Well on track

Roadshow Presentation

Global leader in high-tech material solutions

Covestro key investment highlights

1. **Favorable industry environment**
   with long-term, above GDP growth prospects in a diverse range of end markets

2. **Portfolio with broad-based geographical and industry footprint**
   with increasing share of differentiated, resilient business

3. **Leading and defendable global industry positions**
   as innovation and cost leader

4. **Positioned to deliver future volume growth in line with industries**
   through well-invested asset base and smart capex approach

5. **Attractive cash flow growth outlook**
   with use of cash focused on value creation

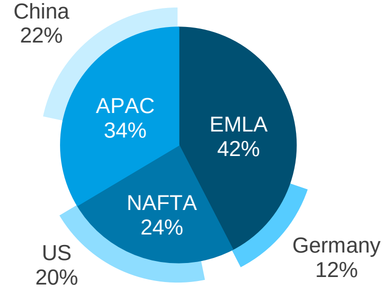
Covestro at a glance

Inventor and leader in high-tech material solutions

- 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 approx. 5mt[(a)] distributed across 30 production facilities around the world
- 8 main sites with world-scale production facilities located in Germany, Belgium, China, Thailand and the United States
- 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 approx. 16,000 employees[(b)] globally

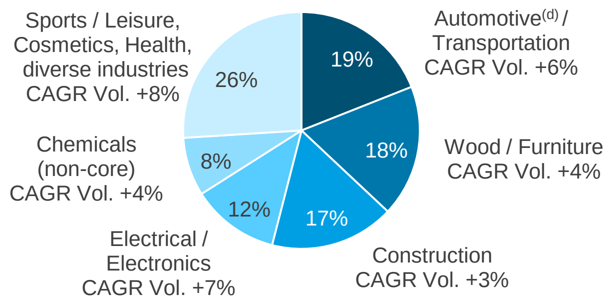
Sales split by regions[(c)]

2017 Group sales in %



Sales split by end-market

2017 Group sales in % / Core volume growth, CAGR 2015-2017



Key financials 2017	Sales	Core Vol. CAGR	EBITDA	FOCF	ROCE
	€14.1bn	2015-2017: +5.5%	€3.4bn	€1.8bn	33.4%

Notes: (a) Includes total nameplate capacity for PUR and PCS at year-end for 2017; (b) Employees refers to full-time-equivalents, average 2017
(c) Based on Covestro Annual Report 2017; EMLA = Europe, Middle East, Africa, Latin America; NAFTA = USA, Canada, Mexico; APAC = Asia, Pacific
(d) Automotive with core volume CAGR 2015-2017 of +7%

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 (3,530kt)** • MDI: #3 (1,450kt) • TDI: #1 (750kt) • Polyether polyols: #2 (1,330kt)	**Global #1 (1,480kt)** • EMEA: #2 (540kt) • NAFTA: #2 (230kt) • APAC: #1 (710kt)	**Global #1:** • Aliphatic / Aromatic isocyanate derivatives • Polyurethane dispersions • Films (TPU #1, PC #2)
Sales 2017[b]	**€7.4bn or 52% of Covestro**	**€3.7bn or 26% of Covestro**	**€2.3bn or 16% of Covestro**
EBITDA Margin 2017[b]	**29.5%**	**22.8%**	**20.9%**
Key Applications	**Rigid foam:** • Building insulation • Cold chain • Automotive parts **Flexible foam:** • Furniture • Bedding / mattresses  	• Automotive parts • IT and electrical equipment, electronics • Consumer products (e.g. sports gear) • Medical • LED lighting and other applications  	• Surface coatings • Adhesives and sealants • Elastomers • Specialty films • Thermoplastic Polyurethanes (TPU)  

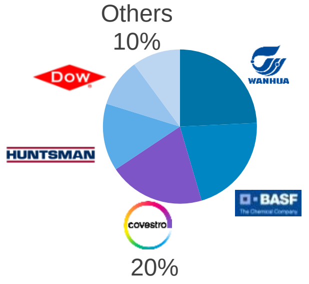
Notes:
(a) Based on total nameplate capacity for PCS, MDI, TDI and Polyether polyols at year-end 2017 relative to competitors as per Covestro internal estimates; for CAS: based on total volume in 2017 relative to competitors as per Covestro estimates
(b) All prior-year figures have been adjusted to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment as of January 1, 2018

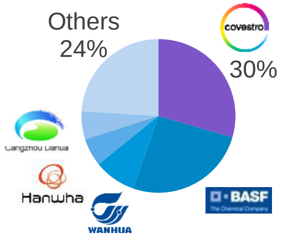
Global industry positions

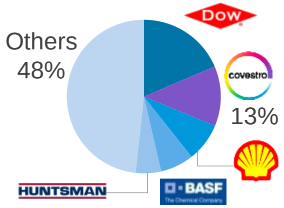
Covestro is a leader across its entire portfolio

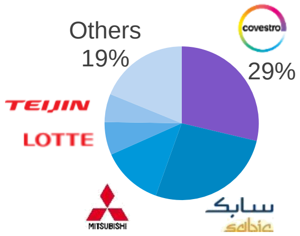
Capacity share in 2017[(a)]

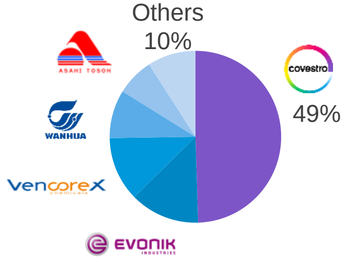
Polyurethanes			Polycarbonates	Coatings, Adhesives, Specialties	
MDI	TDI	Polyether polyols	PC	Aliphatic isocyanate derivatives	Polyurethane dispersions
#1 in PUR			#1 in PC	#1 in CAS	

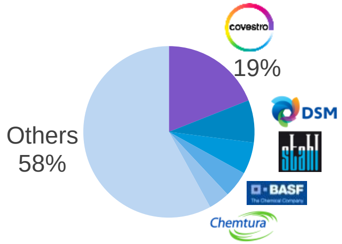












MDI	TDI	Polyether polyols	PC	Aliphatic isocyanate derivatives	Polyurethane dispersions
Top 5: 90%	**Top 5: 76%**	**Top 5: 52%**	**Top 5: 81%**	**Top 5: 90%**	**Top 5: 42%**
2022e: Top 5 share expected to remain stable at 90%	2022e: Top 5 share expected to remain stable at 76%	2022e: Further consoli-dation expected, especially in China	2022e: Top 5 expected to account for ~70%	2022e: Industry structure expected to remain stable	2022e: Industry structure expected to remain stable

Entry requirements

Polyurethanes / Polycarbonates:

- Sizable investment requirement
- Intense pressure to advance process technology
- Global asset base to enable customer proximity
- Persistent demand for product and process innovation
- Efficient feedstock integration required

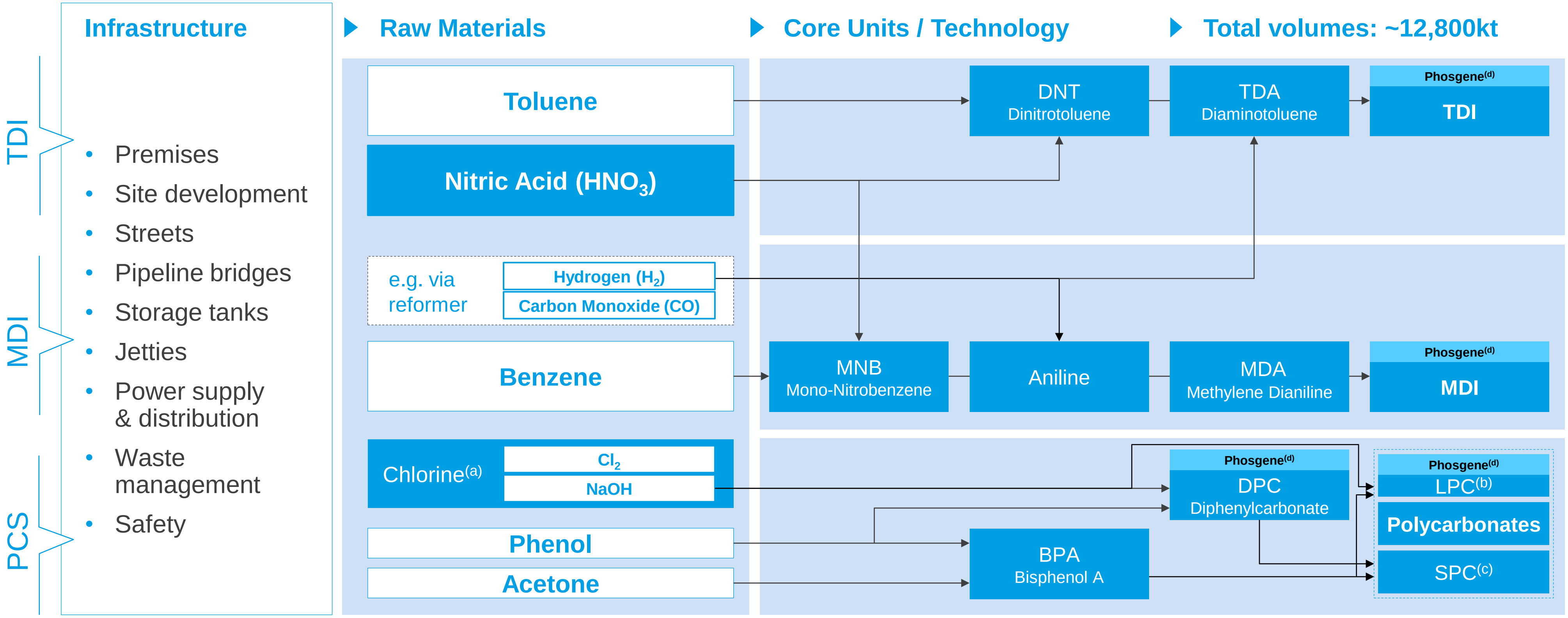
Coatings, Adhesives, Specialties:

