

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

Address by

Frank H. Lutz,

Chief Financial Officer of Covestro AG

(please check against delivery)

Thank you, Patrick.

Good day, ladies and gentlemen also from my side.

Please join me for a more detailed look at our results for fiscal year 2016.

Our Core Volume Growth of 7.5 percent was pretty much in line with our guidance of a mid- to high single-digit percentage increase. It is significantly stronger than in 2015, primarily supported by the considerably higher demand for our products.

Our profitability, measured by the adjusted EBITDA, registered an increase of 22.7 percent, exceeding two billion euros for the first time. The increase in EBITDA was largely attributable to higher volumes, as well as a higher utilization of our production facilities. The adjusted EBITDA margin of 16.9 percent was significantly above 2015.

I want to note that we are using the term “adjusted EBITDA” solely for comparative purposes when looking at 2015, as we have decided that we will not make any adjustments to our reported financial figures anymore from 2016 onwards.

The Return on Capital Employed (ROCE) was 14.2 percent in 2016, which is significantly above the prior-year figure and, as such, in line with our guidance. It significantly exceeded our capital costs of 6.9 percent. This means: we created some true value in 2016.

Free Operating Cash Flow grew by 41.8 percent to approximately 1.4 billion euros, reaching our original goal to outperform the 2015 figure. Furthermore, we achieved further strategic flexibility through available liquidity.

Ladies and gentlemen, a fiscal year so successful makes a look at Covestro’s individual segments worthwhile.

With a Core Volume Growth of 7.7 percent in our segment Polyurethanes, we succeeded in outperforming the market. The adjusted EBITDA increased significantly by 41.2 percent.

In the Polycarbonates segment, we generated impressive double-digit growth in core volumes of 10.3 percent in 2016. Adjusted EBITDA increased by 25.7 percent.

Regarding production capacity, we again succeeded in making Covestro the world's top producer at the end of 2016 with a market share of 29 percent.

In the Coatings, Adhesives, Specialties segment, our Core Volume Growth – adjusted for the effects of the planned termination of trading activities – was up 4.5 percent. In view of our high market share and moderate market growth, this is an impressive number. Adjusted EBITDA remained stable.

Taking a look at the reasons for the significantly increased profitability of our company, the increase of the adjusted EBITDA was almost equally driven by the volume leverage and a positive price delta. When we talk of price delta, we mean a positive delta between selling prices to our customers and raw material prices. Both effects were visible in all three segments, by the way.

In Q4 2016 then, the positive pricing delta was the major driver: on the one hand, our force majeure limited the volume leverage in Europe. On the other hand, the pricing delta was pushed both from increasing prices and positive effects from lower raw material costs.

In 2016, we generated Free Operating Cash Flow of nearly 1.4 billion euros: a record.

As usual, both positive and negative effects were in play here, and all told, Free Operating Cash Flow tracked EBITDA.

As you can see, in 2016 we reduced our total net debt by approximately one billion euros thanks to our high Free Operating Cash Flow.

The ratio of net debt to EBITDA declined to 1.3 and is therefore already below our during the IPO announced target of 1.5 until 2019. With an equity capital ratio of about 41 percent we have a very healthy balance structure.

Ladies and gentlemen,

To our delight, the strong results of Covestro in 2016 were also reflected in our share price.

In 2016, our first full year as a listed company, Covestro was the most successful MDAX stock with a gain of around 94 percent.

From its closing price of 33.64 euros on December 30, 2015, our stock price rose to 65.18 euros as of December 30, 2016.

And – as you know – the trend continued during the first months of this year.

Covestro was also among the frontrunners in terms of all German stocks, being the second strongest German stock in 2016.

Covestro was also included into major indices during the year, thereby gaining further attention on global stock markets: in April, Covestro was added to the STOXX Europe 600 index, and the MSCI Global Standard Germany index added our stock at the end of May. Since December, we have also been included in the FTSE 4 Good sustainability index.

Ladies and gentleman,

This impressive development is possible only with the right team. I therefore want to seize this opportunity – especially in my function as labour director – to sincerely thank our employees for their dedication and commitment.

The positive trend of our share should be a reason for joy for you and us.

Of course, we also want our stockholders to participate directly in Covestro's excellent performance in fiscal year 2016.

The Board of Management and the Supervisory Board therefore propose a dividend payment of 1.35 euro per share. This is almost a doubling on the dividend of for fiscal year 2015.

Dear shareholders,

In the first quarter of 2017 the positive development of 2016 has continued.

With 9.0 percent, Core Volume Growth was on a high level and above the first quarter 2016.

Our EBITDA was 846 million euros, an increase of 66.5 percent over the first quarter 2016.

Free Operating Cash Flow reached 211 million euros, also significantly exceeding last year's level.

Based on this positive business development, we have decided to raise our forecast presented in the annual report 2016 for the fiscal year 2017.

We continue to expect Core Volume Growth in the low to mid-single-digit percentage range.

Our Free Operating Cash Flow however should be not only slightly, but significantly above the average of the last three years.

And regarding our return on capital, we expect the ROCE to also be not only slightly but significantly above the level of 2016.

Ladies and gentlemen,

2016 was a very good year for Covestro and the start into the current fiscal year was very successful as well.

On this bases, we will continue to consequently follow our strategy of long-term profitable growth, pushing boundaries and making the world a brighter place.

As I come to the end of my remarks, I would point out that the Board of Management has prepared an explanatory report on the takeover-relevant information in the management and group management reports, which we have also made generally available on the internet.

Further details can be found in the written report, which is available from the information desk at the entrance to the hall.

Thank you very much for your attention. I hope you remain true to your Covestro and that we see you again next year.

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. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.