



Strong momentum continues

Roadshow Presentation

Covestro key investment highlights

Global leader in high-tech material solutions



- 1 Leading and defensible global industry positions**
based on focused portfolio
- 2 Favorable industry dynamics**
with robust above GDP growth prospects in a diverse range of end-markets
- 3 Positioned to deliver volume growth**
through well-invested, large-scale asset base with competitive cost position
- 4 Portfolio including high-value CAS business**
with attractive and historically resilient margin profile
- 5 Attractive cash flow growth outlook**
underpinned by disciplined cost management

Headed by experienced management with full commitment to value creation

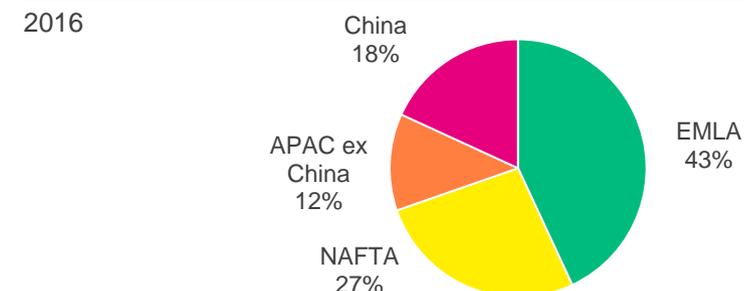
Covestro at a glance



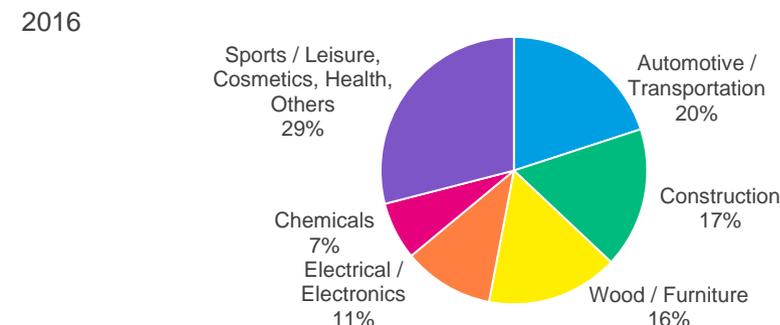
Inventor and leader in high-tech material solutions driven by global trends

- Leading global polymer producer in polyurethanes and its derivatives as well as polycarbonates
- Proven track record of process and product innovation, customer proximity as well as market-driven solutions
- State-of-the-art asset base with leading process technology and total production capacity of 4,950kt^(a) distributed across 8 world-scale production facilities in three main regions
- Backward-integration into chlorine, propylene oxide and other feedstock, aimed at sourcing critical raw materials internally with no or limited merchant market sales
- Headquartered in Leverkusen, Germany, with 15,600 employees^(c) globally

Sales split by geography^(b)



Sales split by end-market

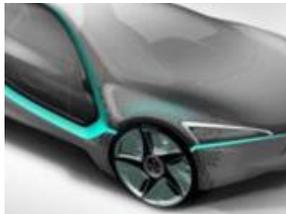


Key financials	Sales 2016 €11.9bn	Adj. EBITDA 2016 €2.0bn	Adj. EBITDA margin 2016 16.9%

Covestro business units

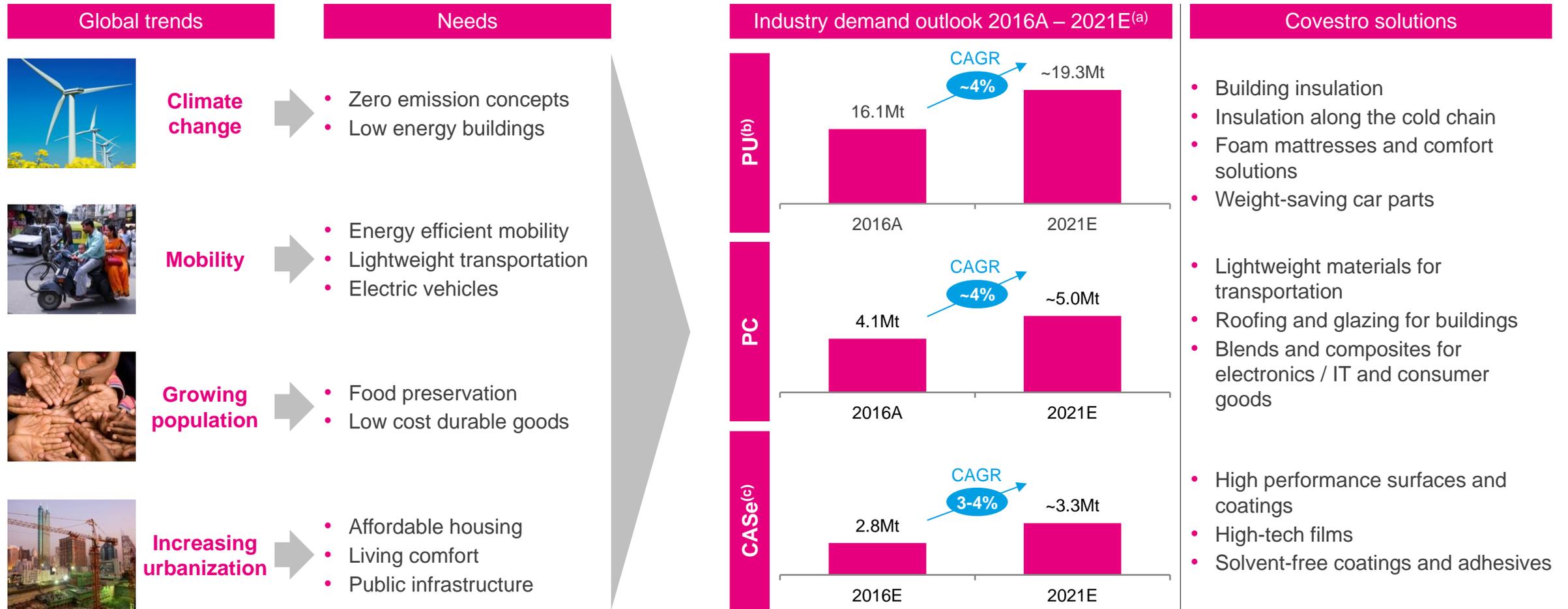


Three industry-leading, structurally attractive business units

Business Units	Polyurethanes (PUR)	Polycarbonates (PCS)	Coatings, Adhesives, Specialties (CAS)
Global Position^(a)	Global #1 (3,470kt) <ul style="list-style-type: none"> MDI: #3 (1,420kt) TDI: #1 (720kt) Polyether polyols: #2 (1,330kt) 	Global #1 (1,480kt) <ul style="list-style-type: none"> EMEA: #2 (540kt) NAFTA: #2 (230kt) APAC: #1 (710kt) 	Global #1: <ul style="list-style-type: none"> Aliphatic isocyanate derivatives Aromatic isocyanate derivatives Polyurethane dispersions
Sales 2016	€5.9bn or 50% of Covestro	€3.3bn or 28% of Covestro	€2.0bn or 17% of Covestro
Adj. EBITDA Margin 2016	14.9%	21.3%	24.5%
Key Applications	<p>Rigid foam:</p> <ul style="list-style-type: none"> Building insulation Cold chain Automotive parts <p>Flexible foam:</p> <ul style="list-style-type: none"> Furniture Bedding/mattresses  	<ul style="list-style-type: none"> Automotive parts IT and electrical equipment, electronics Construction (windows, roof structure) Consumer products, medical and other applications  	<ul style="list-style-type: none"> Surface coatings Adhesives and sealants Elastomers Specialty films  

Exposure to fundamental macro trends

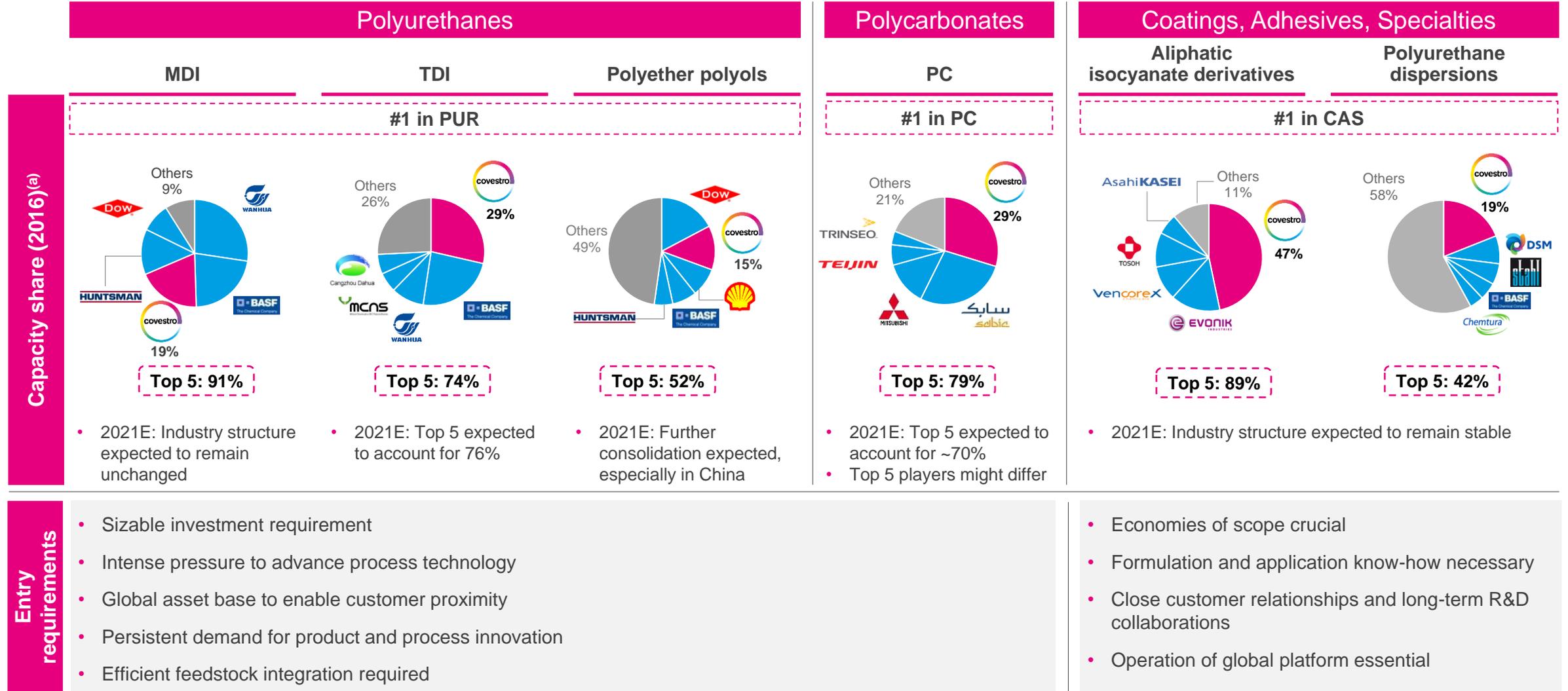
Above GDP industry growth supported by global trends



Notes: (a) Assumes global GDP CAGR 2016E– 2021E of 2-3%
 (b) Comprises MDI, TDI and polyether polyols
 (c) Shows PU raw materials industry demand in coatings, adhesives and sealants
 Source: CAS market: Orr & Boss 2016 for COA, ADH, SEA plus company information for adjacent markets.

