

Press Release



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All targets reached or exceeded:

Covestro achieves record year

Covestro AG
Communications
51365 Leverkusen
Germany

- **Core volumes up 7.5% year-on-year**
- **Adjusted EBITDA rose by 22.7% to EUR 2.0 billion**
- **Strong increase in Free Operating Cash Flow**
- **Net income more than doubled**
- **Proposed dividend of EUR 1.35 per share**
- **Confident outlook for 2017**

Contact
Lars Boelke
Telephone
+49 214 6009 4206
Email:
lars.boelke@
covestro.com

2016 was a record year for materials manufacturer Covestro. Driven by demand for innovative materials, the Group's core volumes increased by 7.5%. With greater capacity utilization across its plants, adjusted EBITDA surged by 22.7% above the 2015 figure to EUR 2.0 billion. Net income more than doubled from EUR 343 million to EUR 795 million. On this basis, Covestro plans to pay its shareholders a dividend of EUR 1.35 per share.

Contact
Markus Kleine-Beck
Telephone
+49 214 6009 6697
Email:
markus.kleine-beck@
covestro.com

"Our strategy is paying off. These excellent results underscore Covestro's fundamental strength," explains CEO Patrick Thomas. "Growing customer demand for our innovative and sustainable products shows that we are increasingly successful at replacing conventional materials with superior plastics."

Free Operating Cash Flow also increased sharply by 41.8% to EUR 1.4 billion. Covestro increased profitability as well: Return on Capital Employed (ROCE) reached 14.2%, exceeding the previous year significantly. In contrast, Covestro Group's sales were down slightly by 1.5% to EUR 11.9 billion, as a result of lower selling prices and FX effects.



Optimized production capacity matches growing demand

In 2016, core volume growth outpaced global gross domestic product (GDP) significantly, thereby emphasizing Covestro's strong strategic positioning alongside important trends in key customer industries. The company was able to consistently increase sales volumes and further improve utilization of existing production capacity. Covestro also began the expansion of its capacity in high-growth regions at an early stage in order to meet increasing demand. This is particularly true of the Asian market, where the company put a plant into operation producing raw materials for coatings (HDI) and doubling its polycarbonates capacity.

In Europe, the production platform is being further optimized. The expansion of production capacity for the rigid foam precursor MDI at the Brunsbüttel (Germany) site was initiated in June. Capacity will double to 400,000 metric tons per year by 2018. In addition, Covestro proved in 2016 that CO₂ can be used as a raw material for market-ready products: at Dormagen (Germany) last year, the company put into operation the world's first industrial production facility to use CO₂ as a raw material for flexible foam components.

Improved financial flexibility

Covestro repaid all outstanding loans from Bayer in the past fiscal year. In March, the company placed a first bond in the total amount of EUR 1.5 billion as part of a debt issuance program, facilitating the funds to repay the loans in full. By the end of 2016, net financial debt was EUR 1.5 billion, some EUR 700 million below the level of the previous year.

"The debt issuance program provides us with additional financial flexibility," says CFO Frank H. Lutz. "Along with our positive cash flow performance, we now have sufficient funds for financing investments on our own."

Strong demand for Polyurethanes and Polycarbonates

In 2016, Covestro's Polyurethanes segment achieved year-on-year core volume growth of 7.7%, driven by a strong increase in all product groups, particularly in the MDI product group, as well as a 41.2% rise in adjusted EBITDA to EUR 881 million. Demand was driven by key industries such as the automotive and construction sectors. In October, due to an unforeseen production outage at a supplier, Covestro was forced to operate the European production facilities for MDI and TDI at reduced capacity and therefore declared force majeure. This was lifted at the end of the year.



Core volume growth in Polycarbonates was 10.3% year-on-year. Once more, sales volumes increased sharply, particularly in the APAC and NAFTA regions. Adjusted EBITDA climbed 25.7% to EUR 704 million in the Polycarbonate segment. Demand from the electrical and electronics industry was among the main growth drivers.

In the Coatings, Adhesives, Specialties (CAS) segment, core volumes remained stable despite the expected contractual termination of trading activities. Adjusted EBITDA increased by 1.8% to EUR 500 million. Lower raw material prices had a positive effect on earnings. In addition, the trend towards higher-quality end products also pushed demand for CAS products.

High profitability in Q4 2016

Covestro's successful performance continued in the fourth quarter of 2016. From October to December, core volumes were up 4.8% compared to the same period in the previous year. Thanks to higher selling prices, Group sales rose by 7.8% to EUR 3.0 billion. Adjusted EBITDA jumped 52.3% to EUR 390 million. Net income of EUR 124 million was also well above the fourth quarter of 2015 (minus EUR 84 million). Free Operating Cash Flow rose slightly by 3.6% to EUR 407 million.

