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Forecast again raised slightly:

Covestro continues strong results in third quarter

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- **Core volumes up 9.1% year-on-year**
- **Adjusted EBITDA rose by 21.9% to EUR 574 million**
- **Net income increased by 61.9% to EUR 259 million**
- **Free Operating Cash Flow more than doubled**
- **Forecast for full-year 2016 again raised slightly**

Materials manufacturer Covestro continued its successful half-year trend in the third quarter of 2016 with high Free Operating Cash Flow and strong earnings. Adjusted EBITDA rose significantly by 21.9% year-on-year to EUR 574 million, mainly driven by higher volumes combined with higher margins. The Group's core volumes (in kilotons) were up by 9.1% on the prior-year period.

"We seamlessly continued the positive half year trend in the third quarter and profit from the strong demand for our products," said Covestro CEO Patrick Thomas. "Growth in EBITDA and Free Operating Cash Flow was particularly healthy and so we are again adjusting our forecast for full-year 2016 slightly upwards."

The company continues to expect a mid- to high-single-digit percentage increase in core volume growth. Covestro now anticipates Free Operating Cash Flow above the prior-year level (previously: at the previous year's level). The company is now forecasting ROCE significantly above the prior-year figure (previously: above last year).

Stable sales, Free Operating Cash Flow more than doubled

Group sales amounted to EUR 3.0 billion in the third quarter, on a level with the prior-year quarter. Following declines in the first two quarters, sales rose mainly



as a result of the high total sales volumes which increased by 6.3%. Polyurethanes and Polycarbonates in particular posted significantly higher volumes. At the same time, the two segments again saw selling prices decrease on the back of lower raw material prices, which pushed down sales. Currency effects also had a slightly negative impact.

At EUR 259 million, net income in the third quarter confirmed the H1 trend and was up by a significant 61.9% on the prior-year period. Free Operating Cash Flow developed particularly positively, rising by 157.4% year-on-year to EUR 646 million. The increase is primarily due to an improved cash flow from operating activities as well as reduced cash outflows for additions to property, plant, equipment and intangible assets.

Growth in all segments – significantly higher EBITDA in Polyurethanes

Core volumes in the Polyurethanes segment again rose by 9.0% year-on-year in the third quarter. All product groups contributed to this increase, particularly diphenylmethane diisocyanate (MDI). Higher sales volumes and higher margins lifted adjusted EBITDA by 50.3% to EUR 263 million.

The Polycarbonates segment also again recorded strong growth of 11.6% in core volumes compared with the prior-year quarter. APAC in particular posted much higher sales volumes. The segment's adjusted EBITDA rose by 13.5% to EUR 194 million, buoyed by higher sales volumes.

Core volumes in the Coatings, Adhesives, Specialties segment increased by 3.5% as against the prior-year period. It achieved this growth despite the anticipated contractual termination of trading activities. At EUR 136 million, adjusted EBITDA was virtually unchanged in the third quarter. Lower selling prices were offset by higher sales volumes and lower raw material prices had a positive effect.

Positive first nine months – improved sales volumes and profitability

Overall, the Group turned in a very positive performance in the first nine months of 2016. Its core volumes were up 8.4% year-on-year. This is mainly attributable to increases at Polycarbonates and Polyurethanes, which recorded strong growth rates of 9.6% and 9.4%.

Adjusted EBITDA rose by 17.3% to EUR 1.6 billion. Sales declined by 4.3% to EUR 8.9 billion in the first nine months, largely due to an 8.1% decrease in selling prices overall. Average selling prices were down year-on-year, especially in the Polyurethanes segment. Exchange rate movements also had a slightly negative effect.



At EUR 671 million, net income in the Covestro Group was up by a significant 57.1% on the prior-year period. Free Operating Cash Flow also improved, rising by 68.1% to EUR 960 million at Group level.

About Covestro:

With 2015 sales of EUR 12.1 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, electrical and electronics, construction and the sports and leisure industries. Covestro, formerly Bayer MaterialScience, has 30 production sites around the globe and as of the end of 2015 employed approximately 15,800 people (full-time equivalents).

Note to editors:

Below please find a table showing key data for the Covestro Group for the third quarter 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/>.

The full Interim Report together with the presentation and audio recording of the analyst conference are available at investor.covestro.com

Find more information at **investor.covestro.com**.
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Forward-Looking Statements

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Key Data for the Third Quarter of 2016

	3rd Quarter 2015	3rd Quarter 2016	Change	1st Nine Months 2015	1st Nine Months 2016	Change
	€ million	€ million	in %	€ million	€ million	in %
Covestro Group						
Core Volume Growth	-0.6%	+9.1%		+2.5%	+8.4%	
Sales	3,020	3,022	+0.1	9,284	8,887	-4.3
Change in Sales						
Volume	-0.6%	+6.3%		+2.9%	+5.3%	
Price	-7.4%	-5.1%		-6.1%	-8.1%	
Currency	+6.6%	-1.1%		+8.9%	-1.5%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	455	574	+26.2	1,287	1,624	+26.2
Adjusted EBITDA	471	574	+21.9	1,385	1,624	+17.3
EBIT	287	406	+41.5	760	1,110	+46.1
Adjusted EBIT	305	406	+33.1	883	1,110	+25.7
Net Income	160	259	+61.9	427	671	+57.1
Free Operating Cash Flow	251	646	>100	571	960	+68.1
Polyurethanes						
Core Volume Growth	-2.7%	+9.0%		+0.9%	+9.4%	
Sales	1,512	1,503	-0.6	4,703	4,387	-6.7
Change in Sales						
Volume	-2.2%	+6.7%		+2.0%	+6.6%	
Price	-12.1%	-6.2%		-9.9%	-11.7%	
Currency	+5.8%	-1.1%		+8.2%	-1.6%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	161	263	+63.4	509	705	+38.5
Adjusted EBITDA	175	263	+50.3	561	705	+25.7
EBIT	60	168	>100	183	409	>100
Adjusted EBIT	72	168	>100	256	409	+59.8
Free Operating Cash Flow	104	243	>100	327	324	-0.8
Polycarbonates						
Core Volume Growth	+5.4%	+11.6%		+6.6%	+9.6%	
Sales	819	848	+3.5	2,413	2,465	+2.2
Change in Sales						
Volume	+4.1%	+10.3%		+6.4%	+9.1%	
Price	-0.8%	-5.0%		-2.2%	-4.9%	
Currency	+9.7%	-1.8%		+11.8%	-2.0%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	171	194	+13.5	436	562	+28.9
Adjusted EBITDA	171	194	+13.5	437	562	+28.6
EBIT	127	145	+14.2	304	414	+36.2
Adjusted EBIT	128	145	+13.3	306	414	+35.3
Free Operating Cash Flow	1	182	.	(2)	334	.
Coatings, Adhesives, Specialties						
Core Volume Growth	-2.4%	+3.5%		+3.4%	-0.4%	
Sales	519	515	-0.8	1,616	1,559	-3.5
Change in Sales						
Volume	-2.5%	+2.5%		+2.7%	+0.1%	
Price	-1.4%	-2.7%		-0.8%	-2.6%	
Currency	+6.5%	-0.6%		+8.5%	-1.0%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	135	136	+0.7	401	417	+4.0
Adjusted EBITDA	137	136	-0.7	407	417	+2.5
EBIT	113	114	+0.9	337	352	+4.5
Adjusted EBIT	118	114	-3.4	346	352	+1.7
Free Operating Cash Flow	74	150	>100	202	251	+24.1