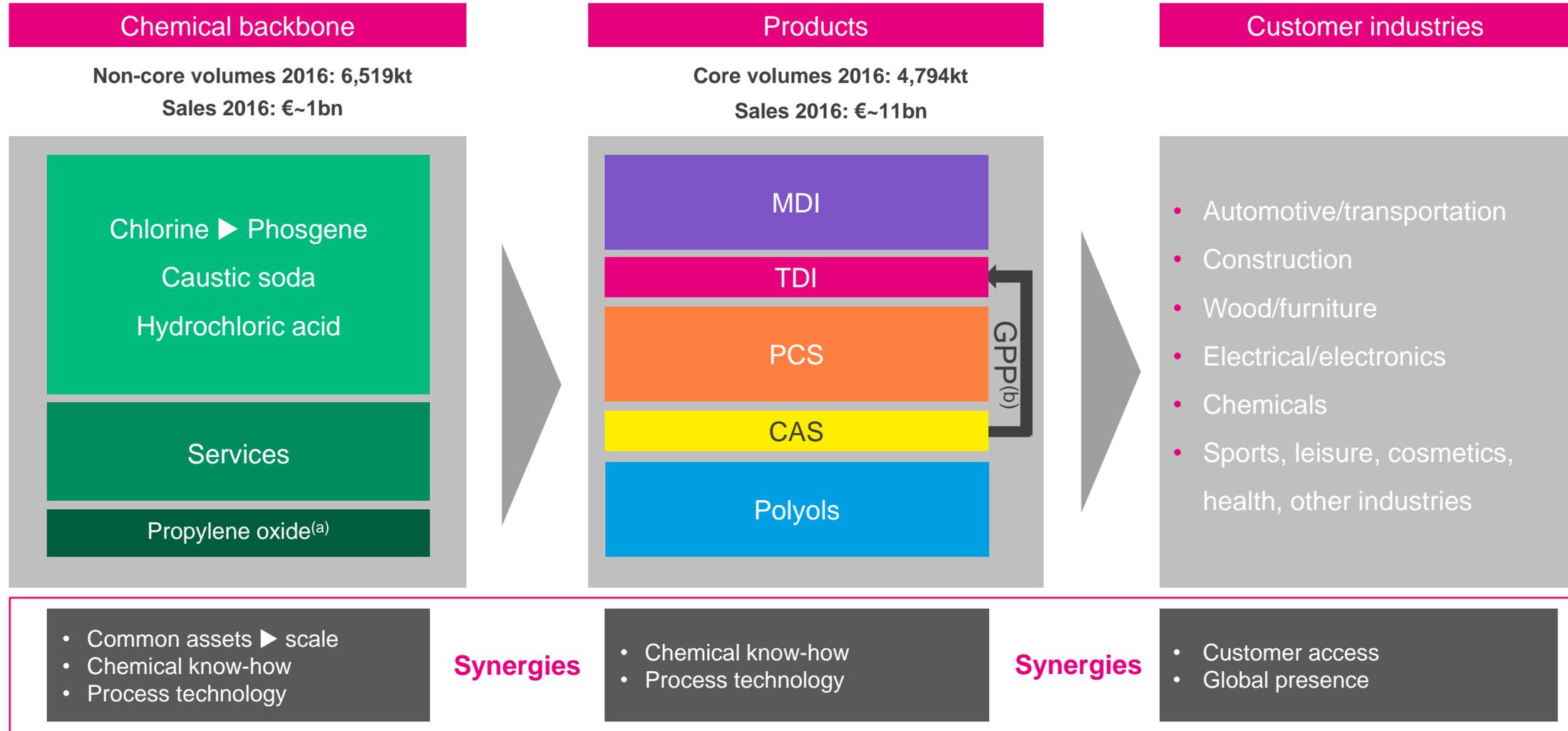
Global industry positions

Covestro is a leader across its entire portfolio



A common chemical backbone across all segments

Significant synergies in scale, process technology and chemical know-how



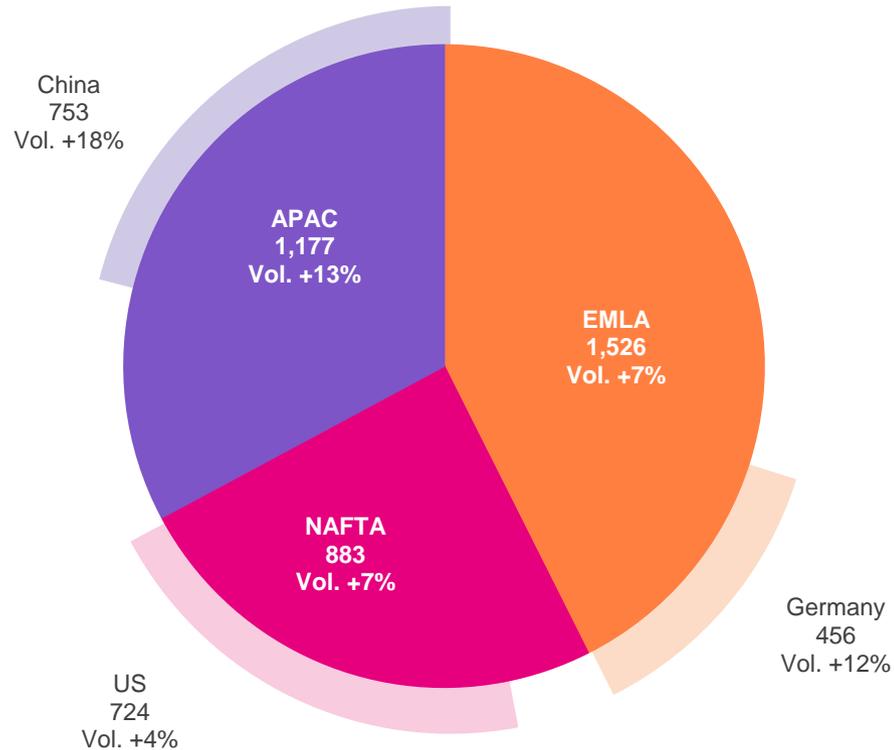
Q1 2017 – Sales per Region

Improving European business



Solid development in Q1 2017

in € million / Core volume growth Y/Y



Highlights

EMLA

- Double-digit volume growth in Germany, mainly driven by PUR and PCS
- Strong rebound in Latin America

APAC

- Double-digit volume growth in APAC and China driven by all segments
- Continued strong demand in Electrical, Automotive and Furniture

NAFTA

- Solid volume growth in US, mainly driven by double-digit volume growth in PCS
- Double-digit volume growth in Mexico

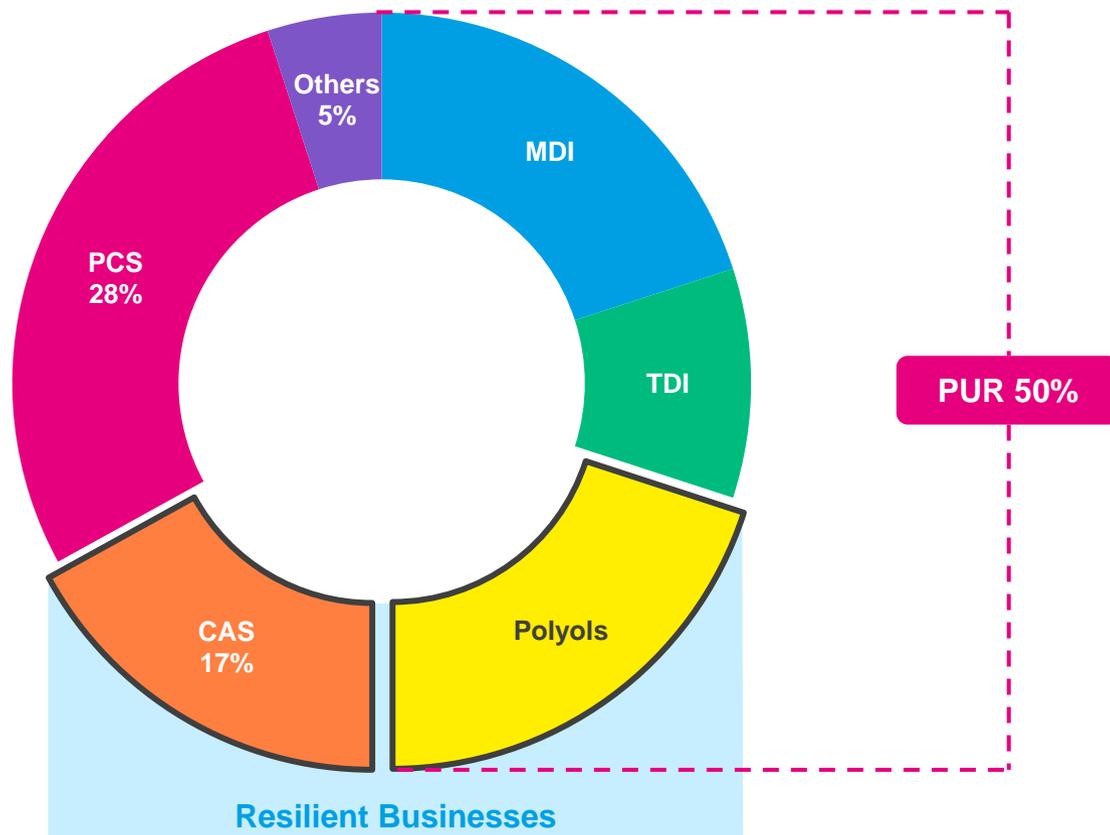
FY 2016 – Cyclical business on structural upward trend



