

Press Release



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Third quarter of 2015

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Covestro substantially improves operating result

- **Adjusted EBITDA increases year on year by 44.5% to EUR 471 million**
- **Earnings buoyed by supply and demand situation**
- **Sales down 1.4% to EUR 3,020 million**
- **Stable volumes at declining selling prices**

Materials manufacturer Covestro substantially improved its operating result in the third quarter of 2015. Compared with the prior-year period, adjusted EBITDA increased by 44.5% to EUR 471 million. One main reason for this was a significant decline in raw material prices, which against the backdrop of a more favorable supply and demand situation more than offset a decline in selling prices. Currency effects of around EUR 70 million also contributed positively to this increase in earnings.

“Our first results as an independent company show that our business remains on the right track,” said Covestro CEO Patrick Thomas. “The third quarter underlines once again our good performance and particularly our earnings power.”

EBIT, too increased significantly to EUR 287 million, up 64% from the third quarter of the previous year. Reflected here were special items of minus EUR 18 million (Q3 2014: minus EUR 2 million) comprising expenses for the consolidation of production sites as well as expenses for and proceeds from the carve-out and stock market flotation of Covestro. Adjusted EBIT increased by 72.3% to EUR 305 million in the third quarter of 2015.



Stable volumes

Covestro sales declined in the third quarter of 2015 by 1.4% year on year to EUR 3,020 million. While volumes were level overall with the prior-year period, selling prices decreased in all three operational segments, especially Polyurethanes, which develops, manufactures and markets raw materials for versatile foams. However, positive currency effects largely offset these lower prices.

Sales of the Polyurethanes segment in the third quarter of 2015 receded by 8.5% year on year to EUR 1,512 million. This resulted mainly from much lower selling prices for the three product groups toluene diisocyanate (TDI), diphenylmethane diisocyanate (MDI) and polyether polyols, due primarily to declining raw material prices overall which were largely passed on to customers. However, the lower selling prices were compensated in part by positive currency effects.

Growth at Polycarbonates

The Polycarbonates segment grew sales by 13% to EUR 819 million in the third quarter of 2015. This growth was attributable to a positive volume trend although selling prices for the high-performance plastics dipped slightly. Positive currency effects also contributed to the increase in sales.

Sales in the Coatings, Adhesives, Specialties segment expanded by 2.6% to EUR 519 million. Currency effects offset the slight year-on-year decline in volumes and selling prices.

Sales growth in the first nine months

In the first nine months of 2015, Covestro grew sales by 5.7% to EUR 9,284 million. Volumes expanded in all segments. Additional momentum came from currency effects, which overall more than offset the decline in selling prices, especially at Polyurethanes and Polycarbonates.

Compared with the previous year, adjusted EBITDA for the first three quarters of 2015 improved by a substantial 45.6% to EUR 1,385 million. Considerably lower raw material prices and higher volumes more than offset the decline in selling prices. Currency effects had a positive impact of around EUR 200 million. EBIT increased year on year by 55.4% to EUR 760 million.

Research and development expenses at Covestro increased by 18.2% in the first nine months of the current year to EUR 188 million (9M 2014: EUR 159 million), including EUR 63 million in the third quarter (Q3 2014: EUR 48 million).



The company also invested an additional EUR 62 million in the first nine months of 2015 (9M 2014: EUR 56 million) in joint development projects with customers, including EUR 21 million in the third quarter of 2015 (Q3 2014: EUR 19 million).

Covestro will be publishing a full report for the third quarter, including a forecast for the full year, on November 12, 2015.

About Covestro:

With 2014 sales of EUR 11.8 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 sports and leisure industries. Covestro, formerly Bayer MaterialScience, has 30 production sites around the globe and employs approximately 15,700 people at the end of September 2015.

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Forward-Looking Statements

This 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 on the Covestro website 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.

Covestro Group - Key Data for the Third Quarter of 2015

	Q3 2014	Q3 2015	Change	First Nine Months 2014	First Nine Months 2015	Change
	€million	€million	%	€million	€million	%
Net sales	3,062	3,020	-1.4	8,781	9,284	5.7
Change in sales						
Volume		-0.6%			2.9%	
Price		-7.4%			-6.1%	
Currency		6.6%			8.9%	
Portfolio		0.0%			0.0%	
Sales by segment						
Polyurethanes	1,652	1,512	-8.5	4,689	4,703	0.3
Polycarbonates	725	819	13.0	2,080	2,413	16.0
Coatings, Adhesives, Specialties	506	519	2.6	1,464	1,616	10.4
Other/consolidation	179	170	-5.0	548	552	0.7
Sales by region						
EMLA	1,396	1,352	-3.2	4,186	4,140	-1.1
NAFTA	789	852	8.0	2,233	2,571	15.1
APAC	877	816	-7.0	2,362	2,573	8.9
EBITDA¹	324	455	40.4	934	1,287	37.8
<i>Special items</i>	-2	-16		-17	-98	
Adjusted EBITDA²	326	471	44.5	951	1,385	45.6
EBIT³	175	287	64.0	489	760	55.4
<i>Special items</i>	-2	-18		-21	-123	
Adjusted EBIT⁴	177	305	72.3	510	883	73.1
Depreciation, amortization and impairments	-149	-168	12.8	-445	-527	18.4
Adjusted EBITDA margin ⁵	10.6%	15.6%		10.8%	14.9%	
Gross cash flow⁶	274	313	14.2	828	1,039	25.5
Operating cash flow/net cash flow⁷	357	379	6.2	511	923	80.6
Capital expenditures for property, plant, equipment and intangible assets	134	128	-4.5	392	353	-9.9
Research and development expenses	-48	-63	31.3	-159	-188	18.2
Employees⁸	14,408	15,723	9.1	14,408	15,723	9.1

1 EBITDA: earnings before financial result, taxes, depreciation, amortization and impairments

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

3 EBIT: earnings before financial result and taxes

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

5 Adjusted EBITDA margin: adjusted EBITDA divided by net sales

6 Gross cash flow: operating cash flow disregarding changes in inventories, trade accounts receivable and payable, other working capital and other noncash items

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

8 Employees calculated as full-time equivalents on September 30, 2015, compared with September 30, 2014