

Press Release



Leverkusen,
April 12, 2019

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**Annual General Meeting
Friday, April 12, 2019,
Bonn**

Address by

Dr. Markus Steilemann,

Chief Executive Officer

and

Dr. Thomas Toepfer,

Chief Financial Officer

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(2019-701e)



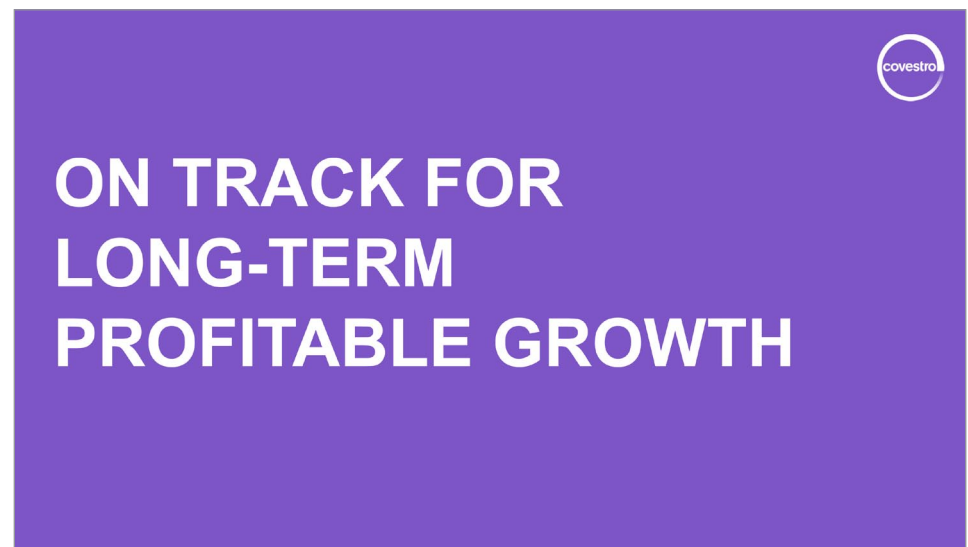
Ladies and Gentlemen,
Dear Shareholders,

On behalf of the entire Board of Management of Covestro AG, I also would like to extend a warm welcome to our Annual General Meeting. I am delighted to see you here in Bonn today.

This is also a very special day for me personally, as it is my first Annual General Meeting as CEO of Covestro.

First of all, I'd like to give you a brief explanation regarding Covestro's development in the financial year under review, where Covestro stands today and what our strategy looks like for a successful future.

Next, our Chief Financial Officer Thomas Toepfer will present you with the detailed results for the 2018 financial year.

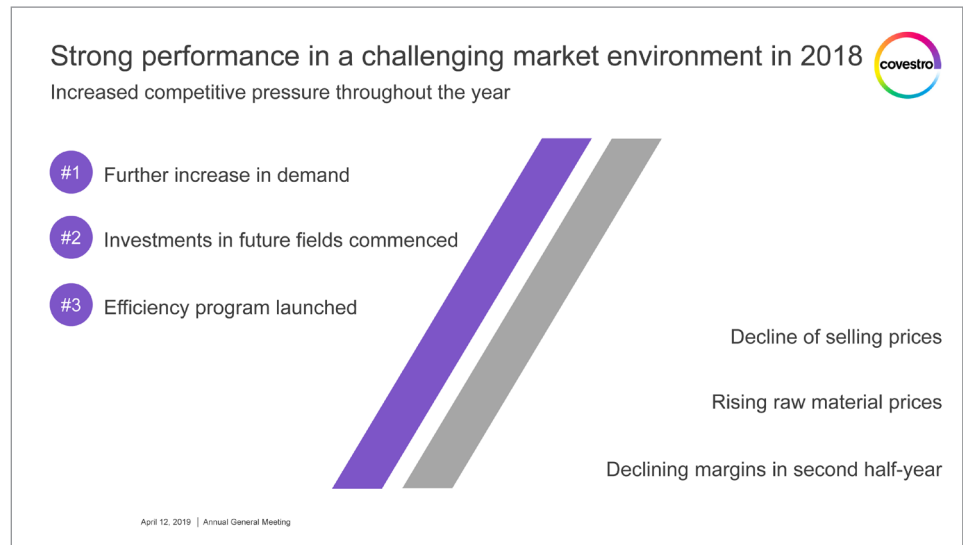


Ladies and Gentlemen,

Covestro is on a long-term and profitable growth track.

Since 2015, the year of our IPO, we have succeeded in continually increasing core volume growth and generating strong earnings.

We continued this trend during the last financial year.



Global demand for our products again remained unabated in 2018. Our customers find our solutions compelling. And the demand for innovative materials continues to grow.

We also invested in future fields with strong growth and high margins for this reason.

Plus, our newly launched efficiency program has enabled us to take a key step toward even greater efficiency and effectiveness.

