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Plans to increase investment for further growth

Covestro raises guidance after a strong second quarter

- **Group sales improved by 10.4% to EUR 3.9 billion**
- **Core volumes up 4.4%**
- **EBITDA grew by 16.2% to EUR 985 million**
- **Earnings per share rose by 28.5% to EUR 3.07**
- **Free operating cash flow increased by 14.1% to EUR 364 million**
- **Guidance for EBITDA, FOCF and ROCE raised**

Covestro continued the year's successful performance in the second quarter of 2018. Group sales grew 10.4% compared with the prior-year quarter to EUR 3.9 billion thanks to higher selling prices and increased demand. Core volumes were up 4.4%, with all three segments contributing with positive growth rates. EBITDA improved by 16.2% to EUR 985 million. At EUR 604 million, net income was 24.8% higher than in the prior-year period. Free operating cash flow (FOCF) increased by 14.1% to EUR 364 million.

"There is sustained demand for our products worldwide, proving our strategy to further pay off as our products serve important global trends," said CEO Dr. Markus Steilemann. "We improved all key figures in the second quarter. Thanks to this strong performance, we are raising our guidance for the full year." That applies for EBITDA, FOCF and ROCE (return on capital employed).

"In order to maintain growth in the long term, we will also further increase investments," explained Steilemann. The investment program includes expansion of production in all three segments at various locations in all regions. For instance, significant expansion of global film production with an investment of around EUR 100 million has been announced to meet sharply rising demand. At the site in Tarragona (Spain) around EUR 200 million is being invested to



build its own chlorine production and extend the present facilities for the rigid foam precursor MDI. In addition, MDI capacity in Brunsbüttel (Germany) and the polycarbonate production in Caojing (China) are being extended.

Sustained growth prospects confirmed

“We see solid growth in our main customer industries and are raising investments to EUR 650–700 million this year,” said CFO Dr. Thomas Toepfer. In the next three years, these annual capital expenditures (capex) are to be increased further up to EUR 1.2 billion. That will allow targeted expansion of production capacity as well as the construction of new facilities.

There are currently signs that market prices are normalizing in some product areas, especially for the flexible foam precursor TDI. “Our goal is therefore to reduce the cyclicity of our product portfolio even further and to continue our successful development,” added Toepfer. This is to be achieved primarily through additional highly differentiated applications, for example, for the automotive, electronics and healthcare sectors.

Since sustained high demand is expected in the main customer industries in the mid term, core volume growth of around 4% per year is projected. The company therefore plans to continue to grow faster than global gross domestic product (GDP). At the same time, Covestro is monitoring the present geopolitical uncertainties.

Covestro’s share buy-back program has made further progress and the second tranche was launched in the second quarter. So far, shares for a total amount of more than EUR 800 million (around 5% of the capital stock) have been repurchased. Overall, Covestro aims to buy back own shares totaling up to EUR 1.5 billion, or up to 10% of its capital stock by mid-2019. Earnings per share climbed by 28.5% to EUR 3.07, partly as a result of the ongoing share buy-back program.

Forecast for EBITDA, FOCF and ROCE raised

In view of the strong results of the first half-year, Covestro is raising its forecast for EBITDA, FOCF and ROCE in 2018. The company now expects that EBITDA for the fiscal year will be above the prior-year level and FOCF will be over EUR 2 billion. ROCE is now expected to be around the 2017 level. Covestro still anticipates core volume growth in the low to mid single-digit percentage range in 2018. As always, this forecast is based on a normal GDP environment. In the third quarter of 2018, EBITDA is expected to be around the prior-year level.



Second quarter of 2018: growth in all three segments

Sales of the Polyurethanes segment rose by 8.1% to EUR 1,966 million in the second quarter of this year. Sales developed positively in all regions. Core volumes grew 3.9% in this segment, mainly due to the increase in the MDI product group, and the segment's EBITDA increased 6.2% to EUR 583 million.

