



# Strong earnings momentum continues

Financial Highlights  
Q2 2017



# Forward-looking statements

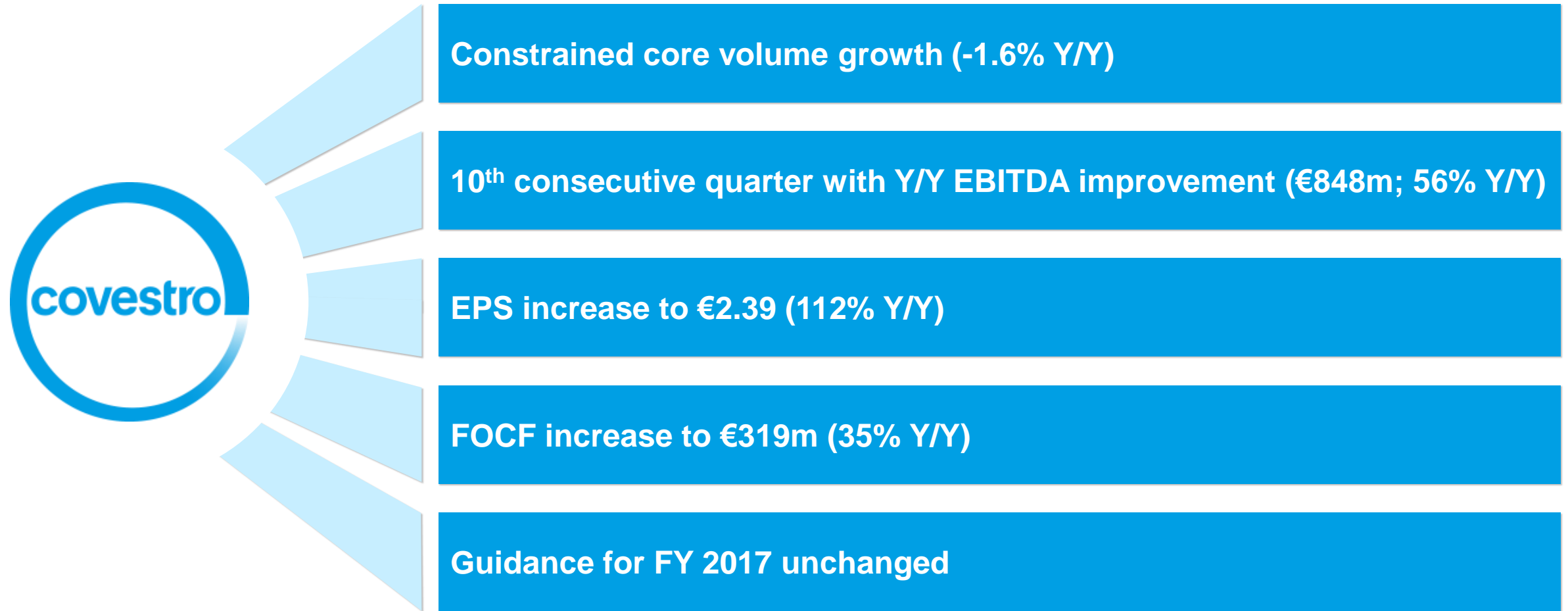
This presentation may contain forward-looking statements based on current assumptions and forecasts made by Covestro AG.

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 on the Covestro website at [www.covestro.com](http://www.covestro.com).

The company assumes no liability whatsoever to update these forward-looking statements or to adjust them to future events or developments.

