



# Establishing new levels

Financial Highlights  
Q4 & FY 2017



# Forward-looking statements

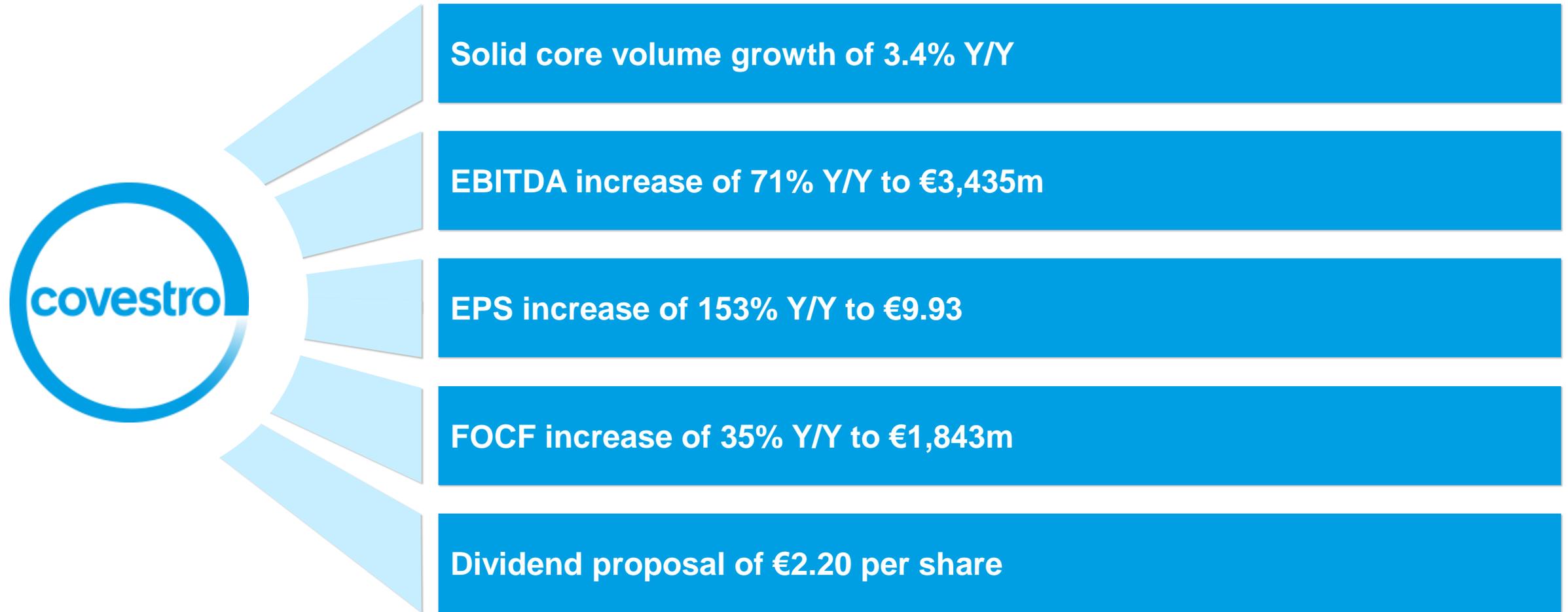
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# FY 2017 Key Highlights

Establishing new levels



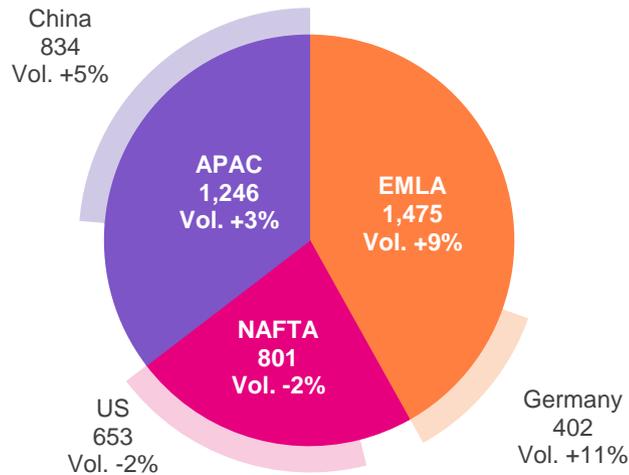
# Q4 2017 & FY 2017 – Sales per Region

Regional core volume growth determined by product availability



## Solid growth in Q4 2017

in € million /  
Core volume  
growth Y/Y

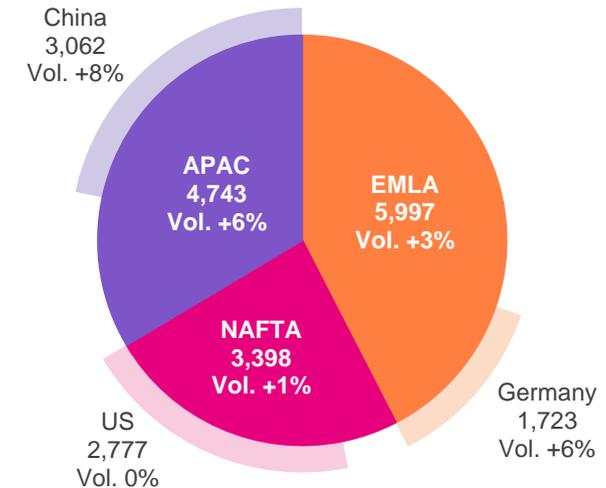


## Q4 2017 Highlights

- Core volume growth of 4.1% Y/Y despite constrained product availability
- US and NAFTA still impacted by Hurricane Harvey
- Double-digit core volume growth in Germany due to low prior-year basis
- Strong core volume growth in auto/transport and wood/furniture

## Solid growth in FY 2017

in € million /  
Core volume  
growth Y/Y



## FY 2017 Highlights

- Solid core volume growth of 3.4% Y/Y
- Significant core volume growth in Germany with 6% Y/Y
- Flat volumes in US despite Hurricane Harvey impact
- Strong core volume growth in auto/transport
- Double-digit core volume growth in medical and niche industries

