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Covestro AG
Investor Relations
51373 Leverkusen
Germany

IR Contact
Ronald Köhler
Telephone
+49 214 6009 5098
Email
ronald.koehler
@covestro.com

IR Contact
Ilia Kürten
Telephone
+49 214 6009 7429
Email
ilia.kuerten
@covestro.com

IR Contact
Cédric Schupp
Telephone
+49 214 6009 2336
Email
cedric.schupp
@covestro.com

Innovation and sustainability as growth drivers:

Covestro continues its profitable growth path with a record year

- **Group sales grew 18.8% to EUR 14.1 billion**
- **EBITDA increased 70.6% to EUR 3.4 billion**
- **Net income more than doubled to EUR 2.0 billion**
- **Record in free operating cash flow - EUR 5.0 billion now until 2019**
- **Dividend proposal: EUR 2.20 per share**
- **Positive forecast for 2018**

Materials manufacturer Covestro had an outstanding fiscal year 2017. Driven by a high demand for high-performance plastics and significantly higher margins, Covestro increased Group sales by 18.8% to EUR 14.1 billion over the past fiscal year. This was accompanied by an increase in EBITDA at Group level for the year as a whole of 70.6% to EUR 3.4 billion over the prior-year period. Net income more than doubled from EUR 795 million to EUR 2.0 billion. As a result of these excellent results, Covestro intends to pay its shareholders a dividend of EUR 2.20 per share (previous year: EUR 1.35).

“We have achieved an impressive result in 2017 and significantly exceeded our overall targets,” said CEO Patrick Thomas. “Compared with our first year as an independent company, we have once again clearly improved and demonstrated that our success is sustainable. There is one simple reason for that: We have managed to successfully unlock Covestro’s potential even further. We are now in a strong position from which we will accelerate further value creation.”

In fiscal year 2017, Covestro also achieved very strong results in other key figures: The Group’s core volumes rose by 3.4% over the prior-year period amidst continually high capacity utilization. Covestro’s free operating cash flow (FOCF) reached a new record high increasing to EUR 1.8 billion, equivalent to a



rise of 34.8% compared with 2016. Return on capital employed (ROCE) stood at 33.4% and was thus also much higher than in the previous year (14.2%).

Given the strong development, Covestro now expects to deliver a cumulative free operating cash flow of EUR 5 billion within three years. The estimation announced in 2017 was five years. Due to high cash inflows, Covestro's Board of Management decided in October 2017 to buy back their own shares up to EUR 1.5 billion, or up to 10% of the capital stock. The buy-back began in November 2017 as planned. In addition, net financial debt decreased by EUR 1,216 million to EUR 283 million in 2017 (previous year: EUR 1,499 million).

Sustainability as a driver of growth

For 2018, Covestro expects solid growth in the main customer industries including the automotive, furniture, construction, and electrical and electronics industries. Within these industries, Covestro considers in particular the social trend toward greater sustainability as a driver of growth. "In more and more industries, customers are increasingly looking for sustainable solutions and that is exactly what we offer. We are extremely well positioned to take advantage of the exceptional growth potential in these future-oriented segments," said Patrick Thomas. He further mentioned areas of growth such as e-mobility, energy-efficient construction and energy-saving LED lamps.

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 include all segments and regions, and are expected to be in excess of the depreciation level. Furthermore, Covestro remains prepared to use opportunities for acquisitions that strengthen the portfolio and create value.

Digitalization and sustainability key elements of strategy

True to Covestro's purpose to make the world a brighter place, sustainability has always been firmly anchored in its strategy. In addition to this commitment, Covestro has integrated the Sustainable Development Goals of the United Nations in its strategy. "Sustainability is and remains a key driver of innovation," explained Dr. Markus Steilemann, Chief Commercial Officer and future CEO of Covestro. "By 2025, we want to spend 80 percent of our research and development expenditure in areas that contribute to the Sustainable Development Goals."

Steilemann considers digitalization as a further driver of innovation: "With our comprehensive program, we are taking advantage of the opportunities that



digitalization provides, making it a key focus in our company. As part of this focus, we will set new standards of collaboration with our customers.” An example of this is a soon-to-be-launched digital marketplace that will simplify access to basic products and connect customers with Covestro and other providers. By the end of 2019, new digital business models such as the digital marketplace are expected to generate cumulative sales of up to one billion euros.

Ongoing positive development expected for 2018

On the basis of anticipated stable growth in the main customer industries and current economic forecasts, Covestro expects ongoing positive development for 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. In 2018, ROCE is expected to approach the previous year’s level. EBITDA is estimated to be around the level of 2017. For the first quarter of 2018, Covestro anticipates EBITDA significantly above the level of the first quarter of 2017.