# Q2 2017 Key Highlights

Strong earnings momentum continues



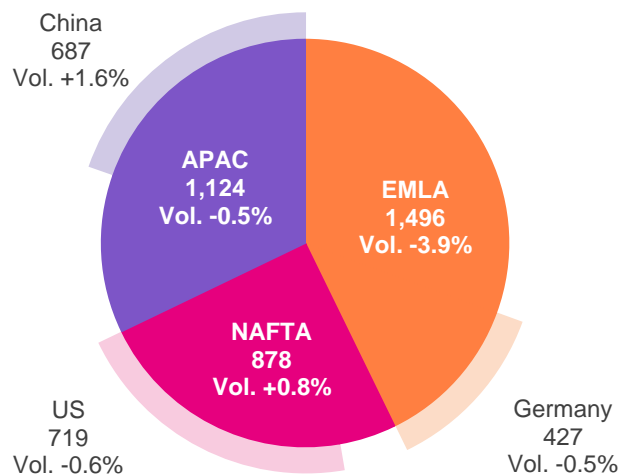
# Q2 2017 & 6M 2017 – Sales per Region



Solid volume growth in all regions in 6M 2017

## Constrained growth in Q2 2017

in € million /  
Core volume  
growth Y/Y

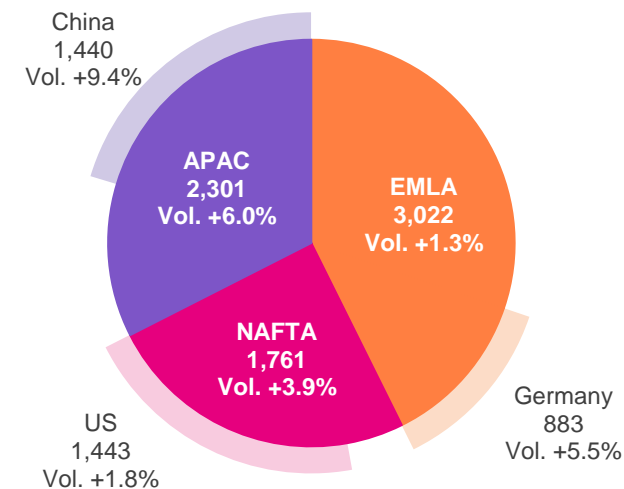


## Q2 2017 Highlights

- Core volume growth constrained by product availability
- Supply focus on core applications
- Mid-single-digit growth in automotive driven by APAC and NAFTA

## Solid growth in 6M 2017

in € million /  
Core volume  
growth Y/Y



## 6M 2017 Highlights

- Solid core volume growth of 3.5% Y/Y
- High-single-digit growth in automotive, outgrowing global OEM production growth
- Double-digit growth in medical & other industries, driven by high value added applications

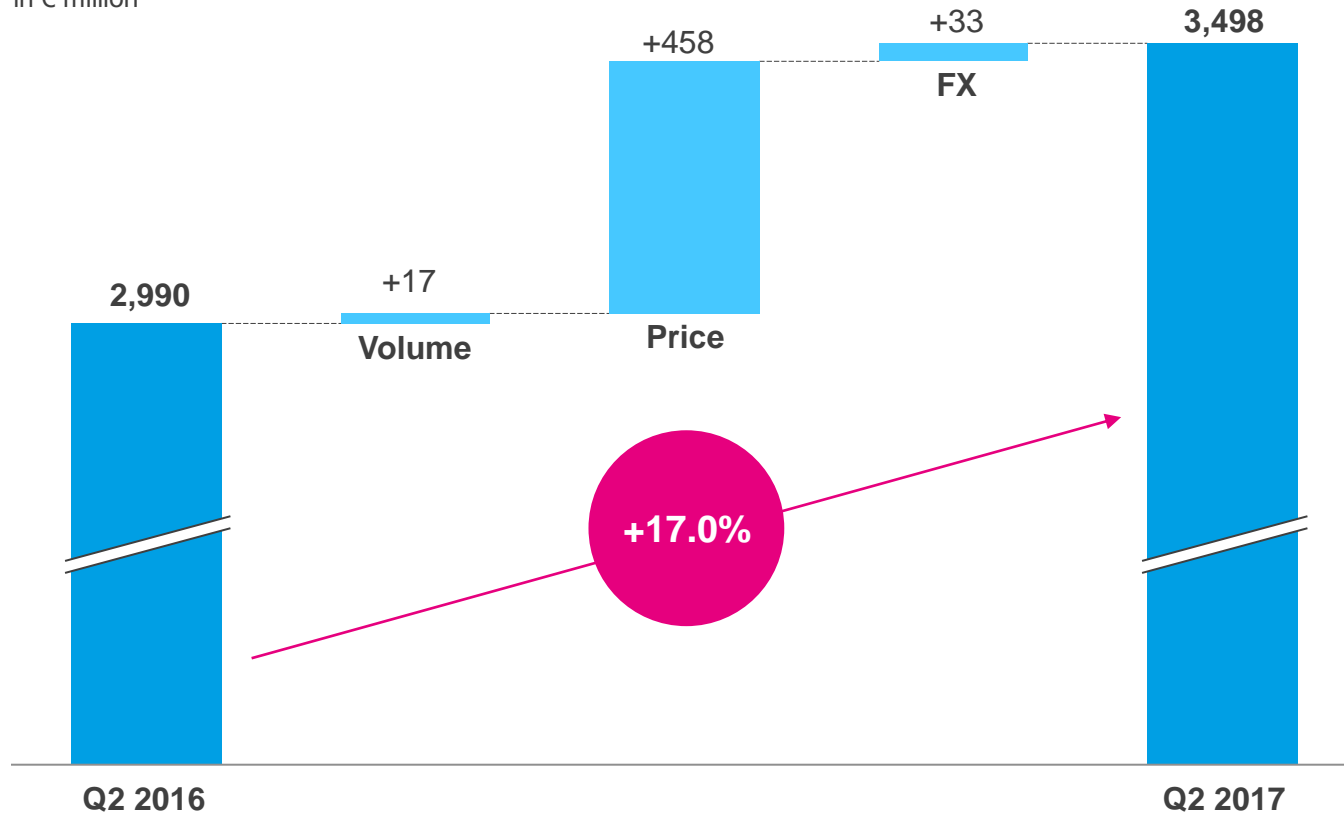
# Q2 2017 – Sales Bridge

Constrained volume growth and strong pricing



## Sales Bridge

in € million



## Highlights

### Strong pricing and higher industry utilization

- Higher selling prices positively impacted sales by 15.3% Y/Y

### Product mix upgrades

- Core volume growth (in kt) of -1.6% Y/Y
- Total sales volumes (in €) on the level of prior year with +0.6% Y/Y
- Sales volume expansion above core volume growth due to product mix upgrades