Significant proportion of sales generated with resilient businesses

Sales by Segments

% of group sales



Industry Expectations

MDI – Oversupply gradually absorbed

- Mid-term demand growth of 4-5% p.a. above supply additions 2-3% p.a. ^(a)

TDI – Higher volatility

- Supply-demand development less favorable mid-term in case all announced capacities come on stream^(a)

PCS – Improving mix

- Relatively stable industry margin^(b) due to balanced supply-demand development^(a)
- Covestro to benefit from strong growth in higher value-added applications

Resilient businesses – Steady high FOCF

- CAS & Polyols: structurally low volatility

CAS at a glance



Focus on stable high margins in CAS business with defendable competitive advantages

Global leading supplier of high performance materials to the Coatings / Adhesives / Specialties industries



6+
Monomers

2,300+
Products

4,300+
Customers^(b)



#1
Producer of aliphatic isocyanates^(a)

€2.0bn
Sales 2016

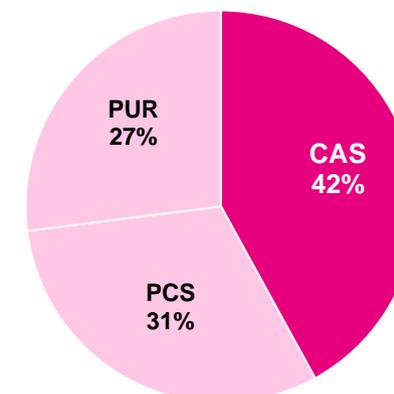
20.1%
EBIT margin 2016

CAS products have all the characteristics of niche coating / ingredients chemicals

- High value-add materials ✓
- Priced on the basis of performance, high level of margin resilience ✓
- Competition with other players based on performance, distinct entry requirements ✓
- Small proportion of cost to end-customer ✓
- Low volumes and large number of niche-customized products sold ✓
- Products tailored to customer needs lead to significant switching efforts ✓
- Product innovation and R&D critical to success ✓

EBIT contribution of segments^(c)

in € million / Average 2014-2016

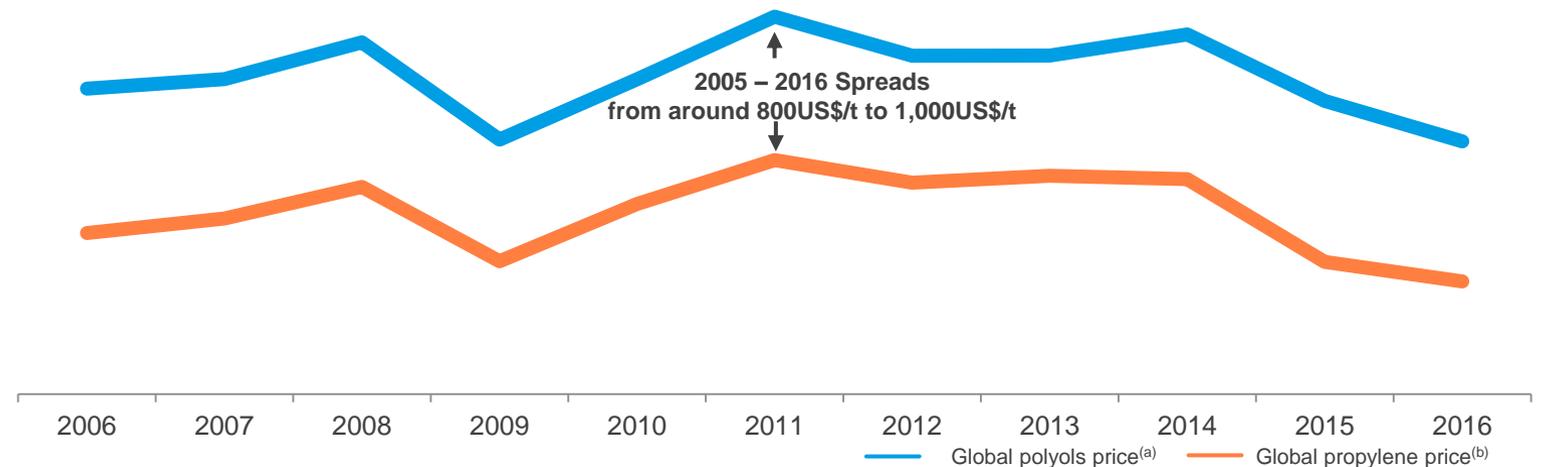
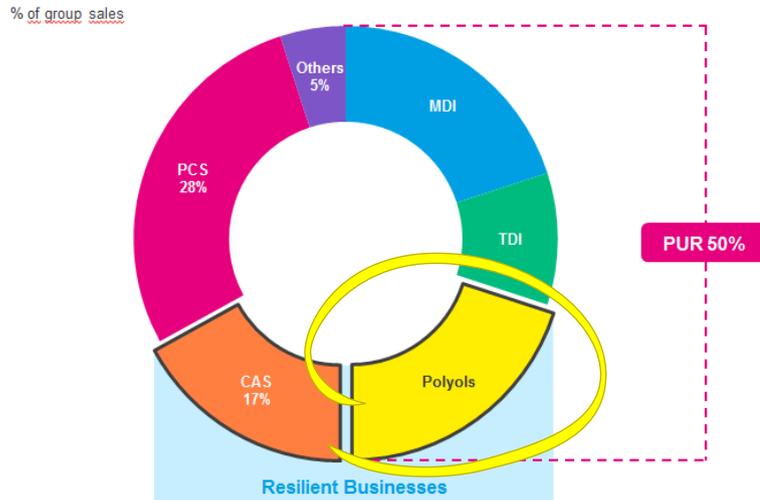


Polyols industry spreads

Polyether polyols demonstrate inherently stable margins



Resilience of polyether polyols business also confirmed in 2016



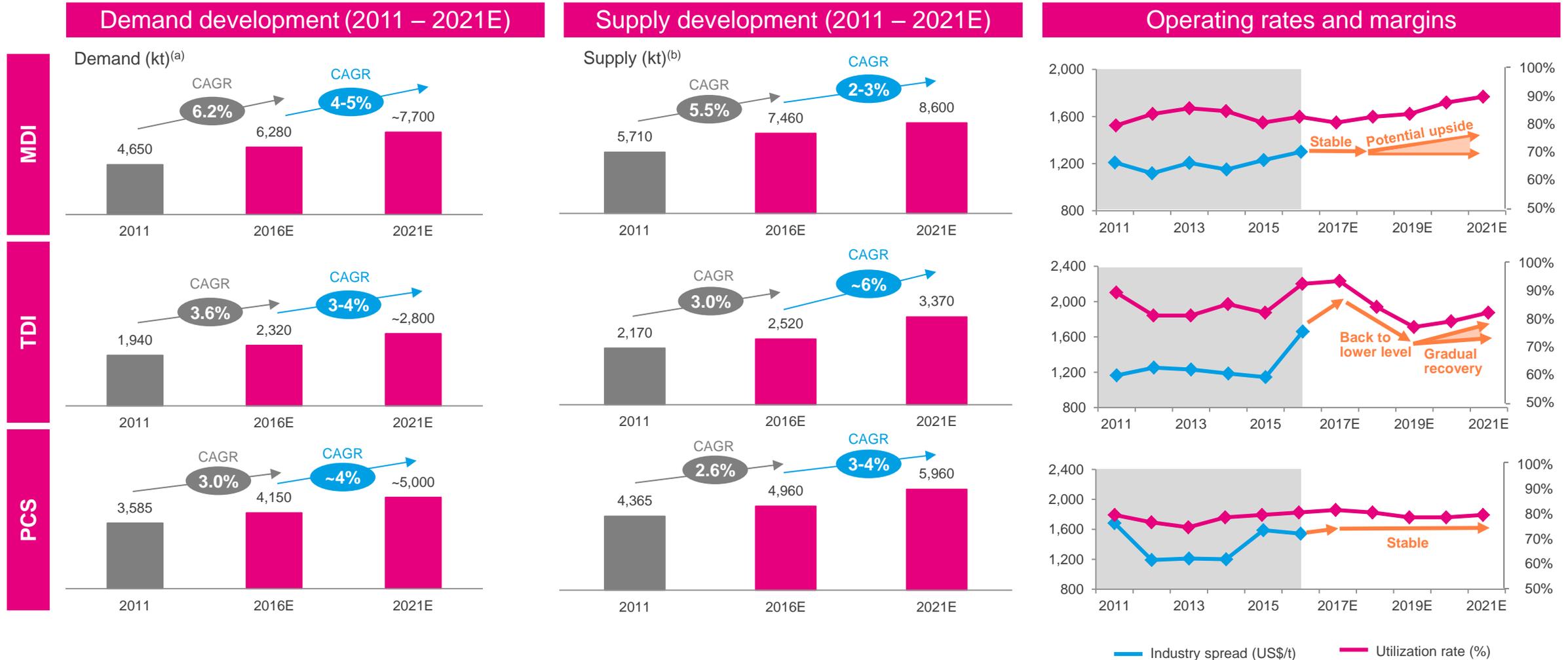
- Non-integrated polyether polyols producers with limited competitiveness
- Single capacity addition with little influence on supply/demand dynamics
- Specific entry requirements for new players, e.g. CapEx and technology