However, you most probably also noticed that the market environment in 2018 was quite volatile:

We had an outstanding start and an outstanding first half-year: As it turned out however, the market situation changed significantly in the fourth quarter. We were confronted with reverse effects and were compelled to adjust our guidance.

The main reason for this was that selling prices of certain products of importance to us declined faster and more severely than originally expected. As you know, we already had substantial surplus demand in 2017, along with very good margins. It therefore was just a question of time for capacities to expand on the supply side as well.

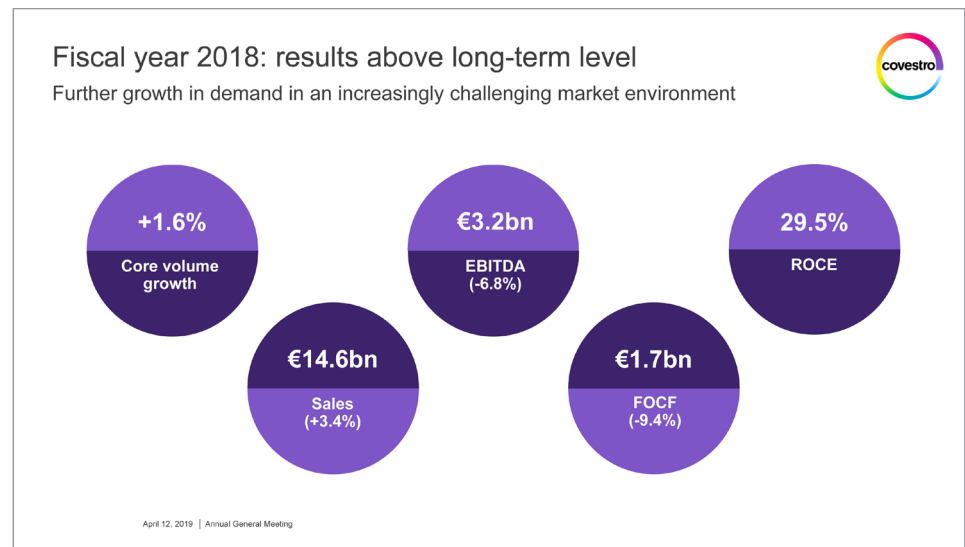
Compounding factors included rising raw material prices that we were unable to pass on – and one-off effects such as the low water level in the river Rhine.

This combination put far more pressure than anticipated on our margins in the fourth quarter.



Overall, however – and this is very important to me – Covestro remains well positioned and highly profitable.

We can look ahead with confidence, as we are also able to operate sustainably and successfully in this environment. Following a successful fiscal year 2018, we have solid foundations as we head into the upcoming phase. Because all in all our 2018 results have once more reached an outstanding level.



We achieved 1.6% core volume growth – despite an already very high capacity utilization and bottlenecks in supply due to limited shipping capacity on the river Rhine.

Sales rose by 3.4% to 14.6 billion euros.

EBITDA, at 3.2 billion euros, was only just below the 2017 record year and well above the long-term average. However, this reflects the fact that margins are beginning to normalize.

The same applies to our free operating cash flow: at 1.7 billion euros, it reached a robust level but was down by 9.4% as compared with the previous year.

Our ROCE, at 29.5%, was likewise at a very high level.

These strong results are a major success story despite increasing competition. At this juncture, therefore, I would like in particular to thank those people who made this success possible: In 2018, Covestro’s employees once again demonstrated an impressive level of commitment and motivation. They were the ones who relentlessly drove Covestro forward. All this certainly cannot be taken for granted, especially in difficult market conditions.



I wish to thank them for this achievement on behalf of the entire Board of Management.



Ladies and Gentlemen,

The fact that market conditions are changing was to be expected. This is why we reacted at an early state; we wanted Covestro to also be prepared for this particular market phase.

We are investing in profitable, high-growth business areas.

We have introduced a program to become more efficient and more effective.

We are also continuing to focus on innovative and sustainable product solutions for our customers.

Covestro is also becoming more digital. With solutions for distribution, research and production.

We actively manage our portfolio. We want to make targeted and value-adding acquisitions and farm out marginal fields of business if they no longer match our portfolio; this also makes us less vulnerable to cyclical fluctuations.

