

Press Release



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Global capacity expansion to strengthen leading position in MDI

Covestro to invest EUR 1.5 billion in new world-scale MDI plant in Baytown, USA

- **Highly attractive MDI market with long-term growth prospects**
- **New 500 kilotons MDI plant to satisfy demand and accompany industry growth**
- **NAFTA MDI capacity to reach 740 kilotons per year by end of 2024**
- **Extending Covestro's regional and global MDI leadership position**

Covestro accelerates its investment activities to capitalize on the strong MDI market growth. Today, the Supervisory Board of Covestro has approved an investment of around EUR 1.5 billion to build a new world-scale MDI plant in Baytown, USA. This investment at the existing site in Baytown is the largest single investment in the history of the company. Total capacity of the new train will be 500 kilotons MDI per year, start of production is expected in 2024. At the same time an older, less efficient MDI unit of 90 kilotons production capacity will be closed. Thus, total MDI capacities of Covestro in the NAFTA region will reach around 740 kilotons per year making Covestro the industry capacity leader in the region by 2024. With that, Covestro will also strongly underline its global industry capacity leadership position.

“Demand for innovative MDI materials will continue to grow for the foreseeable future and likewise promises attractive capacity utilization rates. We have already announced a significant increase in capital expenditures, now it's time to put it into action”, said CEO Dr. Markus Steilemann. “With the new MDI train in Baytown, we will further strengthen our global leading position in Polyurethanes, even better serve our customers and create long-term shareholder value.”



MDI market with attractive prospects

The global MDI market is expected to grow by about 5% per year in the long-term, outgrowing the world's global domestic product (GDP) by about 2 percentage points. Key MDI market drivers include the substitution of less performing and less sustainable materials as well as global megatrends such as an increasing demand for energy efficient insulation solutions. MDI is a precursor for rigid foam, which is an excellent insulation material and is used, for example, in buildings and refrigerators. The expected global MDI demand growth translates into the need for approximately one additional world-scale plant per year.

Although Covestro is already doubling its MDI production capacity in Brunsbuettel (Germany) from 200 to 400 kilotons per year in the second half of 2019, the strong growth in demand creates further significant market opportunities. Therefore, the investments – which are part of the already announced investment increase of up to EUR 1.2 billion per year for the next three years – will help Covestro to maintain and strengthen its leading position and support further profitable growth. Moreover, Covestro aims at further capitalizing on its technical and innovation capabilities as well as on its leading cost position.

Cost-effective CAPEX (capital expenditures) approach with superior return on investment

CFO Dr. Thomas Toepfer explained: “Even with all capacity increase announcements considered, the projected industry supply is not sufficient to fully balance the expected demand growth. We are therefore confident that we will reach high utilization rates of our new capacities soon after the start-up, making the investment highly efficient. Building on existing infrastructure and processes, it will be a prime example of our value creating investment approach.”

With its global MDI investment program Covestro follows a cost-effective CAPEX approach by leveraging existing infrastructure and supply networks to achieve lower specific investments and higher ROCE (Return on Capital Employed). The program also includes the continuation and expansion of Covestro's Tarragona (Spain) and Caojing (China) sites as well as investments into the company's production site in Antwerp (Belgium).

Baytown with ideal conditions

The decision to build the new world-scale plant in Baytown was taken following a thorough analysis of different options. Besides the attractiveness of the



domestic market, main advantages of Baytown are leading cash costs as well as significant benefits in terms of available infrastructure and logistics. The superior cost position is mainly driven by economies of scale and a high degree of vertical integration. Furthermore, low energy and shipping costs due to high domestic demand in North America add to the Baytown case. With the new plant, Covestro's future MDI capacities in North America of 740 kilotons per year by 2024 will also catch up to the company's future capacities in EMEA (820 kilotons per year by 2022) and APAC (670 kilotons per year by 2021).

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 30 production sites worldwide and employs approximately 16,200 people (calculated as full-time equivalents) at the end of 2017.

Find more information at www.covestro.com.

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