# 2017 Guidance fully achieved



	Initial guidance FY 2017	Updated guidance FY 2017*	FY 2017	Achievement
Core Volume Growth	Low- to mid-single-digit percentage increase Y/Y	Low- to mid-single-digit percentage increase Y/Y	+3.4%	
FOCF	Slightly above the average of the last three years	<b>Significantly</b> above the average of the last three years	€1,843m versus €881m	
ROCE	Slightly above the 2016 level	<b>Significantly</b> above the 2016 level	33.4% versus 14.2%	

**All financial targets achieved**

\*Guidance for FY 2017 updated & presented at Q2 2017 results call on July 25, 2017

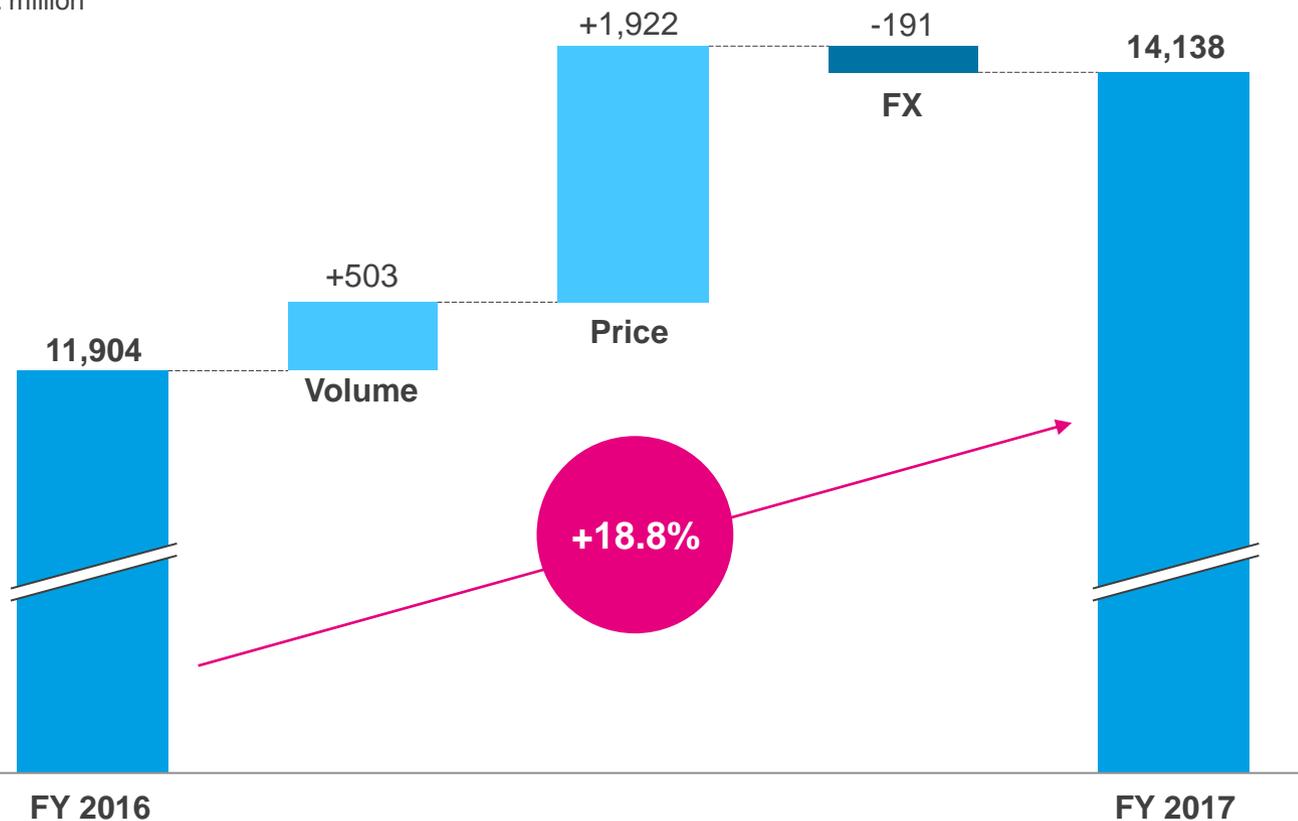
# FY 2017 – Sales Bridge

Solid volume growth and strong pricing



## Sales Bridge

in € million



## Highlights

### Strong pricing and higher industry utilization

- Higher selling prices positively impacted sales by 16.1% Y/Y
- Solid increase in volumes of 4.3% Y/Y, yet constrained by product availability