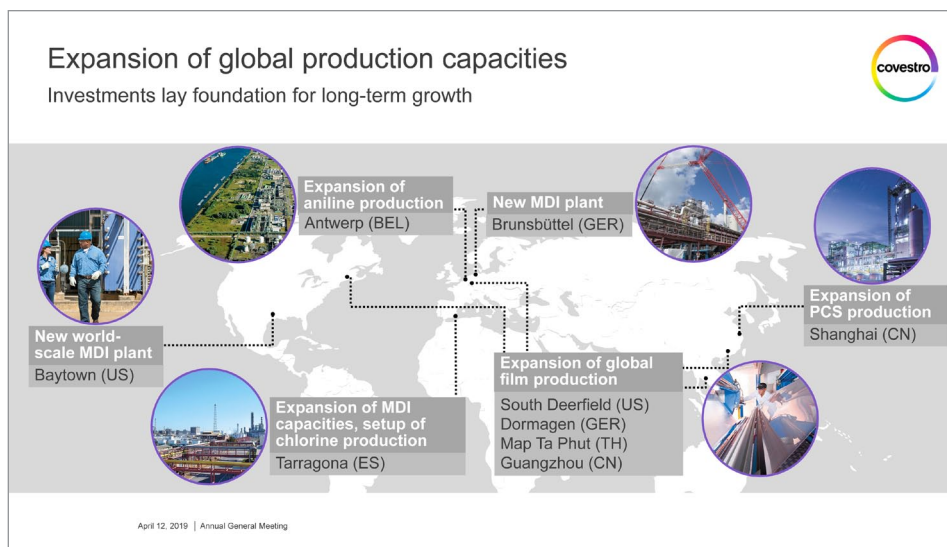
Thus, effective on April 1st 2019, we have increased our share in the Joint Venture DIC Covestro Polymer in Japan to 80 percent, further strengthening our global business with thermoplastic polyurethanes. The acquisition complements the recent global expansion in Covestro's capacities at the New Martinsville (US) and Changhua (Taiwan) sites, where the expected annual production capacity for this business area has increased by 25 per cent.



And last but not least, we continue to develop the unique Covestro culture based on our three key values, namely of being curious, courageous and colorful – a culture of professional and personal development.

These strategic areas of focus will enable us to succeed in creating value for you as shareholders of Covestro AG – even in a changed environment.

Now I would like to outline four of these areas of focus in more detail.



Demand for Covestro products is growing. And in order to benefit from this growth, we are extending our capacities in a targeted fashion. Today’s investments are the foundations for the value creation of tomorrow.

For this reason, in 2018 we invested in particular in divisions with significant growth potential to drive forward our differentiation. These especially include MDI, CAS and PCS.

MDI is an attractive market with strong growth forecasts; this is why Covestro invested in expanding production at our Brunsbüttel location.

At the same time, we adopted a resolution to make the biggest single investment in our entire corporate history: we are investing around 1.5 billion euros in a new world-scale facility for MDI in Baytown in the United States.

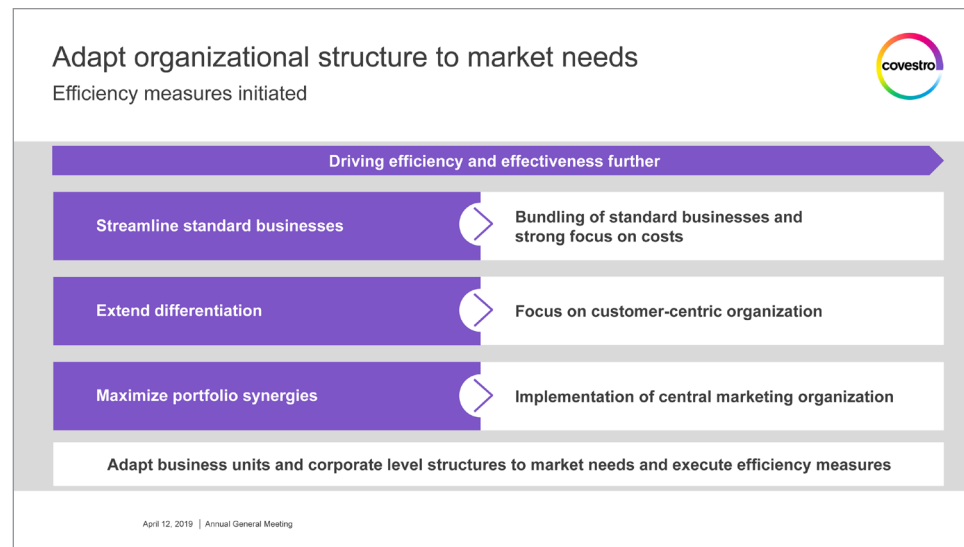
And we are also investing in the production of key precursors. This will enable us to reinforce our cost leadership and to become more independent.

In Shanghai, we are extending our polycarbonates production from 400kt to 600kt per year. Initial additional capacities will become available step by step by the end of this year.



Moreover, we are focusing on our fast-growing and high-margin film production, in which we are investing at four sites worldwide. At the end of December, we held the groundbreaking ceremony for a new production line at Map Ta Phut in Thailand. We will be investing 100 million euros there.

These specialty films are used for identity documents, for instance, smartphone casings and automotive interiors, making them simply indispensable in our daily lives.



Ladies and Gentlemen,

Boosting capacities is one thing. Deploying them efficiently and effectively is another.

We want to put every single euro invested to best use. We are pursuing that goal at several levels.

On the one hand, we launched our comprehensive effectiveness and efficiency program in 2018. The aim is to make our organization more agile. At the same time, we want to cap rising operating costs and save around 350 million euros a year by 2021.

