observable in an active market.

Level 3 applies to fair values determined using parameters whose input factors are not based on observable market data.

The following table shows the assignment of the financial instruments to the three-level fair value hierarchy:

Fair Value Hierarchy of Financial Instruments

	Fair value				Fair value			
	Dec. 31, 2017	Level 1	Level 2	Level 3	June 30, 2018	Level 1	Level 2	Level 3
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Financial assets carried at fair value								
Other investments	2	2			6	2		4
Derivatives that do not qualify for hedge accounting	23		15	8	14		5	9
Financial assets not carried at fair value								
Receivables under leasing agreements	15			15	15			15
Financial liabilities carried at fair value								
Derivatives that do not qualify for hedge accounting	14		9	5	24		19	5
Financial liabilities not carried at fair value								
Bonds	1,551	1,551			1,048	1,048		
Receivables under finance lease agreements	262		262		245		245	
Other financial liabilities	76		76		40		40	

During the first half of 2018, no transfers were made between the levels of the fair value hierarchy.

Because of the generally short maturities of cash and cash equivalents, loans, trade accounts receivable and payable, and other receivables and liabilities, their carrying amounts do not significantly differ from the fair values.

The fair value of the bonds issued by Covestro AG is based on quoted, unadjusted prices in active markets and therefore assigned to Level 1 of the fair value hierarchy. The fair value of some of the other investments is also based on quoted prices in active markets (Level 1).

The fair values stated for noncurrent financial assets and liabilities are the present values of the respective future cash inflows or outflows. These are determined by discounting the cash flows at a closing-date interest rate that takes into account the term of the assets or liabilities and the creditworthiness of the counterparty. For this reason, these values are assigned to Level 2 of the fair value hierarchy.

The fair values of derivatives for which no publicly quoted market prices exist are determined using valuation techniques based on observable market data as of the end of the reporting period (Level 2). In applying valuation techniques, credit value adjustments are determined to allow for the contracting party's credit risk. The currency forward contracts are measured individually at their forward rates or forward prices on the closing date. These depend on spot rates or prices including time spreads.

Fair values measured using unobservable inputs are categorized within Level 3 of the fair value hierarchy. The fair values of noncurrent leasing receivables, reported for information purposes, were calculated on the basis of interest curves observable in the market. Additionally, a discount for cash flows that are very far in the future was applied as an unobservable factor.

With effect from January 1, 2018, other investments, which are comprised exclusively of equity instruments, are recognized at fair value through other comprehensive income. For some of the other investments, the fair value is the quoted price in active markets (Level 1). Where there are no quoted, unadjusted prices in an active market for identical or similar instruments, and there is no suitable valuation method where all major input factors are based on observable market data, the fair value of the other investments is determined using a valuation method where the main input factors are not based on observable market data (Level 3). The valuation of certain other investments is based on available performance indicators.

Further, the fair values of embedded derivatives are determined on the basis of unobservable input factors (Level 3). The embedded derivatives are separated from their respective host contracts, which are generally sales or purchase agreements relating to the operational business. The embedded derivatives cause the cash flows from the contracts to vary with fluctuations in exchange rates, commodity prices or other prices, for example. The internal measurement of embedded derivatives is mainly performed using the discounted cash flow method, which is based on unobservable inputs. These include planned sales and purchase volumes, and prices or price indices derived from market data.

The table below shows the reconciliation of Level 3 financial instruments for the first half of 2018:

Changes in Level 3 Financial Assets and Liabilities (Net)

	2018
	€ million
Net carrying amounts, Jan. 1,[1]	**7**
Gains (losses) recognized in profit or loss	1
of which related to assets/liabilities recognized in the statement of financial position	1
Gains (losses) recognized outside profit or loss	–
Additions of assets (liabilities)	–
Settlements of (assets) liabilities	–
Reclassifications	–
Net carrying amounts, June 30,	**8**

[1] Restated due to the introduction of IFRS 9. Other investments totaling €4 million allocated to Level 3 were added.