- Resilient industry margins over the last decade reflective of overall Covestro polyether polyols profitability
- Spreads not materially impacted by high volatility of propylene prices, particularly during the financial crisis
- Propylene oxide supply/demand dynamics create local pricing opportunities in the short-term

Industry historical development and outlook



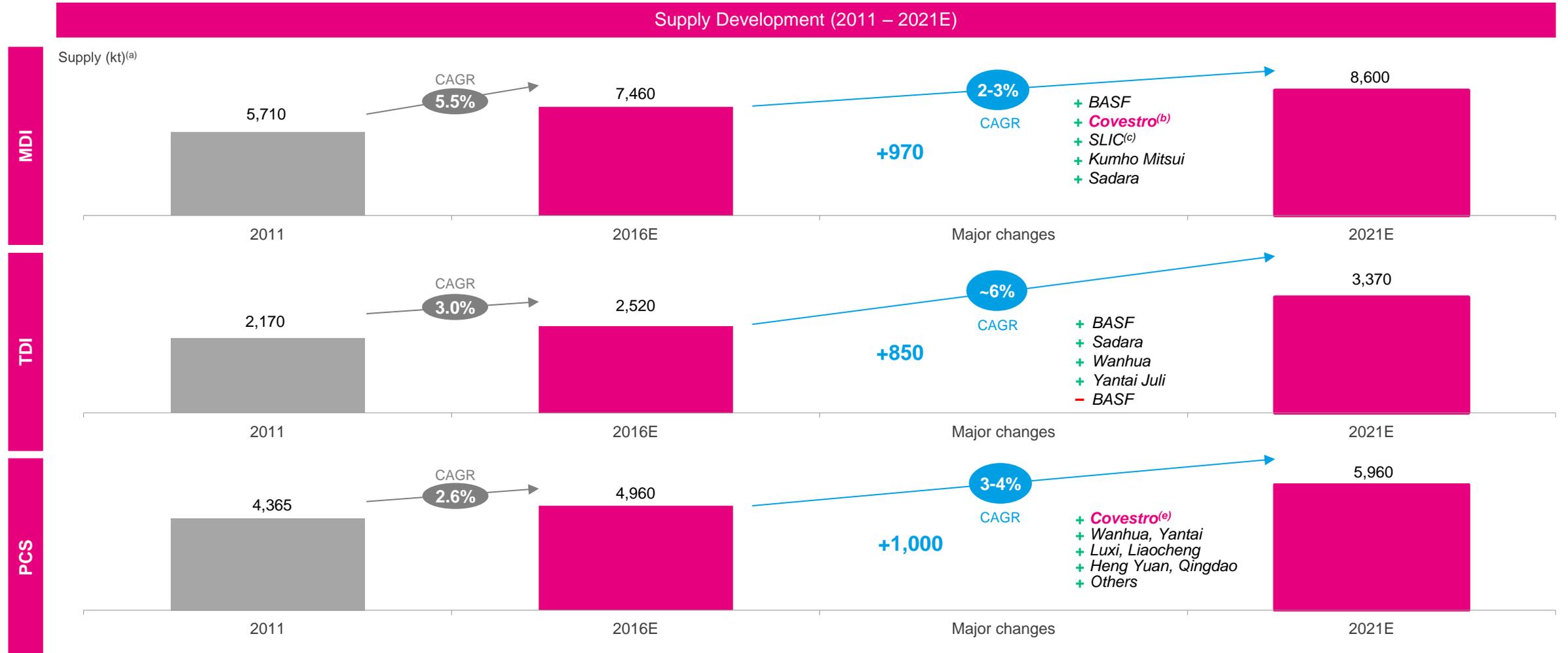
Above GDP growth driving industry capacity utilization and supporting higher margins



Notes: (a) Assumes global GDP CAGR 2016–2021E of 2-3%
 (b) Based on historical and announced future nameplate capacities
 Source: Covestro internal estimates