It centers on adapting our structures so we can respond faster and better to market requirements.

We will achieve this, for instance, by pooling our distribution channels for standard businesses and position ourselves cost-effectively in the process.



In addition, we want to become even more customer-centric: We will do so by making our customers the center of our actions and by optimizing our organizational work flows accordingly, as well as by making increased use of digital offerings.

Last but not least we will continue to maximize synergies in our portfolio. For instance, we will be setting up a centralized marketing department to consolidate our segments' marketing and communications functions.

Sustainability-driven innovation
Focused differentiation in fast-growing segments along global megatrends

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

- Until 2025, 80% of project-related R&D expenses should contribute to goals
- Social trend to sustainable solutions drives sectors with attractive growth potential
- True circular economy as long-term consequence of sustainability-driven innovation strategy

Climate change
Urbanization
Increasing mobility

April 12, 2019 | Annual General Meeting

The slide features a central graphic with three circular images: a globe for "Climate change", a city skyline for "Urbanization", and a road with cars for "Increasing mobility". The Covestro logo is in the top right corner.

Dear Shareholders,

Covestro's success is based on offering our customers innovative and sustainable solutions. This is why demand for Covestro products is growing.

We want to offer materials that are superior to and can replace existing ones. This is our recipe for success and what we are going to follow steadfastly.

The aspect of sustainability is becoming increasingly important in this regard. It is a key driver of innovation. This is why we rely on the Sustainable Development Goals (SDGs) of the United Nations for guidance.

By 2025, 80% of our project-driven R&D expenditures should be contributing to these goals.

And there is a simple economic logic behind this: Markets for sustainable products offer disproportionately high growth potential. They are being driven by megatrends such as climate change, increasing mobility and urbanization.

The average growth rate in the market for offshore wind power is expected to be about 15% a year. For hybrid and electric cars, the projected growth rate is as high as 25%, and for efficient LED lights it is 12%.



Apart from robust growth, these markets have something else in common: we supply all of them.

This is why innovation at Covestro is always sustainability-driven.

We're convinced that this will enable us to make our long-term contribution to an increasingly stronger circular economy over time: the more sustainable and recyclable materials we offer and use, the stronger the circulation.

That is good for Covestro, for humankind and for this planet.

A presentation slide titled "Digital@Covestro" with the subtitle "Digital offensive for sales, research, production and staff". The slide features a list of four bullet points, each preceded by a purple checkmark icon: "New digital sales channels", "Quicker results in research and development", "Higher production efficiency and availability", and "Enhancement of our employees' digital skills". To the right of the text is a photograph of a laptop displaying a digital interface with the Covestro logo and a globe. The slide also includes the Covestro logo in the top right corner and the text "April 12, 2019 | Annual General Meeting" at the bottom left.

This finally brings us to a topic, the significance of which cannot be overestimated by us either, namely: Digitalization.

At Covestro, digitalization applies to all divisions and employees, because I am convinced that everything that can be digitalized will become digital.

This is why we continue to further expand our e-commerce platforms. In 2018 our flagship store was launched on the Chinese trading platform Alibaba.

In addition, the Covestro Direct Store went live last month. Our customers can now use this web platform to make business deals with a few mouse clicks round the clock, buying products in any number of volumes flexibly and securely.

Our Store once again reflects our aim to improve customer-centricity, adjusting the shopping experience to their individual needs.

Since 2018, a global team in Research and Development has been working on faster and more efficient application development with the help of high-performance computer systems. This is how we speed up research. What is



more, we are building a platform for research data. This platform will make know-how accessible at all research sites across the globe. And this will increase the efficiency of R&D projects.

Digitalization is also making progress in production: New software solutions allow us to ensure the availability of our plants and equipment more efficiently and at lower cost. In the future we wish to identify problems such as a faulty pump before they can occur.

Notwithstanding all the benefits of digitalization, our primary focus is on humankind: After all, our employees are key to successful implementation. For this reason, all employees are enabled to use new digital tools and to further their own development thanks to digitalization.



Ladies and Gentlemen,
Dear Shareholders,

Setting the right priorities at the right time has been – and still is – the basis of our success.

This is why we at Covestro are actively preparing for the future.

We invest in high-return, high-growth business areas.

We are becoming more efficient and effective.

We bank on innovative and sustainable product solutions.