- Economies of scope crucial
- Formulation and application know-how necessary
- Close customer relationships and long-term R&D collaborations
- Operation of global platform essential

Notes: (a) Based on total nameplate capacity at year-end 2017 relative to competitors
Source: Covestro estimates

A common chemical backbone across all segments

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



Sales 2017

- Core = ~€12.5bn (volumes: ~5,000kt)
- Non-core = ~€2bn (volumes: ~7,800kt)

Customer industries

- Automotive / transportation
- Construction
- Wood / furniture
- Electrical / electronics
- Chemicals
- Sports, leisure, cosmetics, health, other industries

Purchased raw materials

Covestro activities

- Common assets, large scale
- Chemical know-how
- Process technology

◄ Synergies ►

- Chemical know-how
- Process technology

◄ Synergies ►

- Customer access
- Global presence

Notes: (a) via Deacon or HCl-ODC technology and / or chloralkali electrolysis; (b) Interface process; (c) Melt process (d) produced from CO and Cl_2
Chart contains key feedstock only

Favorable industry environment

Long-term, above GDP industry growth supported by global trends

Global trends

Climate change

Mobility

Growing population

Increasing urbanization

Needs

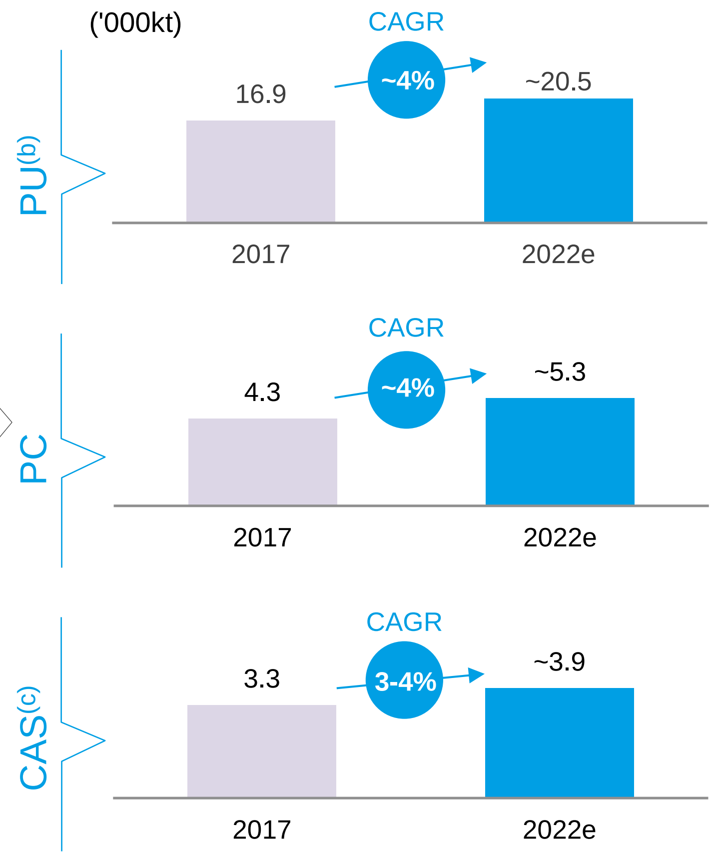
- Zero emission concepts
- Low energy buildings

- Energy efficient mobility
- Lightweight transportation
- Electric vehicles

- Food preservation
- Low cost durable goods

- Affordable housing
- Living comfort
- Public infrastructure

Industry demand outlook[a] 2017 – 2022e



Covestro solutions

- Building insulation
- Insulation along the cold chain
- Foam mattresses and comfort solutions
- Weight-saving car parts

- Lightweight materials for transportation
- Roofing and glazing for buildings
- Blends and composites for electronics / IT and consumer goods

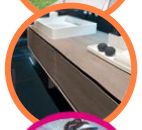
- High performance surfaces and coatings
- High-tech films
- Solvent-free coatings and adhesives

Notes: (a) Assumes global GDP CAGR 2017–2022e of ~3%; (b) Comprises MDI, TDI and polyether polyols
(c) Shows PU raw materials industry demand in coatings, adhesives and sealants; additionally TPU, elastomers and films

Source: Covestro estimates

Product innovation is long-term driver of growth

Addressing ever-changing customer needs for new material solutions

Need	Overall market	Relevant market	Covestro solutions
More durable and eco-nomical wind power plants 	Energy consumption CAGR: ~3%	Offshore wind energy CAGR: ~19%	Novel components for wind power plants: PU resins for rotor blades, PU materials for coatings, Elastomers for sea cables
Energy- and cost-efficient buildings 	Construction CAGR: ~2%	Polyurethane insulation CAGR: ~5%	Raw materials for PU foam (rigid and in spray form) enabling highly efficient insulation
Reduction of high energy consumption of lighting 	Luminaire CAGR: ~3%	Luminaire LED CAGR: ~12%	Polycarbonates in LED lenses, light guides, heat sinks
Eco-friendly produced furniture 	Coating industrial furniture CAGR: ~3%	Water-based industrial furniture CAGR: ~5%	New bio-based hardener for water-based wood coatings
Sustainable and functional fashion 	Textile coating CAGR: ~6%	Covestro relevant textile coating CAGR: ~11%	Waterborne, solvent-free materials for functionalized textiles in diverse applications
More and better cooling devices 	Refrigerators CAGR: ~3%	Refrigeration insulation foam CAGR: ~8%	Raw materials for particularly effective insulating foams: 40% smaller pores allow up to 10% better insulation
Perfect insulation for perishable products 	Containers CAGR: ~4%	Reefer containers CAGR: ~9%	Rigid polyurethane foam components for temperature-controlled shipments
Reduced weight and increased comfort 	Global car production CAGR: ~3%	Car applications CAGR: ~5%	Attractive alternatives to conventional materials: polymers to replace glass and metal