Gains and losses from Level 3 financial instruments recognized in profit or loss result from embedded derivatives and are reported in other operating income or expenses.

9. Legal Risks

As a global enterprise, the Covestro Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and antitrust law, patent disputes, tax law, environmental law, and compliance issues such as corruption and export control. The outcome of any current or future proceedings cannot be predicted. It is therefore possible that legal judgments or regulatory decisions or future settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect the earnings of the Covestro Group.

The legal risks that are material to the Covestro Group were described in Note 27 "Legal Risks" to the consolidated financial statements as of December 31, 2017. In the current fiscal year, there have been no new significant developments regarding the legal proceedings described there, and no new material legal proceedings are pending.

10. Related Parties

Related parties as defined in IAS 24 (Related Party Disclosures) are those legal entities and natural persons that are able to exert at least significant influence on Covestro AG and its subsidiaries, or over which Covestro AG or its subsidiaries exercise control or have at least significant influence. They include nonconsolidated subsidiaries, joint ventures and associates, post-employment benefit plans, and corporate officers of Covestro AG.

Receivables from and Liabilities to Related Parties

	Dec. 31, 2017		June 30, 2018	
	Receivables	Liabilities	Receivables	Liabilities
	€ million	€ million	€ million	€ million
Nonconsolidated subsidiaries and associates	4	8	1	5
Joint ventures	1	–	1	–
Associates	10	–	8	–

Sales and Purchases of Goods and Services to/from Related Parties

	1st half 2017		1st half 2018	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services
	€ million	€ million	€ million	€ million
Nonconsolidated subsidiaries and associates	20	23	21	24
Joint ventures	2	–	2	–
Associates	10	322	10	328

The **goods and services provided** by associated companies mainly result from the ongoing operating business with PO JV, LP, Wilmington (United States). Covestro benefits from fixed long-term supply quotas/volumes of propylene oxide (PO) from this company's production.

Receivables from and payables to related parties mainly comprise leasing and financing matters, trade in goods and services, and other transactions.

Transactions with Bayer AG and its subsidiaries up to May 31, 2018

Until May 31, 2018, Bayer AG and its subsidiaries were classified as related companies. Effective May 31, 2018, when Johannes Dietsch, who is a member of Covestro's Supervisory Board, left the Board of Management of Bayer AG, Bayer AG no longer has significant influence on Covestro AG.

Sales and Purchases of Goods and Services to/from Bayer AG and Bayer-entities

	1st half 2017		1st half 2018[1]	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services
	in Mio. €	in Mio. €	in Mio. €	in Mio. €
Bayer AG	15	6	13	4
Bayer-Konzerngesellschaften	27	263	23	213

[1] Since Bayer AG and its subsidiaries were only classified as related companies until May 31, 2018, only transactions involving purchases and sales of goods and services in the period from January 1, 2018, to May 31, 2018, are included in the figures for the first half of 2018.

Sales with Bayer Group companies resulted from the sale of products, goods purchased for resale and other typical business activities.

The **goods and services received** from Bayer Group companies mainly comprised operational goods and service transactions with Currenta GmbH & Co. OHG, Leverkusen (Germany), (Currenta) and its subsidiaries. These transactions relate to the Chempark sites operated by Currenta, which are used jointly by Bayer and Covestro.

11. Events after the End of the Reporting Period

Covestro AG acquired 450,702 shares under the share buy-back program between July 1 and July 23, 2018. As of July 23, 2018, Covestro AG held 10,375,816 treasury shares.

Leverkusen, July 23, 2018

Covestro AG

The Board of Management

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the consolidated interim financial statements give a true and fair view of the net assets, financial position and results of operations of the Covestro Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Covestro Group, together with a description of the principal opportunities and risks associated with the expected development of the Covestro Group for the remainder of the fiscal year.