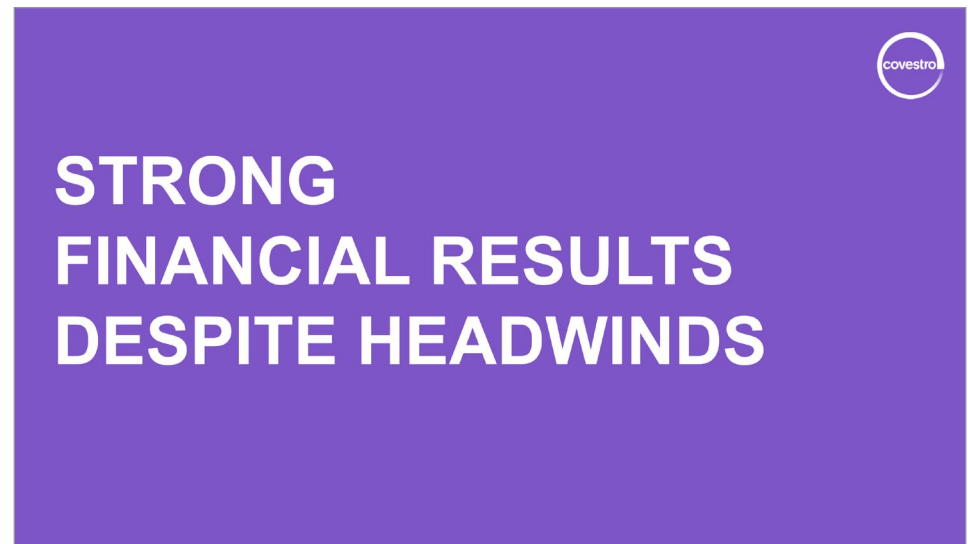
We are becoming increasingly digital.

We actively manage our portfolio.



And we continue to develop the unique culture we have here at Covestro.

Following this overview of what is currently driving Covestro forward – and what we ourselves are driving forward – I would like to hand over to Thomas Toepfer for a more detailed view of our figures for the 2018 fiscal year.



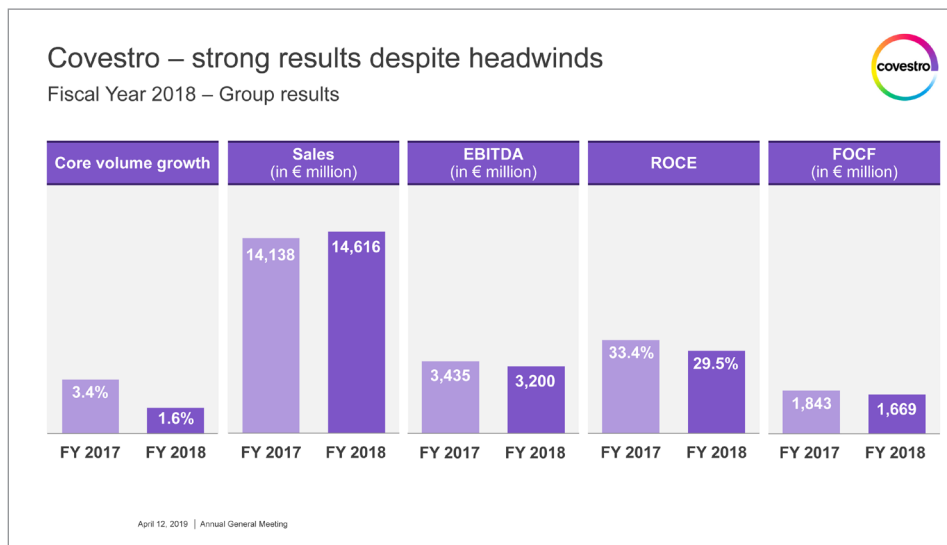
Thank you, Markus.

Ladies and Gentlemen,

I would like to join Markus in welcoming you cordially here today.

As you know, I have been a member of Covestro's Board of Management for about twelve months now.

I am therefore especially delighted to address you today at Covestro's Annual General Meeting for the very first time.



The 2018 results certainly were a great achievement.

Overall, the Covestro Group achieved very solid core volume growth of 1.6% in 2018. A negative impact in this regard was the restricted product availability as well as the low water level of the river Rhine in the fourth quarter as referred to earlier.

After the third quarter, this caused market conditions to deteriorate substantially faster than anticipated.

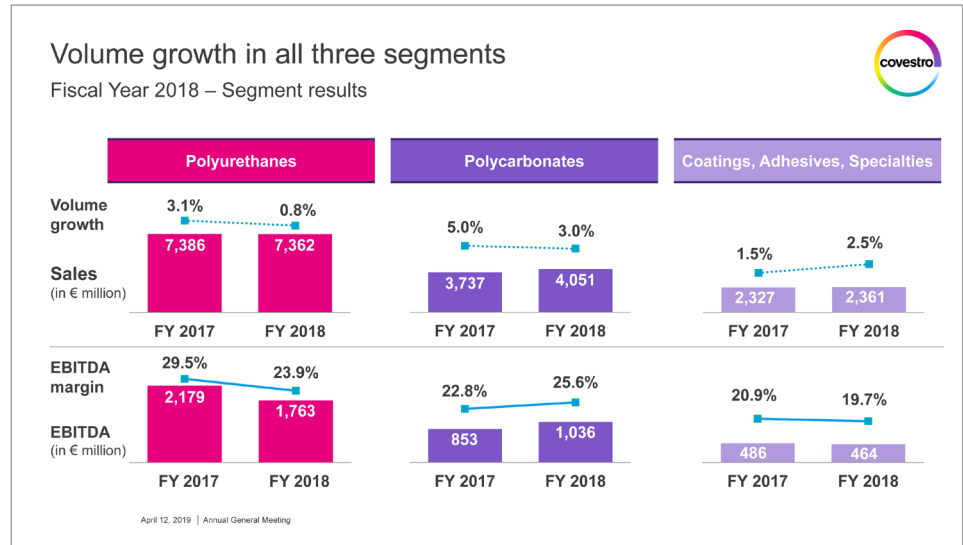
Nevertheless, we managed to boost our sales to 14,616 million euros.

