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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

Strongest quarter in company's history

Covestro raises the bar and announces share buyback

- **Group sales rise 16.9% to EUR 3.5 billion**
- **Core volumes up 2.6% over prior-year quarter**
- **EBITDA climbs 50.2% to EUR 862 million**
- **Net income grows 89.6% to EUR 491 million**
- **Free operating cash flow increases 1.9% to EUR 658 million**
- **EUR 1 billion in sales via online platform announced**
- **Share buyback of up to EUR 1.5 billion of stock capital**

Materials manufacturer Covestro delivered the strongest quarter in the company's history in the third quarter of 2017 as the positive trend of the first six months carried on. At EUR 491 million, net income was up 89.6% on the prior-year quarter. At the same time, EBITDA was 50.2% higher, and sales rose 16.9% over the same period the previous year. Core volumes increased 2.6%. The boost in sales was primarily due to higher selling prices, mainly in the Polyurethanes segment, with a positive effect of 18.4%. FOCF amounted to EUR 658 million, up 1.9% over the prior-year quarter. Based on these strong results, Covestro decided to review its announced target to deliver EUR 5 billion of cumulative FOCF until year-end 2021. However, on Group level, the company reiterates its guidance for the full year 2017.

This outstanding performance is attributable to the ongoing robust demand in the company's main customer industries and positive margin performance, also mainly in the Polyurethanes segment.

"We are currently enjoying tremendous growth momentum and we are delivering records in revenues, profitability and cash generation. The extraordinary cash generation provides us, earlier than originally expected, with



the opportunity to return significant amounts of cash to our shareholders while preserving the ability to consider bolt-on acquisition opportunities,” says CEO Patrick Thomas. “Therefore we decided to start a share buyback for either up to EUR 1.5 billion or up to 10% of the outstanding stock capital without further delay.”

“We are actively working on a strategy update to further benefit from the generational opportunity our current momentum offers. Digitization will be an integral part of our corporate strategy. We aim to give our customers a simpler, more efficient way to shop for our standard products. Currently, we are developing the new online platform which is expected to generate around one billion euros in sales as early as the end of 2019,” explains Dr. Markus Steilemann, member of the Board of Management overseeing marketing, sales and innovation.

In this context, Covestro has identified three dimensions of digitization: digital business processes, digital customer experience and new, digital business models.

Polyurethanes and Polycarbonates highly profitable

In the third quarter, core volumes in the Polyurethanes segment were up 4.3% over the same quarter of the previous year. The TDI product group above all contributed to this development. The segment’s EBITDA more than doubled to EUR 556 million from the prior-year quarter, a development largely due to higher margins as a result of a generally positive supply and demand situation. In the course of doubling MDI capacity at its Brunsbüttel facility in northern Germany to around 400,000 metric tons per year by the end of 2018, the company already held a topping-out ceremony to celebrate the completion of shell construction at the plant.

The Polycarbonates segment recorded an increase in core volumes of 1.5% compared with the prior-year quarter. As expected, this growth was at the level of the second quarter of 2017. The segment’s EBITDA saw an upturn of 8.8% to EUR 211 million. Higher margins and an increase in volumes sold had a positive effect. In this segment’s key customer industries, Covestro works closely with designers to develop the products of the future. The company launched an online platform for industrial design for this purpose in September, among other projects.

Core volumes in the Coatings, Adhesives, Specialties segment decreased by 5.0% from the prior-year quarter due to a challenging competitive environment. At EUR 119 million in the second quarter, EBITDA was 12.5% below the previous year’s figure. The Group pushes boundaries to continually update its



product range: Recently, a solar-powered car designed by students at RWTH Aachen University participated in the nearly 3,000-kilometer World Solar Challenge through the Australian desert, protected by Covestro coatings.

Very positive first nine months of 2017

Covestro showed an excellent performance in the first three quarters of 2017. Core volumes rose by 3.2% over the prior-year period due to continued healthy demand. Sales jumped 19.5% to EUR 10.6 billion, and EBITDA increased by 57.4% to EUR 2.6 billion. FOCF also grew significantly, by 23.8% to EUR 1.2 billion. Thanks to the control termination agreement reached with Bayer AG in September, Covestro has taken a further step toward complete independence.

