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Profitability and volumes increased in the first quarter

Covestro makes a strong start to 2016

- **EBITDA rose by 29.3% to EUR 508 million**
- **Earnings improved with contributions from all segments**
- **Core volumes 8.5% higher than in prior-year quarter**
- **Strong core volume growth at Polyurethanes and Polycarbonates**
- **Forecast for full year 2016 confirmed**

The materials manufacturer Covestro made a strong start to fiscal 2016. Compared with the prior-year period, EBITDA in the first quarter increased by 29.3% to EUR 508 million. All three segments contributed to this performance. Polyurethanes and Polycarbonates additionally achieved strong growth in core volumes, which at Group level increased by 8.5% overall against the prior-year quarter.

“In the first quarter, Covestro successfully sustained the strong business performance of the prior year. This is renewed confirmation of our company’s good position and, especially, our earning power,” said CEO Patrick Thomas. “We stand by our forecast for the full year 2016.”

The increase in EBITDA was mainly due to higher volumes in the Polyurethanes and Polycarbonates segments. Moreover, lower raw material prices outweighed the declines in selling prices, especially at Polycarbonates. Earnings also included a one-time insurance reimbursement of EUR 30 million.

Net income in the first quarter of 2016 increased year on year by 58.3% to EUR 182 million. Free operating cash flow decreased by EUR 13 million to EUR 77 million. This was mainly due to higher income tax payments and an increase in cash tied up in working capital, which together outweighed the improvement in EBITDA.



In the first three months of 2016, Group sales declined by 5.9% to approximately EUR 2.9 billion. The primary reason for this was the decline in selling prices - especially at Polyurethanes - which reflects lower raw material prices. On the other hand, Covestro saw increased demand in all regions compared with the prior-year quarter.

The strongest core volume growth of 11.4% was achieved in the Asia Pacific (APAC) region in the first quarter. In China particularly, sales increased by 13.3%. The NAFTA region comprising the United States, Canada and Mexico, and the EMLA region (Europe, Middle East, Africa and Latin America excluding Mexico) also saw high core volume growth of 9.6% and 5.8%, respectively.

Earnings growth in all segments

Compared with the prior-year quarter, the Polyurethanes segment posted a substantial increase of 10.4% in core volumes. In this segment, Covestro develops and manufactures precursors for applications including high-quality foams. EBITDA increased by 39.9% to EUR 214 million, mainly as the result of higher volumes.

At Polycarbonates, core volumes advanced by 8.5%, especially due to higher demand from the automotive, construction and electrical and electronics industries. EBITDA grew by 52.6% to EUR 177 million. Polycarbonate is a versatile high-performance plastic produced and continuously optimized by Covestro.

Core volumes in the Coatings, Adhesives, Specialties segment declined by 2.8%. Following exceptionally strong growth of 6.3% in the prior-year period, this quarter was impacted by the contractual termination of trading activities, as expected. Nevertheless, EBITDA increased by 6.1% to EUR 139 million. This was due to the positive effect of lower raw material prices, which outweighed the impact of lower selling prices and volumes. The segment comprises raw materials for coatings, adhesives and sealants, as well as specialties such as high-quality films.

Overall, Covestro is confirming its forecast for 2016. Compared with the assumptions made in the Annual Report 2015, the company now anticipates global economic growth of 2.6%. However, it also expects a mid-single-digit percentage increase in core volumes, especially due to positive momentum at Polyurethanes and Polycarbonates. Covestro expects that free operating cash flow will remain unchanged at a high level and above the average for previous years. The company also continues to anticipate that ROCE will be above its capital costs.



About Covestro:

With 2015 sales of EUR 12.1 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 as of the end of the first quarter 2016 employed approximately 15,700 people (full-time equivalents).

The full Interim Report together with the presentation and audio recording of the IR Conference are also available at investor.covestro.com.

Find more information at investor.covestro.com.
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Forward-looking statements

This investor news 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 on the Covestro website at www.covestro.com. Covestro assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Covestro Group Key Data

	1st quarter 2015	1st quarter 2016	Change
	€ million	€ million	%
Sales	3,054	2,875	-5.9
Change in sales			
Volume	+2.3%	+5.3%	
Price	-4.4%	-10.5%	
Currency	+10.2%	-0.7%	
Portfolio	0.0%	0.0%	
Core volume growth¹	+1.7%	+8.5%	
Sales by region			
EMLA ²	1,368	1,301	-4.9
NAFTA ³	831	782	-5.9
APAC ⁴	855	792	-7.4
EBITDA⁵	393	508	+29.3
Adjusted EBITDA⁶	416	508	+22.1
EBIT⁷	206	340	+65.0
Adjusted EBIT⁸	251	340	+35.5
Financial result	(41)	(78)	-90.2
Net income⁹	115	182	+58.3
Earnings per share (in €)¹⁰	0.57	0.90	+58.3
Operating cash flow¹¹	184	124	-32.6
Cash outflows for additions of property, plant, equipment and other intangible assets	94	47	-50.0
Free operating cash flow¹²	90	77	-14.4

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 EMLA: Europe, Middle East, Africa and Latin America (excl. Mexico) region

³ NAFTA: United States, Canada and Mexico region

⁴ APAC: Asia and Pacific region

⁵ EBITDA: earnings before financial result, taxes, depreciation and amortization

⁶ Adjusted EBITDA: earnings before financial result, taxes, depreciation and amortization before special items

⁷ EBIT: earnings before financial result and taxes

⁸ Adjusted EBIT: earnings before financial result and taxes before special items

⁹ Net income: income after income taxes attributable to the stockholders of Covestro AG

¹⁰ Earnings per share: net income divided by total number of shares as of March 31, 2016

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 property, plant, equipment and other intangible assets