Leverkusen, July 23, 2018

Covestro AG

The Board of Management

Review Report

To Covestro AG, Leverkusen

We have reviewed the condensed interim consolidated financial statements - comprising the statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and selected explanatory notes - together with the interim group management report of Covestro AG, Leverkusen, for the period from 1 January 2018 to 30 June 2018 that are part of the semi annual financial report according to § 115 WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with the IFRSs applicable to interim reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and additionally observed the International Standard on Review Engagements “Review of Interim Financial information Performed by the Independent Auditor of the Entity” (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRSs applicable to interim reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRSs applicable to interim reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Dusseldorf, July 24, 2018

KPMG AG

Wirtschaftsprüfungsgesellschaft

Dr. Zeimes	Geier
Wirtschaftsprüfer	Wirtschaftsprüfer

Further Information

Segment and Quarterly Overview

Segment Information 2nd Quarter

	Polyurethanes[1]		Polycarbonates		Coatings, Adhesives, Specialties[1]		Others /Consolidation		Covestro Group	
	2nd quarter 2017	2nd quarter 2018	2nd quarter 2017	2nd quarter 2018	2nd quarter 2017	2nd quarter 2018	2nd quarter 2017	2nd quarter 2018	2nd quarter 2017	2nd quarter 2018
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	**1,818**	**1,966**	**911**	**1,056**	**604**	**629**	**165**	**212**	**3,498**	**3,863**
Change in sales										
Volume	–1.8%	+3.3%	+2.5%	+5.6%	+1.3%	+6.3%	+9.8%	+12.7%	+0.6%	+4.9%
Price	+28.4%	+9.2%	+6.1%	+15.2%	–0.1%	+1.7%	+2.6%	+18.6%	+15.3%	+9.9%
Currency	+1.2%	–4.4%	+1.0%	–4.9%	+1.0%	–3.9%	+0.6%	–2.8%	+1.1%	–4.4%
Portfolio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Core volume growth[2]	**–2.9%**	**+3.9%**	**+0.7%**	**+5.3%**	**–0.2%**	**+5.8%**			**–1.7%**	**+4.4%**
Sales by region										
EMLA	778	871	305	353	285	299	128	154	1,496	1,677
NAFTA	482	486	225	209	138	137	33	53	878	885
APAC	558	609	381	494	181	193	4	5	1,124	1,301
EBITDA	**549**	**583**	**197**	**285**	**121**	**139**	**(19)**	**(22)**	**848**	**985**
EBIT	**454**	**492**	**152**	**241**	**101**	**116**	**(20)**	**(23)**	**687**	**826**
Depreciation, amortization, impairment losses and impairment loss reversals	**95**	**91**	**45**	**44**	**20**	**23**	**1**	**1**	**161**	**159**
Operating cash flows	**210**	**364**	**1**	**155**	**50**	**66**	**150**	**(68)**	**411**	**517**
Cash outflows for additions to property, plant, equipment and intangible assets	**50**	**84**	**26**	**44**	**16**	**25**	**–**	**–**	**92**	**153**
Free operating cash flow	**160**	**280**	**(25)**	**111**	**34**	**41**	**150**	**(68)**	**319**	**364**

[1] All prior-year figures restated due to the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment effective January 1, 2018
[2] Reference values calculated based on the definition of the core business effective March 31, 2018

