

**Annual General Meeting,  
Wednesday, May 3, 2017  
Bonn**

Address by

**Patrick Thomas,**

Chairman of the Board of Management

(please check against delivery)

Meine sehr geehrten Damen und Herren,

Guten Tag und herzlich willkommen zur zweiten Hauptversammlung von Covestro. Wir freuen uns, dass Sie gekommen sind.

For this presentation, please allow me to continue in English, which is my mother tongue. You will be able to listen to a translation via your headphones.

Dear shareholders,

Let me say from the outset: 2016 was an excellent year for Covestro.

We can look back on a record year for several reasons:

We have reached or exceeded all our key financial targets.

Our adjusted EBITDA in 2016 increased by 22.7 percent, surpassing the two billion euros mark for the first time ever.

We delivered a net income of 795 million euros; more than double that of 2015.

Free operating cash flow grew by 41.8 percent to approximately 1.4 billion euros, reaching our original goal to outperform the 2015 figure.

This outstanding performance is driven by the consistently strong demand for our products, leading to higher capacity utilization. Higher volumes and a positive pricing delta were the main drivers for our strong earnings growth.

In 2016, we once again pushed the boundaries of what is possible. We brought several innovations to the market, often revolutionizing established processes and procedures.

Ladies and gentlemen, our key financials are proof that our strategy is paying off.

Our strong core volume growth shows that our products address the demands that emerge from global macro trends:

Climate change, new mobility trends and a growing population, especially in ever-bigger cities, lead to very specific demands.

Our products help meet these demands. They protect the environment by replacing other materials that can either not be produced as sustainably, or are not as sustainable during their lifecycle.

Our materials pave the way for automotive lightweight design, making mobility and transportation more efficient.

We enable more efficient food preservation through high insulation products that improve the cold chain.

Our innovative materials for roofing and glazing have generated significant interest from the construction sector and support the demand for affordable and energy-efficient housing.

These are just a few of the many examples which explain why Covestro is able to meet growing demands from global markets.

Dear shareholders,

Whatever Covestro does is rooted in our corporate vision: To make the world a brighter place.

You might ask yourselves: what does that mean? How can a company like Covestro achieve that?

We want to develop innovative materials to replace less effective, less sustainable or simply more expensive alternatives. We want to replace them with materials that are more sustainable, more energy efficient and more affordable.

We want to provide key industries with innovative polymer materials, technologies and application solutions that protect the environment, benefit society and create value.

Allow me to guide you through some proof points for our strategy of focusing on innovation and sustainability. First, let's take a closer look at the use of carbon dioxide as a raw material.

This is an innovation we developed and which is market ready. Our Dormagen site features a revolutionary new production facility that opened in June 2016. We call the technology behind it cardyon® – meaning 'beyond carbon dioxide'.

We are committed to introduce CO<sub>2</sub> into other materials, increase the amount we can use and promote this technology as a viable alternative that truly makes a difference.

We want to do all this because we know that fossil resources are becoming scarcer by the day, while taking their toll on the environment.

Last year, Covestro took steps to reduce the use of crude oil as a raw material in the production of foam for mattresses. At our Dormagen site we started production of an innovative foam component made with 20 percent CO<sub>2</sub>. In other words, we substitute around 20 percent of crude oil with CO<sub>2</sub>.

The advantages are obvious: the supply of CO<sub>2</sub> is almost unlimited. It could even be taken from exhaust gases or used as a by-product of other chemical processes, leading to a better carbon footprint for the whole production process of our material.

The second area I want to highlight today is the energy sector.

If you take a walk along a North Sea beach on a sunny day, you might very well see one of the many wind farms on the horizon.

Covestro materials are often included in these wind turbines.

The large rotor blades – each about 85 meters in length – are exposed to exceptional forces. Cores made with resins based on polyurethanes can help give them greater stability and durability, which, in turn, prolongs the lifecycle of the turbine. In addition, the production of turbines with these resins is faster and more cost-efficient. The first large rotor blade with Covestro materials inside has already been built.

The masts are covered in anti-rust primers, which are also based on polyurethane materials. Additionally, new coatings can cure faster, reducing the production time for turbines.

Last but not least, the electricity has to be transported on-shore. This is done via undersea cables, which need to be protected against damage that would otherwise lead to significant costs.