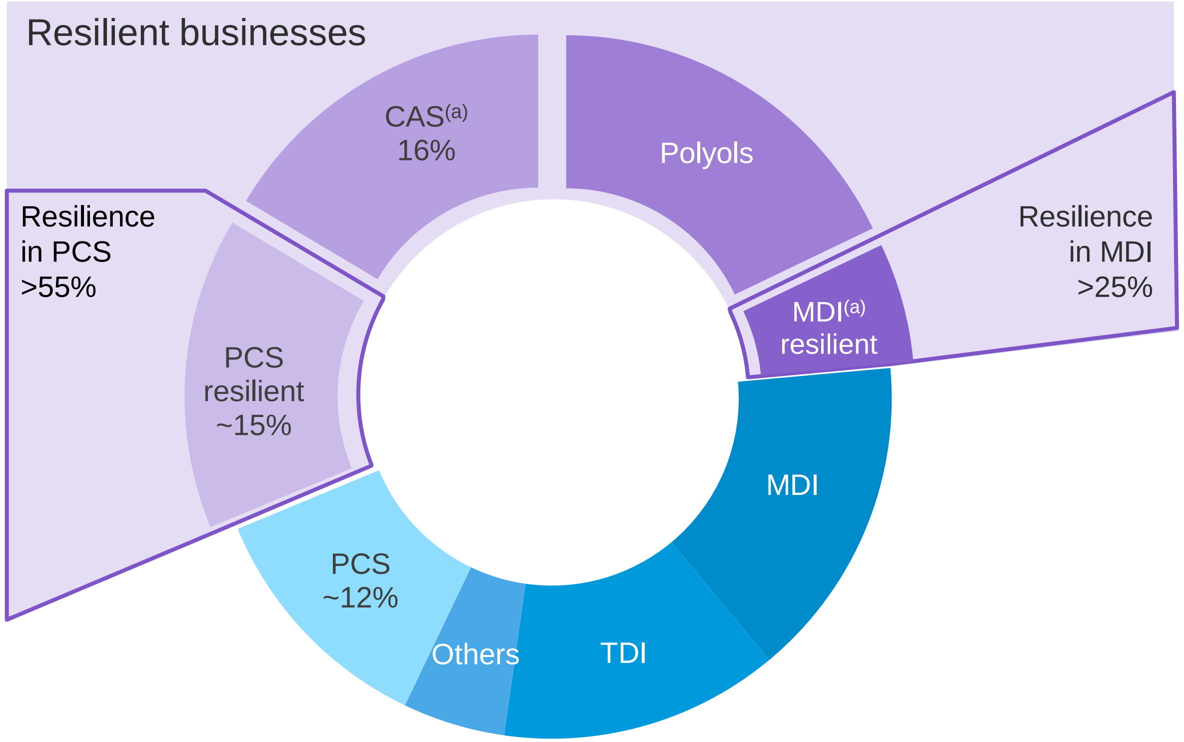
Sources: Covestro capital markets day 2017 presentation “Innovation”, pages 6-13

Portfolio geared towards differentiated products

Over 50% of sales generated with resilient businesses

Sales by segments

% of 2017 Group sales



Highlights

- CAS viewed as resilient on both sales and earnings due to characteristics of niche coating / ingredients chemicals
- Polyols viewed as resilient on both sales and earnings as demonstrated over the last decade
- PCS business with increasing share of resilient business through product mix shift to differentiated, high-value industry applications (e.g. automotive, medical, electronics)
- In MDI, differentiation potential beyond standardized products in >25% of product portfolio
- Transfer of specialty elastomers business from MDI / PUR to CAS segment lowers resilient part of MDI by ~5pp
- TDI fly-up margins increased share of non-resilient earnings in 2017

Notes: (a) All prior-year figures have been adjusted to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment as of January 1, 2018

Margin resilience in CAS

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

Global leading supplier of high performance materials to the coatings, adhesives and sealants industries






6+	2,300+	4,300+	#1	€2.3bn	19.3%
Monomers	Products	Customers[a]	Producer of aliphatic isocyanates[b]	Sales 2017[c]	EBIT margin 2017[c]

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

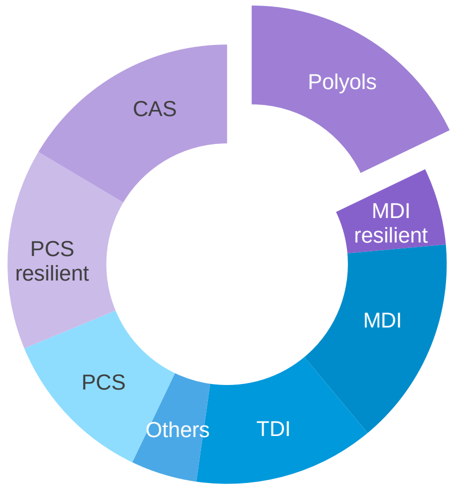
Notes: (a) Includes direct customers only
(b) Based on total aliphatic isocyanates volume in 2017 relative to competitors as per Covestro estimates
(c) All prior-year figures have been adjusted to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment as of January 1, 2018

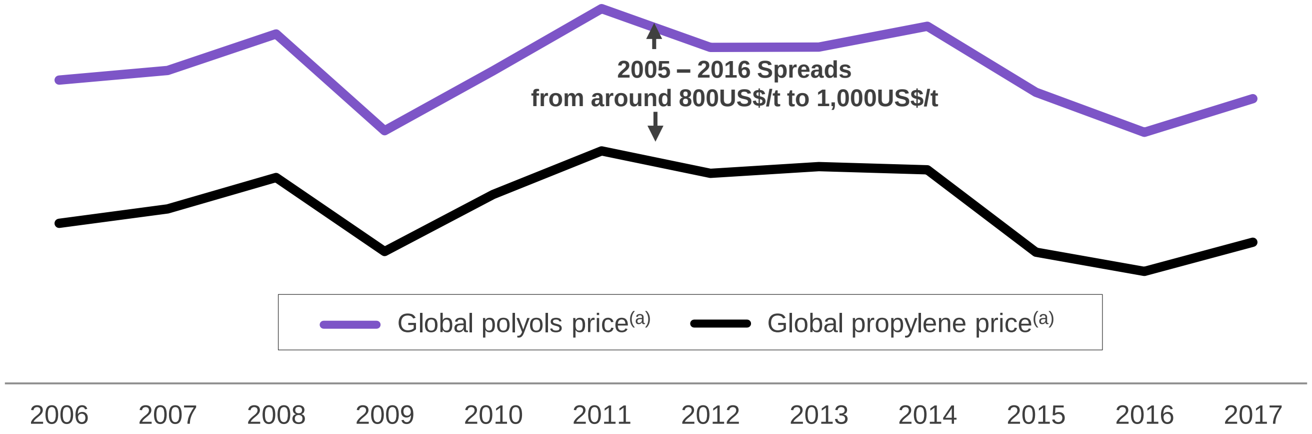
Margin resilience in polyols

Polyether polyols demonstrate inherently stable margins

Resilience of polyether polyols business confirmed in 2017

% of 2017 Group sales





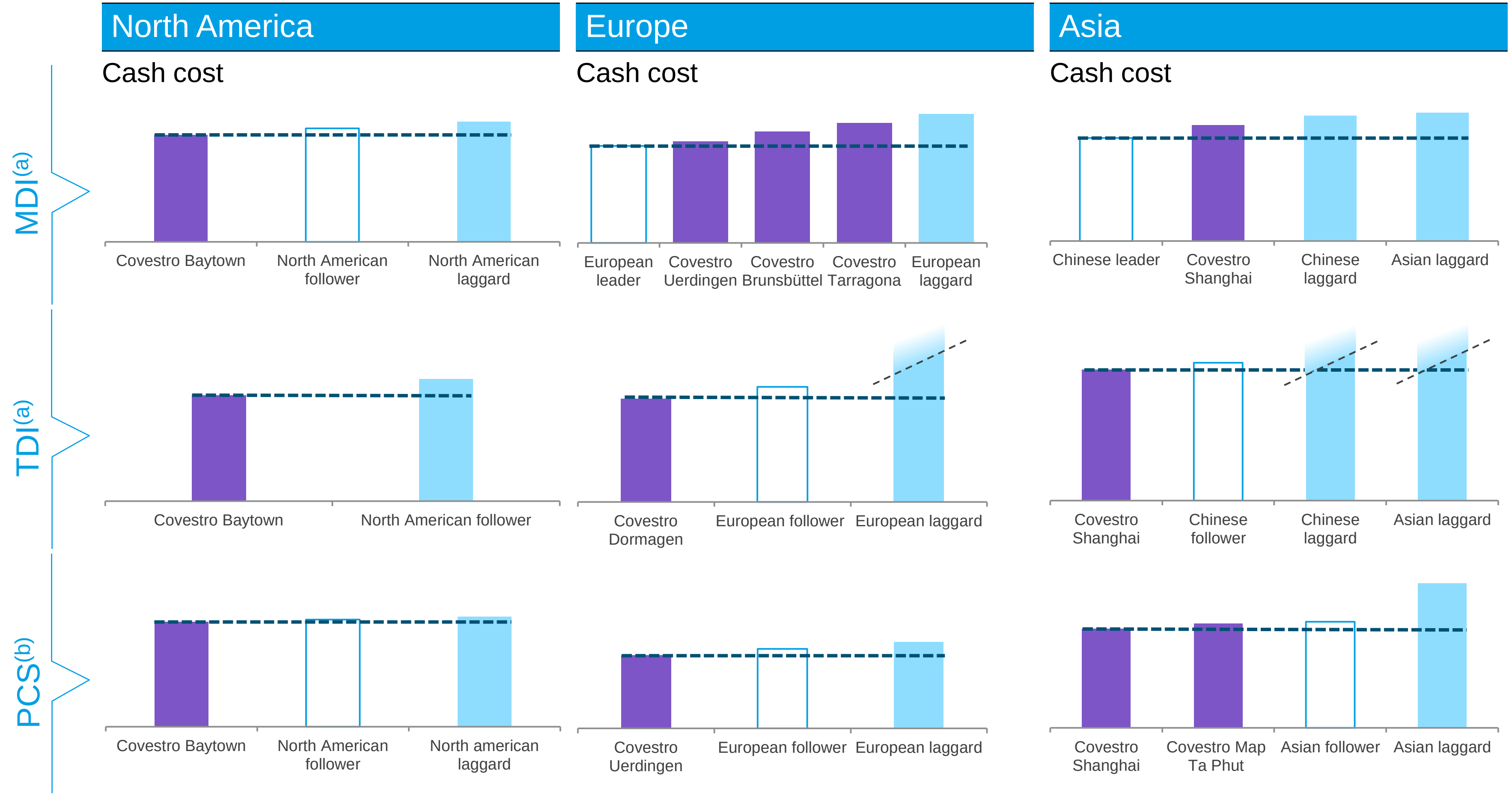
- Non-integrated polyether polyols producers with limited competitiveness
- Single capacity addition with little influence on supply / demand dynamics
- Distinct entry requirements for new players, e.g. capex and technology

