

QUARTERLY STATEMENT

Interim Statement as of March 31, 2017
First Quarter 2017



Covestro Group Key Data

	1st quarter 2016	1st quarter 2017	Change
	€ million	€ million	%
Core volume growth^{1,2}	+8.4%	+9.0%	
Sales	2,875	3,586	+24.7
Change in sales			
Volume	+5.3%	+9.9%	
Price	-10.5%	+13.4%	
Currency	-0.7%	+1.4%	
Portfolio	0.0%	0.0%	
Sales by region			
EMLA ³	1,301	1,526	+17.3
NAFTA ⁴	782	883	+12.9
APAC ⁵	792	1,177	+48.6
EBITDA^{6,7}	508	846	+66.5
EBIT^{8,9}	340	688	>100
Financial result	(78)	(54)	-30.8
Net income¹⁰	182	468	>100
Operating cash flow¹¹	124	285	>100
Cash outflows for additions to property, plant, equipment and intangible assets	47	74	+57.4
Free operating cash flow¹²	77	211	>100

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, 2017

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 depreciation and amortization

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 Operating cash flow: cash flow from operating activities according to IAS 7

¹² Free operating cash flow: operating cash flow less cash outflows for additions to property, plant, equipment and intangible assets

Covestro Share at a Glance

		1st quarter 2016	1st quarter 2017
High	€	33.50	72.48
Low	€	25.48	62.07
Closing prices (closing date)	€	32.96	72.16

Reporting Principles

This Covestro AG Quarterly Statement was prepared in accordance with Section 51a of the Stock Exchange Rules and Regulations (Börsenordnung). This Statement is not an interim report within the meaning of IAS 34 or set of financial statements within the meaning of IAS 1. It was not subjected to a review by an auditor. This Quarterly Statement should be read together with the Annual Report for the fiscal 2016 along with the additional information about the company contained therein. The Annual Report 2016 is available on our website at www.covestro.com.

This Quarterly Statement was published in German and English on April 25, 2017. Only the German version is binding.

Covestro Group Consolidated Income Statement

	1st quarter 2016	1st quarter 2017
	€ million	€ million
Sales	2,875	3,586
Cost of goods sold	(2,077)	(2,388)
Gross profit	798	1,198
Selling expenses	(314)	(346)
Research and development expenses	(63)	(64)
General administration expenses	(114)	(113)
Other operating income	50	24
Other operating expenses	(17)	(11)
EBIT	340	688
Equity-method loss	(5)	(6)
Interest income ¹	3	3
Interest expense ¹	(51)	(41)
Other financial result ¹	(25)	(10)
Financial result	(78)	(54)
Income before income taxes	262	634
Income taxes	(78)	(165)
Income after income taxes	184	469
of which attributable to noncontrolling interest	2	1
of which attributable to Covestro AG stockholders (net income)	182	468
	€	€
Basic earnings per share²	0.90	2.31
Diluted earnings per share²	0.90	2.31

¹ The previous year's figures were adjusted retroactively to reflect the change in the accounting treatment of forward exchange contracts. See section 6 "Change in Accounting for Forward Exchange Contracts" for additional information

² Weighted average number of no-par voting shares of Covestro AG in issue: 202,500,000

Covestro Group Consolidated Statement of Comprehensive Income

	1st quarter 2016	1st quarter 2017
	€ million	€ million
Income after income taxes	184	469
Remeasurements of the net defined benefit liability for post-employment benefit plans	(415)	79
Income taxes	134	(27)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	(281)	52
Other comprehensive income that will not be reclassified subsequently to profit or loss	(281)	52
Changes in exchange differences recognized on translation of operations outside the eurozone	(85)	(16)
Reclassified to profit or loss	-	-
Other comprehensive income from exchange differences	(85)	(16)
Other comprehensive income that may be reclassified subsequently to profit or loss	(85)	(16)
Total other comprehensive income¹	(366)	36
of which attributable to noncontrolling interest	(1)	-
of which attributable to Covestro AG stockholders	(365)	36
Total comprehensive income	(182)	505
of which attributable to noncontrolling interest	1	1
of which attributable to Covestro AG stockholders	(183)	504