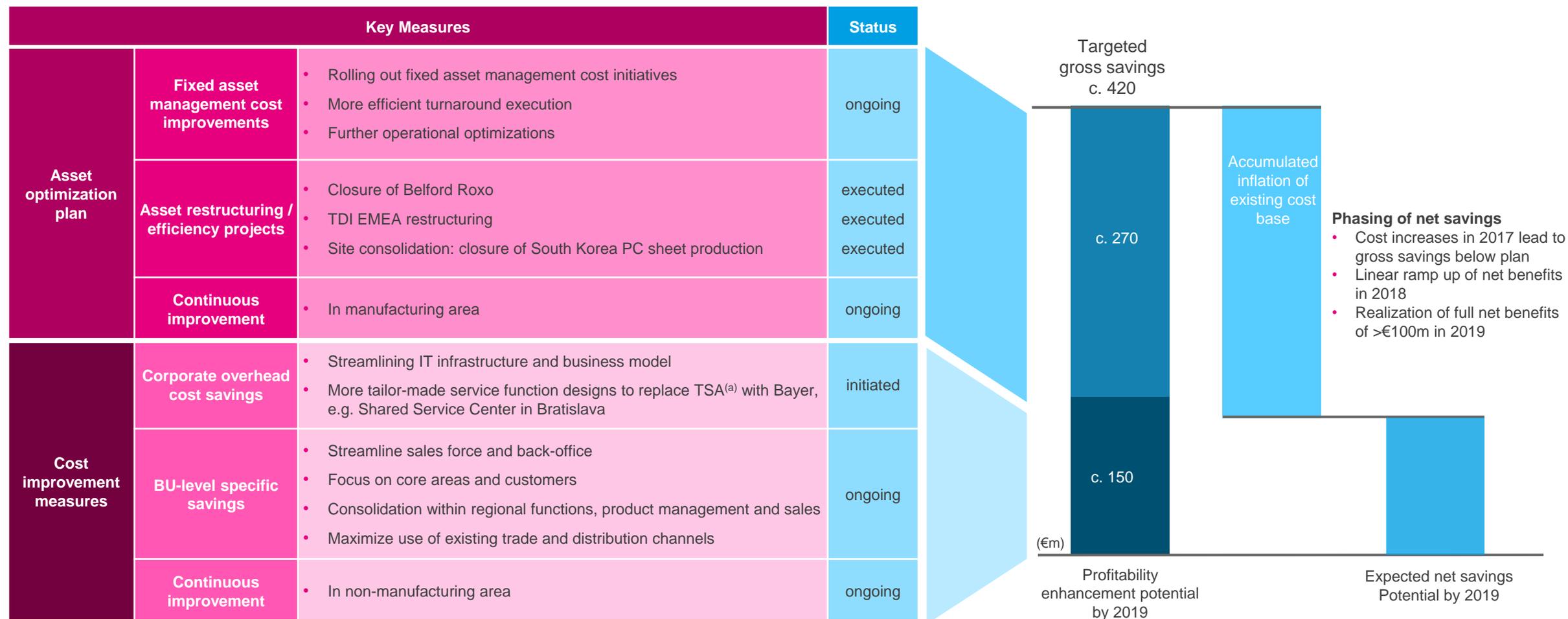
Industry supply development

Favorable industry supply outlook



Structured profitability enhancement program on track

Net saving expected to start ramping up in 2018



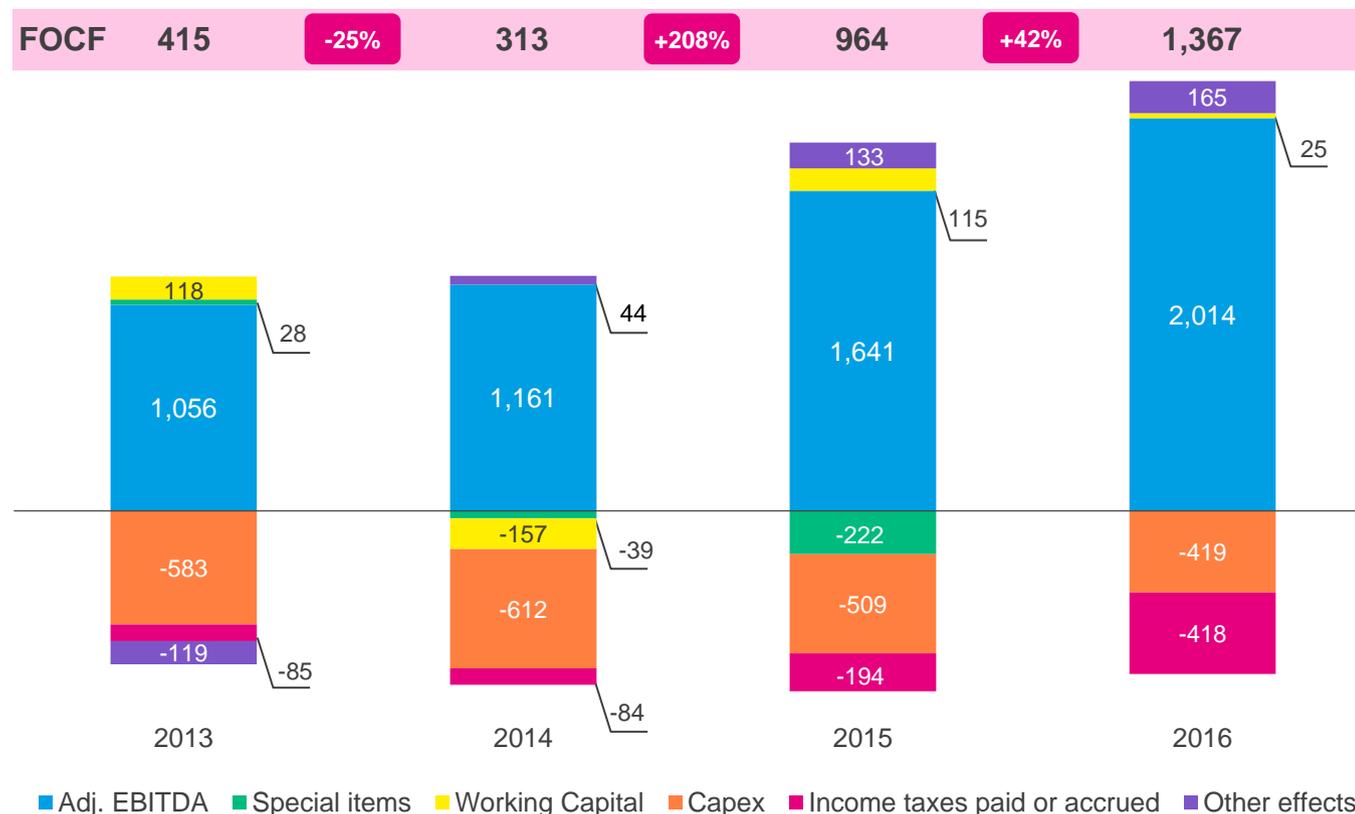
High EBITDA to FOCF conversion rate

Record FOCF



Free operating cash flow development 2013-2016

in € million



Highlights

- The FOCF to EBITDA conversion rate increased to 68% compared to 59% in 2015 due to the absence of cash-out for special items
- Working capital to sales ratio almost unchanged at 15.6% vs. 15.4% in 2015, in the targeted range of 15-17%
- Capex of €419m significantly down Y/Y partly due to delayed invoicing; Capex below D&A of €683m; D&A/sales above long-term average given the young asset base and the conservative life time applied
- High cash-tax rate of 37% vs. effective tax rate of 29% due to prepayments

Use of cash reflects strong cash generation



Internal



- CapEx below D&A in 2015-2017E, mid-term budget under review
- Goal to further reduce net debt
- Long-term preparation of next growth investments underway

Dividend policy



- Focus on increasing or at least stable dividends
- FY 2016 dividend of €1.35 per share represents a dividend yield of 2.1% (year end DY)

Portfolio



- Disciplined & focused approach
- Bolt-on acquisition to boost R&D and business development
- Focus on high margin, differentiated business areas and continuous portfolio optimization



Covestro strategy

Leverage industry leadership to capture growth in our industries and improve our asset and cost base

- 1 Capture market growth**
over the next years with existing world-scale assets
- 2 Optimize asset footprint**
through site consolidation, restructuring and efficiency projects
- 3 Improve cost position**
by 2019, align overall costs with best-in-class chemical industry benchmarks
- 4 Protect and build profitable competitive positions**
through focused R&D
- 5 Embed sustainability**
in every element of the strategy

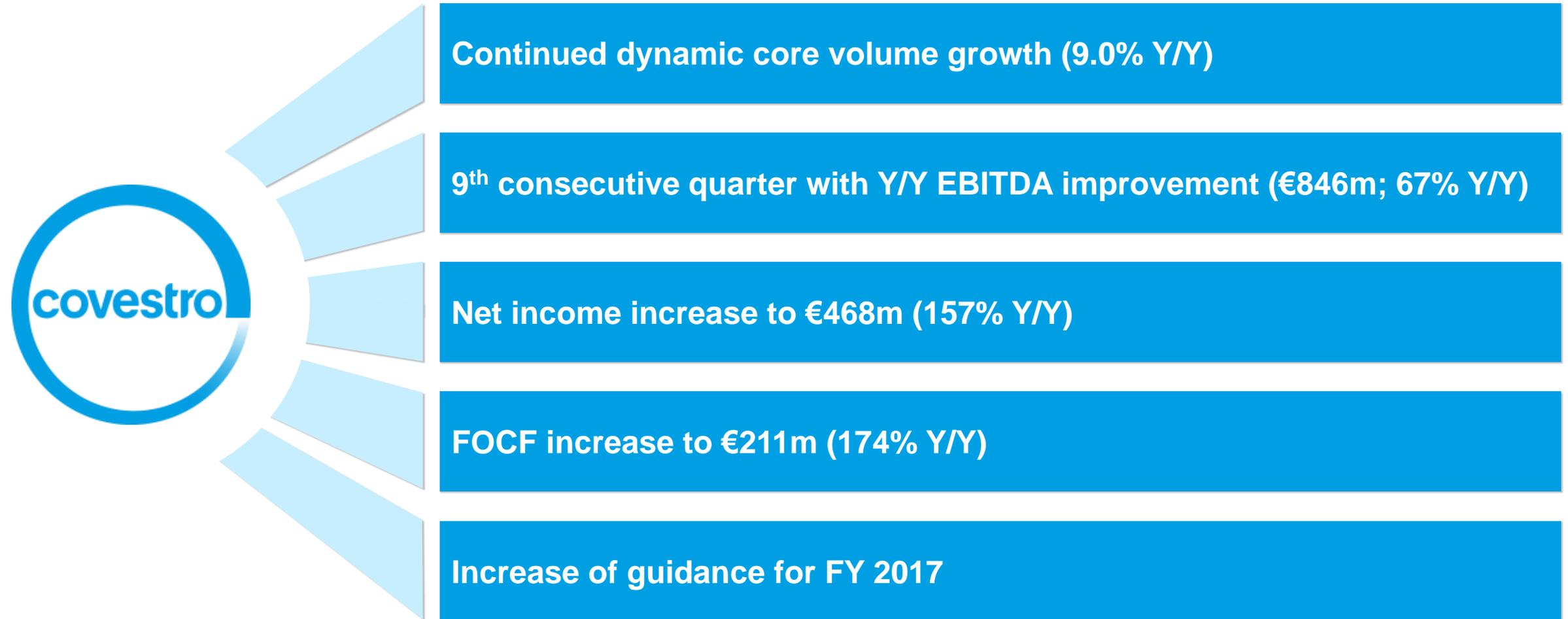


Financial Highlights

Q1 2017

Q1 2017 Key Highlights

Strong momentum continues



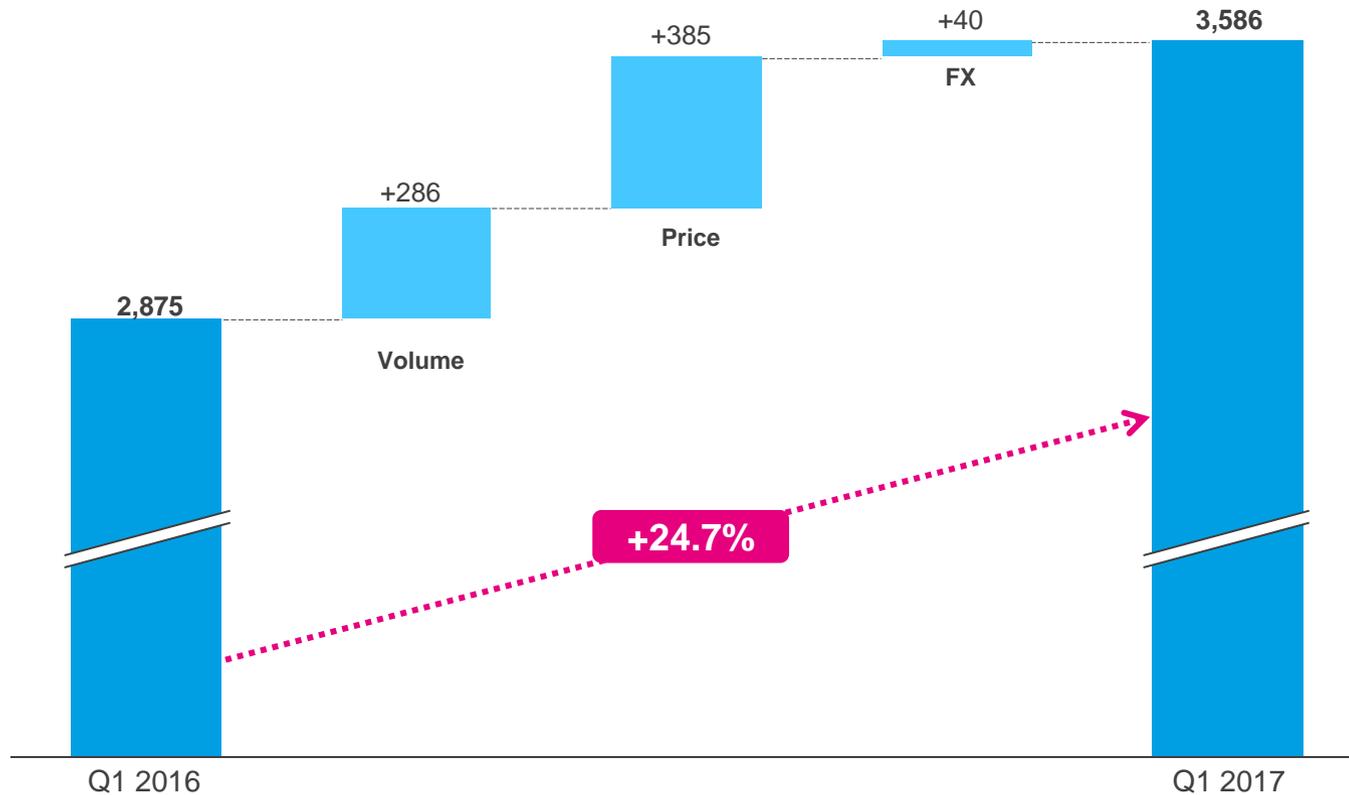
Q1 2017 – Sales Bridge

Strong volume growth and reflation



Sales Bridge

in € million



Highlights

Dynamic volume development

- Core volume growth (in kt) of 9.0% Y/Y
- Sales volumes (in €) expansion of 9.9% Y/Y
- Sales volume expansion above core volume growth due to product mix upgrades