### Negative FX impact

- FX effects burdened sales by 1.6% Y/Y mainly due to weaker CNY and USD

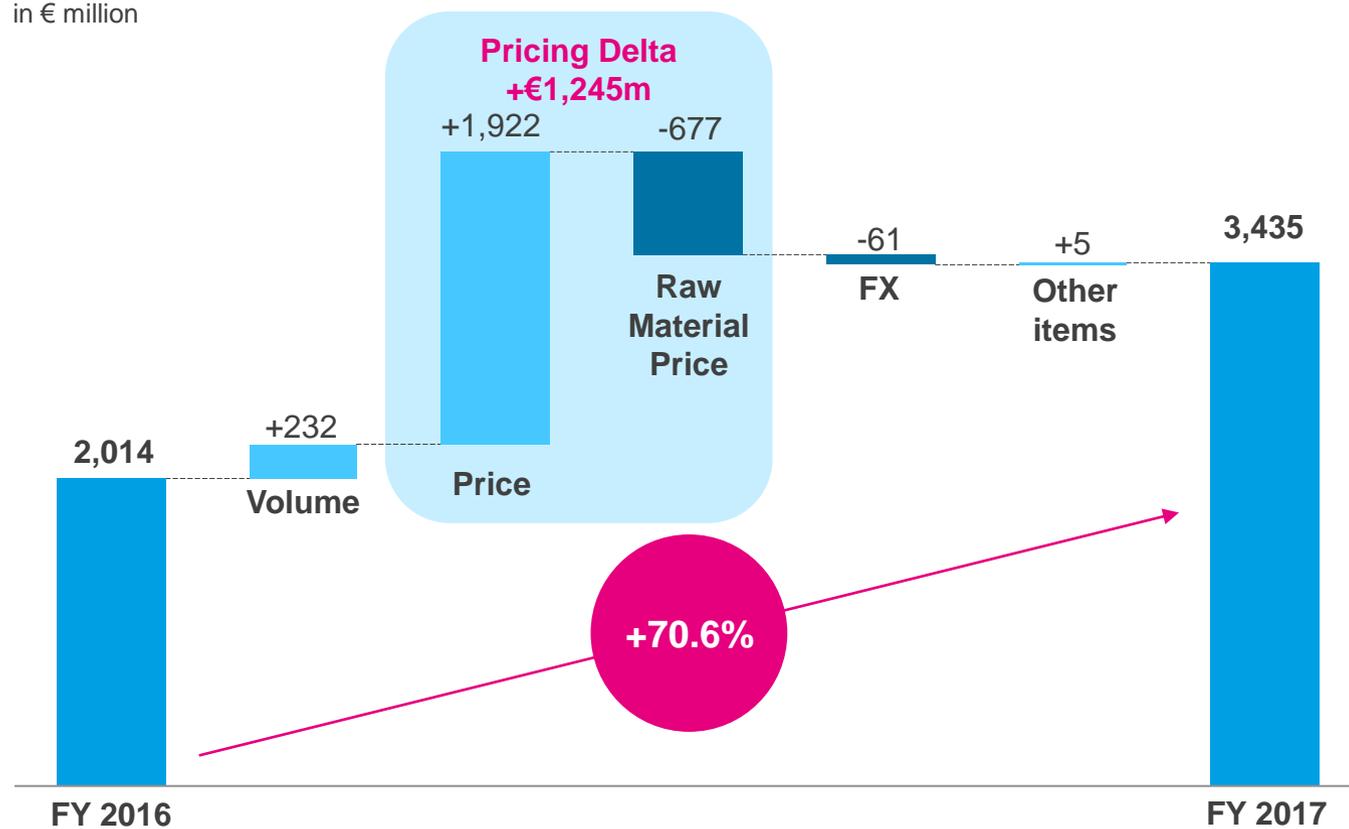
# FY 2017 – EBITDA Bridge

Expanded pricing delta



## EBITDA Bridge

in € million



## Highlights

### Improving cash margin

- Positive pricing delta in all segments
- Selling price increases more than compensated for higher raw material prices

### Strong positive volume leverage

- EBITDA volume/sales volume at 46%

### Slight FX headwind

### Other items

- Higher operational costs counterbalanced by positive one-time items of €146m

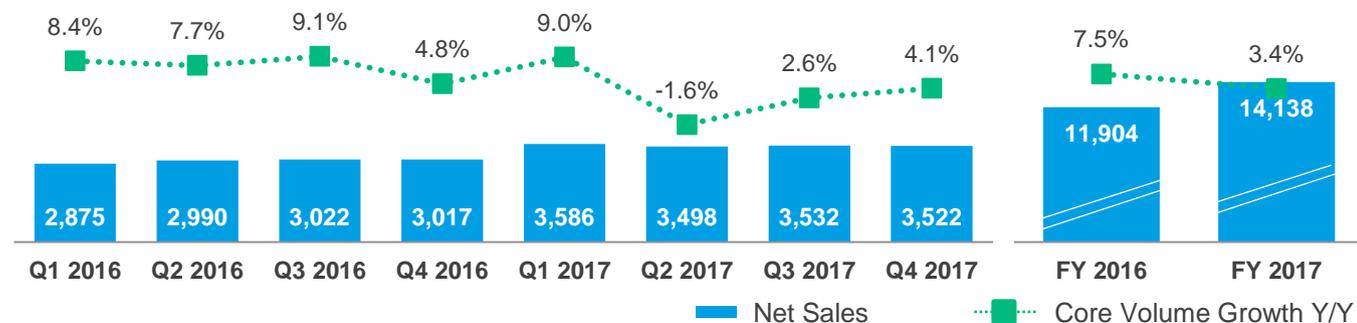
# FY 2017 – Group Results

## Continued margin expansion



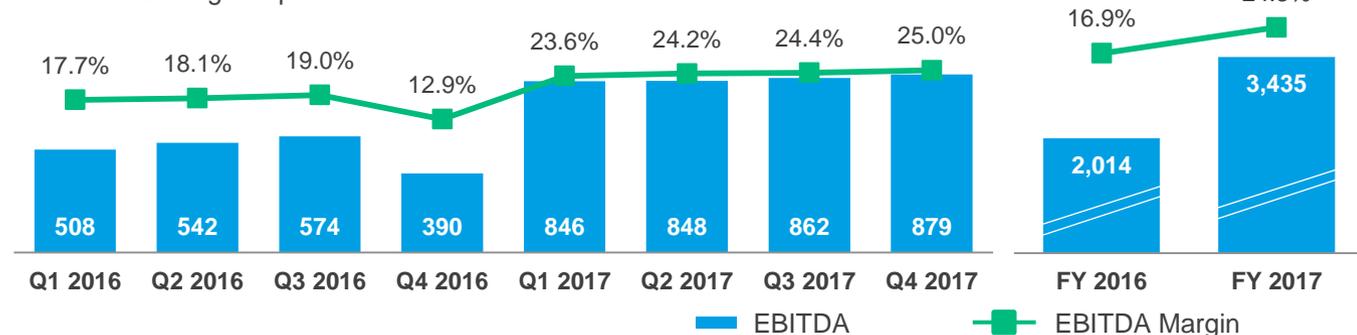
### Net Sales and Core Volume Growth

in € million / changes Y/Y



### EBITDA and Margin

in € million / margin in percent



### Highlights

- Solid core volume growth (in kt) of 3.4% in 2017, across regions and key industries
- Solid core volume growth of 4.1% in Q4 despite limited product availability
- Sales increased by 16.7% Y/Y in Q4 2017 mainly driven by higher prices

### Highlights

- In 2017, EBITDA margin improved significantly to 24.3% vs. 16.9% in 2016
- Excluding TDI fly-up and one-time items, margin increased to c.20% in 2017
- Q4 2017 represents 12<sup>th</sup> consecutive quarter with Y/Y EBITDA increase