EBITDA declined slightly, but at 3.2 billion euros it was still at a very high level, corresponding to a margin of 21.9%.

The return on capital employed, at 29.5%, is slightly down from the previous year but still remains at an exceptionally high level as well.

At 1,669 million euros, free operating cash flow is below the level of 2017.

As you can see in terms of these results: whereas 2018 did not match the 2017 record year, which was shaped by a special market situation, 2018 was another strong year for Covestro nevertheless.



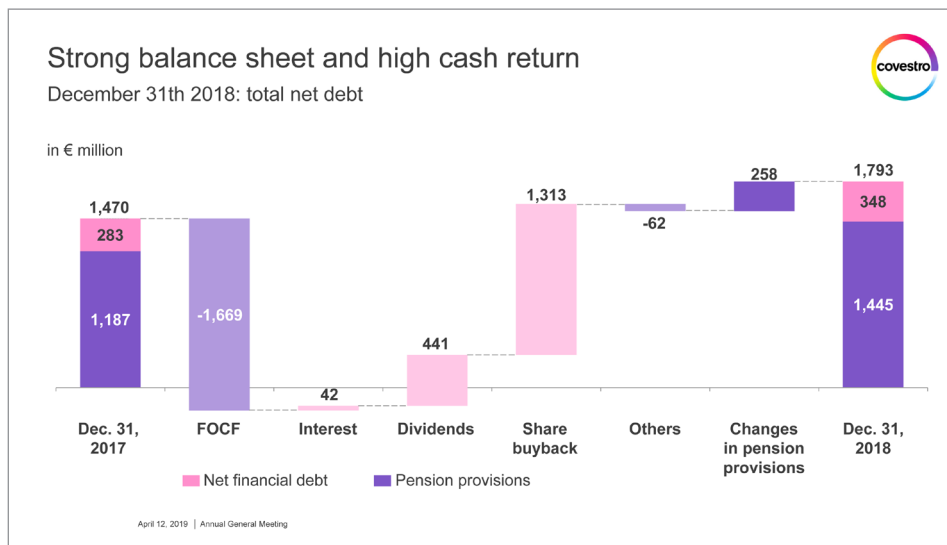
This development was also reflected in the segments.

Volume growth was positive in all segments. That is further evidence that demand for our products is intact.

In the Polyurethanes segment, we saw a substantial normalization of earnings. Sales remained constant and reached 7,362 million euros. Volume growth slowed to 0.8%. EBITDA dropped to 1,763 million euros, which still corresponds to a strong margin of 23.9% though.

In the Polycarbonates segment, sales increased significantly to 4,051 million euros. Volume growth was 3.0%. EBITDA increased to over 1 billion euros, reflecting a strong margin of 25.6%.

The Coatings, Adhesives, Specialties segment likewise registered growth. Here volumes were up by 2.5% and sales increased slightly. EBITDA slipped back to 464 million euros, but this still corresponds to a stable margin of 19.7%.



Ladies and Gentlemen,

These strong results are also reflected in a strong balance sheet. The balance sheet also shows Covestro’s commitment to creating value for you as our shareholders.

We have paid back a tidy sum to you: For one thing, we distributed a total of about 440 million euros as a dividend; for another, in the course of 2018 we bought back shares worth a total of over 1.3 billion euros.

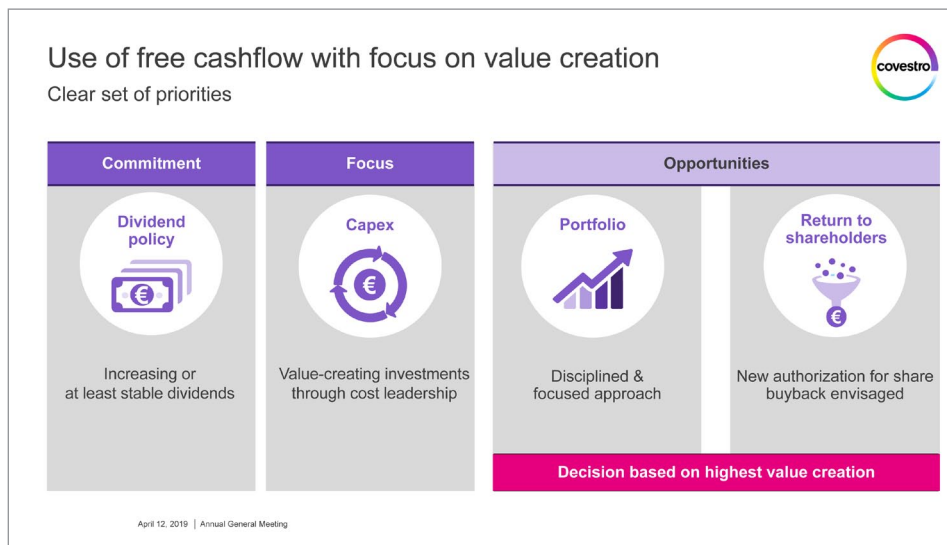
Our net debt increased slightly by around 323 million euros, to 1.8 billion euros.