Reflation and higher industry utilization

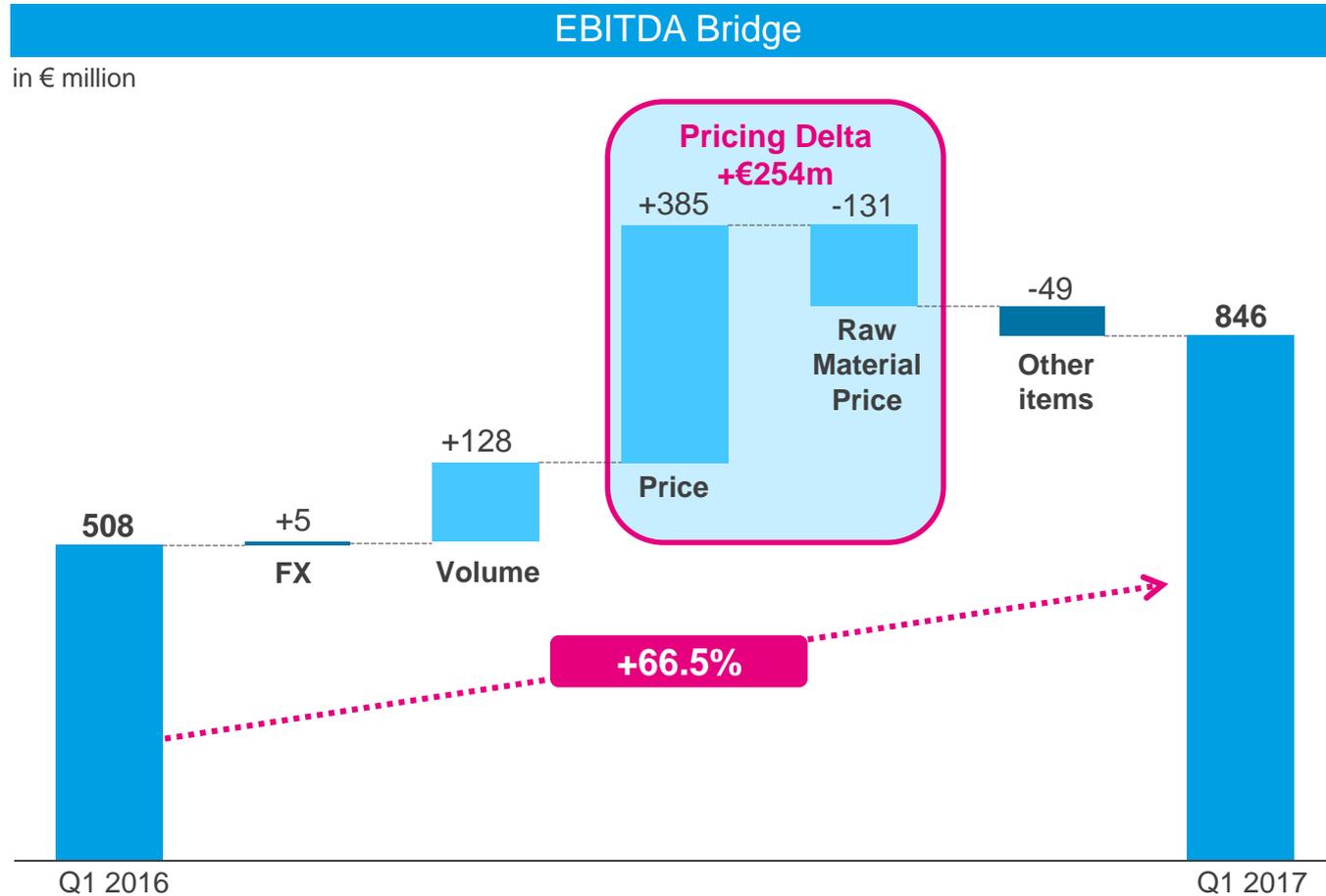
- Higher selling prices positively impacted sales by 13.4% Y/Y

Positive FX effects

- FX effects benefited sales by 1.4% Y/Y mainly due to stronger USD

Q1 2017 – EBITDA Bridge

Strong volume leverage and positive pricing delta



Highlights

Positive volume leverage

- Broad-based in all three business segments

Improving cash margin

- Positive pricing delta driven by TDI & MDI
- Selling price increases could more than compensate for rising raw material prices

Other items

- Provision release of €9m for Tarragona
- Prior year benefited from an insurance income of €30m

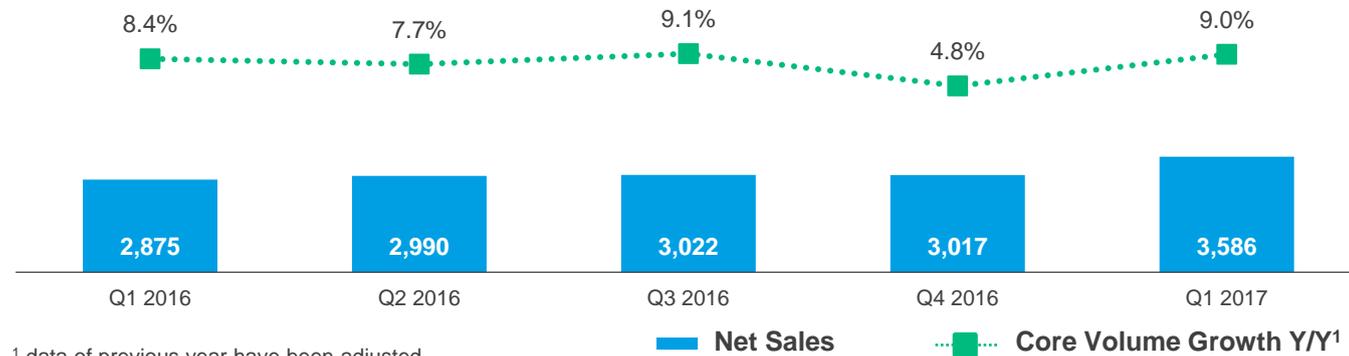
Q1 2017 – Group Results

Continued margin expansion



Net Sales and Core Volume Growth

in € million / changes Y/Y

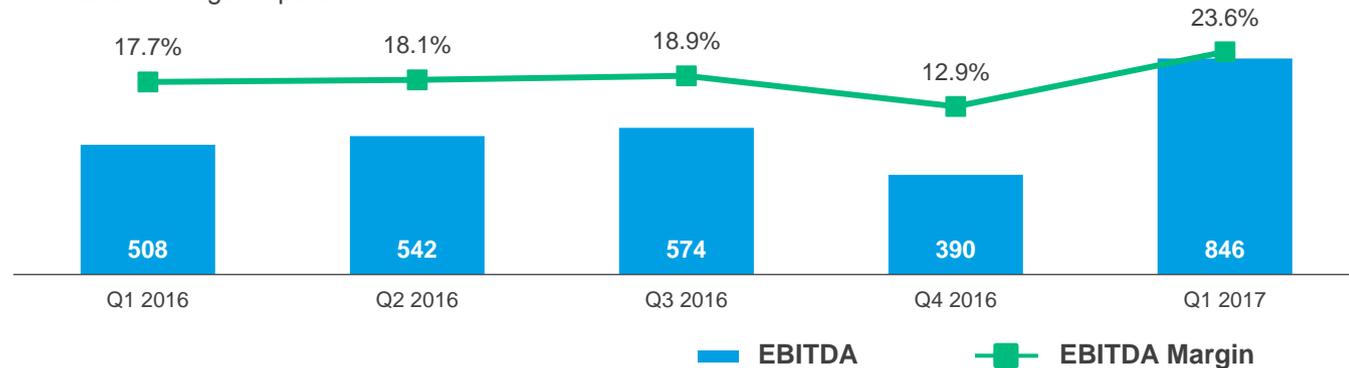


Q1 2017 Highlights

- Strong core volume growth (in kt) of 9.0% driven by strong end market growth and partial re-stocking
- Sales increased by 25% driven by volume and pricing leverage

EBITDA and Margin

in € million / margin in percent



Q1 2017 Highlights

- EBITDA margin improved significantly to 23.6% vs. 17.7% in Q1 2016
- 9th consecutive quarter with Y/Y EBITDA increase