Segment Information 1st Half

	Polyurethanes[1]		Polycarbonates		Coatings, Adhesives, Specialties[1]		Others /Consolidation		Covestro Group	
	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	**3,639**	**3,916**	**1,865**	**2,089**	**1,241**	**1,221**	**339**	**416**	**7,084**	**7,642**
Change in sales										
Volume	+2.4%	+0.3%	+9.5%	+2.8%	+6.2%	+2.0%	+3.6%	+6.4%	+5.2%	+1.6%
Price	+27.7%	+13.2%	+4.6%	+15.8%	–0.4%	+1.3%	+1.7%	+19.6%	+14.4%	+12.1%
Currency	+1.3%	–5.9%	+1.2%	–6.6%	+1.3%	–4.9%	+0.6%	–3.3%	+1.2%	–5.8%
Portfolio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Core volume growth[2]	**+1.6%**	**+1.4%**	**+7.5%**	**+4.0%**	**+5.1%**	**+2.1%**			**+3.5%**	**+2.2%**
Sales by region										
EMLA	1,555	1,731	627	715	580	597	260	313	3,022	3,356
NAFTA	954	961	456	412	281	259	70	93	1,761	1,725
APAC	1,130	1,224	782	962	380	365	9	10	2,301	2,561
EBITDA	**1,017**	**1,220**	**429**	**588**	**281**	**275**	**(33)**	**(35)**	**1,694**	**2,048**
EBIT	**837**	**1,039**	**336**	**501**	**237**	**229**	**(35)**	**(36)**	**1,375**	**1,733**
Depreciation, amortization, impairment losses and impairment loss reversals	**180**	**181**	**93**	**87**	**44**	**46**	**2**	**1**	**319**	**315**
Operating cash flows	**246**	**540**	**61**	**234**	**84**	**83**	**305**	**112**	**696**	**969**
Cash outflows for additions to property, plant, equipment and intangible assets	**90**	**130**	**45**	**67**	**30**	**44**	**1**	**–**	**166**	**241**
Free operating cash flow	**156**	**410**	**16**	**167**	**54**	**39**	**304**	**112**	**530**	**728**

[1] All prior-year figures restated due to the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment effective January 1, 2018

[2] Reference values calculated based on the definition of the core business effective March 31, 2018

Quarterly Overview

	1st quarter 2017	2nd quarter 2017	3rd quarter 2017	4th quarter 2017	1st quarter 2018	2nd quarter 2018
	€ million	€ million	€ million	€ million	€ million	€ million
Sales	**3,586**	**3,498**	**3,532**	**3,522**	**3,779**	**3,863**
Polyurethanes[1]	1,821	1,818	1,871	1,876	1,950	1,966
Polycarbonates	954	911	933	939	1,033	1,056
Coatings, Adhesives, Specialties[1]	637	604	557	529	592	629
Core volume growth[2]	**+8.9%**	**–1.7%**	**+2.6%**	**+4.2%**	**0.0%**	**+4.4%**
EBITDA	**846**	**848**	**862**	**879**	**1,063**	**985**
Polyurethanes[1]	468	549	550	612	637	583
Polycarbonates	232	197	211	213	303	285
Coatings, Adhesives, Specialties[1]	160	121	125	80	136	139
EBIT	**688**	**687**	**705**	**728**	**907**	**826**
Polyurethanes[1]	383	454	460	529	547	492
Polycarbonates	184	152	167	169	260	241
Coatings, Adhesives, Specialties[1]	136	101	103	56	113	116
Financial result	**(54)**	**(34)**	**(35)**	**(27)**	**(28)**	**(27)**
Income before income taxes	**634**	**653**	**670**	**701**	**879**	**799**
Income after taxes	**469**	**486**	**493**	**569**	**646**	**606**
Net income	**468**	**484**	**491**	**566**	**644**	**604**
Operating cash flows	**285**	**411**	**775**	**890**	**452**	**517**
Cash outflows for additions to property, plant, equipment and intangible assets	**74**	**92**	**117**	**235**	**88**	**153**
Free operating cash flow	**211**	**319**	**658**	**655**	**364**	**364**

[1] All prior-year figures restated due to the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment effective January 1, 2018

[2] Reference values calculated based on the definition of the core business effective March 31, 2018

Financial Calendar

Q3 2018 Interim Report	**October 25, 2018**
Annual Report 2018	**February 25, 2019**
Annual General Meeting 2019	**April 12, 2019**
Q1 2019 Interim Report	**April 29, 2019**

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