### Positive FX effects

- Sales benefited from FX by 1.1% Y/Y mainly due to stronger USD

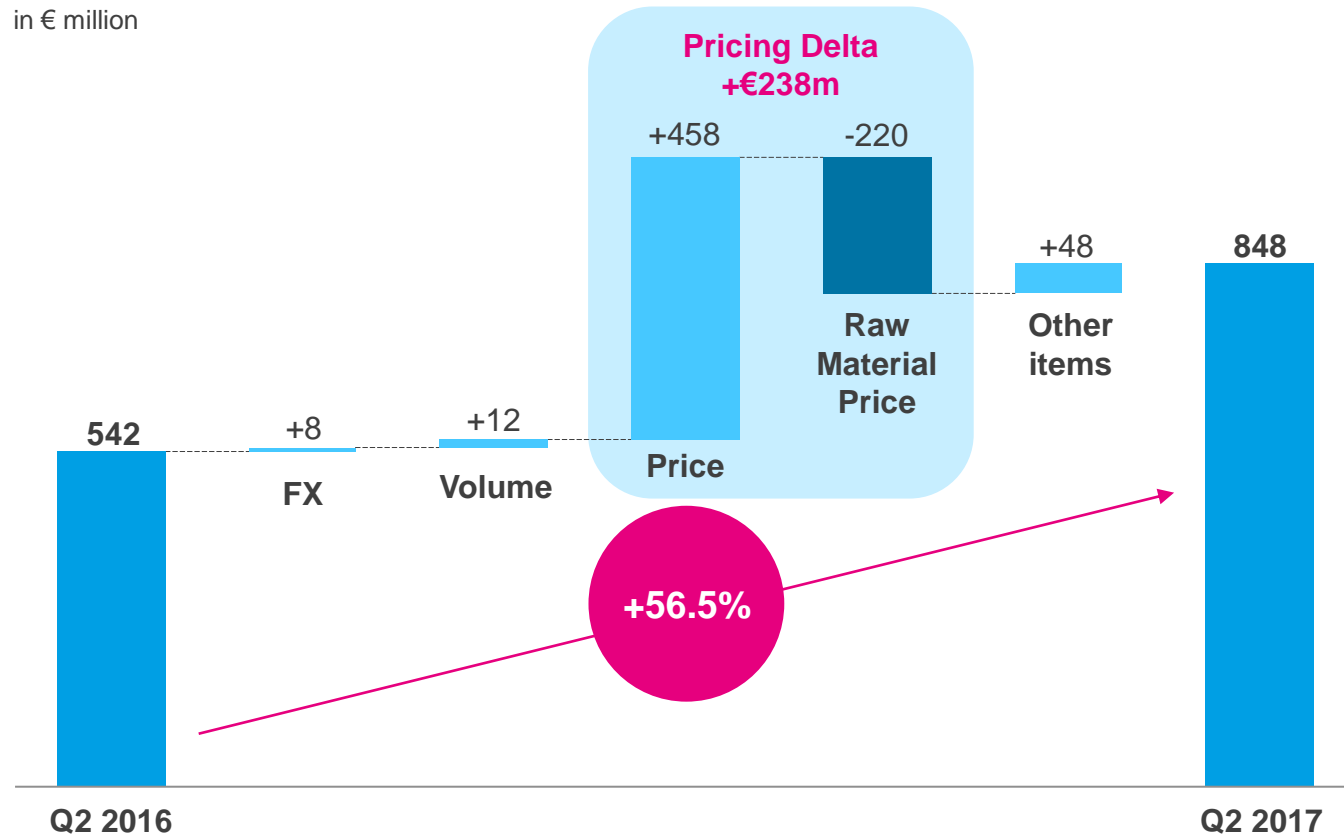
# Q2 2017 – EBITDA Bridge

Strong positive pricing delta



## EBITDA Bridge

in € million



## Highlights

### Improving cash margin

- Positive pricing delta driven by TDI & MDI
- Selling price increases could more than compensate for higher raw material prices