¹ Total changes recognized outside profit or loss

Covestro Group Consolidated Statement of Financial Position

	Mar. 31, 2016	Mar. 31, 2017	Dec. 31, 2016
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	257	262	264
Other intangible assets	124	90	97
Property, plant and equipment	4,677	4,562	4,655
Investments accounted for using the equity method	212	234	230
Other financial assets	38	33	31
Other receivables	68	48	41
Deferred taxes	773	642	648
	6,149	5,871	5,966
Current assets			
Inventories	1,711	1,868	1,721
Trade accounts receivable	1,640	1,998	1,674
Other financial assets	56	201	171
Other receivables	329	302	316
Claims for income tax refunds	14	98	119
Cash and cash equivalents	1,030	434	267
Assets held for sale	–	12	–
	4,780	4,913	4,268
Total assets	10,929	10,784	10,234
Equity			
Capital stock of Covestro AG	203	203	203
Capital reserves of Covestro AG	4,908	4,908	4,908
Other reserves	(1,698)	(418)	(922)
Equity attributable to Covestro AG stockholders	3,413	4,693	4,189
Equity attributable to noncontrolling interest	17	28	27
	3,430	4,721	4,216
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	1,876	1,144	1,209
Other provisions	292	309	319
Financial liabilities	1,845	1,280	1,796
Income tax liabilities	–	39	36
Other liabilities	25	19	26
Deferred taxes	170	193	158
	4,208	2,984	3,544
Current liabilities			
Other provisions	505	509	569
Financial liabilities	1,325	690	135
Trade accounts payable	1,234	1,577	1,536
Income tax liabilities	73	133	37
Other liabilities	154	170	197
	3,291	3,079	2,474
Total equity and liabilities	10,929	10,784	10,234

Covestro Group Consolidated Statement of Cash Flows

	1st quarter 2016	1st quarter 2017
	€ million	€ million
Income after income taxes	184	469
Income taxes	78	165
Financial result	78	54
Income taxes paid	(80)	(29)
Depreciation, amortization and impairments	168	158
Change in pension provisions	4	10
(Gains)/losses on retirements of noncurrent assets	–	(7)
Decrease/(increase) in inventories	30	(157)
Decrease/(increase) in trade accounts receivable	(192)	(328)
(Decrease)/increase in trade accounts payable	(142)	44
Changes in other working capital, other noncash items	(4)	(94)
Net cash provided by (used in) operating activities	124	285
Cash outflows for additions to property, plant, equipment and intangible assets	(47)	(74)
Cash inflows from sales of property, plant, equipment and other assets	3	12
Cash outflows for noncurrent financial assets	(1)	(13)
Cash inflows from noncurrent financial assets	2	–
Interest and dividends received ¹	7	9
Cash inflows from/(outflows for) other current financial assets ¹	20	(61)
Net cash provided by (used in) investing activities¹	(16)	(127)
Issuances of debt	1,698	75
Retirements of debt	(1,385)	(35)
Interest paid ¹	(34)	(31)
Net cash provided by (used in) financing activities¹	279	9
Change in cash and cash equivalents due to business activities	387	167
Cash and cash equivalents at beginning of period	642	267
Change in cash and cash equivalents due to exchange rate movements	1	–
Cash and cash equivalents at end of year	1,030	434

¹ The previous year's figures were adjusted retroactively to reflect the change in the accounting treatment of forward exchange contracts. See section 6 "Change in Accounting for Forward Exchange Contracts" for additional information

1. Business Development Covestro Group

Results of operations

The Group's core volumes (in kilotons) in the first quarter of 2017 rose by 9.0% over the volumes sold in the prior-year quarter. With a growth rate of 14.7%, the Polycarbonates segment was the primary driver here. Core volumes in Coatings, Adhesives, Specialties and Polyurethanes saw increases of 8.1% and 6.8%, respectively.