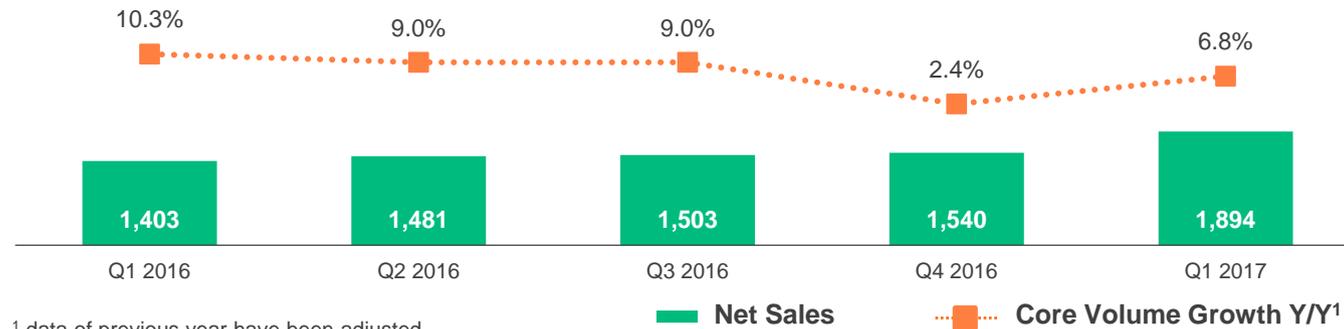
Q1 2017 – PUR Segment – Results

Polyurethanes – Structurally improving margins in MDI



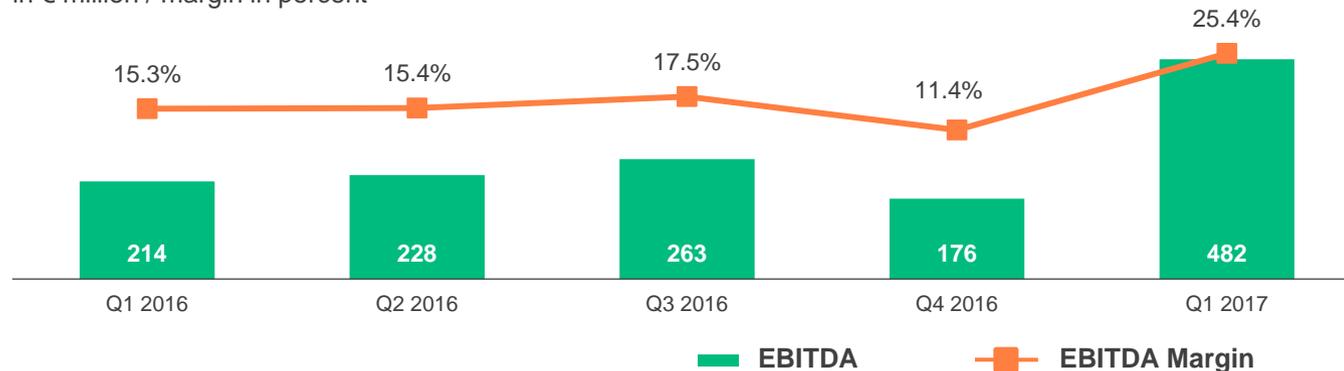
Net Sales and Core Volume Growth

in € million / changes Y/Y



EBITDA and Margin

in € million / margin in percent



Q1 2017 Highlights

- Core volume growth of 6.8% Y/Y mainly driven by strong MDI and TDI, whereas polyols increased low-single digit
- Selling prices increased 25.8% mainly due to strong demand in MDI and TDI

Q1 2017 Highlights

- EBITDA increased by 125% Y/Y with a margin of 25.4% vs. 15.3% in Q1 2016
- Around half of the Y/Y EBITDA growth related to strong volume leverage and structurally higher margins, mainly in MDI
- Remaining Y/Y EBITDA improvement related to fly-up margins, mainly in TDI

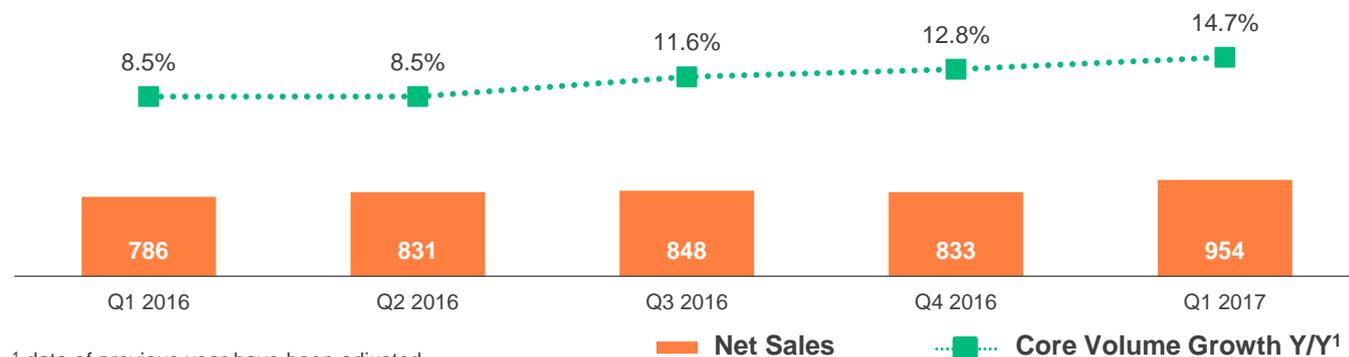
Q1 2017 – PCS Segment – Results

Polycarbonates – Steady high margin business



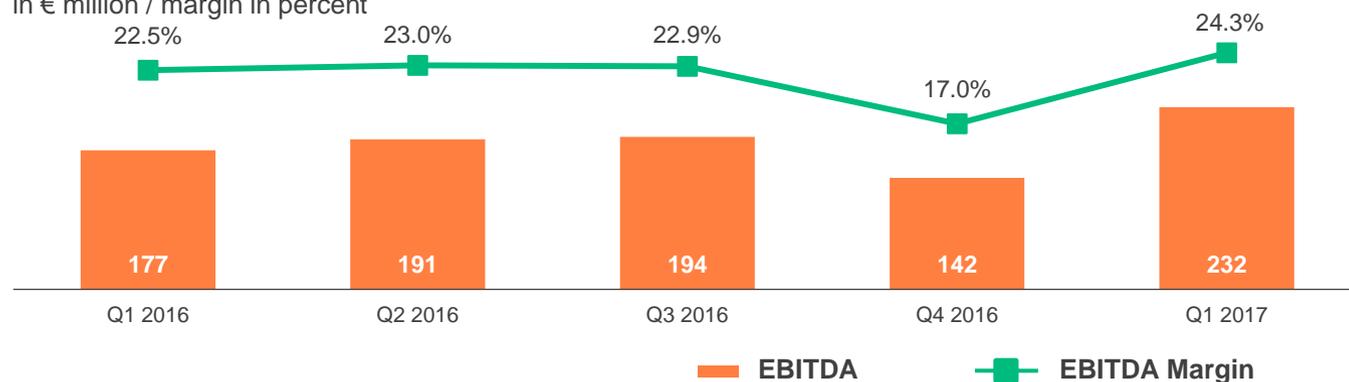
Net Sales and Core Volume Growth

in € million / changes Y/Y



EBITDA and Margin

in € million / margin in percent



Q1 2017 Highlights

- Core volumes increased double-digit by 14.7%
- Broad-based acceleration of demand growth
- Selling prices increased by 2.9%

Q1 2017 Highlights

- EBITDA increased by 31.1% Y/Y with a margin of 24.3% vs. 22.5% in Q1 2016
- EBITDA increase driven by positive volume leverage and product mix improvements
- Continuing favorable supply-demand balance

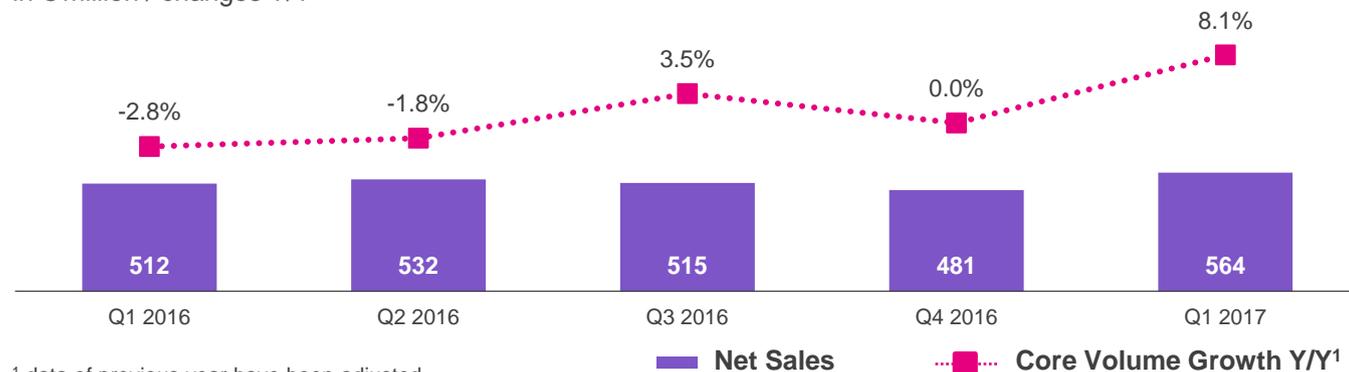
Q1 2017 – CAS Segment – Results

Coatings, Adhesives, Specialties – Solid results



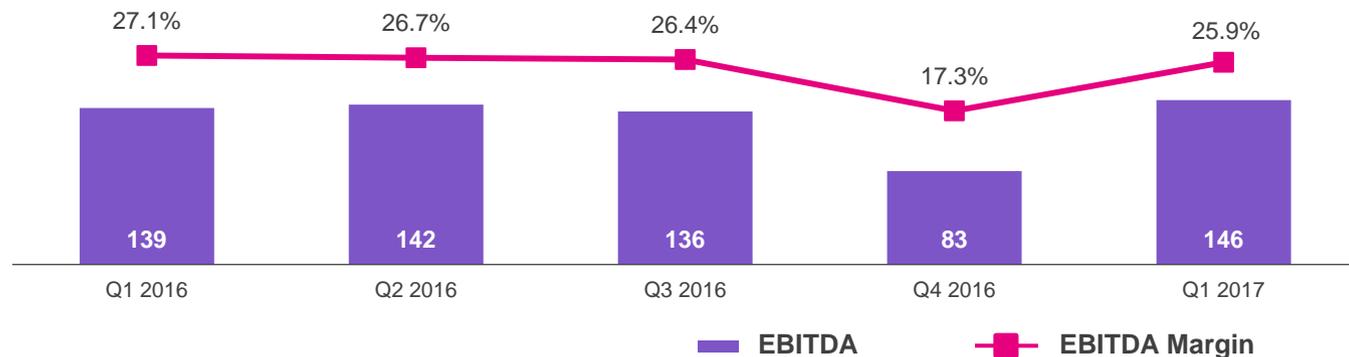
Net Sales and Core Volume Growth

in € million / changes Y/Y



EBITDA and Margin

in € million / margin in percent



Q1 2017 Highlights

- Dynamic core volume growth of 8.1% Y/Y due to strong growth in APAC and EMLA
- Some pre-buying assumed due to announced price increases
- Selling prices decreased slightly

Q1 2017 Highlights

- EBITDA increased by 5.0% Y/Y
- Slightly lower margin on a high level of 25.9% vs. 27.1% in Q1 2016 due to higher costs