### Positive volume leverage

- Driven by product mix upgrades

### Other items

- One-time items of €74m from insurance payments and book gain from disposal

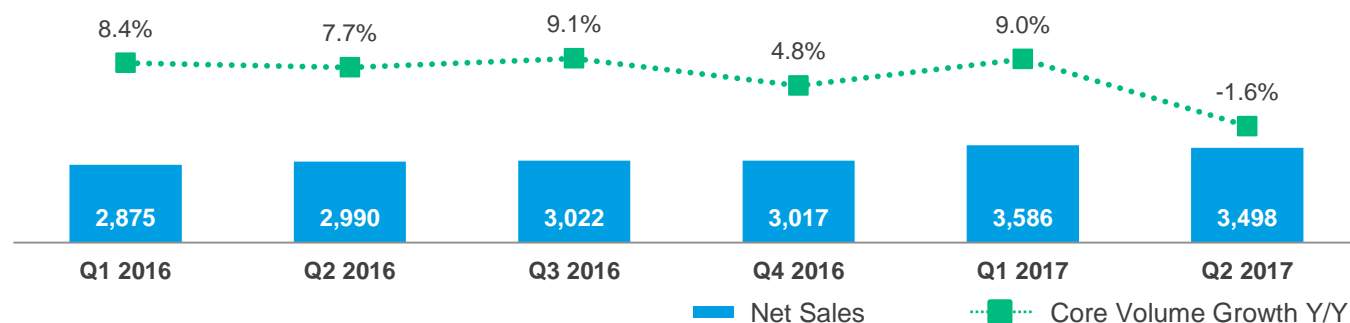
# Q2 2017 – Group Results

Continued margin expansion



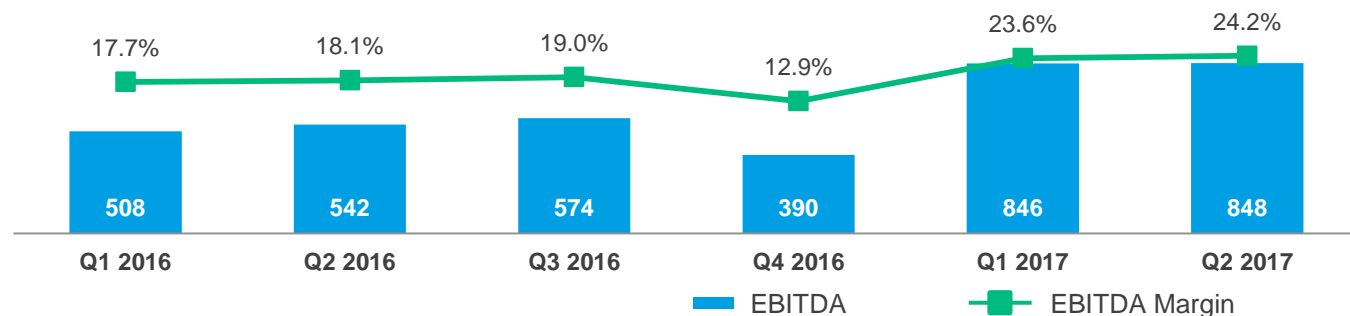
## Net Sales and Core Volume Growth

in € million / changes Y/Y



## EBITDA and Margin

in € million / margin in percent



## Highlights

- Above GDP core volume growth (in kt) of 3.5% in 6M 2017
- Slightly declining core volumes in Q2 mainly due to constrained product availability
- Sales increased by 17% Y/Y in Q2 2017 mainly driven by higher prices

## Q2 2017 Highlights

- EBITDA margin improved significantly to 24.2% vs. 18.1% in Q2 2016
- EBITDA margin of 22.1% excluding one-time items
- 10<sup>th</sup> consecutive quarter with Y/Y EBITDA increase