- 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

Notes: (a) The global average polyols / propylene prices are calculated based on the polyols / propylene prices in Europe, US and China and weighting this average against the respective demand in those regions

Competitive cost position

Leading cash costs across business segments and regions



Highlights

- MDI / TDI are mainly regional industries due to relatively high transportation costs, whereas PC is a rather global industry
- In the US, there are only 2-4 producers, whereas APAC is most fragmented with around a dozen players for each product
- Covestro is the global low-cost producer in TDI / PCS with a cash cost advantage of ~50% / ~30% compared to the average of the 5 least competitive plants
- Covestro is one of the low-cost producers in MDI, which has a relatively flat cost curve reflected by the limited cash cost advantage of only ~20% between the average of the best and worst 5 plants

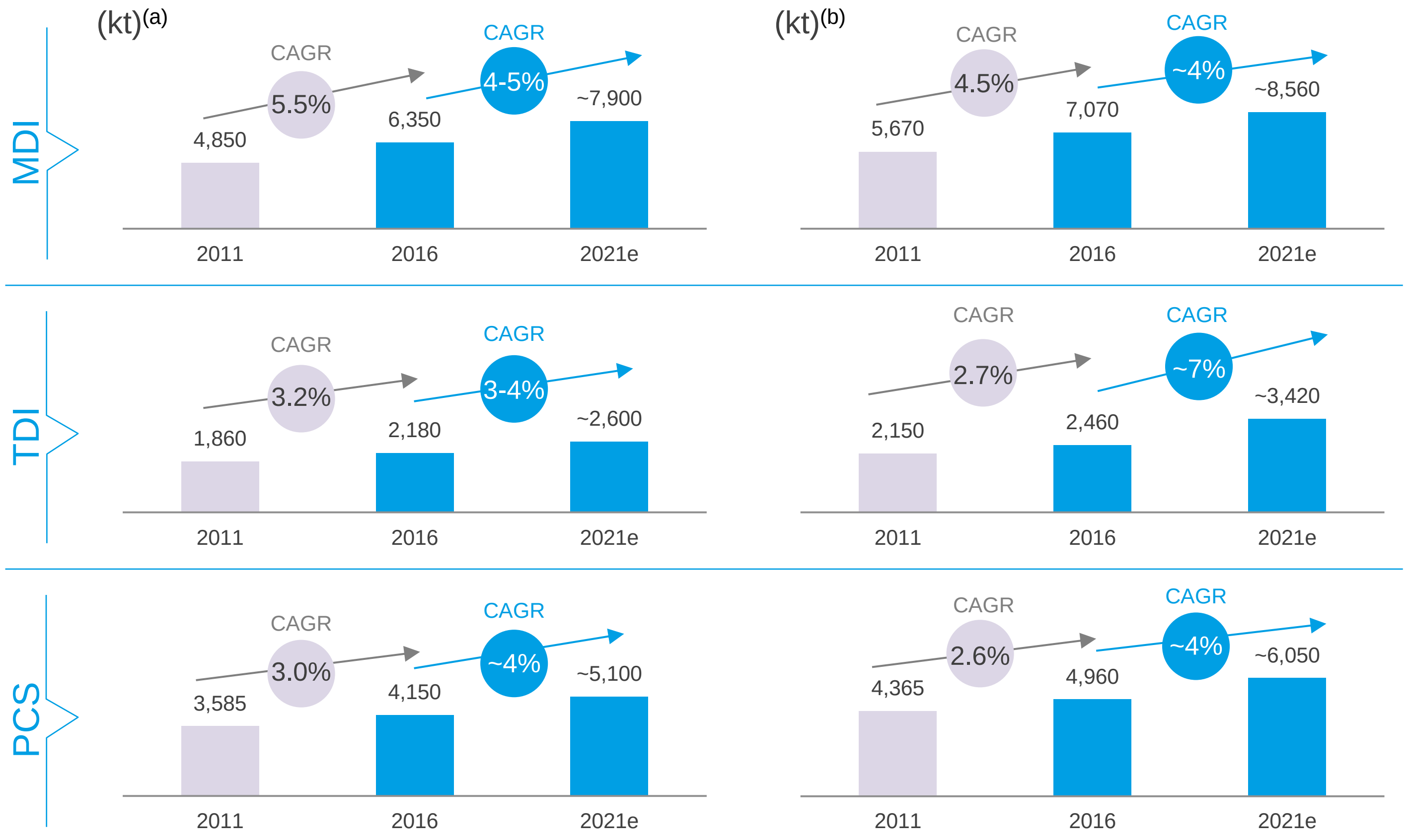
Notes: (a) Cost of production based on total raw material costs less co-product credits, variable and fixed conversion costs at 100% utilization, based on nameplate capacity for FY 2016
(b) Cost ex gate, 82% utilization rate for all plants based on nameplate capacity for FY 2016. Integrated players are shown without any margins for BPA, phenol, acetone, etc.

Historical industry development and outlook

Above GDP growth driving industry capacity utilization and supporting stable margins

Demand development (2011 – 2021e)

Supply development (2011 – 2021e)



Industry highlights

- Structural improvement of demand for the foreseeable future, driven by accelerated GDP growth and substitution trend
- Budgeted demand growth of 4-5% could be conservative given the strong demand trends
- Major additions expected until 2021: BASF, Covestro, SLIC, Kumho Mitsui, Sadara (Dow/Saudi-Aramco)

- TDI margins currently above long-term average due to delayed start-up of major investments
- Margins expected to normalize mid-term based on new world-scale capacities
- Major additions expected until 2021: BASF, Sadara (Dow/Saudi-Aramco), Wanhua
- Possible industry consolidation in China

