

# Press Release



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Covestro AG  
Communications  
51365 Leverkusen  
Germany

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

Contact  
Benjamin Schütz  
Telephone  
+49 214 6009 2814  
Email  
Benjamin.Schuetz  
@covestro.com

Full year guidance confirmed

## Solid results in an increasingly challenging market environment

- **Group sales up 4.8% to EUR 3.7 billion**
- **Core volumes remain stable**
- **EUR 859 million EBITDA at previous year's level**
- **Net income totals EUR 496 million, up 1.0% over prior year**
- **Free operating cash flow down 12.2% to EUR 578 million due to increased investments**
- **Cost savings targeted at EUR 350 million per year**

Covestro continued its positive business performance in 2018 with a solid third quarter in an increasingly challenging market environment. Group sales grew by 4.8% to EUR 3.7 billion over the same quarter in 2017 thanks to higher selling prices and volumes sold. Core volumes were up marginally by 0.2%, remaining at last year's level despite limited product availability. At EUR 859 million, the Group's EBITDA also matched the prior year period. Declining margins in the Polyurethanes segment were offset by higher margins in the Polycarbonates segment. Net income rose slightly by 1.0% to EUR 496 million. Earnings per share advanced by 6.6% to EUR 2.59, supported by the ongoing share buyback. Free operating cash flow (FOCF) was down 12.2% to EUR 578 million due to increased investments.

Dr. Markus Steilemann, CEO of Covestro, said: "We are continuing on a successful path. The investments we have decided on point us in our future direction and lay the foundation for organic growth going forward. We will expand our capacities in all segments and thereby strengthen our leading position in attractive industries growing faster than the global economy. Our efficiency program will also improve cost structures over the medium term."



With investments totaling around EUR 1.5 billion, Covestro recently announced the expansion of its MDI capacity in Baytown, Texas (United States). There, a new world-scale plant is expected to produce 500 kilotons of MDI per year by 2024. At the same time, investment projects are underway in Brunsbüttel (Germany), Tarragona (Spain), Antwerp (Belgium), and Caojing (China) to boost Covestro's capacity to produce MDI and its precursors in order to benefit from global market growth. The MDI market is projected to grow by around 5% per year in the long term, exceeding global GDP by some 2 percentage points.

Covestro is also committed to developing innovative products driven mainly by sustainability: Since fall 2018, the company has marketed the first representative in a new series of thermoplastic polyurethanes manufactured with the help of CO<sub>2</sub>-based raw materials. Compared with conventional materials, these new polyurethanes have a smaller ecological footprint and therefore contribute to meeting the demand for more sustainable solutions.

### **Full year guidance confirmed**

Dr. Thomas Toepfer, CFO of Covestro, stated: "The third quarter met our expectations. We are seeing increasingly challenging economic conditions and also experienced limited product availability in Europe and Asia in the past quarter. Nonetheless, we were able to keep volumes stable. In this context, we today confirm our guidance for 2018."

Covestro aims for a low- to mid-single-digit percentage increase of core volumes for full year 2018. Free operating cash flow is expected to be above EUR 2 billion. The company expects ROCE around previous year's level, while continuing to project EBITDA above previous year's level.

In the past quarter, Covestro continued its share buyback program, launching the third tranche in August. Since the beginning of the program, shares totaling some EUR 1.2 billion, or nearly 8% of capital stock, have been repurchased. Overall, Covestro aims to buy back own shares totaling up to EUR 1.5 billion, or up to 10% of its capital stock by mid-2019.

### **Cost savings targeted at EUR 350 million per year**

Simultaneously, Covestro is making good progress with another strategic lever: The company's stepped up cross-division collaboration and increased use of digital solutions are anticipated to boost effectiveness and efficiency markedly. By 2021 at the latest, the cost savings are estimated at around EUR 350 million per year with the goal of limiting the increase in operational costs. The measures identified are intended mainly to permanently reduce non-labor costs, although roughly 900 full-time positions will be reduced worldwide, e.g., in



administrative areas. The job reductions will be carried out by way of socially acceptable solutions that have already been agreed with the Works Council in Germany.

### **Strong growth in Polycarbonates and Coatings, Adhesives, Specialties**

In the Polyurethanes segment, sales decreased marginally in the third quarter of 2018, by 1.2% to EUR 1,849 million. A decline in sales in the EMLA and APAC regions was balanced out by an increase in the NAFTA region. Price changes, currency effects, and unplanned plant downtime had negative effects. Core volumes in the Polyurethanes segment dropped by 2.0%. EBITDA in the segment was down 21.5% to EUR 432 million. This was attributable mainly to rising purchase prices for raw materials.