Group sales of €3,586 million were up by 24.7% compared with the prior-year quarter's sales of €2,875 million. Total volumes sold boosted sales by 9.9% in the first quarter. All segments, but above all the Polycarbonates segment, contributed to this development. Selling prices were 13.4% higher, which also had a positive effect on sales, especially in the Polyurethanes segment. Moreover, exchange rate movements had a positive effect of 1.4% on Group sales.

All segments contributed to sales growth in the first quarter. Sales increased to €1,894 million (previous year: €1,403 million) in the Polyurethanes segment and to €954 million (previous year: €786 million) in the Polycarbonates segment. The Coatings, Adhesives, Specialties segment's sales rose to €564 million (previous year: €512 million).

Consolidated EBITDA grew by 66.5% in the first quarter of 2017 to €846 million (prior-year quarter: €508 million). A positive trajectory for margins and an increase in sales volumes were the primary reasons for the boost in earnings. Exchange rate movements also had a positive effect on earnings of around €5 million.

In the Polyurethanes segment, EBITDA more than doubled to €482 million (previous year: €214 million). The Polycarbonates segment's EBITDA jumped by 31.1% to €232 million (previous year: €177 million). In the Coatings, Adhesives, Specialties segment, EBITDA was up by 5.0% to €146 million (previous year: €139 million).

The Covestro Group's EBIT doubled to €688 million in the first quarter of 2017 (prior-year quarter: €340 million).

Financial position

Operating cash flow also more than doubled to €285 million (prior-year quarter: €124 million), largely due to a significant improvement in EBITDA. In the first quarter, the much higher noncash share of income taxes also had a positive effect. The increase in cash tied up in working capital and higher outflows for utilizing short-term personnel-related provisions compared with the prior-year quarter had the opposite effect.

Free operating cash flow rose to €211 million in the first quarter due to improved operating cash flow (previous year: €77 million). Cash outflows for additions to property, plant, equipment and intangible assets grew to €74 million (previous year: €47 million).

Net Financial Debt¹

	Dec. 31, 2016	Mar. 31, 2017
	€ million	€ million
Bonds	1,494	1,494
Liabilities to banks	133	186
Liabilities under finance leases	265	257
Liabilities from derivatives	33	33
Other financial liabilities	6	–
Positive fair values of hedges of recorded transactions	(15)	(6)
Financial liabilities	1,916	1,964
Cash and cash equivalents	(267)	(434)
Current financial assets	(150)	(190)
Net financial debt	1,499	1,340

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

The net financial debt of the Covestro Group totaled €1,340 million as of March 31, 2017, decreasing by €159 million from December 31, 2016. Cash inflows from operations were mainly invested in property, plant, equipment and intangible assets as well as in a short-term bank deposit. In addition, liabilities to banks increased by €53 million to €186 million due to borrowings.

Major Events and Transactions

On February 17, 2017, Covestro signed an agreement to sell the North American polyurethane spray foam systems business (additional information in section 7.2 “Acquisitions and Divestitures”).

2. Business Development by Segment

2.1 Polyurethanes

Polyurethanes Key Data

	1st quarter 2016	1st quarter 2017	Change
	€ million	€ million	%
Core volume growth¹	+10.3%	+6.8%	
Sales	1,403	1,894	+35.0
Change in sales			
Volume	+6.9%	+7.6%	
Price	-15.7%	+25.8%	
Currency	-0.9%	+1.6%	
Portfolio	0.0%	0.0%	
Sales by region			
EMLA	615	799	+29.9
NAFTA	446	490	+9.9
APAC	342	605	+76.9
EBITDA	214	482	>100
EBIT	117	396	>200
Operating cash flow	16	30	+87.5
Cash outflows for additions to property, plant, equipment and intangible assets	24	41	+70.8
Free operating cash flow	(8)	(11)	+37.5

¹ Reference values calculated based on the definition of the core business effective March 31, 2017

In the first quarter of 2017, core volumes in Polyurethanes were up by 6.8% over the prior-year quarter. The MDI and TDI product groups were primarily responsible for this development. This volume growth was driven mainly by greater demand from the global construction sector and the upholstered furniture and mattress industry in the NAFTA and APAC regions.