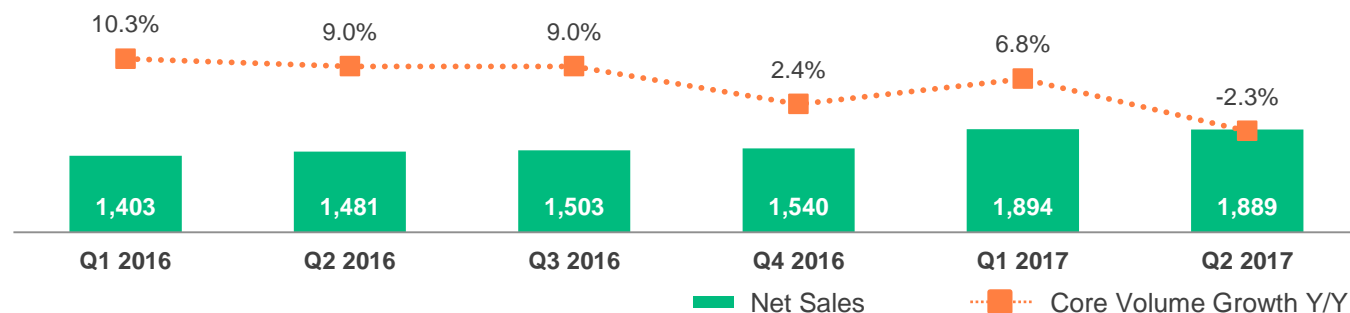
# Q2 2017 – PUR Segment Results

Polyurethanes – Structurally improving margins in MDI



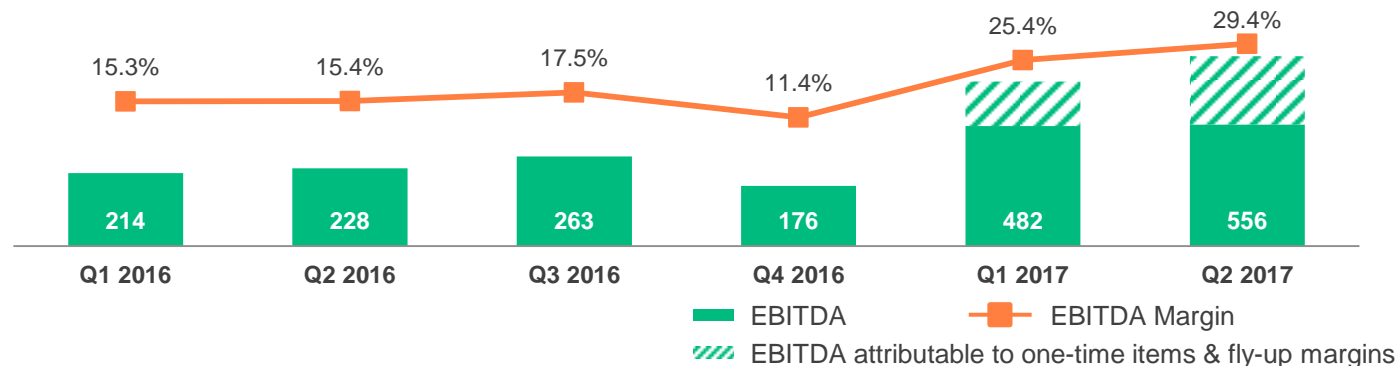
## Net Sales and Core Volume Growth

in € million / changes Y/Y



## EBITDA and Margin

in € million / margin in percent



## Highlights

- Solid core volume growth of 2.1% Y/Y in 6M 2017
- Slight core volume decrease of 2.3% Y/Y in Q2 due to constrained product availability
- Selling prices increased by 27% Y/Y in Q2 2017

## Q2 2017 Highlights

- EBITDA increased by 144% Y/Y with a margin of 29.4% vs. 15.4% in Q2 2016
- Helped by one-time items of €74m
- Fly-up margins (mainly in TDI) are positively impacting Q1 and Q2