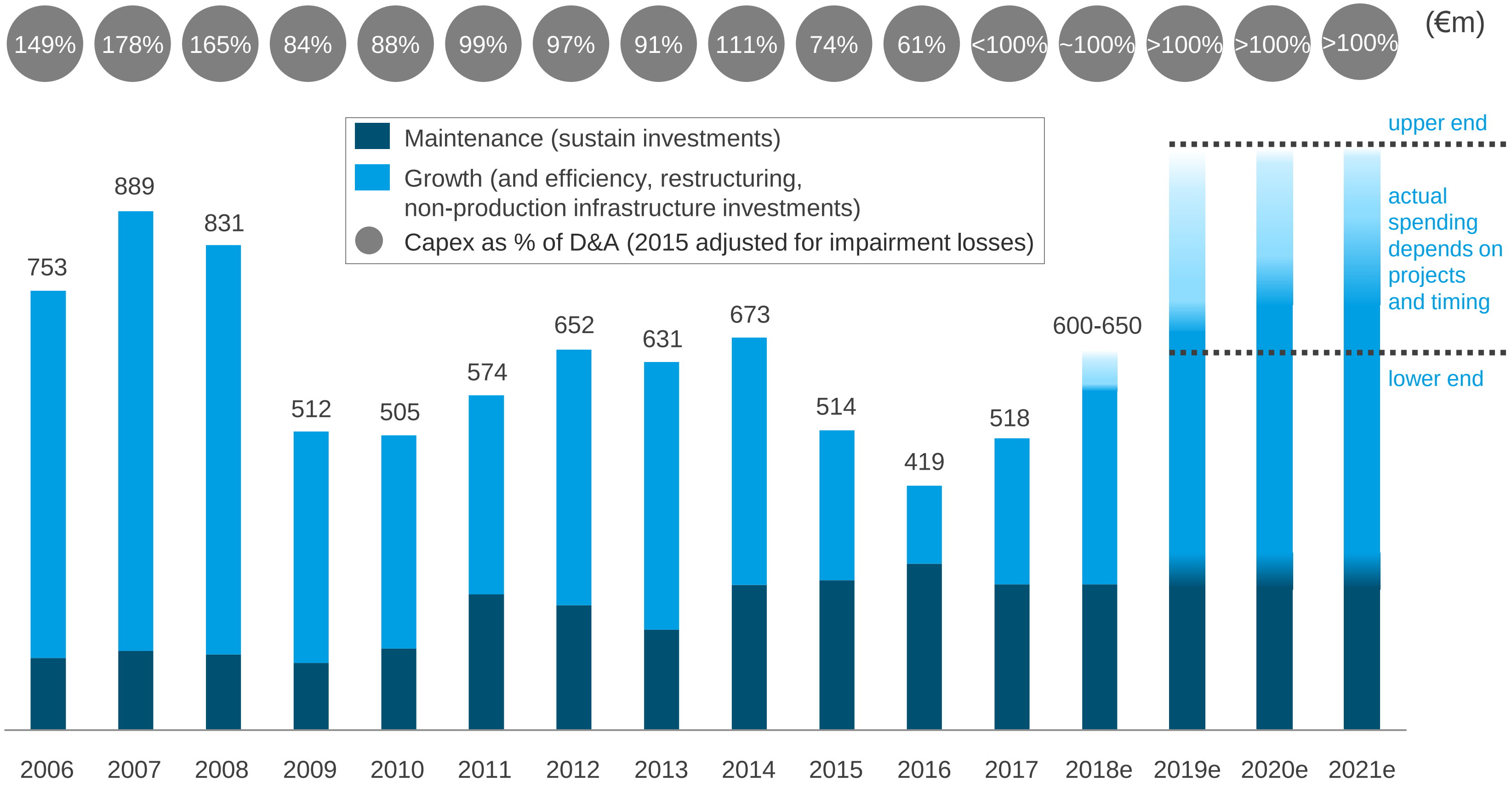
- Diversified growth drivers ensure stability of demand development
- Major additions expected until 2021: Covestro, Wanhua, Luxi, Lotte, Heng Yuan, Ningbo Zhetie Dafeng, SABIC-Sinopec
- New industry players likely to penetrate low-end applications

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

Smart capex approach

Expand existing asset base through capital-efficient growth investments

Investments following strict criteria catalogue



Highlights

Until 2008

- Capacity expansion through growth investments
- Building up an integrated, multi-BU, world-scale site in Caojing, China, as APAC production hub

2009 to 2016

- Continue expansion of Caojing site
- Increasing utilization of underutilized assets
- Optimize regional production network

2017 to 2021e

- Accompany industry growth by adding capacity through smart capex approach

2022e and beyond

- New growth investments lead to capacity expansions
- Strengthen leading industry positions

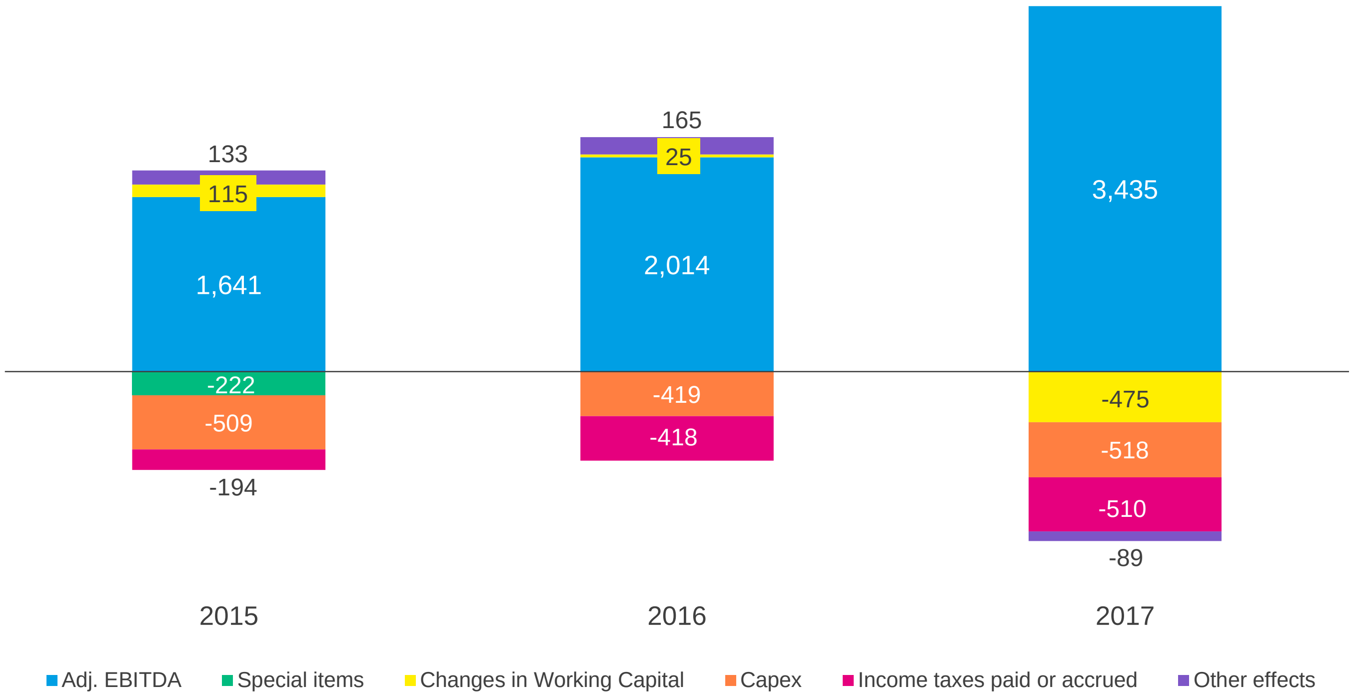
FY 2017 – Free Operating Cash Flow

Record FOCF despite higher working capital

Free operating cash flow development 2015-2017

in € million

FOCF	**964**	**+42%**	**1,367**	**+35%**	**1,843**



Highlights

- The FOCF to EBITDA conversion rate decreased from 68% in 2016 to 54% in 2017 due to higher working capital needs
- Working capital to sales ratio almost unchanged at 15.4% in 2017 vs. 15.6% in 2016, within the target range of 15-17%
- Capex of €518m up Y/Y inline with smart capex approach; capex below D&A of €627m

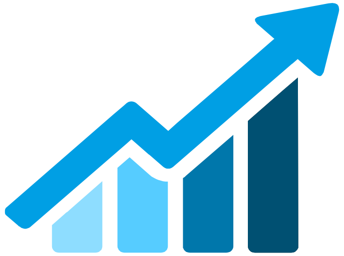
Accelerated delivery of €5bn cumulative FOCF now until 2019

Use of free cash flow – focus on value creation and cash return to shareholders

Dividend policy

- FY 2017 dividend of €2.20 per share, 63% above prior year
- Total payout amount of €436m
- Policy: focus on increasing or at least stable dividends going forward

Portfolio



- Disciplined & focused approach
- Acquisitions with focus on high margin and differentiated business areas
- Ongoing portfolio optimization including evaluation of potential disposals

Return to shareholders

- Share buy-back for up to €1.5bn[(a)] started in Q4 2017, running until mid-2019
- 4.5 million shares bought back for a total amount of €400m during first tranche
- Commitment to return further excess cash to shareholders

Notes: (a) either up to €1.5bn or up to 10% of stock capital, whichever is reached first

Attractive cash flow profile

Focus on value creation

1. **Strong cash generation history and future commitment**
   driven by volume growth, operational leverage and profitability enhancement measures

2. **Smart capex approach**
   balances required capacity additions and capital-efficient growth investments

3. **Disciplined M&A strategy with focus on value creation**
   follows clear strategic direction, defined process and strict financial criteria

4. **Return of excess cash to shareholders started in Q4 2017**
   via share buy-back of up to €1.5bn or up to 10% of stock capital

5. **Attractive dividend policy**
   with focus on increasing or at least stable dividends going forward

