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Volumes and profitability further increased

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Strong second quarter for Covestro

- **Core volumes increased by 7.7% year-on-year**
- **Adjusted EBITDA rose by 8.8% to EUR 542 million**
- **Net income up 51.3% year-on-year**
- **Bayer loans repaid in full**
- **Outlook raised for full year 2016**

In the period from April to June 2016, the materials manufacturer Covestro continued its successful development from the first quarter of the year. Adjusted EBITDA increased by 8.8% to EUR 542 million year-on-year, mainly driven by higher core volumes in the Polyurethanes and Polycarbonates segments. On the Group level, core volumes (in kilotons) in the second quarter of 2016 increased substantially by 7.7% year-on-year.

“We have recorded strong results in the second quarter and continued the satisfying development of the first quarter. Our plant utilization rates are improving, allowing us to realize higher core volumes and increase profitability,” said CEO Patrick Thomas. “On the back of a positive development in the first half of 2016, we are raising our outlook for the full year.”

The company now expects a mid- to high-single-digit percentage increase in core volumes (previously: mid-single-digit percentage). It predicts that the Free Operating Cash Flow will be at the previous year’s level (previously: at high level, above the average of recent years) and sees ROCE above last year (previously: premium on the cost of capital). EBITDA for the second half of 2016 is expected to be at least at the level of the same period in 2015.



Strong earnings, lower sales

Group sales declined by 6.9% year-on-year to EUR 2.99 billion in the second quarter. The primary reason for this was a decline in selling price levels in all segments, Polyurethanes in particular. This decline in selling prices was mainly caused by lower raw material prices. Group sales were also slightly negatively affected by currency effects.

Despite lower Group sales, net income increased by 51.3% year-on-year to EUR 230 million. Free Operating Cash Flow went up slightly by 3.0% to EUR 237 million in the second quarter.

According to plan, in the second quarter Covestro completely repaid the remaining loan of EUR 810 million from Bayer. Compared with the level of December 31, 2015, the company reduced financial debt significantly from EUR 2.9 billion to EUR 2.2 billion, further improving the company's financial profile.

Positive development in all segments

In the second quarter, the Polyurethanes segment saw a substantial core volume increase of 9.0% driven by the product groups toluene diisocyanate (TDI) and methylene diphenyl diisocyanate (MDI). The product group polyether polyols (PET) saw a slight increase in core volumes. Adjusted EBITDA increased by 2.2% to EUR 228 million, mainly as the result of higher volumes. Lower margins and declines in selling and raw material prices had a negative impact on the segment's earnings.

At Polycarbonates, core volumes also advanced significantly by 8.5% year-on-year. Core volumes increased in all three regions, especially APAC, with rises in almost all customer industries. Adjusted EBITDA went up by 27.3% to EUR 191 million with higher volumes and margins contributing to this increase.

Core volumes in the Coatings, Adhesives, Specialties segment declined slightly by 1.8%, compared with the strong growth recorded in Q2 2015. As expected, the second quarter of 2016 was impacted by the contractual termination of trading activities. Adjusted EBITDA increased slightly by 3.6% to EUR 142 million due to the positive effect of lower raw material prices.

Successful first six months

Overall, Covestro recorded positive results in the first half of 2016. Core volumes increased by 8.1% over the first half of 2015. Adjusted EBITDA went up by 14.9% to EUR 1.1 billion. Sales decreased by 6.4% to



EUR 5.9 billion year-on-year in the first six months due to lower selling price levels in all operating segments. Currency effects had a slight negative effect. The net income of the Covestro Group improved significantly by 54.3% to EUR 412 million.

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).

Below please find a table showing key data for Covestro for the second quarter of 2016.

Find more information at investor.covestro.com.
(2016-076E)

Forward-Looking Statements

This investor news 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 Second Quarter of 2016

	2nd quarter 2015	2nd quarter 2016	Change	1st half 2015	1st half 2016	Change
	€ million	€ million	in %	€ million	€ million	in %
Covestro Group						
Core Volume Growth	+6.7%	+7.7%		+4.2%	+8.1%	
Sales	3,210	2,990	-6.9	6,264	5,865	-6.4
Change in Sales						
Volume	+7.4%	+4.5%		+4.8%	+4.9%	
Price	-6.4%	-8.7%		-5.4%	-9.6%	
Currency	+10.0%	-2.7%		+10.1%	-1.7%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	439	542	+23.5	832	1,050	+26.2
Adjusted EBITDA	498	542	+8.8	914	1,050	+14.9
EBIT	267	364	+36.3	473	704	+48.8
Adjusted EBIT	327	364	+11.3	578	704	+21.8
Net Income	152	230	+51.3	267	412	+54.3
Free Operating Cash Flow	230	237	+3.0	320	314	-1.9
Polyurethanes						
Core Volume Growth	+5.8%	+9.0%		+2.7%	+9.7%	
Sales	1,637	1,481	-9.5	3,191	2,884	-9.6
Change in Sales						
Volume	+7.7%	+6.4%		+4.1%	+6.7%	
Price	-9.9%	-13.1%		-8.6%	-14.4%	
Currency	+9.2%	-2.8%		+9.6%	-1.9%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	195	228	16.9	348	442	27.0
Adjusted EBITDA	223	228	2.2	386	442	14.5
EBIT	92	124	34.8	123	241	95.9
Adjusted EBIT	121	124	2.5	184	241	31.0
Free Operating Cash Flow	135	89	-34.1	223	81	-63.7
Polycarbonates						
Core Volume Growth	+9.1%	+8.5%		+7.3%	+8.5%	
Sales	829	831	+0.2	1,594	1,617	+1.4
Change in Sales						
Volume	+9.6%	+7.9%		+7.5%	+8.3%	
Price	-3.6%	-4.3%		-2.9%	-4.8%	
Currency	+13.3%	-3.4%		+13.0%	-2.1%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	149	191	+28.2	265	368	+38.9
Adjusted EBITDA	150	191	+27.3	266	368	+38.3
EBIT	104	142	+36.5	177	269	+52.0
Adjusted EBIT	105	142	+35.2	178	269	+51.1
Free Operating Cash Flow	9	70	>600	(3)	152	.
Coatings, Adhesives, Specialties						
Core Volume Growth	+6.5%	-1.8%		+6.4%	-2.3%	
Sales	562	532	-5.3	1,097	1,044	-4.8
Change in Sales						
Volume	+6.9%	-0.6%		+5.5%	-1.1%	
Price	-1.0%	-2.7%		-0.5%	-2.5%	
Currency	+9.5%	-2.0%		+9.5%	-1.2%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	135	142	+5.2	266	281	+5.6
Adjusted EBITDA	137	142	+3.6	270	281	+4.1
EBIT	113	119	+5.3	224	238	+6.3
Adjusted EBIT	115	119	+3.5	228	238	+4.4
Free Operating Cash Flow	111	58	-47.7	128	101	-21.1