Further profitable growth envisaged

In 2017, Covestro will continue to work on developing innovative materials in line with the company's vision: 'To make the world a brighter place'. "With our clear focus on sustainable growth in line with global macro trends, we have established a strong position for profiting from long-term market developments. We therefore face 2017 with great confidence," states Patrick Thomas.

As a global company with operations in close proximity to its regional customers, Covestro also considers itself well positioned in an environment marked by geopolitical uncertainty and economic volatility. Based on current global economic and key customer industry forecasts, Covestro expects solid performance across key indicators in 2017. The company anticipates a low-to-mid single-digit percentage increase in core volume growth at Group level. Covestro projects Free Operating Cash Flow to be slightly above the average of the last three years and ROCE to be slightly above the 2016 level.

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, electrical and electronics, construction and the sports and leisure industries. Covestro has 30 production sites around the globe and as of December 31, 2016, employed approximately 15,600 people.

Note to editors:

Below please find a table showing key data for Covestro AG for fiscal year 2016.

The annual report, press release, presentation, speeches and the audio recording of the conference are available for download from our website at <https://press.covestro.com/news.nsf/ID/2017-APC>.

You can listen to a webcast of the conference at <http://edge.media-server.com/m/p/7c2rvuw2/lan/en>

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

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Forward-looking statements

This press 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 on the Covestro website at www.covestro.com. Covestro assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Key Data for the Fourth Quarter and Full Year 2016

	4th Quarter 2015	4th Quarter 2016	Change	2015	2016	Change
	€million	€million	in %	€million	€million	in %
Covestro Group						
Core volume growth	+3.0%	+4.8%		+2.7%	+7.5%	
Sales	2,798	3,017	+7.8	12,082	11,904	-1.5
Change in sales						
Volume	+1.5%	+3.8%		+2.6%	+5.0%	
Price	-12.4%	+4.6%		-7.7%	-5.2%	
Currency	+4.8%	-0.6%		+7.8%	-1.3%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	132	390	>100	1,419	2,014	41.9
Adjusted EBITDA	256	390	+52.3	1,641	2,014	22.7
EBIT	(80)	221	.	680	1,331	95.7
Adjusted EBIT	59	221	>200	942	1,331	41.3
Net income	(84)	124	.	343	795	>100
Free operating cash flow	393	407	+3.6	964	1,367	41.8
ROCE				9.5%	14.2%	
Polyurethanes						
Core volume growth	+4.6%	+2.5%		+1.8%	+7.7%	
Sales	1,385	1,540	+11.2	6,088	5,927	-2.6
Change in sales						
Volume	+2.7%	+0.3%		+2.1%	+5.2%	
Price	-20.0%	+11.6%		-12.4%	-6.4%	
Currency	+4.2%	-0.7%		+7.2%	-1.4%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	(22)	176	.	487	881	80.9
Adjusted EBITDA	63	176	>100	624	881	41.2
EBIT	(157)	80	.	26	489	.
Adjusted EBIT	(55)	80	.	201	489	>100
Free operating cash flow	327	307	-6.1	654	631	-3.5
Polycarbonates						
Core volume growth	+0.5%	+12.8%		+5.1%	+10.3%	
Sales	759	833	+9.7	3,172	3,298	4.0
Change in sales						
Volume	-0.3%	+13.2%		+4.6%	+10.0%	
Price	-3.9%	-2.6%		-2.6%	-4.3%	
Currency	+6.5%	-0.9%		+10.4%	-1.7%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	122	142	+16.4	558	704	26.2
Adjusted EBITDA	123	142	+15.4	560	704	25.7
EBIT	70	93	+32.9	374	507	35.6
Adjusted EBIT	70	93	+32.9	376	507	34.8
Free operating cash flow	140	108	-22.9	138	442	>200
Coatings, Adhesives, Specialties						
Core volume growth	-0.2%	0.0%		+2.6%	-0.3%	
Sales	477	481	+0.8	2,093	2,040	-2.5
Change in sales						
Volume	0.0%	+2.4%		+2.1%	+0.6%	
Price	-2.2%	-1.7%		-1.1%	-2.4%	
Currency	+5.0%	+0.1%		+7.6%	-0.7%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	83	83	0.0	484	500	3.3
Adjusted EBITDA	84	83	-1.2	491	500	1.8
EBIT	60	59	-1.7	397	411	3.5
Adjusted EBIT	60	59	-1.7	406	411	1.2
Free operating cash flow	117	90	-23.1	319	341	6.9