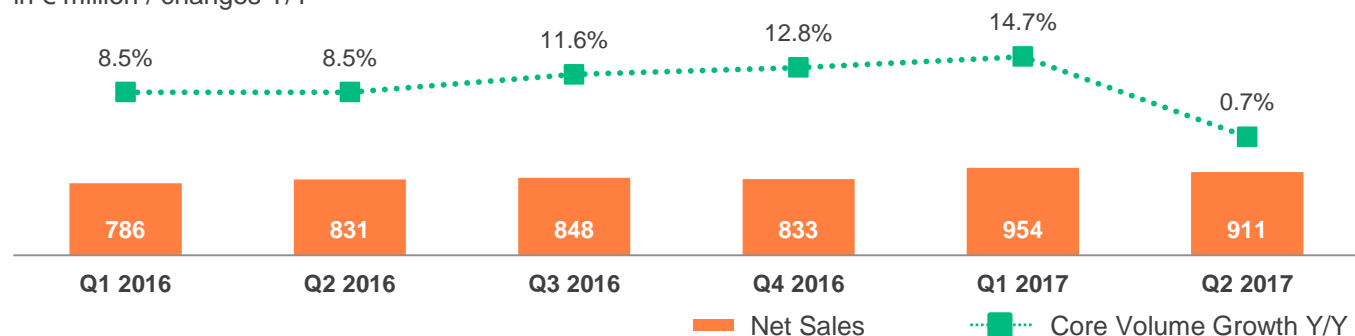
# Q2 2017 – PCS Segment Results

Polycarbonates – Steady high margin business



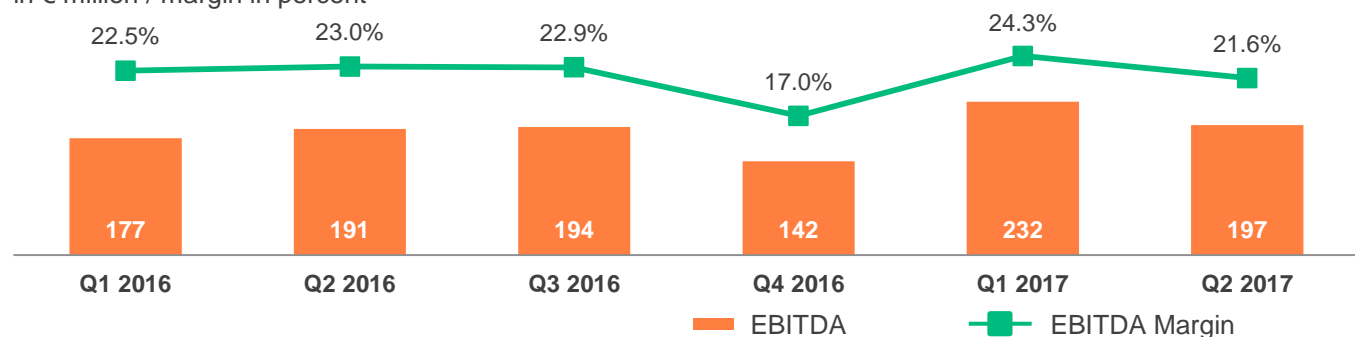
## Net Sales and Core Volume Growth

in € million / changes Y/Y



## EBITDA and Margin

in € million / margin in percent



## Highlights

- Strong core volume growth of 7.5% Y/Y in 6M 2017
- Core volumes stable with 0.7% Y/Y in Q2 2017 due to high prior-year basis
- Sales increase by 9.6% Y/Y in Q2 2017, driven by volumes and prices

## Q2 2017 Highlights

- EBITDA increased by 3.1% Y/Y due to product mix improvements, compensating higher raw material costs
- Announced price increases expected to balance negative raw material impact in H2 2017

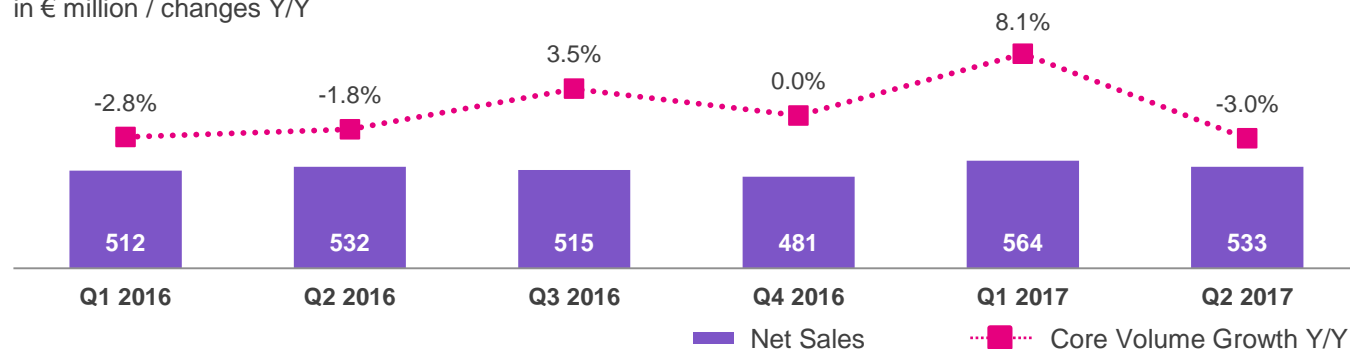
# Q2 2017 – CAS Segment Results



Coatings, Adhesives, Specialties – Quarter affected by volume phasing

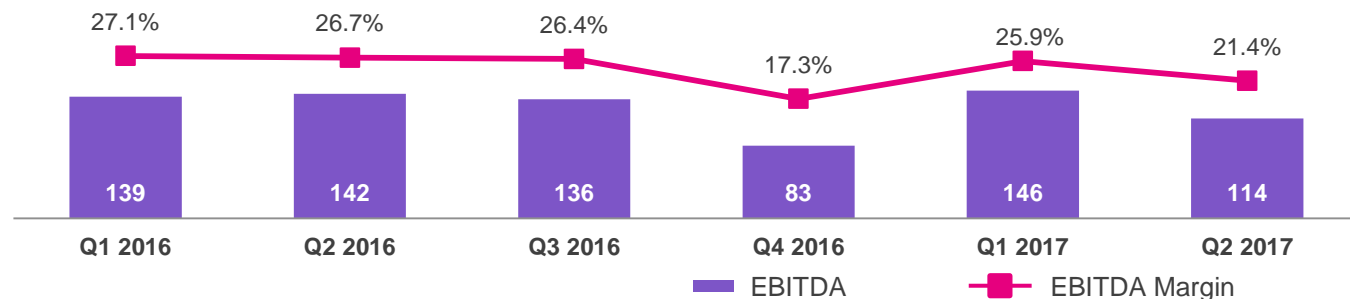
## Net Sales and Core Volume Growth

in € million / changes Y/Y



## EBITDA and Margin

in € million / margin in percent



## Highlights

- Solid core volume growth of 2.3% Y/Y in 6M 2017
- Core volumes decreased by 3.0% Y/Y in Q2 2017 due to pre-buying in Q1 2017
- First time in 9 quarters, increase of selling prices Y/Y in Q2 2017

## Q2 2017 Highlights

- EBITDA decreased by 19.7% Y/Y due to:
  - higher raw material costs
  - lower sales volumes
  - phasing of price increases
- Temporarily lower margin below par in Q2