Financial Highlights
Q1 2018

Q1 2018 Key Highlights

Well on track

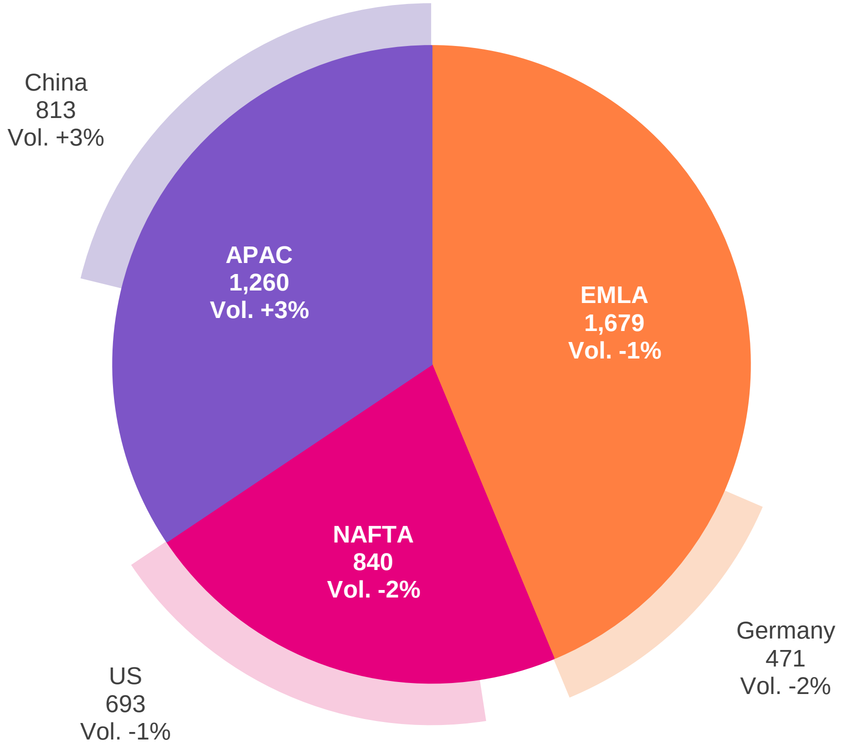
- **Stable core volumes Y/Y**
- **EBITDA increase of 26% Y/Y to €1,063m**
- **EPS increase of 40% Y/Y to €3.24**
- **FOCF increase of 73% Y/Y to €364m**
- **Guidance confirmed for FY 2018**

Q1 2018 – Sales per Region

Core volumes on high previous year's level

Development in Q1 2018

in € million / Core volume growth Y/Y



Highlights

High basis in Q1 2017

- Sell out of production and inventories to satisfy pent-up demand after Force Majeure in Q4 2016
- Ramp-up of new production lines in China at PCS
- Pre-buying at CAS ahead of announced price increases

Stable core volumes in Q1 2018

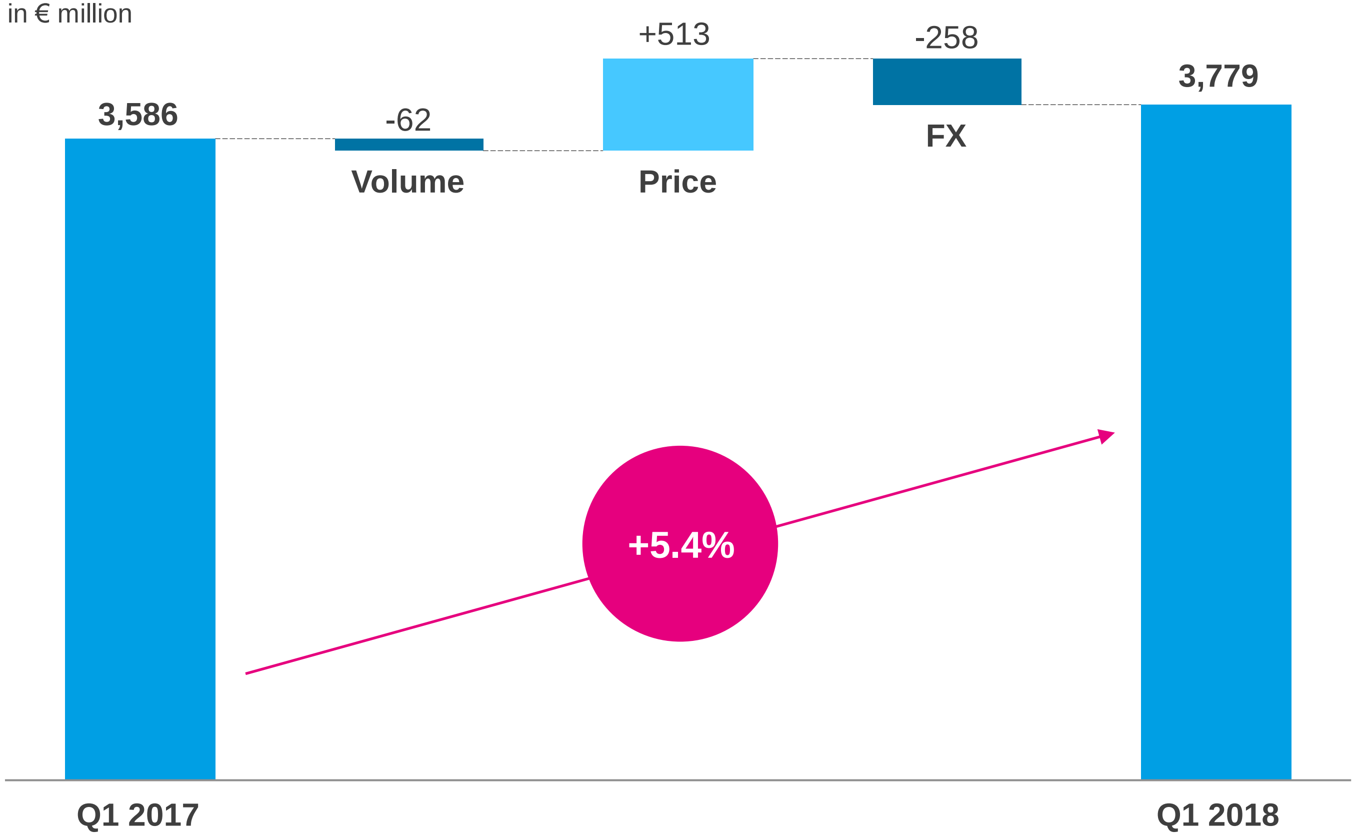
- Constrained availability of supply in all regions
- Solid demand in Automotive, decline in Construction
- EMLA: solid growth in Germany for CAS, double-digit growth in Latin America, driven by Brazil
- NAFTA: Positive development in PUR
- APAC: Strong core volume growth in PCS, stable development in PUR and CAS

Q1 2018 – Sales Bridge

Strong pricing mitigated by considerable FX headwind

Sales Bridge

in € million



Highlights

Strong pricing and high industry utilization

- Higher selling prices positively impacted sales by 14.3% Y/Y
- Sales volumes declined by 1.7% Y/Y due to significantly lower non-core volumes