The Polyurethanes segment's sales jumped by 35.0% to €1,894 million (previous year: €1,403 million). The increase in total volumes sold had a positive effect of 7.6% on sales. Selling prices at Polyurethanes were up by 25.8% on the prior-year quarter. In the APAC and EMLA regions in particular, selling prices were bumped up considerably, whereas they rose only slightly in the NAFTA region.

All regions saw sharp increases in sales volumes. This improved sales by 29.9% to €799 million in the EMLA region and by 9.9% to €490 million in the NAFTA region. In the APAC region, sales of €605 million were 76.9% higher than in the same quarter in the previous year.

EBITDA in Polyurethanes more than doubled in the first quarter of 2017 to €482 million (prior-year quarter: €214 million). The improvement in earnings was largely due to higher margins.

In the same period, EBIT more than tripled to €396 million (previous year: €117 million).

At minus €11 million, free operating cash flow remained at the previous year's level. A considerable improvement in EBITDA was offset primarily by the increase in cash tied up in working capital and outflows for utilizing short-term personnel-related provisions.

2.2 Polycarbonates

Polycarbonates Key Data

	1st quarter 2016	1st quarter 2017	Change
	€ million	€ million	%
Core volume growth¹	+8.5%	+14.7%	
Sales	786	954	+21.4
Change in sales			
Volume	+8.7%	+17.2%	
Price	-5.4%	+2.9%	
Currency	-0.6%	+1.3%	
Portfolio	0.0%	0.0%	
Sales by region			
EMLA	285	322	+13.0
NAFTA	192	231	+20.3
APAC	309	401	+29.8
EBITDA	177	232	+31.1
EBIT	127	184	+44.9
Operating cash flow	94	60	-36.2
Cash outflows for additions to property, plant, equipment and intangible assets	12	19	+58.3
Free operating cash flow	82	41	-50.0

¹ Reference values calculated based on the definition of the core business effective March 31, 2017

In the first quarter of 2017, core volumes in Polycarbonates grew by 14.7% over the prior-year quarter. Covestro was able to increase volumes in all three regions due to greater demand from the automotive and electrical/electronics industries in particular.

In the Polycarbonates segment, sales rose by 21.4% in the first quarter to €954 million (previous year: €786 million). The increase in total volumes sold had a positive effect of 17.2% on sales. All regions reported strong growth in total volumes sold. Selling prices were up by 2.9% on average over the level in the prior-year quarter. The effects of exchange rate movements were also positive on the whole.

Sales increased by 13.0% to €322 million in the EMLA region and by 20.3% to €231 million in the NAFTA region. In both regions, there was a substantial increase in total volumes sold. Changes in selling prices in the NAFTA region had a slightly negative effect on sales, whereas in the EMLA region, they remained at the previous year's level. In the APAC region, sales were up by 29.8% to €401 million on account of much higher volumes and selling prices.

EBITDA in the Polycarbonates segment increased by 31.1% over the prior-year quarter's figure of €177 million, growing to €232 million in the first quarter. In particular, higher sales volumes had a positive effect on earnings.

During the same period, EBIT improved by 44.9% to €184 million (previous year: €127 million).

Free operating cash flow declined to €41 million (previous year: €82 million). The key factors in this development were the increase in cash tied up in working capital and outflows for utilizing short-term personnel-related provisions, which offset a greatly improved EBITDA figure.