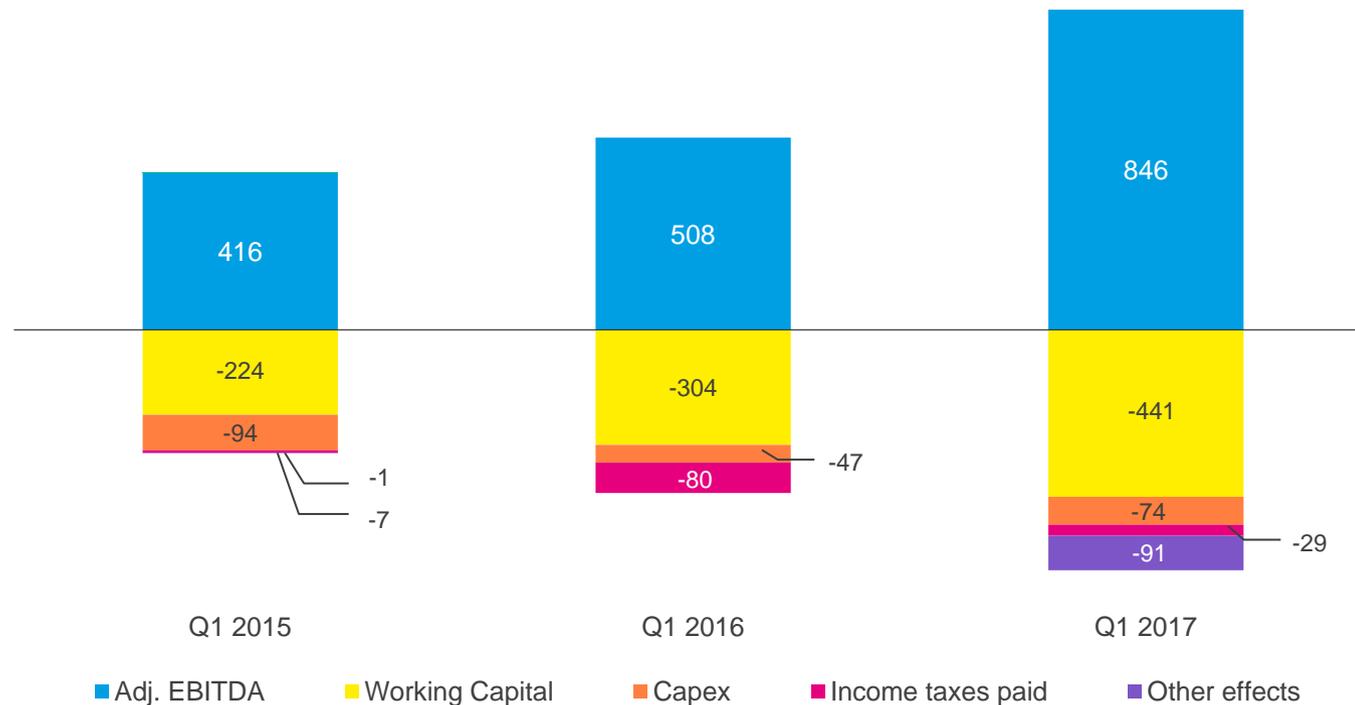
Q1 2017 – Free Operating Cash Flow

Solid FOCF in a seasonally low quarter

Free operating cash flow development

in € million

FOCF	90	-14%	77	+174%	211
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Highlights

- Working capital to sales ratio* at 18.1%, slightly above the targeted range of 15-17% due to higher valuation of stocks and higher receivables
- Capex of €74m up Y/Y due to low comparison basis and MDI expansion in Brunsbüttel; Capex below D&A of €158m
- Low cash tax rate of 4.6% mainly due to phasing of tax payments
- Others effects include the release of provisions for bonus payments

* Method of calculation: WC on 31.03.2017 divided by sales of last four quarters

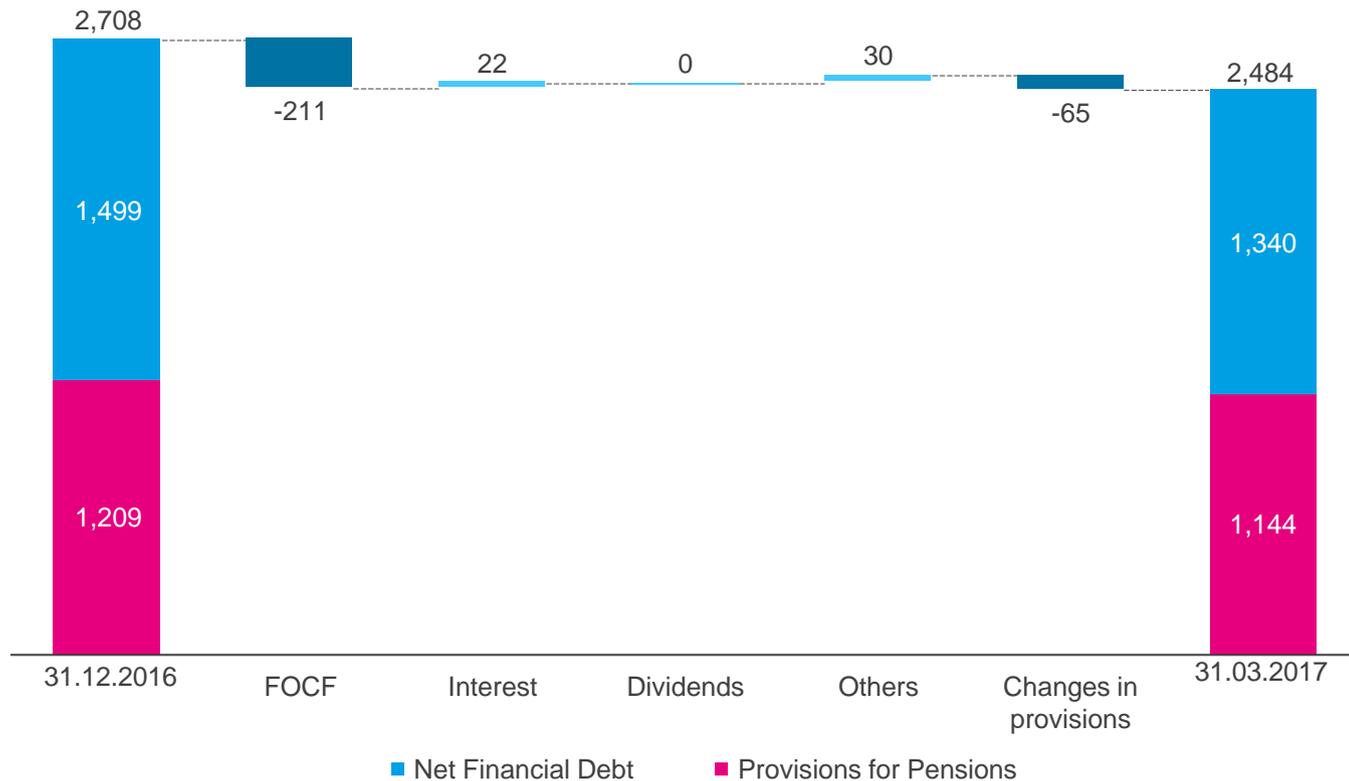
Q1 2017 – Total Net Debt

Strong balance sheet



Total net debt – end of Q1 2017

in € million



Highlights

- Total net debt to EBITDA ratio* slightly reduced to 1.1x
- Pension provisions decreased slightly to €1,144m due to higher interest rates
- Equity ratio further improved to 44%

* Method of calculation: Total net debt on 31.03.2017 divided by EBITDA of last four quarters

Guidance 2017

Strong momentum continues



	FY 2016	Guidance FY 2017*	New Guidance FY 2017*
Core Volume Growth	+7.5%	Low- to mid- single-digit percentage increase Y/Y	Unchanged
FOCF	€1,367m	Slightly above the average of the last three years	Significantly above the average of the last three years
ROCE	14.2%	Slightly above the 2016 level	Significantly above the 2016 level
Additional financial expectations	FY 2016	Guidance FY 2017*	New Guidance FY 2017*
EBITDA 2017 FY	€2,014m	At or above the 2016 level	Significantly above 2016
EBITDA 2017 Q2	Q2: €542m	n.a.	Significantly above Q2 2016
D&A	€683m	~€650-700m	~€650m
Financial results	€-196m	€-170 to -190m	€-180 to -200m
Tax rate	29.0%	≤30%	Unchanged
Capex	€419m	~€550m	Unchanged

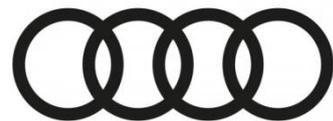
* Basic Assumptions: Exchange rate of USD/EUR ~1.10 and a similar macroeconomic environment as in 2016

First bio-based automotive 2K PU clearcoat tested

Audi: Successful near-series trial / BASF: Satisfied with performance



- Successful coating of Audi Q2 under near-series conditions
- Based on proven 2K PU technology fulfilling high performance standards
- Application on existing coating lines possible
- Helps customers to lower carbon footprint of their products





Q1 2017 – Summary

Covestro fully on track

Strong volume growth with a focused portfolio

supported by continued robust demand

Solid earnings and cash flow generation

helped by higher industry utilization and a focus on profitability

Robust financial profile

with an investment grade rating (Baa2 from Moody's)

Long-term progressive dividend policy

with a focus on increasing or at least stable dividends

Solid financial outlook

despite continued limited visibility

Upcoming IR Events

Find more information on investor.covestro.com



Reporting dates

- July 25, 2017 Q2 2017 Interim Report
- October 24, 2017 Q3 2017 Interim Statement
- February 20, 2018 Q4 & FY 2017 Annual Report

Annual General Meeting

- May 3, 2017 Annual General Meeting, Bonn

Broker conferences

- May 15, 2017 Deutsche Bank, dbAccess Asia Conference, Singapore
- May 16, 2017 Citi's Inaugural Chemical Conference, London
- June 13, 2017 Exane BNP Paribas European CEO Conference, Paris
- June 21-22, 2017 Deutsche Bank, dbAccess German, Swiss & Austrian Conference, Berlin

Capital Markets Day

- June 29, 2017 Covestro Capital Markets Day, London



Disclaimer

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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.

The company assumes no liability whatsoever to update these forward-looking statements or to adjust them to future events or developments.