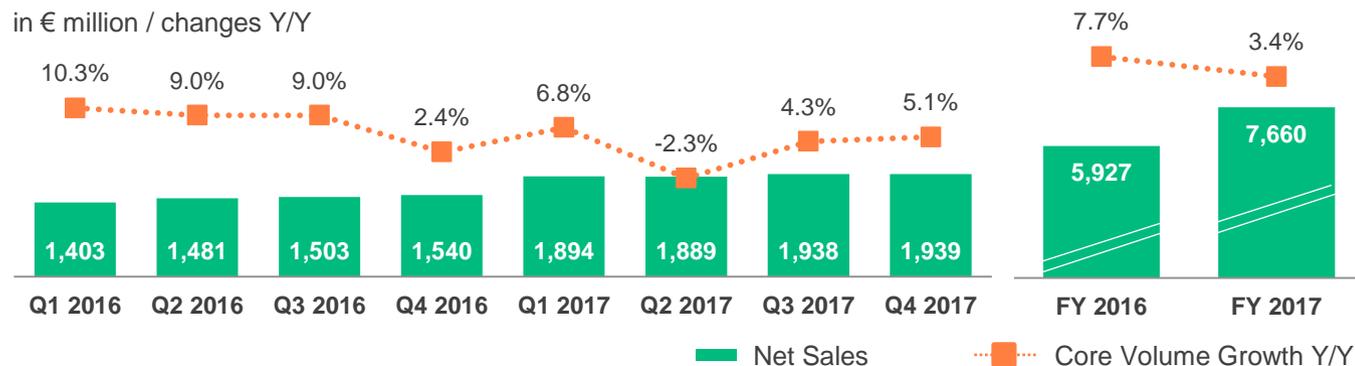
# FY 2017 – PUR Segment Results



Polyurethanes – improving MDI margins in structurally tight industry

## Net Sales and Core Volume Growth

in € million / changes Y/Y

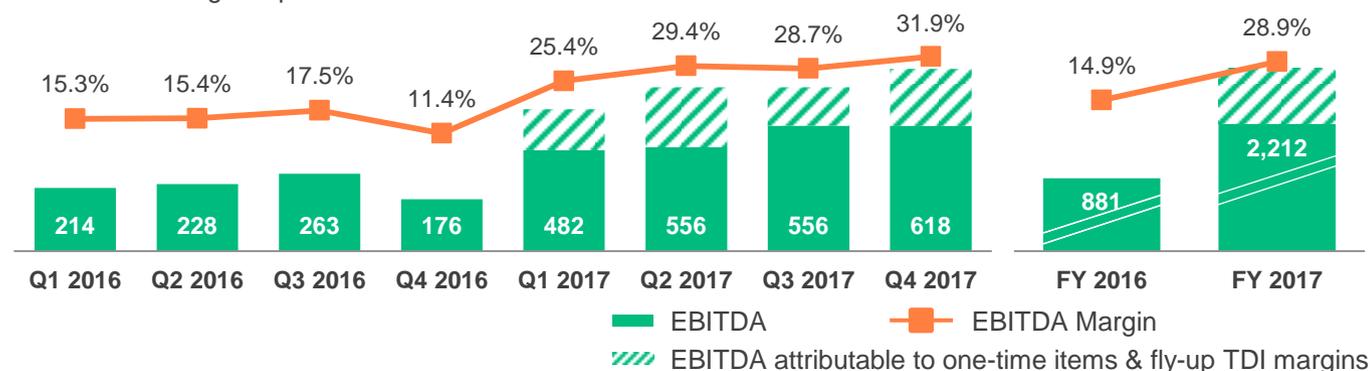


## Highlights

- Solid core volume growth of 3.4% Y/Y in 2017 despite limited product availability
- Solid core volume growth of 5.1% Y/Y in Q4
- Sales increased by 25.9% Y/Y in Q4 2017, driven by volume and price

## EBITDA and Margin

in € million / margin in percent



## Highlights

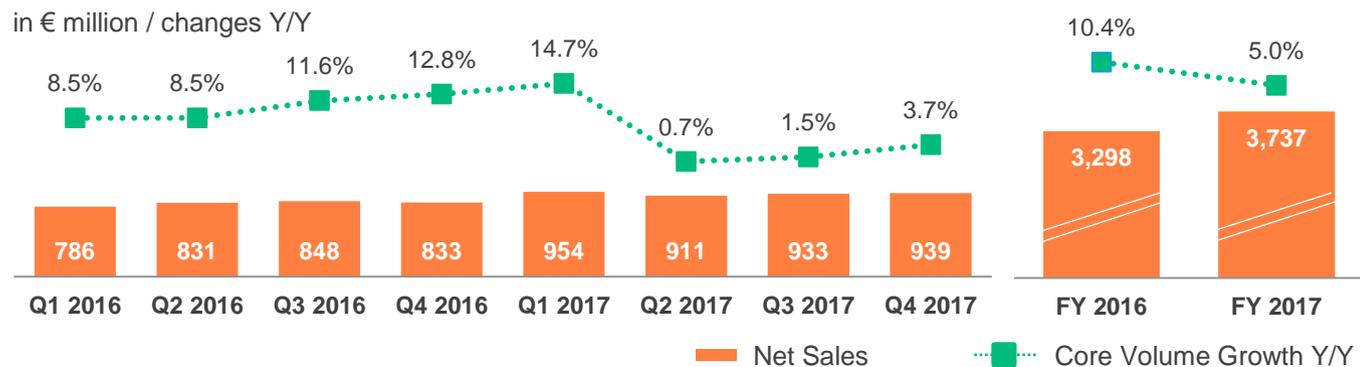
- EBITDA increased by 151.1% Y/Y with a margin of 28.9% in 2017 vs. 14.9% in 2016
- In 2017, underlying EBITDA margin expanded to c.20% driven by volume leverage and structurally higher margins in MDI

# FY 2017 – PCS Segment Results

Polycarbonates – Favorable product mix improvement



## Net Sales and Core Volume Growth



## EBITDA and Margin



## Highlights

- Strong core volume growth of 5.0% Y/Y in 2017
- Fourth consecutive year of share gains
- Solid core volumes of 3.7% Y/Y in Q4 2017
- Sales increased by 12.7% Y/Y in Q4 2017, driven by price and volume