About Covestro:

With 2016 sales of EUR 11.9 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 30 production sites worldwide and employed approximately 15,600 people (calculated as full-time equivalents) at the end of 2016.

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

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

| | 3rd quarter 2016 | 3rd quarter 2017 | Change | 1st nine months 2016 | 1st nine months 2017 | Change |
|---|---------------------|---------------------|--------|-------------------------|-------------------------|--------|
| | € million | € million | in % | € million | € million | in % |
| Covestro Group | | | | | | |
| Core Volume Growth | +9.1% | +2.6% | | +8.4% | +3.2% | |
| Sales | 3,022 | 3,532 | +16.9 | 8,887 | 10,616 | 19.5 |
| Change in Sales | | | | | | |
| Volume | +6.3% | +2.0% | | +5.3% | +4.2% | |
| Price | -5.1% | +18.4% | | -8.1% | +15.7% | |
| Currency | -1.1% | -3.5% | | -1.5% | -0.4% | |
| Portfolio | 0.0% | 0.0% | | 0.0% | 0.0% | |
| EBITDA | 574 | 862 | +50.2 | 1,624 | 2,556 | 57.4 |
| EBIT | 406 | 705 | +73.6 | 1,110 | 2,080 | 87.4 |
| Net Income | 259 | 491 | +89.6 | 671 | 1,443 | >100 |
| Free Operating Cash Flow | 646 | 658 | +1.9 | 960 | 1,188 | 23.8 |
| | | | | | | |
| Polyurethanes | | | | | | |
| Core Volume Growth | +9.0% | +4.3% | | +9.4% | +2.8% | |
| Sales | 1,503 | 1,938 | +28.9 | 4,387 | 5,721 | 30.4 |
| Change in Sales | | | | | | |
| Volume | +6.7% | +3.0% | | +6.6% | +3.3% | |
| Price | -6.2% | +29.7% | | -11.7% | +27.5% | |
| Currency | -1.1% | -3.8% | | -1.6% | -0.4% | |
| Portfolio | 0.0% | 0.0% | | 0.0% | 0.0% | |
| EBITDA | 263 | 556 | >100 | 705 | 1,594 | >100 |
| EBIT | 168 | 466 | >100 | 409 | 1,322 | >200 |
| Free Operating Cash Flow | 243 | 459 | 88.9 | 324 | 616 | 90.1 |
| | | | | | | |
| Polycarbonates | | | | | | |
| Core Volume Growth | +11.6% | +1.5% | | +9.6% | +5.4% | |
| Sales | 848 | 933 | +10.0 | 2,465 | 2,798 | 13.5 |
| Change in Sales | | | | | | |
| Volume | +10.3% | +4.4% | | +9.1% | +7.9% | |
| Price | -5.0% | +9.4% | | -4.9% | +6.2% | |
| Currency | -1.8% | -3.8% | | -2.0% | -0.6% | |
| Portfolio | 0.0% | 0.0% | | 0.0% | 0.0% | |
| EBITDA | 194 | 211 | +8.8 | 562 | 640 | 13.9 |
| EBIT | 145 | 167 | +15.2 | 414 | 503 | 21.5 |
| Free Operating Cash Flow | 182 | 134 | -26.4 | 334 | 150 | -55.1 |
| | | | | | | |
| Coatings, Adhesives, Specialties | | | | | | |
| Core Volume Growth | +3.5% | -5.0% | | -0.4% | -0.1% | |
| Sales | 515 | 490 | -4.9 | 1,559 | 1,587 | 1.8 |
| Change in Sales | | | | | | |
| Volume | +2.5% | -6.0% | | +0.1% | +0.6% | |
| Price | -2.7% | +3.8% | | -2.6% | +1.4% | |
| Currency | -0.6% | -2.7% | | -1.0% | -0.2% | |
| Portfolio | 0.0% | 0.0% | | 0.0% | 0.0% | |
| EBITDA | 136 | 119 | -12.5 | 417 | 379 | -9.1 |
| EBIT | 114 | 97 | -14.9 | 352 | 315 | -10.5 |
| Free Operating Cash Flow | 150 | 82 | -45.3 | 251 | 135 | -46.2 |