Negative FX impact

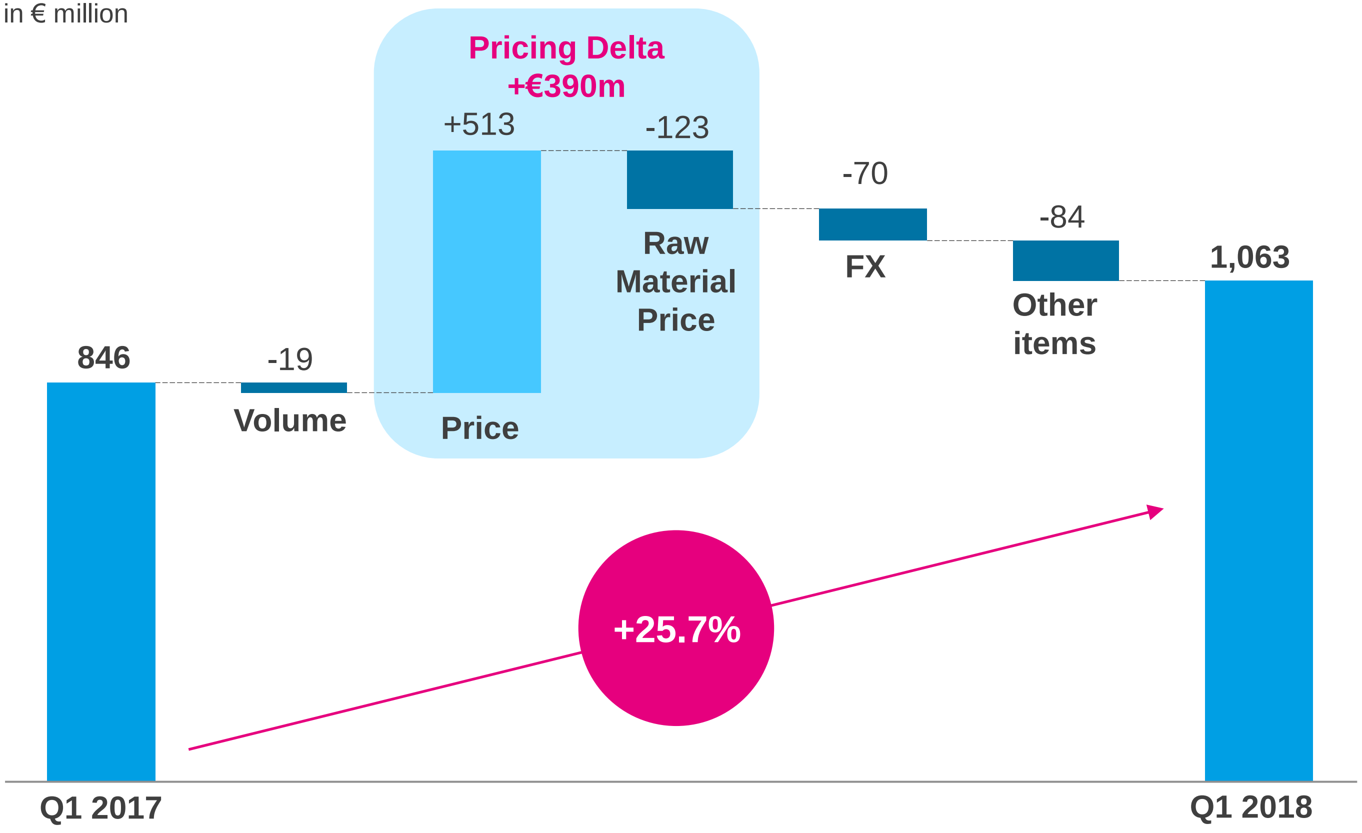
- FX effects burdened sales by 7.2% Y/Y mainly due to weaker USD and CNY

Q1 2018 – EBITDA Bridge

Expanded pricing delta fully compensates considerable FX headwind

EBITDA Bridge

in € million



Highlights

Improving cash margin

- Positive pricing delta driven by PUR and PCS
- Selling prices increased significantly more than raw material prices

Considerable FX headwind

Other items

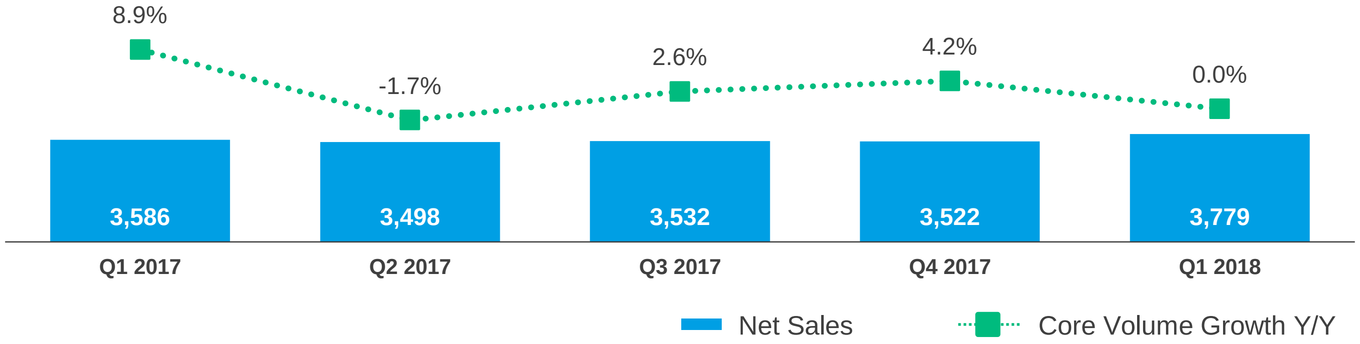
- Higher maintenance costs
- Increased costs for logistics
- Prior-year benefited from provision release of €9m for Tarragona

Q1 2018 – Group Results

Continued margin expansion

Net Sales and Core Volume Growth

in € million / changes Y/Y

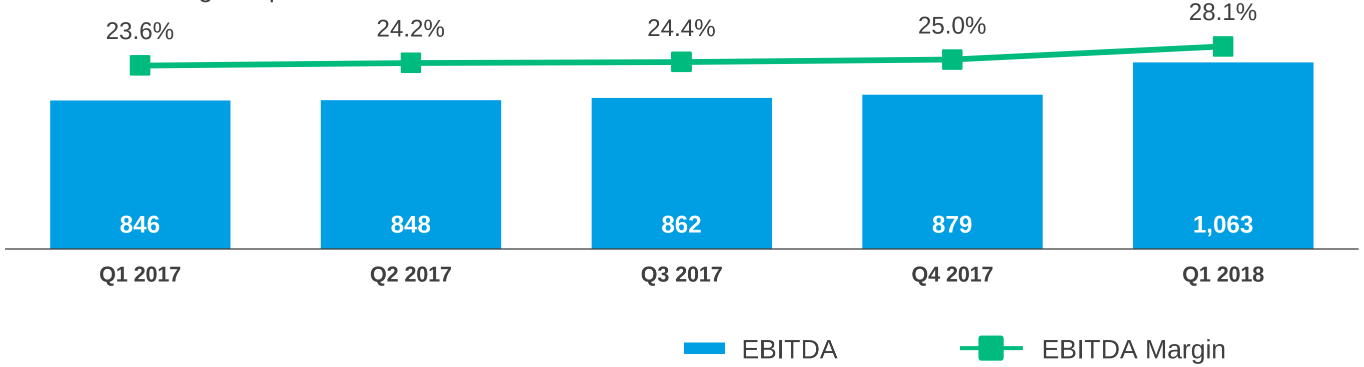


Highlights

- Stable core volumes (in kt) on high level: PCS compensates for declines in PUR and CAS
- Sales increased by 5.4% driven by higher prices

EBITDA and Margin

in € million / margin in percent



Highlights

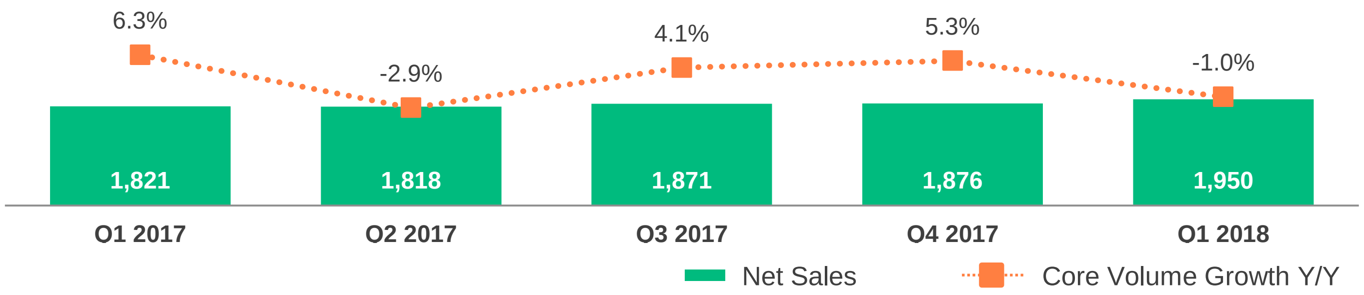
- EBITDA margin improved significantly to 28.1% vs. 23.6% in Q1 2017
- Excluding TDI fly-up, margin increased to c.23% vs. c.20% in Q1 2017
- Q1 2018 represents 13th consecutive quarter with Y/Y EBITDA increase