## Highlights

- EBITDA increased by 21.2% Y/Y with a margin of 22.8% in 2017 vs. 21.3% in 2016 due to product mix improvements
- Price increases balanced out negative raw material impact

# FY 2017 – CAS Segment Results



Coatings, Adhesives, Specialties – Average selling price increases achieved

## Net Sales and Core Volume Growth



## Highlights

- Stable core volume growth in 2017 due to destocking and force majeure in US
- Higher average selling prices positively impacted sales by 3.2% Y/Y in Q4 2017 and by 1.8% in 2017

## EBITDA and Margin



## Highlights

- EBITDA decreased by 9.4% Y/Y due to lower sales volumes
- CAS remains an attractive, resilient business despite pressure from higher raw material prices

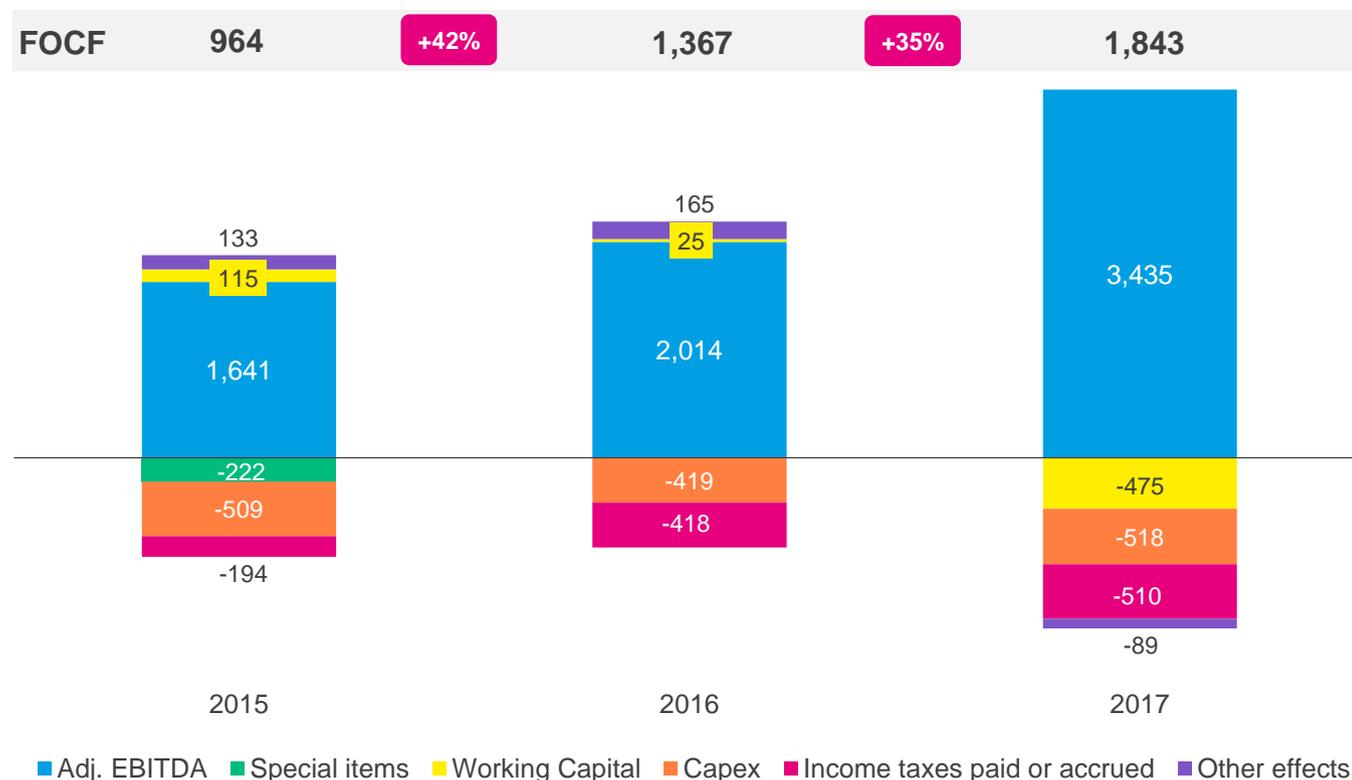
# FY 2017 – Free Operating Cash Flow

Record FOCF despite higher working capital



## Free Operating Cash Flow development 2015-2017

in € million



## Highlights

- The FOCF to EBITDA conversion rate decreased from 68% in 2016 to 54% in 2017 due to higher working capital needs
- Working capital to sales ratio almost unchanged at 15.4% in 2017 vs. 15.6% in 2016, within the target range of 15-17%
- Capex of €518m up Y/Y in line with smart capex approach; capex below D&A of €627m

