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Group sales and EBITDA up significantly in the first quarter

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## Covestro well on track

- **Group sales grew by 5.4% to EUR 3.8 billion**
- **Core volumes stable at a high level**
- **EBITDA up around a quarter to nearly EUR 1.1 billion**
- **Net income rose by 37.6% to EUR 644 million**
- **Free operating cash flow increased by 72.5%**
- **On track for fiscal 2018: guidance confirmed**

With a successful start to 2018, materials manufacturer Covestro continues its strong growth. Thanks to ongoing robust demand and higher prices, sales rose by 5.4% to EUR 3.8 billion in the first quarter. The main sales drivers were the Polyurethanes and Polycarbonates segments. Core volumes remained stable compared to the exceptional growth in the prior year's quarter. At EUR 1.1 billion, EBITDA was up 25.7% on the prior-year period. Net income improved by 37.6% to EUR 644 million. Free operating cash flow (FOCF) increased by 72.5% to EUR 364 million.

"We got off to a successful start in the first quarter and are well on track for the whole year," said Dr. Markus Steilemann, Chief Commercial Officer (CCO) and soon-to-be Chief Executive Officer (CEO) of Covestro. "While maintaining core volumes on a high level, we've again significantly improved all other key figures compared to the excellent results of the prior-year quarter."

Taking stock of the company's performance, Steilemann added: "We continue to benefit from increasing demand for sustainable solutions and superior materials. Going forward, we will continue to concentrate our efforts specifically on high-margin products with exceptional properties."



A recent example of this is found in Markt Bibart (Germany), where Covestro started commercial production of a novel material in March this year. The continuous fiber-reinforced thermoplastic composite (CFRTP) is extremely lightweight and exhibits metal-like properties. The demand for strong and light materials is growing worldwide, as they reduce energy consumption in a wide variety of applications and thus contribute to resource conservation. Covestro has invested a mid-double-digit million euro sum in expanding production capacity.

In addition, the company's digitalization strategy is opening up new business options. Covestro recently started collaborating with the Chinese internet giant Alibaba and now offers its materials on the Alibaba online platform – China's largest business-to-business marketplace. Under the link [covestrochina.1688.com](http://covestrochina.1688.com), Covestro products will become available more easily for customers in this market.

### **Increased profits in Polyurethanes and Polycarbonates segments – high margin maintained in CAS segment**

Sales of the Polyurethanes segment rose by 7.1% to EUR 1,950 million in the first quarter. The main driver of this growth was higher prices across all regions, which more than compensated for the decline of 1.0% in core volumes as well as negative effects from exchange rate movements. The segment's EBITDA rose by 36.1% to EUR 637 million. Higher margins had a favorable effect.

The Polycarbonates segment recorded a sales growth of 8.3% to EUR 1,033 million. The positive trend in selling prices boosted sales, whereas exchange rate movements had a negative impact. Core volumes in this segment rose by 2.7% over the first quarter 2017. At EUR 303 million, EBITDA was up 30.6% on the prior year.

In the Coatings, Adhesives, Specialties segment, sales declined by 7.1% to EUR 592 million year-on-year in the first quarter. The reduction in sales was primarily due to currency effects as well as a decline of 1.3% in the segment's core volumes versus the strong prior-year quarter. As with the other segments, selling prices had a positive impact on sales. EBITDA was down 15.0% to EUR 136 million due to lower sales volumes, negative currency effects and increased raw material costs. However, EBITDA margin remained high at 23.0%.

### **Share buy-back: first tranche completed successfully**

The first tranche of the share buy-back program, which began in the fall of 2017, was completed successfully end of February. To date, approximately 4.5 million



shares with a total value of EUR 400 million have been repurchased, equivalent to 2.2% of capital stock. The next buy-back tranche is planned to commence soon. On October 26 last year, Covestro announced to buy back own shares for up to EUR 1.5 billion, or up to 10% of its capital stock.

### **Guidance for fiscal 2018 confirmed**

Based on its business performance in the first quarter, the company has confirmed its guidance for fiscal year 2018. Dr. Thomas Toepfer, Chief Financial Officer (CFO) of Covestro since April 1, 2018, explained: "Based on the ongoing robust demand and supported by efficient investments, we aim to generate further organic volume growth. At the same time, we expect prices to normalize in a number of product groups throughout the year. All in all, we expect to continue on our successful course."

In the coming years, Covestro intends to significantly increase its investments to continue to take exceptional advantage of the expected growth in the main customer industries. These investments are expected to include all segments and regions and to be in excess of the depreciation level.

In 2018 the company expects a low-to mid-single-digit percentage increase in core volume growth. Covestro anticipates free operating cash flow significantly above the average of the last three years and ROCE is expected to approach the previous year's level. EBITDA is estimated to be around the level of 2017. Covestro anticipates EBITDA for the second quarter 2018 to be above the prior-year quarter.

### **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](http://investor.covestro.com).*



**Forward-looking statements**

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## Covestro Group Key Data

	1st quarter 2017	1st quarter 2018	Change
	€ million	€ million	%
<b>Covestro Group</b>			
Core Volume Growth	+8.9%	0.0%	
Sales	3,586	3,779	+5.4%
Change in Sales			
Volume	+9.9%	-1.7%	
Price	+13.4%	+14.3%	
Currency	+1.4%	-7.2%	
Portfolio	0.0%	0.0%	
EBITDA	846	1,063	+25.7%
EBIT	688	907	+31.8%
Net Income	468	644	+37.6%
Free Operating Cash Flow	211	364	+72.5%
<b>Polyurethanes</b>			
Core Volume Growth	+6.3%	-1.0%	
Sales	1,821	1,950	+7.1%
Change in Sales			
Volume	+6.6%	-2.8%	
Price	+27.1%	+17.3%	
Currency	+1.5%	-7.4%	
Portfolio	0.0%	0.0%	
EBITDA	468	637	+36.1%
EBIT	383	547	+42.8%
Free Operating Cash Flow	(4)	130	.
<b>Polycarbonates</b>			
Core Volume Growth	+14.7%	+2.7%	
Sales	954	1,033	+8.3%
Change in Sales			
Volume	+17.2%	+0.2%	
Price	+2.9%	+16.3%	
Currency	+1.3%	-8.2%	
Portfolio	0.0%	0.0%	
EBITDA	232	303	+30.6%
EBIT	184	260	+41.3%
Free Operating Cash Flow	41	56	+36.6%
<b>Coatings, Adhesives, Specialties</b>			
Core Volume Growth	+10.8%	-1.3%	
Sales	637	592	-7.1%
Change in Sales			
Volume	+11.3%	-2.2%	
Price	-0.8%	+1.0%	
Currency	+1.6%	-5.9%	
Portfolio	0.0%	0.0%	
EBITDA	160	136	-15.0%
EBIT	136	113	-16.9%
Free Operating Cash Flow	20	(2)	.