This means that the ratio of net debt to EBITDA at the end of the year came to 0.6 – a very good and solid value, as in the past.

Pension provisions increased by 258 million euros, partly due to negative return on plan assets.

Our equity ratio continued to improve to 49% at the end of 2018 (2017: 47%).

We have been operating on the basis of IFRS 16 since January 1, 2019. Due to this changeover and probably substantially lower EBITDA in the current fiscal year, we assume that there will be a significant increase in the ratio of net debt to EBITDA at the end of 2019.



We set clear priorities for use of our free cash flow.

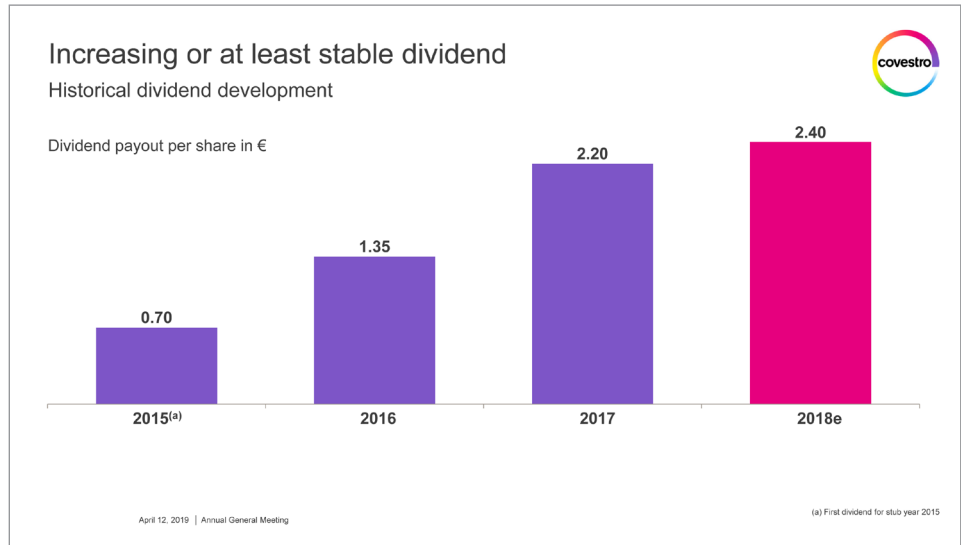
And we remain committed to a policy of an at least stable or rising dividend.

Our investment is focused on capital expenditures, in other words, investment in long-lasting capital goods such as production facilities. Given our market-leading position and cost leadership, we are convinced that capital expenditures are the most value-accretive. We concentrate our growth investments on CAS, MDI and PCS. Furthermore, investment in maintenance across the board ensures that we can produce reliably and efficiently.

We want to and will make use of opportunities: This is why we take a disciplined and focused approach to managing our portfolio. We want to make acquisitions where we can leverage high margins and at the same time differentiate our business.

In addition, during the prior fiscal year, we completed our share buyback program.

As indicated in the agenda to this event, the Board of Management and Supervisory Board have therefore proposed the authorization for a new buy-back program to today's Annual General Meeting for up to 10% of the capital stock by April 11, 2024.