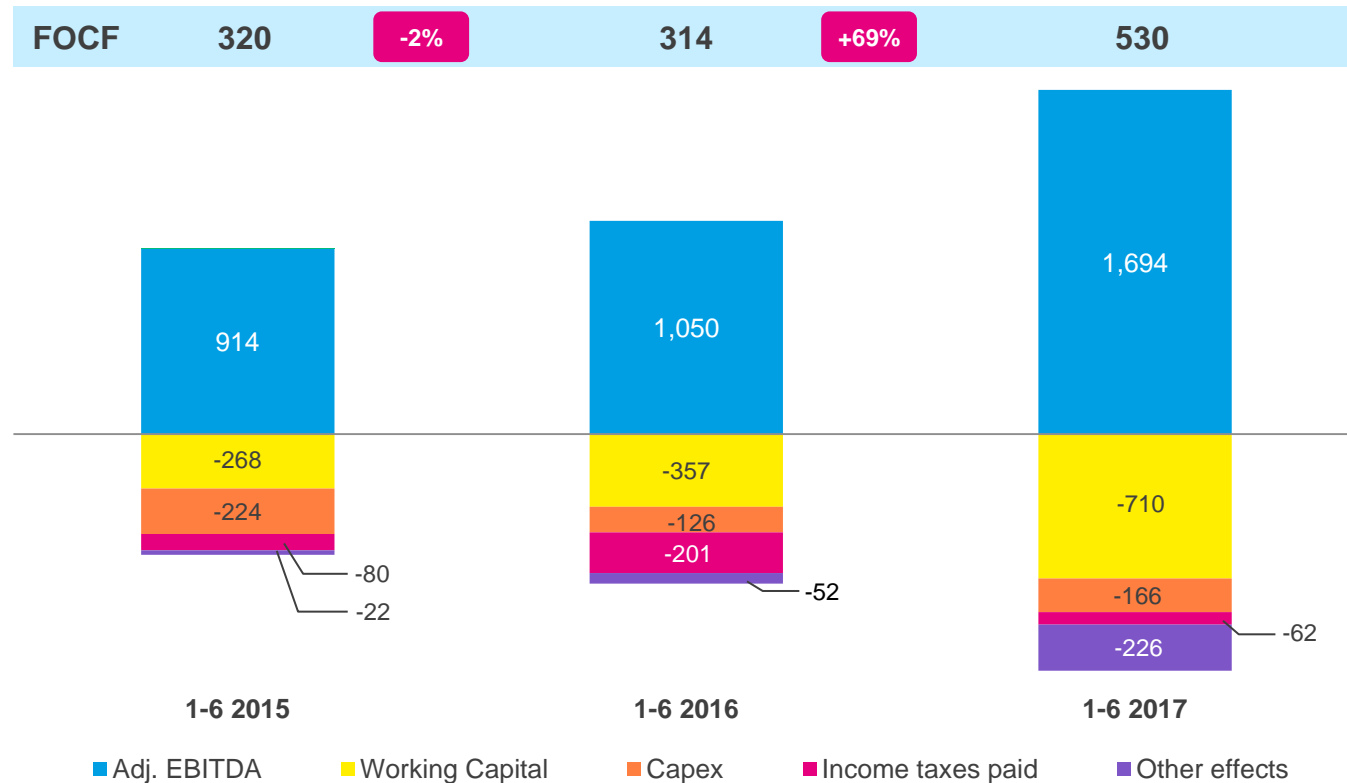
# 6M 2017 – Free Operating Cash Flow

Strong FOCF generation



## Free operating cash flow development

in € million



## Highlights

- Working capital to sales ratio\* at 18.8%, slightly above the targeted range of 15-17%
- Capex of €166m, among others for the MDI expansion in Brunsbüttel
- Low cash tax rate of 4.8% mainly due to phasing of tax payments
- Other effects include the release of provisions for bonus payments

\* Method of calculation: WC on 30.06.2017 divided by sales of last four quarters