2.3 Coatings, Adhesives, Specialties

Coatings, Adhesives, Specialties Key Data

	1st quarter 2016	1st quarter 2017	Change
	€ million	€ million	%
Core volume growth¹	-2.8%	+8.1%	
Sales	512	564	+10.2
Change in sales			
Volume	-1.6%	+9.1%	
Price	-2.4%	-0.3%	
Currency	-0.3%	+1.4%	
Portfolio	0.0%	0.0%	
Sales by region			
EMLA	262	273	+4.2
NAFTA	114	125	+9.6
APAC	136	166	+22.1
EBITDA	139	146	+5.0
EBIT	119	123	+3.4
Operating cash flow	54	40	-25.9
Cash outflows for additions to property, plant, equipment and intangible assets	11	13	+18.2
Free operating cash flow	43	27	-37.2

¹ Reference values calculated based on the definition of the core business effective March 31, 2017

In the first quarter of 2017, core volumes in the Coatings, Adhesives, Specialties segment climbed by 8.1% over the prior-year quarter. Volumes increased significantly, particularly in the APAC and EMLA regions.

Sales of Coatings, Adhesives, Specialties were up by 10.2% to €564 million compared with the same quarter in the previous year. This is largely due to the jump in sales volumes by 9.1%. On average, selling prices remained at the level of the prior-year quarter.

In the EMLA region, sales were up by 4.2% to €273 million on account of much higher volumes and only slightly lower selling prices. The NAFTA region saw sales advance by 9.6% to €125 million, chiefly due to a substantial rise in volumes. Exchange rate developments also had a slightly positive impact on sales, although selling prices remained at the previous year's level. The APAC region's sales were 22.1% higher, growing to €166 million. A significant expansion of volumes as well as moderately higher selling prices and positive exchange rate effects were the drivers of this result.

In the Coatings, Adhesives, Specialties segment, EBITDA was up by 5.0% to €146 million in the first quarter of 2017 (previous year: €139 million), mostly due to higher volumes.

During the same period, EBIT rose by 3.4% to €123 million (previous year: €119 million).

Free operating cash flow decreased to €27 million in the first quarter of 2017 (previous year: €43 million). This was attributable principally to outflows for utilizing short-term personnel-related provisions.

3. Forecast Update Report

3.1 Economic Outlook

Economic Outlook

	Growth ¹ 2016	Growth ¹ forecast 2017 (Annual Report 2016)	Growth ¹ forecast 2017
	%	%	%
World	+2.5	+2.8	+2.9
European Union	+1.9	+1.6	+1.8
of which Germany	+1.8	+1.9	+1.9
United States	+1.6	+2.3	+2.4
Asia	+4.6	+4.7	+4.6
of which China	+6.7	+6.5	+6.5

¹ Real growth in gross domestic product, source: IHS (Global Insight), Growth 2016 and Growth forecast 2017 as of April 2017

For 2017, we continue to expect global economic growth to considerably outpace the previous year overall at 2.9%. Our current assessment of the overall economic environment and trends in the individual regions therefore matches up closely with our forecast in the Annual Report 2016.

We also see only minimal change or none at all in the growth in our key customer industries compared with our previous forecast. In fiscal 2017, we anticipate growth in the worldwide automotive industry to drop sharply from the previous year to around 2%. For the global construction sector, we project a somewhat faster pace of growth year-on-year of 2% to 3%. Slightly faster expansion is also expected for the global electrical/electronics industry. Here, we anticipate growth of approximately 4%. In the global furniture industry, our outlook also indicates marginally higher growth of 3% to 4% worldwide.

3.2 Forecast for Key Data

Based on the positive business performance described in this Quarterly Statement and in view of the potential risks and opportunities, we are raising our forecast from the Annual Report 2016 for the rest of fiscal 2017.

We continue to expect core volume growth in the lower-to-mid-single-digit-percentage range. This trend is projected for the Covestro Group as well as for the Polyurethanes, Polycarbonates and Coatings, Adhesives, Specialties segments. The Polycarbonates segment is anticipated to outperform the other two segments somewhat.