Our elastomers provide strong cable protection and the components do not need reworking – in contrast to concrete or steel – allowing for a time and cost advantage.

A consequence of significant technological advances in recent years, is that global wind energy production capacity is growing sharply. With a capacity of close to 500,000 megawatts, today's wind energy generation is about 70 times higher than 20 years ago.

Covestro is helping to accelerate this development by delivering solutions for a more efficient use of sustainable energy sources, therefore making the world a brighter place indeed.

I would also like to take a closer look at the automotive sector:

Some of you may have travelled here today by car – but I bet your car didn't look anything like the prototype we presented at the K fair in October.

You will be able to see a miniature version just outside the hall at our small exhibition.

The prototype was produced by Covestro in co-operation with the automotive supplier HELLA, and it is all about innovative design and functionality.

There are many examples taken from this prototype which should become more commonplace over the next decade. For example, the use of polycarbonates instead of glass windows in the occupant cell gives passengers a panoramic view with no blind spots, while at the same time reducing the weight of the vehicle.

The surfaces of the car are seamless and homogeneous – and not just for aesthetic reasons. The less drag a vehicle creates, the less energy it consumes, and this translates directly into a greater range for the car.

The rear lights feature an innovative lighting solution based on holographic films. These films enable different lighting functions to be integrated into body components, which open up entirely new options for using light as a design element.

What does this mean for Covestro as a material supplier? Looking at a conventional car today, you might find four to five kilograms of Covestro materials in an average vehicle.

But in an E-car, the share of Covestro materials may be up to 20 to 25 kilograms! This trend is also driven by the steady increase in global production of E-cars.

By 2020, the automotive industry is likely to produce three times the number of E-cars per year than produced in 2016.

Again, we are convinced that Covestro products will play a significant role in the transformation from conventional towards electric mobility.

We will help to drive this transformation.

We want to shape it and we want to benefit from it.

As mentioned, the automotive industry is a key industry for Covestro.

An industry which is driven by innovations, often only achieved through cooperation and collaboration. Just a few weeks ago, such an innovation was presented by a project team consisting of employees from Audi, BASF's Coatings division and Covestro – and it is a milestone.

The team developed a new clearcoat containing a biobased hardener.

The clearcoat forms the top layer of the coating system and as well as being scratch resistant, it has a glossy appearance and protects against sunlight and other weather effects.

BASF developed the clearcoat using our biobased hardener Desmodur. Seventy percent of the hardener's carbon content is sourced from renewable raw materials and it has already been applied to test bodies of the Audi Q2 under near-series conditions at their Ingolstadt plant.

This hardener innovation saves resources multiple times:

The biomass is based on forage maize, which is capturing CO<sub>2</sub> as it grows.

These renewable raw materials substitute fossil resources, helping the conservation process.

And last but not least: we are able to eliminate certain process steps during bio-based raw material production for this hardener, leading to a further reduction of CO<sub>2</sub> emissions.

Finally, I would like to invite you to join me for a glimpse into the future.

You may not have dealt much with aniline yet, but aniline is a raw material and a crucial component used in the chemical industry – for example to manufacture insulation for buildings and cooling devices.

As of today, approximately 4.5 million tons of aniline per year is produced from crude oil, with the volume increasing by approximately five percent annually. With a production capacity of about one million tons, Covestro is one of the largest producers worldwide.

I already mentioned that crude oil as a raw material is taking its toll on our environment. And just as we managed to partially replace crude oil through carbon dioxide, we are now looking for other ways to achieve this with aniline.

And we are pretty successful in doing so.

Covestro has now developed a procedure which allows the extraction of aniline from bio-mass based sugar. Instead of crude oil, we use bacteria to transform sugar into an intermediate, from which we then gain aniline through chemical catalysis. This sugar can be extracted from corn, wheat or sugar beets.

Laboratory tests have been successful but now our goal is industrial production. We strive to produce bio aniline for our own operations on an industrial level by 2025.

Ladies and gentlemen,

This concludes my overview of what we achieved in 2016.

Let me now hand over to our CFO Frank H. Lutz, who will give you more details on our 2016 results.

**Forward-looking statements**

This news release may contain forward-looking statements based on current assumptions and forecasts made by 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](http://www.covestro.com). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.