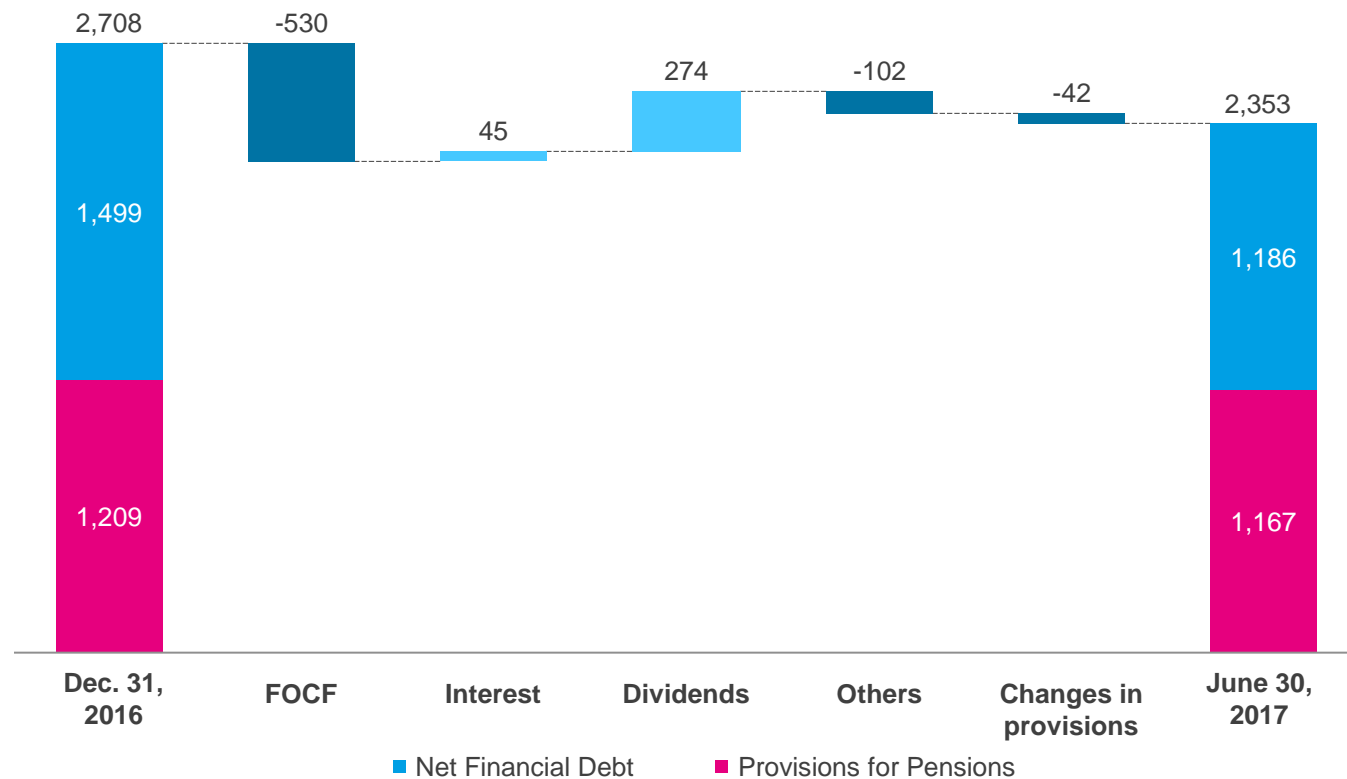
# June 30, 2017 – Total Net Debt

Strong balance sheet



## Total net debt

in € million



## Highlights

- Total net debt to EBITDA ratio\* slightly reduced to 0.9x
- Pension provisions decreased slightly to €1,167m due to higher interest rates in Germany
- Equity ratio further improved to 45%

\* Method of calculation: Total net debt on 30.06.2017 divided by EBITDA of last four quarters

# Guidance 2017

Fully on track



	FY 2016	Guidance FY 2017*	1-6 2017
Core Volume Growth	+7.5%	Low- to mid-single-digit percentage increase Y/Y	+3.5%
FOCF	Ø 2014-2016: €881m	Significantly above the average of the last three years	€530m
ROCE	14.2%	Significantly above the 2016 level	n.a.
Additional financial expectations	FY 2016	Guidance FY 2017*	1-6 2017
EBITDA 2017 FY	€2,014m	Significantly above 2016	€1,694m
EBITDA 2017 Q3	Q3: €574m	Significantly above Q3 2016	n.a.
D&A	€683m	~€650m	€319m
Financial results	€-196m	~€-180m	€-88m
Effective tax rate	29.0%	~28%	25.8%
Capex	€419m	~€550m	€166m

\*\*Basic Assumptions: Exchange rate of USD/EUR ~1.10 and a similar macroeconomic environment as in 2016



# Q2 2017 – Summary

Strong earnings momentum continues

## **Solid core volume growth above global GDP in H1 2017**

despite constrained volumes in Q2

## **Strong earnings growth**

driven by positive pricing delta, improving product mix and high utilization rates

## **Continued cash generation**

despite increasing capex and significantly higher working capital

## **Strong outlook for Q3 2017**

helped by continuously high margins in Polyurethanes

# Upcoming IR Events

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



## Reporting dates

- |                     |                            |
|---------------------|----------------------------|
| • October 24, 2017  | Q3 2017 Interim Statement  |
| • February 20, 2018 | Q4 & FY 2017 Annual Report |
| • April 26, 2018    | Q1 2018 Interim Statement  |

## Annual General Meeting

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

## Broker conferences

- |                         |   |
|-------------------------|---|
| • September 12, 2017    | Crédit Suisse 30 <sup>th</sup> Annual Basic Materials Conference, New York      |
| • September 18-19, 2017 | Berenberg and Goldman Sachs 6 <sup>th</sup> German Corporate Conference, Munich |
| • September 20, 2017    | Baader Investment Conference, Munich  |
| • September 28, 2017    | J.P. Morgan Investor Forum, Milan   |