For 2017, we now anticipate free operating cash flow to be significantly (before: slightly) above the average of the last three years. We expect free operating cash flow above the average of the last three years for the Polycarbonates and Polyurethanes segments. Polycarbonates is expected to outperform Polyurethanes slightly (forecast in the Annual Report 2016: Polycarbonates above and Polyurethanes around the average of the last three years). In the Coatings, Adhesives, Specialties segment, we continue to project free operating cash flow to hover around the average of the last three years.

In fiscal 2017, we expect ROCE¹ to be significantly above the 2016 level (forecast in the Annual Report 2016: to slightly exceed the 2016 level).

¹ ROCE: The return on capital employed is calculated as the ratio of EBIT after taxes to capital employed. The capital employed is the capital used by the company. It is the sum of noncurrent and current assets less non-interest-bearing liabilities such as trade accounts payable.

4. Employees and Pension Obligations

As of March 31, 2017, the Covestro Group had 15,719 employees worldwide (December 31, 2016: 15,579). Personnel expenses rose by €13 million to €488 million in the first quarter of 2017 (previous year: €475 million).

Employees by Corporate Function¹

	Dec. 31, 2016	Mar. 31, 2017
Production	9,830	9,916
Marketing and distribution	3,463	3,443
Research and development	1,016	1,015
General administration	1,270	1,345
Total	15,579	15,719

¹ The number of employees on either permanent or temporary contracts is stated in full-time equivalents. 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 decreased to €1,144 million (December 31, 2016: €1,209 million). This is mainly attributable to the increase in the discount rate in Germany and the United States.

Discount Rate for Pension Obligations

	Dec. 31, 2016	Mar. 31, 2017
	%	%
Germany	+2.00	+2.10
United States	+3.70	+3.80

5. Exchange Rates

In the reporting period, the following exchange rates were used for the major currencies of relevance to the Covestro Group.

Closing Rates for Major Currencies

€1/		Closing rates		
		Mar. 31, 2016	Dec. 31, 2016	Mar. 31, 2017
BRL	Brazil	4.12	3.43	3.38
CNY	China	7.36	7.35	7.35
HKD	Hong Kong	8.83	8.18	8.31
INR	India	75.43	71.59	69.40
JPY	Japan	127.90	123.40	119.55
MXN	Mexico	19.59	21.77	20.02
USD	United States	1.14	1.05	1.07

Average Rates for Major Currencies

€1/		Average rates	
		1st quarter 2016	1st quarter 2017
BRL	Brazil	4.30	3.35
CNY	China	7.20	7.31
HKD	Hong Kong	8.56	8.26
INR	India	74.32	71.30
JPY	Japan	127.02	121.07
MXN	Mexico	19.85	21.60
USD	United States	1.10	1.06

6. Change in Accounting for Forward Exchange Contracts

Since January 1, 2017, the effect on earnings of forward exchange contracts for the purpose of hedging foreign exchange risks has been divided into an interest and a currency component to improve the transparency of presentation for the results of operations. The interest component comprises interest rate-induced changes in the fair value of forward exchange contracts and the forward element, which reflects the interest rate differences between two currency areas at the time the transaction is entered into. For this reason, the interest component is no longer reported in other financial result, but instead in interest income or expense. Net interest therefore provides a more comprehensive picture of financing costs. In addition, there will no longer be any interest-rate induced effects in the currency position included in the other financial result.

In accordance with IAS 8.22, the changes will be applied retroactively. The following table illustrates the effects of the change in accounting for forward exchange contracts:

Accounting Changes Income Statement

	1st quarter 2016 pre- change	Accounting change	1st quarter 2016 post- change	1st quarter 2017 pre- change	Accounting change	1st quarter 2017 post- change
	€ million	€ million	€ million	€ million	€ million	€ million
Equity-method income (loss)	(5)	-	(5)	(6)	-	(6)
Interest income	3	-	3	2	1	3
Interest expense	(15)	(36)	(51)	(10)	(31)	(41)
Other financial result	(61)	36	(25)	(40)	30	(10)
Financial result	(78)	-	(78)	(54)	-	(54)

7. Scope of Consolidation

7.1 Changes in the Scope of Consolidation

As of March 31, 2017, the scope of consolidation comprised Covestro AG and 50 consolidated companies (December 31, 2016: 49 companies). As in the statements as of December 31, 2016, one company is accounted for as a joint operation in line with Covestro's interest in its assets, liabilities, revenues 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 March 31, 2017.