Polyurethanes and Polycarbonates increase profitability

In the Polyurethanes segment, Covestro increased its core volumes over the previous year in all three regions – an overall increase of 3.4%. Meanwhile, EBITDA rose by 151.1% to EUR 2,212 million. This growth was primarily the result of significant improvements in margins in the MDI and TDI product groups. Moreover, the increased sales volume, gains from the sale of a systems house in North America (EUR 39 million), and an insurance reimbursement (EUR 35 million) all had a positive effect. Furthermore, the decision to continue production in Tarragona (Spain) led to a reversal of provisions (EUR 72 million).

Core volumes in the Polycarbonates segment rose by 5.0%. Here, too, all three regions contributed to growth. This segment’s EBITDA rose 21.2% to EUR 853 million. Higher core volumes and increased selling prices had a positive effect on earnings, while sales were mainly driven by increased demand in the automotive, and electrical and electronics industries.

In 2017 as a whole, core volumes in the Coatings, Adhesives, Specialties segment saw virtually no change (–0.3%) amidst a challenging competitive environment. EBITDA was down 9.4% from the previous year’s figure, dropping to EUR 453 million. Increased selling prices on average were not able to fully offset the higher cost of goods sold.

Meanwhile, expanded production of polyurethane dispersions commenced in Dormagen (Germany) and Barcelona (Spain) to meet the increasing demand



from the coatings and adhesive industry. Covestro also began operations at a new production facility in Dormagen for high-quality, multi-layer flat films used in security cards or automotive interiors.

Fourth quarter 2017 with new record results

In the fourth quarter 2017, Covestro reported its most successful quarter in the Company's history and continued the outstanding performance achieved over the fiscal year. Group sales increased by 16.7% to EUR 3.5 billion in the final quarter compared with the fourth quarter 2016, driven by higher selling prices and increased sales volumes. EBITDA increased even more sharply from EUR 390 million to EUR 879 million, more than doubling over the previous year. Net income at EUR 566 million rose several times over the figure in the fourth quarter of 2016 (EUR 124 million). Free operating cash flow increased 45.9% to EUR 890 million.

About Covestro:

With 2017 sales of EUR 14.1 billion, Covestro is among the world's largest polymer producers. 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 about 30 production sites around the globe and as of the end of 2017 employed approximately 16,200 people (full-time equivalents).

This investor news is available for download from the Investor Relations website of Covestro at <http://investor.covestro.com/en/news/investor-news/>.

Note to editors:

Below please find a table showing key data for Covestro Group for fiscal year 2017.

Find more information at **investor.covestro.com**.

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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.

Covestro Group Key Data

	4th quarter 2016	4th quarter 2017	Change	2016	2017	Change
	€ million	€ million	in %	€ million	€ million	in %
Covestro Group						
Core Volume Growth	+4.8%	+4.1%		+7.5%	+3.4%	
Sales	3,017	3,522	+16.7	11,904	14,138	18.8
Change in Sales						
Volume	+3.8%	+4.6%		+5.0%	+4.3%	
Price	+4.6%	+17.4%		-5.2%	+16.1%	
Currency	-0.6%	-5.3%		-1.3%	-1.6%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	390	879	>100	2,014	3,435	70.6
EBIT	221	728	>200	1,331	2,808	>100
Net Income	124	566	>300	795	2,009	>100
Free Operating Cash Flow	407	655	+60.9	1,367	1,843	34.8
ROCE				+14.2 %	+33.4 %	
Polyurethanes						
Core Volume Growth	+2.4%	+5.1%		+7.7%	+3.4%	
Sales	1,540	1,939	+25.9	5,927	7,660	29.2
Change in Sales						
Volume	+0.3%	+6.5%		+5.2%	+4.1%	
Price	+11.6%	+25.2%		-6.4%	+26.9%	
Currency	-0.7%	-5.8%		-1.4%	-1.8%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	176	618	>200	881	2,212	>100
EBIT	80	534	>500	489	1,856	>200
Free Operating Cash Flow	307	466	51.8	631	1,082	71.5
Polycarbonates						
Core Volume Growth	+12.8%	+3.7%		+10.4%	+5.0%	
Sales	833	939	+12.7	3,298	3,737	13.3
Change in Sales						
Volume	+13.2%	+5.2%		+10.0%	+7.1%	
Price	-2.6%	+13.1%		-4.3%	+8.0%	
Currency	-0.9%	-5.6%		-1.7%	-1.8%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	142	213	+50.0	704	853	21.2
EBIT	93	169	+81.7	507	672	32.5
Free Operating Cash Flow	108	171	+58.3	442	321	-27.4
Coatings, Adhesives, Specialties						
Core Volume Growth	0.0%	-1.0%		-0.3%	-0.3%	
Sales	481	466	-3.1	2,040	2,053	0.6
Change in Sales						
Volume	+2.4%	-2.1%		+0.6%	-0.1%	
Price	-1.7%	+3.2%		-2.4%	+1.8%	
Currency	+0.1%	-4.2%		-0.7%	-1.1%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	83	74	-10.8	500	453	-9.4
EBIT	59	51	-13.6	411	366	-10.9
Free Operating Cash Flow	90	108	+20.0	341	243	-28.7