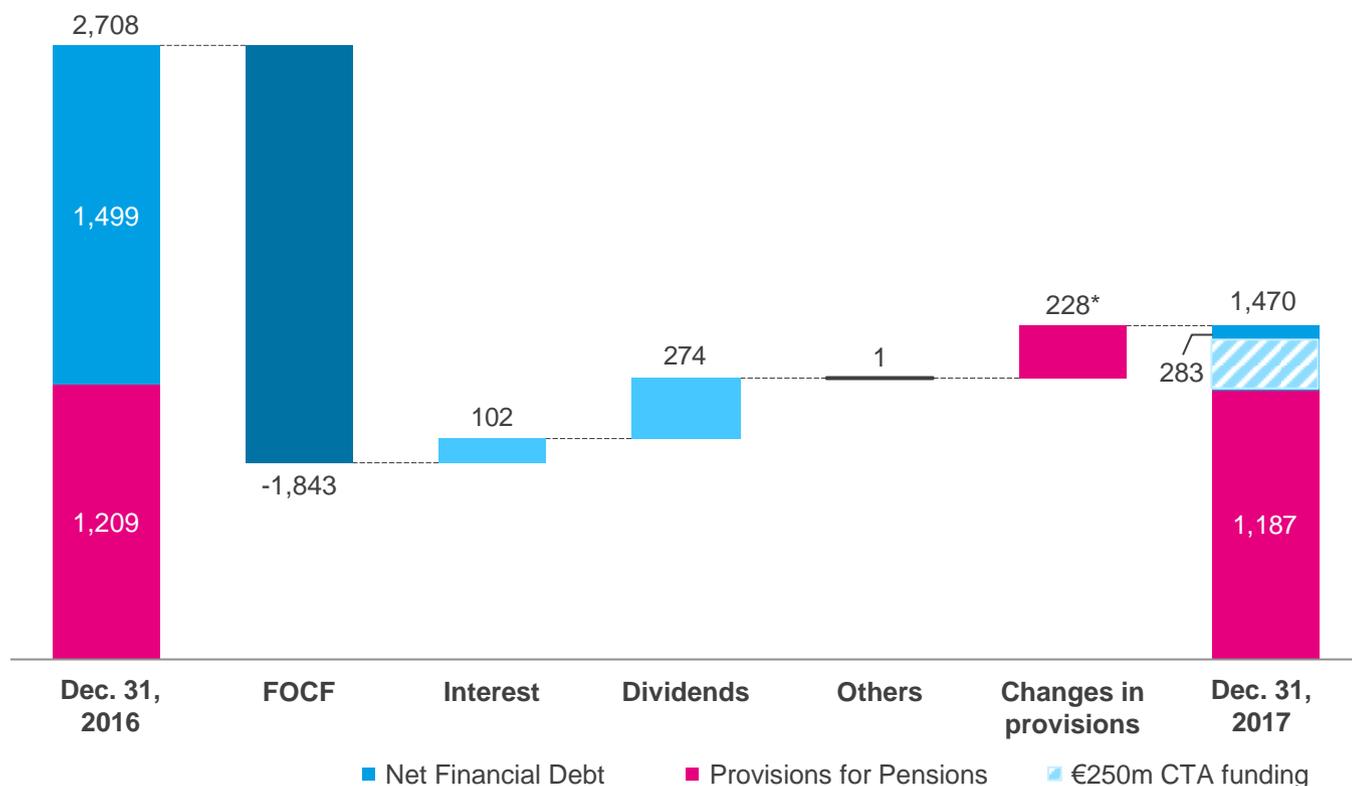
# FY 2017 – Robust balance sheet

Net financial debt reduction of €1.2bn



## Total net debt

in € million



\* Excluding contribution to plan assets (transfer of government bonds) of €250m

## Highlights

- Total net debt to EBITDA ratio of 0.4x end of 2017 vs. 1.3x end of 2016
- Strong decrease of net financial debt by €1,216m to €283m
- Pension provisions without CTA funding increased by €228m due to remeasurements
- CTA funding reduced pension provisions by €250m in Q4 2017
- Equity ratio further improved to 47% end of 2017 vs. 41% end of 2016
- Long-term commitment to a solid investment grade rating by Moody's

# Acceleration of cash generation

€5bn FOCF to be delivered in 3 instead of 5 years

Presented at Capital Markets Day, June 2017



New target for 2017-2019



Basic assumptions: exchange rate of USD/EUR ~1.20 and a global GDP growth of ~3% p.a.

# Use of free cash flow

## Focus on value creation



### Dividend policy



- For FY 2017 dividend, proposal of €2.20 per share at next AGM on April 13, 2018
- Increase of dividend payments of 63% and dividend yield of 2.4%\*
- Total payout amounting to more than €400m
- Policy: focus on increasing or at least stable dividends

\*based on closing share price of €90.06 as of February 16, 2018

### Portfolio



- Disciplined & focused approach
- Acquisitions with focus on high margin and differentiated business areas
- Ongoing portfolio optimization including evaluation of potential disposals

### Return to shareholders



- Share buy-back for up to €1.5bn\* started in Q4 2017
- 4 million shares bought back already
- Commitment to return further excess cash to shareholders

\*either up to €1.5bn or up to 10% of stock capital, whichever is reached first

# Guidance 2018

Continuing on high levels



	FY 2017	Guidance FY 2018
Core Volume Growth	+3.4%	Low- to mid-single-digit percentage increase Y/Y
FOCF	Ø 2015-2017: €1,391m	Significantly above the average of the last three years
ROCE	33.4%	Approaching previous year's level
Additional financial expectations	FY 2017	Guidance FY 2018
EBITDA FY	€3,435m	Around previous year's level
EBITDA Q1	Q1 2017: €846m	Significantly above the Q1 2017 level
D&A	€627m	€600-620m
Financial results	€-150m	€-100-120m
Effective tax rate	24.1%	25-27%
Capex	€518m	€600-650m

Basic Assumptions FY 2018: Exchange rate of USD/EUR ~1.20 and a similar macroeconomic environment as in 2017

