



Leverkusen,
April 25, 2017

Positive momentum continued, forecast raised:

Strong first quarter for Covestro

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- **Core volumes up 9.0% year-on-year**
- **EBITDA grew 66.5% to EUR 846 million**
- **Net income rose 157.1% to EUR 468 million**
- **Free operating cash flow 174% higher year-on-year**
- **Forecast raised**

After a successful fiscal year 2016, materials manufacturer Covestro continued to perform well in the first quarter of 2017 and adjusted its forecast upward for the full year. Thanks to still-strong demand for innovative polymers, the Group's core volumes increased by 9.0%. Further growth in production capacity utilization and the associated improvement in margins enabled the company to again boost EBITDA. At EUR 846 million, EBITDA was up 66.5% on the prior-year period. Net income rose by 157.1% to EUR 468 million. In the first quarter of the previous year, this figure had totaled EUR 182 million.

"The high demand for our products indicates that innovative plastics play an important role in mastering the challenges posed by global megatrends such as urbanization, climate change, or the evolution of mobility. The proof is our strong volume growth and resulting improved earnings in all segments," says Covestro CEO Patrick Thomas. "We continue our positive momentum and deliver an EBITDA improvement year-on-year for the ninth consecutive quarter. For the remainder of this year we remain optimistic and thus have raised our forecast."

Based on the first quarter's positive business performance, the company has adjusted the forecast given in the 2016 Annual Report for the full year 2017. Covestro still expects core volume growth in the low-to-mid-single-digit percentage range. The company now anticipates free operating cash flow significantly above the average of the last three years (previously: slightly above



the average of the last three years). Furthermore, Covestro now expects return on capital employed (ROCE) to significantly exceed the 2016 level (previously: slightly above the 2016 level).

Sales and cash flow substantially higher

The robust core volume growth and 13.4% overall selling price increase – especially in the Polyurethanes segment, where prices were up 25.8% over the prior-year quarter – resulted in sales growth of 24.7% to EUR 3,586 million. Free operating cash flow also saw a positive trajectory. This figure amounted to EUR 211 million and was up 174% over the same period the previous year due to improved operating cash flow.

“Our optimism for fiscal year 2017 was confirmed in the first quarter,” states CFO Frank H. Lutz. “Our figures prove that we are in the position to benefit from the growth in our customer industries while at the same time improving operating efficiency. In addition, our strategy to build a strong global footprint increasingly pays off. Sales and profitability in our three core markets China, Germany and the US are more and more balanced.”

Sharp increase in core volumes growth in all segments

In the first quarter, core volumes in the Polyurethanes segment rose substantially, by 6.8% year-on-year. All product groups, particularly MDI and TDI, contributed to this increase. The key driver here was greater demand from the global construction sector as well as from furniture and mattress industry in the NAFTA and APAC regions. At EUR 482 million, EBITDA more than doubled year-on-year. This was mainly due to higher margins.

In light of the market demand development in this segment, it was decided to continue production of the rigid foam precursor MDI in Tarragona, Spain. At the same time, Covestro is working on converting a plant in the Northern German town of Brunsbüttel. The company expects to double MDI production capacity there to approximately 400,000 metric tons in the course of 2018.

The Polycarbonates segment also once again recorded strong growth of 14.7% in core volumes year-on-year. The volumes sold in all three regions climbed, mainly because of greater demand from the automotive and electrical / electronics industries. The segment's EBITDA rose by 31.1% to EUR 232 million. To meet the growing demand, Covestro doubled its polycarbonate production capacity in Shanghai to nearly 400,000 metric tons per year in 2016. With a total annual production capacity of around 1.5 million metric tons, the company is now the world's leading producer of this high-performance plastic.



Core volumes in the Coatings, Adhesives, Specialties segment increased by 8.1% as against the prior-year quarter. Significant volume growth was reported particularly by the APAC and EMLA regions. At EUR 146 million in the first quarter, EBITDA was up 5.0% on the previous year. Last year, Covestro commissioned a world-scale plant for raw materials for coatings in China. In contrast to the other two segments, prices of Coatings, Adhesives, Specialties on average remained at the previous year's level.

Positive start into the year

On the whole, Covestro has had a very positive start to 2017. Covestro's strategic position is strong in this regard both in terms of major trends in customer industries as well as in key regions. In addition, innovations and cooperations play an increasingly important role. A good example is the recently announced collaboration between Audi, BASF and Covestro leading to the development of a new clearcoat with biobased hardener for automotive manufacturing. For the first time, a clearcoat containing a biobased hardener was applied to test bodies of the Audi Q2 under near-series conditions at the Audi plant. The car coated with the new clearcoat was displayed at the European Coatings Show 2017 in Nuremberg.

About Covestro:

With 2016 sales of EUR 11.9 billion, Covestro is among the world's largest polymer companies. Business activities are focused on the manufacture of high-tech polymer materials and the development of innovative solutions for products used in many areas of daily life. The main segments served are the automotive, electrical and electronics, construction and the sports and leisure industries. Covestro, formerly Bayer MaterialScience, has 30 production sites around the globe and employs approximately 15,600 people (full-time equivalents) as of the end of 2016.

This investor news is available for download from the Investor Relations website of Covestro at <http://investor.covestro.com/en/news/investor-news/>.

The full Interim Statement together with the presentation and audio recording of the analyst conference are available at investor.covestro.com.



Forward-Looking Statements

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Key Data for the First Quarter

	1st Quarter 2016	1st Quarter 2017	Change
	€ million	€ million	in %
Covestro Group			
Core Volume Growth	+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%	
EBITDA	508	846	66.5
EBIT	340	688	>100
Net Income	182	468	>100
Free Operating Cash Flow	77	211	>100
Polyurethanes			
Core Volume Growth	+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%	
EBITDA	214	482	>100
EBIT	117	396	>200
Free Operating Cash Flow	(8)	(11)	37.5
Polycarbonates			
Core Volume Growth	+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%	
EBITDA	177	232	31.1
EBIT	127	184	44.9
Free Operating Cash Flow	82	41	-50.0
Coatings, Adhesives, Specialties			
Core Volume Growth	-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%	
EBITDA	139	146	5.0
EBIT	119	123	3.4
Free Operating Cash Flow	43	27	-37.2