

Press Release



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Covestro holds Capital Markets Day:

Covestro AG
Communications
51365 Leverkusen
Germany

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

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

Committed to creating value

- **EUR 5 billion in FOCF over the next five years anticipated**
- **Available excess cash will be returned to shareholders**

At its Capital Markets Day in London today, Covestro underlines its commitment to further creating value. The Germany-based chemical company has significantly outgrown its industry since its IPO in 2015, recording core volumes expansion of 10.4% between 2014 and 2016 and higher free operating cash flow of +73% in the same period.

From 2017 onwards, Covestro expects to grow in line with its industries that are forecasted to grow above global GDP. These prospects are expected to result in continued strong cash generation: the company anticipates generating a cumulative free operating cash flow of EUR 5 billion over the next five years.

On the use of this cash, CEO and interim CFO Patrick Thomas said: “We see three basic ways: firstly, we remain committed to our attractive dividend policy of paying an increasing or at least stable dividend. Secondly, we look at bolt-on acquisitions to boost our specialty businesses. Lastly, we have no reason to hoard liquidity if no significant external investment opportunity arises. We intend to return excess cash to our shareholders after 24 months without significant M&A activity. This return could be done via share buybacks or special dividends.”

In order to support its continued organic growth ambitions, Covestro follows a smart capex approach that is set to bring back capex spending above depreciation and amortization in the mid-term, from its current position. This includes a number of debottlenecking projects as well as brown-field investments.



Meanwhile, the company's portfolio should be increasingly geared towards differentiated products. Already today, more than 50% of sales and around 70% of earnings are generated with resilient businesses, based on FY 2016 numbers. Covestro is working on further detaching its business from cyclicality, partly through close collaborations with customers and tailored innovations, as Chief Commercial Officer and future CEO Dr. Markus Steilemann explained: "To outpace global growth we need to innovate and work closely with our value chain to anticipate and fulfill its needs. We are well prepared to develop tailored solutions and become even more customer-centric. In addition we are continuously looking for new ways to embed sustainability in our products and processes."

Alternative resources are one focus the company has in this regard. Biomass for coatings, CO₂ instead of oil-based feedstock for polyols, and bio-based aniline are three major milestones that Covestro achieved recently. So the company is well positioned to create value by supplying innovative and leading material solutions that help to solve the world's challenges – constantly pushing boundaries to make the world a brighter place.

About Covestro:

With 2016 sales of EUR 11.9 billion, Covestro is among the world's largest polymer companies. 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, formerly Bayer MaterialScience, has 30 production sites worldwide and employs approximately 15,600 people (calculated as full-time equivalents) at the end of 2016.

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