# Digital@Covestro: digital commerce chemistry platform



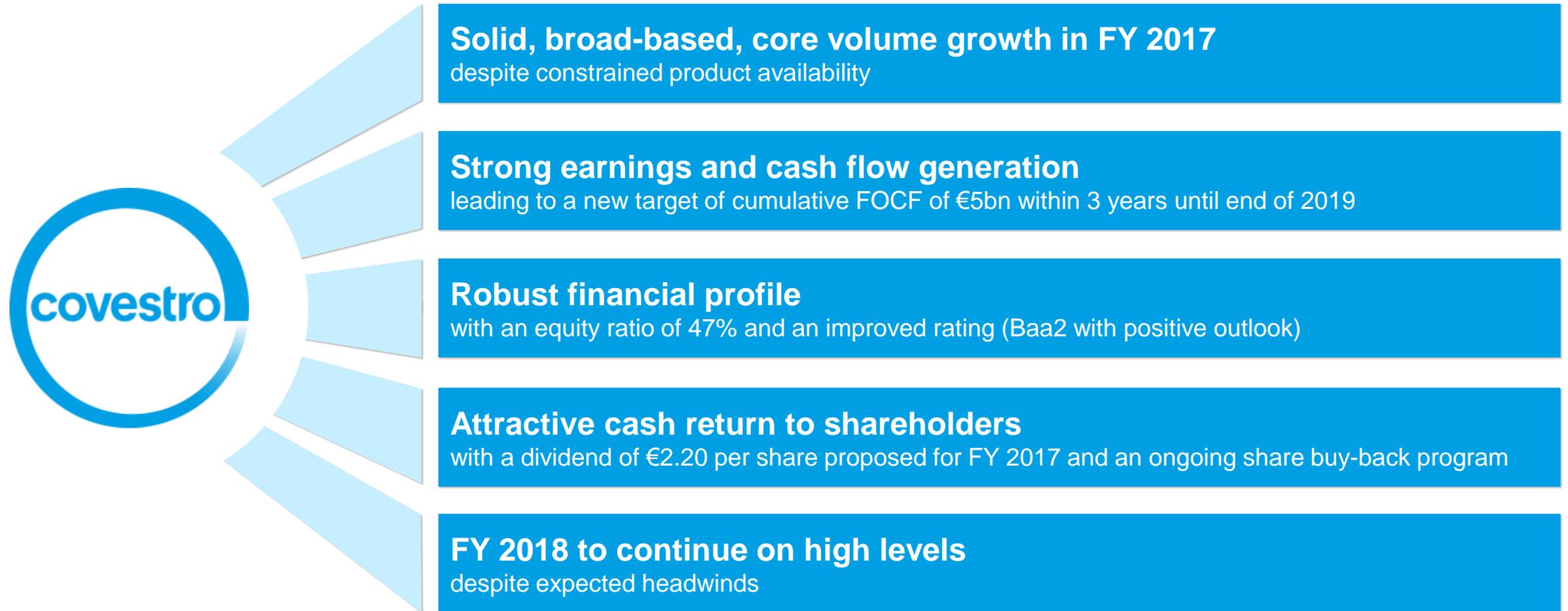
Up to €1bn in sales on new platform by the end of 2019

- Comprehensive strategic program to seize the opportunities of digitalization and set new standards in collaborating with customers
- New digital commerce chemistry platform to be launched in 2018, currently in testing phase
- Business customers can efficiently purchase standard products online from our range of polymers at current market prices
- Materials valued at up to €1bn are to be sold via the platform by the end of 2019