7.2 Acquisitions and Divestitures

On February 17, 2017, Covestro signed an agreement to sell the North American polyurethane spray foam systems business to Accella Polyurethane Systems LLC, Maryland Heights (USA). A purchase price of €47 million was agreed.

In connection with the sale, €12 million in Polyurethanes segment assets were classified as "held for sale" within the meaning of IFRS 5. The transaction was completed on April 3, 2017.

8. Segment Information

Segment Reporting 1st Quarter

				Other/Consolidation		Covestro Group
	Polyurethanes	Polycarbonates	Coatings, Adhesives, Specialties	All other segments	Corporate Center and reconciliation	
	€ million	€ million	€ million	€ million	€ million	€ million
1st quarter 2017						
Net sales	1,894	954	564	174	–	3,586
Change in sales						
Volume	+7.6%	+17.2%	+9.1%	–1.6%	–	+9.9%
Price	+25.8%	+2.9%	–0.3%	+1.0%	–	+13.4%
Currency	+1.6%	+1.3%	+1.4%	+0.6%	–	+1.4%
Portfolio	0.0%	0.0%	0.0%	0.0%	–	0.0%
Core volume growth¹	+6.8%	+14.7%	+8.1%	–	–	+9.0%
Sales by region						
EMLA	799	322	273	132	–	1,526
NAFTA	490	231	125	37	–	883
APAC	605	401	166	5	–	1,177
EBITDA	482	232	146	7	(21)	846
EBIT	396	184	123	6	(21)	688
Depreciation, amortization, impairment losses and impairment loss reversals	86	48	23	1	–	158
Operating cash flow	30	60	40	179	(24)	285
Cash outflows for property, plant, equipment and intangible assets	41	19	13	1	–	74
Free operating cash flow	(11)	41	27	178	(24)	211
Working capital²	1,220	567	442	65	(5)	2,289
1st quarter 2016						
Net sales	1,403	786	512	174	–	2,875
Change in sales						
Volume	+6.9%	+8.7%	–1.6%	–2.7%	–	+5.3%
Price	–15.7%	–5.4%	–2.4%	–10.3%	–	–10.5%
Currency	–0.9%	–0.6%	–0.3%	0.0%	–	–0.7%
Portfolio	0.0%	0.0%	0.0%	0.0%	–	0.0%
Core volume growth¹	+10.3%	+8.5%	–2.8%	–	–	+8.4%
Sales by region						
EMLA	615	285	262	139	–	1,301
NAFTA	446	192	114	30	–	782
APAC	342	309	136	5	–	792
EBITDA	214	177	139	(1)	(21)	508
EBIT	117	127	119	(2)	(21)	340
Depreciation, amortization, impairment losses and impairment loss reversals	97	50	20	1	–	168
Operating cash flow	16	94	54	(10)	(30)	124
Cash outflows for property, plant, equipment and intangible assets	24	12	11	1	(1)	47
Free operating cash flow	(8)	82	43	(11)	(29)	77
Working capital²	1,067	546	432	74	(2)	2,117

¹ Reference values calculated based on the definition of the core business effective March 31, 2017

² Working capital comprises inventories plus trade accounts receivable and less trade accounts payable, as of March 31, 2017.

Financial Calendar

Annual General Meeting 2017	May 3, 2017
Half-Year Financial Report 2017	July 25, 2017
Q3 2017 Interim Statement	October 24, 2017
Annual Report 2017	February 20, 2018

Forward-Looking Statements

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

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Covestro AG

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

www.covestro.com

IR contact

Email: ir@covestro.com

Press contact

Email: communications@covestro.com

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