The Polycarbonates segment registered particularly strong sales growth of 15.9% to EUR 1,056 million in the second quarter, with the positive trend coming primarily from higher selling prices. Core volumes increased by 5.3%. In particular, the APAC region contributed to this rise. Polycarbonates grew EBITDA by 44.7% to EUR 285 million.

The Coatings, Adhesives, Specialties segment also posted a significant improvement compared with the prior-year quarter, with sales rising 4.1% to EUR 629 million. Core volumes for Coatings, Adhesives, Specialties rose 5.8%, the highest growth rate of the three segments. EBITDA was 14.9% higher at EUR 139 million.

Sustained positive performance in the first half of 2018

Overall, Covestro's performance in the first six months of 2018 was very strong. Group sales rose 7.9% year-on-year to EUR 7.6 billion, driven principally by higher selling prices across all three segments. Group-wide, core volumes rose 2.2% year-on-year in the first six months. EBITDA grew 20.9% to around EUR 2 billion, primarily driven by earnings growth in the Polyurethanes and Polycarbonates segments. Net income was EUR 1.2 billion, a rise of 31.1%. FOFC increased by 37.4% to EUR 728 million.

About Covestro:

With 2017 sales of EUR 14.1 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, construction, wood processing and furniture, and electrical and electronics industries. Other sectors include sports and leisure, cosmetics, health and the chemical industry itself. Covestro has 30 production sites worldwide and employs approximately 16,200 people (calculated as full-time equivalents) at the end of 2017.



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

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 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

	2nd quarter 2017	2nd quarter 2018	Change	First Half 2017	First Half 2018	Change
	€ million	€ million	in %	€ million	€ million	in %
Covestro Group						
Core Volume Growth	-1.7%	+4.4%		+3.5%	+2.2%	
Sales	3,498	3,863	+10.4	7,084	7,642	+7.9
Change in Sales						
Volume	+0.6%	+4.9%		+5.2%	+1.6%	
Price	+15.3%	+9.9%		+14.4%	+12.1%	
Currency	+1.1%	-4.4%		+1.2%	-5.8%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	848	985	+16.2	1,694	2,048	+20.9
EBIT	687	826	+20.2	1,375	1,733	+26.0
Net Income	484	604	+24.8	952	1,248	+31.1
Free Operating Cash Flow	319	364	+14.1	530	728	+37.4
Polyurethanes						
Core Volume Growth	-2.9%	+3.9%		+1.6%	+1.4%	
Sales	1,818	1,966	+8.1	3,639	3,916	+7.6
Change in Sales						
Volume	-1.8%	+3.3%		+2.4%	+0.3%	
Price	+28.4%	+9.2%		+27.7%	+13.2%	
Currency	+1.2%	-4.4%		+1.3%	-5.9%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	549	583	+6.2	1,017	1,220	+20.0
EBIT	454	492	+8.4	837	1,039	+24.1
Free Operating Cash Flow	160	280	+75.0	156	410	>100
Polycarbonates						
Core Volume Growth	+0.7%	+5.3%		+7.5%	+4.0%	
Sales	911	1,056	+15.9	1,865	2,089	+12.0
Change in Sales						
Volume	+2.5%	+5.6%		+9.5%	+2.8%	
Price	+6.1%	+15.2%		+4.6%	+15.8%	
Currency	+1.0%	-4.9%		+1.2%	-6.6%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	197	285	+44.7	429	588	+37.1
EBIT	152	241	+58.6	336	501	+49.1
Free Operating Cash Flow	(25)	111	.	16	167	>900
Coatings, Adhesives, Specialties						
Core Volume Growth	-0.2%	+5.8%		+5.1%	+2.1%	
Sales	604	629	+4.1	1,241	1,221	-1.6
Change in Sales						
Volume	+1.3%	+6.3%		+6.2%	+2.0%	
Price	-0.1%	+1.7%		-0.4%	+1.3%	
Currency	+1.0%	-3.9%		+1.3%	-4.9%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	121	139	+14.9	281	275	-2.1
EBIT	101	116	+14.9	237	229	-3.4
Free Operating Cash Flow	34	41	+20.6	54	39	-27.8