# FY 2017 – Summary

Establishing new levels



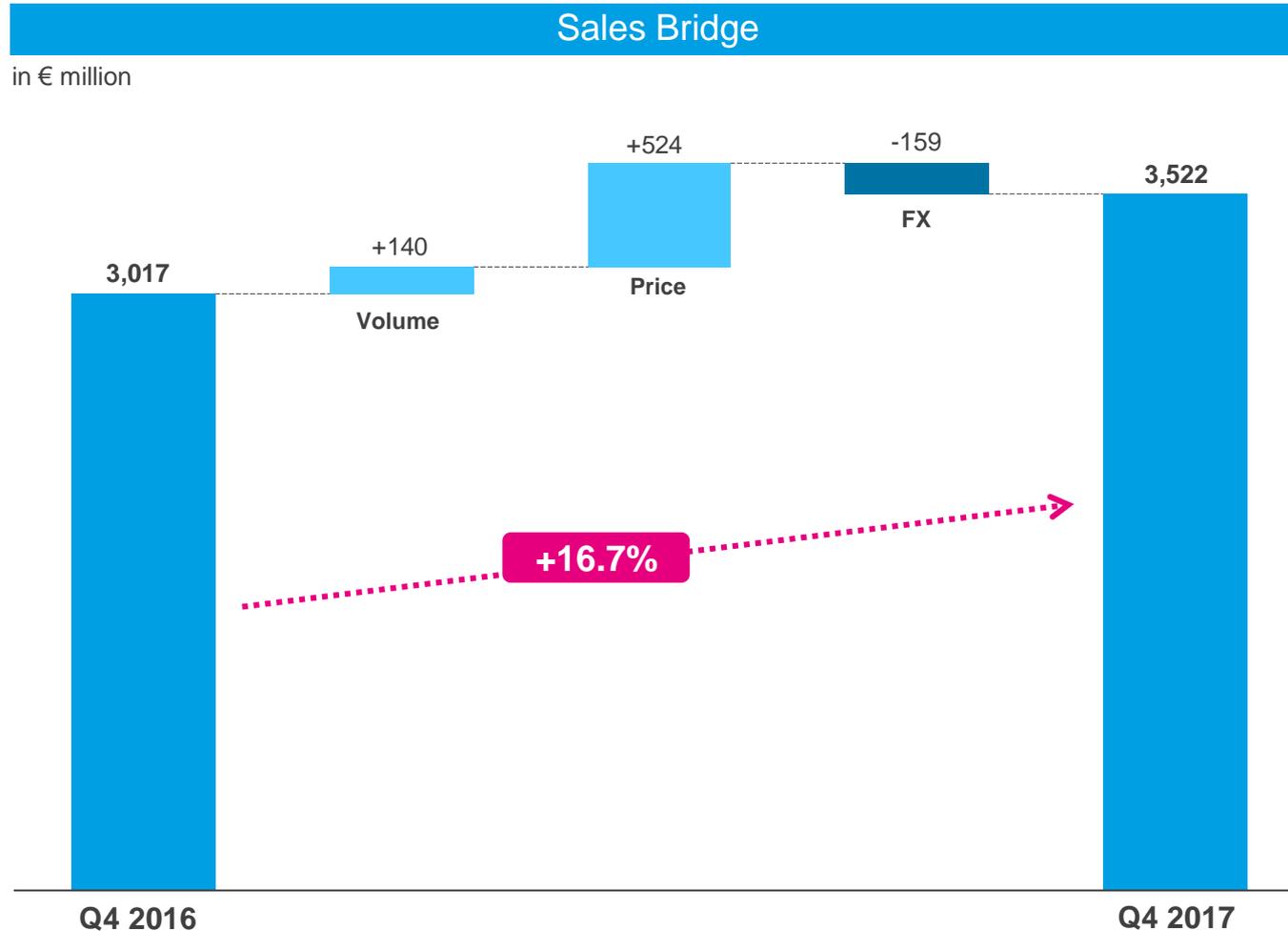


# Appendix

## Financial Highlights Q4 & FY 2017

# Q4 2017 – Sales Bridge

Solid volume growth and strong pricing



## Highlights

### Strong pricing and higher industry utilization

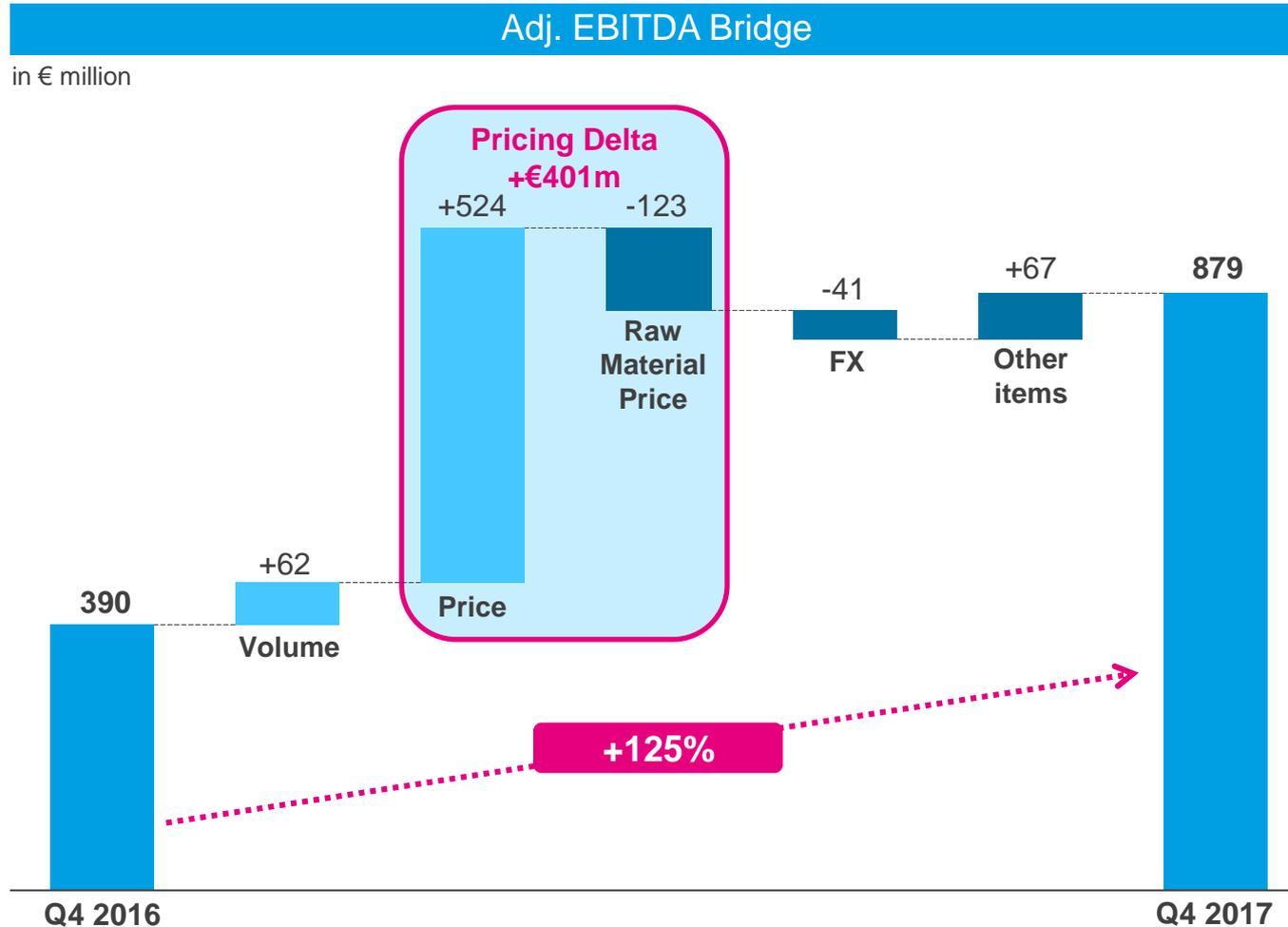
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### Negative FX impact

- FX effects burdened sales by 5.3% Y/Y mainly due to weaker USD and CNY

# Q4 2017 – EBITDA Bridge

Continuing strong pricing delta



## Highlights

### Improving cash margin

- Positive pricing delta driven by all segments
- Selling price increases could more than compensate for higher raw material prices

### Strong volume leverage

- EBITDA volume/sales volume at 44%

### Slight FX headwind

### Other items

- Provision release of €63m for Tarragona

# One-time items affecting EBITDA

As communicated in results' presentations



in € million		Q1		Q2		Q3		Q4		Fiscal Year	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
PUR	Tarragona – provision releases		9						63		72
	Insurance payments for previous operational losses	30			35					30	35
	Disposal of US sprayfoam business				39						39
<b>Group</b>	<b>Total amount</b>	<b>30</b>	<b>9</b>		<b>74</b>				<b>63</b>	<b>30</b>	<b>146</b>

# Restatement information, effective Jan. 1, 2018

Elastomers business shifted from PUR to CAS segment



In € million		Fiscal Year 2017				
		Q1	Q2	Q3	Q4	FY
<b>Elastomers</b>	Sales	73	71	67	63	274
	EBITDA	14	7	7	5	33

# Upcoming IR Events

Find more information on [investor.covestro.com](http://investor.covestro.com)



## Reporting dates

- |                    |                                 |
|--------------------|---------------------------------|
| • April 26, 2018   | Q1 2018 Interim Statement       |
| • July 26, 2018    | Half-Year Financial Report 2018 |
| • October 25, 2018 | Q3 2018 Interim Statement       |

## Annual General Meeting

- |                  |                              |
|------------------|------------------------------|
| • April 13, 2018 | Annual General Meeting, Bonn |
|------------------|------------------------------|

## Capital Markets Day

- |                 |        |
|-----------------|--------|
| • June 28, 2018 | London |
|-----------------|--------|

## Broker conferences

- |                  |   |
|------------------|---|
| • March 20, 2018 | Raymond James, Chemical Industry Leaders Conference, London |
| • March 22, 2018 | Mainfirst, 3 <sup>rd</sup> Corporate Conference, Copenhagen |
| • March 28, 2018 | Barclays, Chemical ROC Stars Conference, New York           |