The Polycarbonates segment continued to see strong growth in the third quarter, registering an 11.3% increase in sales to EUR 1,038 million. A rise in core volumes (up 2.6%) and higher selling prices positively impacted sales. Sales in the EMLA and APAC regions grew substantially, balancing out a decline in the NAFTA region. The Polycarbonates segment's EBITDA benefited from higher margins and prices, rising 49.3% to EUR 315 million. This result also includes non-recurring income of EUR 36 million from the sale of the U.S. sheet business.

In the Coatings, Adhesives, Specialties segment, sales increased 8.8% to EUR 606 million. All regions contributed to the growth in sales. In the third quarter, the segment's core volumes also increased sharply, expanding by 7.2%. EBITDA was EUR 126 million, around the previous year's level (+0.8%).

### **Successful business performance in the first nine months of 2018**

In the first nine months, Covestro has already built a solid overall foundation for the year as a whole. Cumulatively, core volumes were up 1.5% over the previous year's figures. Sales climbed 6.9% to EUR 11.3 billion, and EBITDA jumped 13.7% to EUR 2.9 billion. In addition, the company increased free operating cash flow by 9.9% to EUR 1.3 billion.

### **About Covestro:**

With 2017 sales of EUR 14.1 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, construction, wood processing and furniture, and electrical and electronics



industries. Other sectors include sports and leisure, cosmetics, health, and the chemical industry itself. Covestro has about 30 production sites around the globe and as of the end of 2017 employed approximately 16,200 people (full-time equivalents).

*Note to editors:*

*Below please find a table showing key data for the Covestro Group for the third quarter of 2018.*

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*The Interim Statement is now also available as online version:  
<https://report.covestro.com/interim-statement-q3-2018>*

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**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](http://www.covestro.com). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

## Covestro Group Key Data

	3rd quarter 2017	3rd quarter 2018	Change	First Nine Months 2017	First Nine Months 2018	Change
	€ million	€ million	in %	€ million	€ million	in %
<b>Covestro Group</b>						
Core Volume Growth	+2.6%	+0.2%		+3.2%	+1.5%	
Sales	3,532	3,702	+4.8	10,616	11,344	+6.9
Change in Sales						
Volume	+2.0%	+3.0%		+4.2%	+2.1%	
Price	+18.4%	+3.1%		+15.7%	+9.1%	
Currency	-3.5%	-0.6%		-0.4%	-4.1%	
Portfolio	0.0%	-0.7%		0.0%	-0.2%	
EBITDA	862	859	-0.3	2,556	2,907	+13.7
EBIT	705	707	+0.3	2,080	2,440	+17.3
Net Income	491	496	+1.0	1,443	1,744	+20.9
Free Operating Cash Flow	658	578	-12.2	1,188	1,306	+9.9
<b>Polyurethanes</b>						
Core Volume Growth	+4.1%	-2.0%		+2.4%	+0.3%	
Sales	1,871	1,849	-1.2	5,510	5,765	+4.6
Change in Sales						
Volume	+2.6%	+0.1%		+2.3%	+0.2%	
Price	+31.0%	-0.5%		+28.9%	+8.6%	
Currency	-3.8%	-0.8%		-0.4%	-4.2%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	550	432	-21.5	1,567	1,652	+5.4
EBIT	460	346	-24.8	1,297	1,385	+6.8
Free Operating Cash Flow	451	340	-24.6	607	750	+23.6
<b>Polycarbonates</b>						
Core Volume Growth	+1.5%	+2.6%		+5.4%	+3.5%	
Sales	933	1,038	+11.3	2,798	3,127	+11.8
Change in Sales						
Volume	+4.4%	+5.1%		+7.9%	+3.6%	
Price	+9.4%	+9.6%		+6.2%	+13.7%	
Currency	-3.8%	-0.6%		-0.6%	-4.6%	
Portfolio	0.0%	-2.8%		0.0%	-0.9%	
EBITDA	211	315	+49.3	640	903	+41.1
EBIT	167	272	+62.9	503	773	+53.7
Free Operating Cash Flow	134	136	+1.5	150	303	>100
<b>Coatings, Adhesives, Specialties</b>						
Core Volume Growth	-3.1%	+7.2%		+2.3%	+3.8%	
Sales	557	606	+8.8	1,798	1,827	+1.6
Change in Sales						
Volume	-3.7%	+9.7%		+2.9%	+4.3%	
Price	+3.2%	-0.5%		+0.8%	+0.8%	
Currency	-2.8%	-0.4%		-0.1%	-3.5%	
Portfolio	0.0%	0.0%		0.0%	0.0%	
EBITDA	125	126	+0.8	406	401	-1.2
EBIT	103	103	0.0	340	332	-2.4
Free Operating Cash Flow	90	93	+3.3	144	132	-8.3