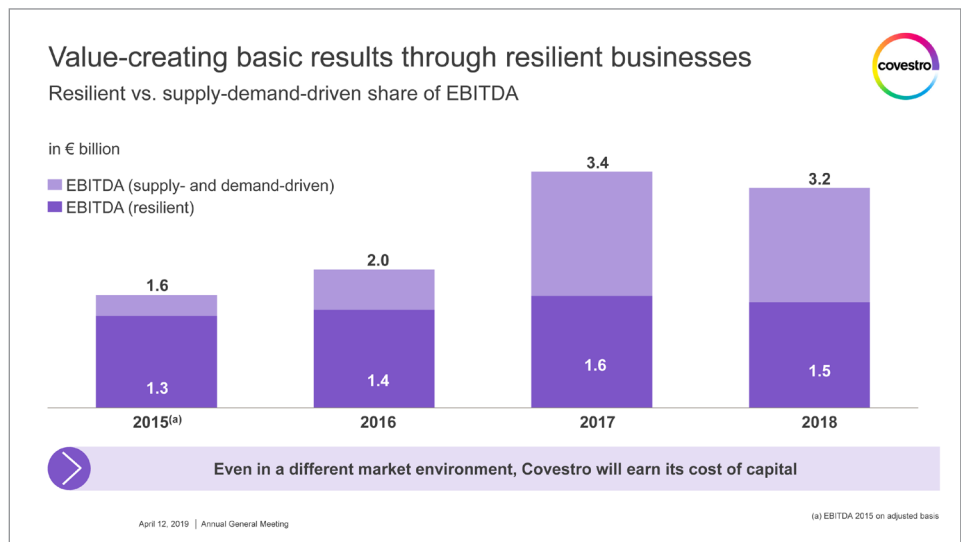
Dear Shareholders,

I have already mentioned that we intend to continue our policy of ensuring at least a stable or rising dividend.

Since our independence, we have continually raised the dividend – and we will also remain true to our policy in 2018 and propose a dividend of 2.40 euros per share.

Our dividend proposal for 2018 thus corresponds to an increase of 9% compared to the dividend in our record year 2017 and to a dividend yield of about 4.5% based on yesterday's XETRA closing price.

We would thus pay out a dividend of around 440 million euros for 2018.





Ladies and Gentlemen,

One of our strengths is the high proportion of resilient or, in other words, increasingly more non-cyclical business. This includes the CAS segment, the business with Polyols and individual MDI products as well as over half the PCS business.


These business activities will enable us to generate a solid basic result: in normal business conditions, EBITDA of 1.3 billion euros to 1.6 billion euros.

A further factor is the result of business that tends to be driven to a higher degree by supply and demand. This share saw a disproportionately high increase in 2017 and 2018. On average, demand in these product groups rose far faster than supply. The impact on selling prices and margins was equally positive.

In the future, new capacity on the market will make excess supply likely. Initial effects of this development were already discernible in 2018 and will certainly remain quite evident in 2019.

It is imperative to clearly remember one thing, however – namely, that Covestro earns its capital costs even in difficult market conditions.

Guidance 2019
Below mid-cycle earnings in a challenging environment



	FY 2018	Guidance FY 2019
Core Volume Growth	1.6%	Low- to mid-single-digit percentage increase Y/Y
FOCF	€1,669m	€300 – 700m
ROCE	29.5%	8%-13%
Additional financial expectations	FY 2018	Guidance FY 2019
EBITDA FY	€3,200m	€1,500 – 2,000m
EBITDA Q1	€1,063m	Around €440m
Capex	€707m	≥€900m

April 12, 2019 | Annual General Meeting

Please allow me to deal with our guidance for the 2019 fiscal year as a whole.

A look at the global economy reveals a number of uncertainties. Trade conflicts are impairing importers' industries, and especially in Europe there are immense Brexit-related uncertainties.

The outline is subdued in the chemicals industry. The German chemical industry association (VCI) forecasts that output will rise by just 1.5%.



Overall, we expect our established forecasting indicators to be slightly below the mid-cycle level in 2019.

But: The level of demand for our products remains intact. We expect core volume growth to be in the low to medium single-digit percentage range. Consequently, it is especially important for us to maintain and strengthen our cost leadership in many areas.


Furthermore, we forecast a free operating cash flow of 300 to 700 million euros and a return on capital employed of 8% to 13%.

Year-end EBITDA will probably be 1.5 to 2.0 billion euros. In the first quarter, we expect EBITDA to come in at roughly 440 million euros. The figures for the first quarter will be published on April 29th.

Planned investments will increase capex for full year 2019 to more than 900 million euros.

Well prepared for the future

Covestro sets direction for its long-term profitable growth course



- 1 Strong fiscal year 2018 despite weak Q4
- 2 Continuous growth above global GDP based on value-creating investments
- 3 Driving efficiency and effectiveness
- 4 Focus on profitability: mid-cycle EBITDA expected to average over €2bn
- 5 2019 earnings expected to be below mid-cycle level due to challenging environment

12. April 2019 | Hauptversammlung

Ladies and Gentlemen,
Dear Shareholders,

Finally, please allow me to give you a recap of what we have said so far.

We were able to report a strong performance in 2018 despite the difficult market environment and weak fourth quarter. While it wasn't another record year, we were pretty close.

In 2019, we expect results to temporarily fall below the average level of the cycle.



In the long run, we believe that growth in our buyer markets will exceed that of global Gross Domestic Product.

At the same time, we are driving efficiency and effectiveness so that Covestro can continue to operate very profitably.

We are focused on profitability and expect sustainable EBITDA of over 2 billion euros on a medium-term average.

And to this end we are setting the stage with our increased strategic focus for 2019.

Accordingly, we can sum up as follows: Covestro is well-prepared for the future. And well-equipped for continuing its long-term success story.

This brings me to the end of my presentation.

Thank you for your attention.

Forward-Looking Statements

This news 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 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.