Q1 2018 – PUR Segment Results

Polyurethanes – record margins continued

Net Sales and Core Volume Growth

in € million / changes Y/Y

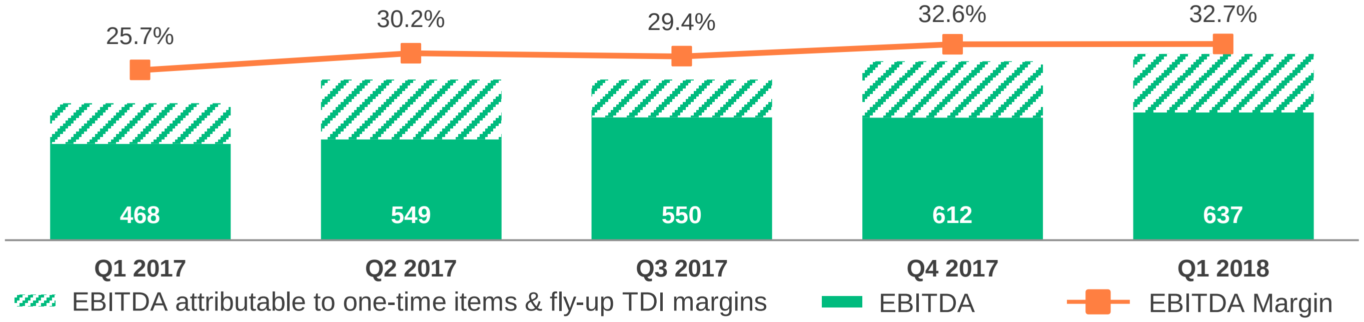


Highlights

- Slight decline in core volumes due to constrained product availability
- Sales increased by 7.1% Y/Y driven by price in all three product groups
- Negative FX impact (-7.4% Y/Y)

EBITDA and Margin

in € million / margin in percent



Restatement of all 2017 figures to reflect the reclassification of the specialty elastomers business

Highlights

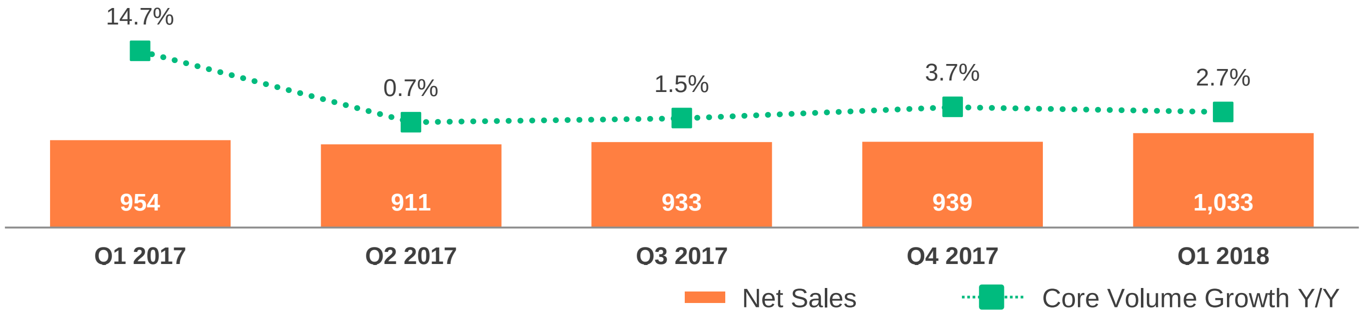
- EBITDA increased by 36.1% Y/Y with a margin of 32.7% vs. 25.7% in Q1 2017
- Underlying EBITDA margin excluding TDI fly-up contribution expanded to c.22% vs. c.19% in Q1 2017 driven by higher margins in MDI

Q1 2018 – PCS Segment Results

Polycarbonates – Favorable pricing delta

Net Sales and Core Volume Growth

in € million / changes Y/Y

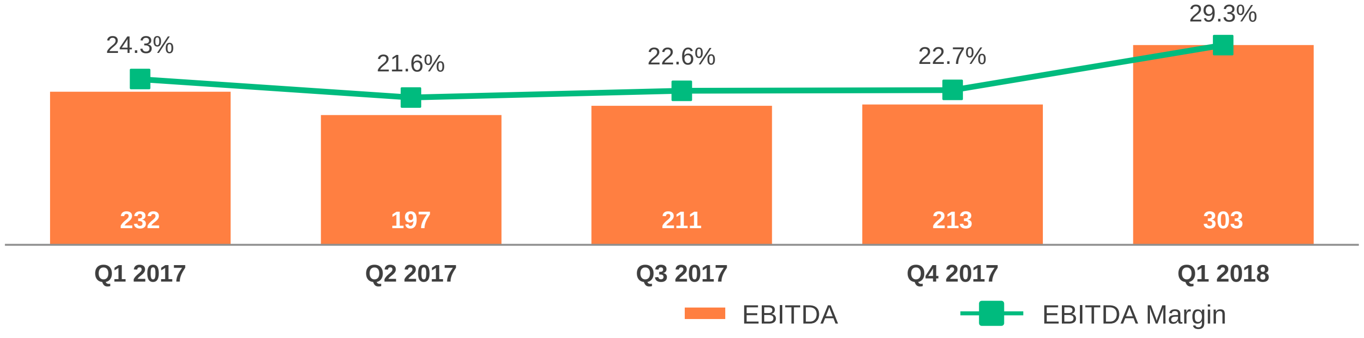


Highlights

- Solid core volume growth of 2.7% Y/Y despite double-digit increase in Q1 2017
- Sales increase by 8.3% Y/Y, mainly driven by higher selling prices (+16.3% Y/Y)
- Negative FX impact (-8.2% Y/Y)

EBITDA and Margin

in € million / margin in percent



Highlights

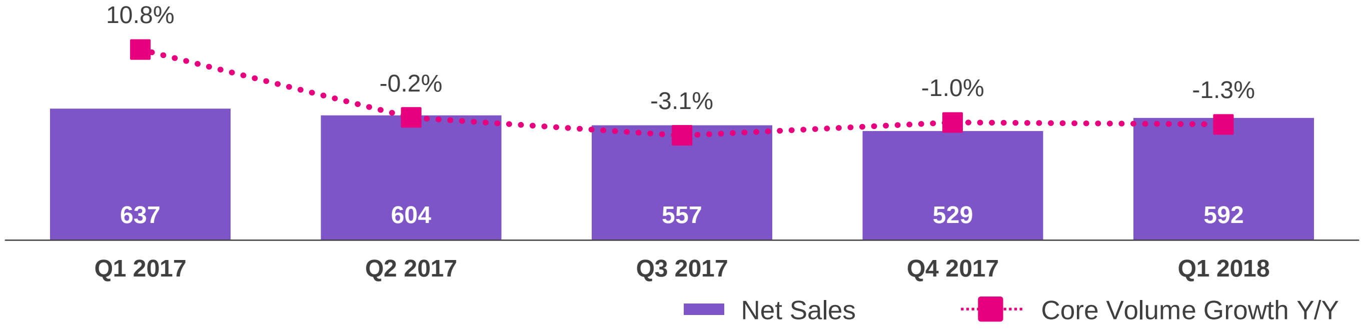
- EBITDA increased by 30.6% due to positive pricing delta and volume leverage
- Price increases balanced out negative raw material impact

Q1 2018 – CAS Segment Results

Coatings, Adhesives, Specialties – Encouraging start to the year

Net Sales and Core Volume Growth

in € million / changes Y/Y

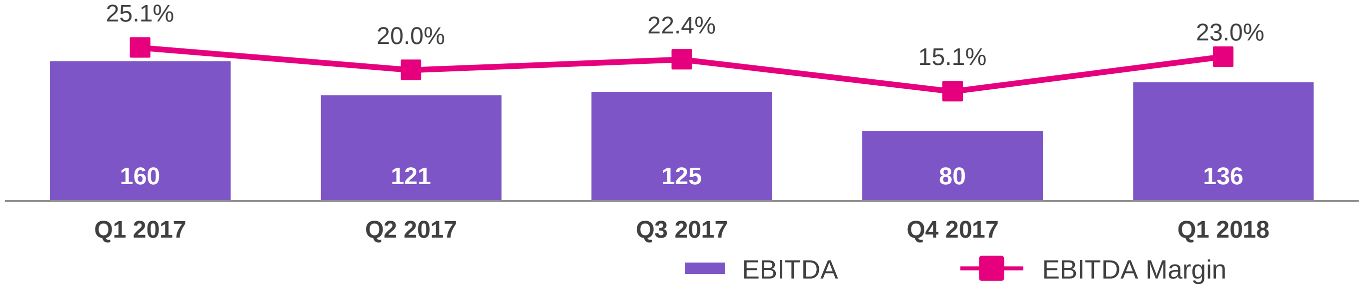


Highlights

- Slight decline in core volumes, although on high previous year's level
- Sales decrease by 7.1% Y/Y, driven by volume (-2.2% Y/Y) and negative FX impact (-5.9% Y/Y)

EBITDA and Margin

in € million / margin in percent



Restatement of all 2017 figures to reflect the reclassification of the specialty elastomers business

Highlights

- EBITDA decreased by 15.0% Y/Y due to higher raw material costs and lower sales volumes
- EBITDA margin of 23% on high level

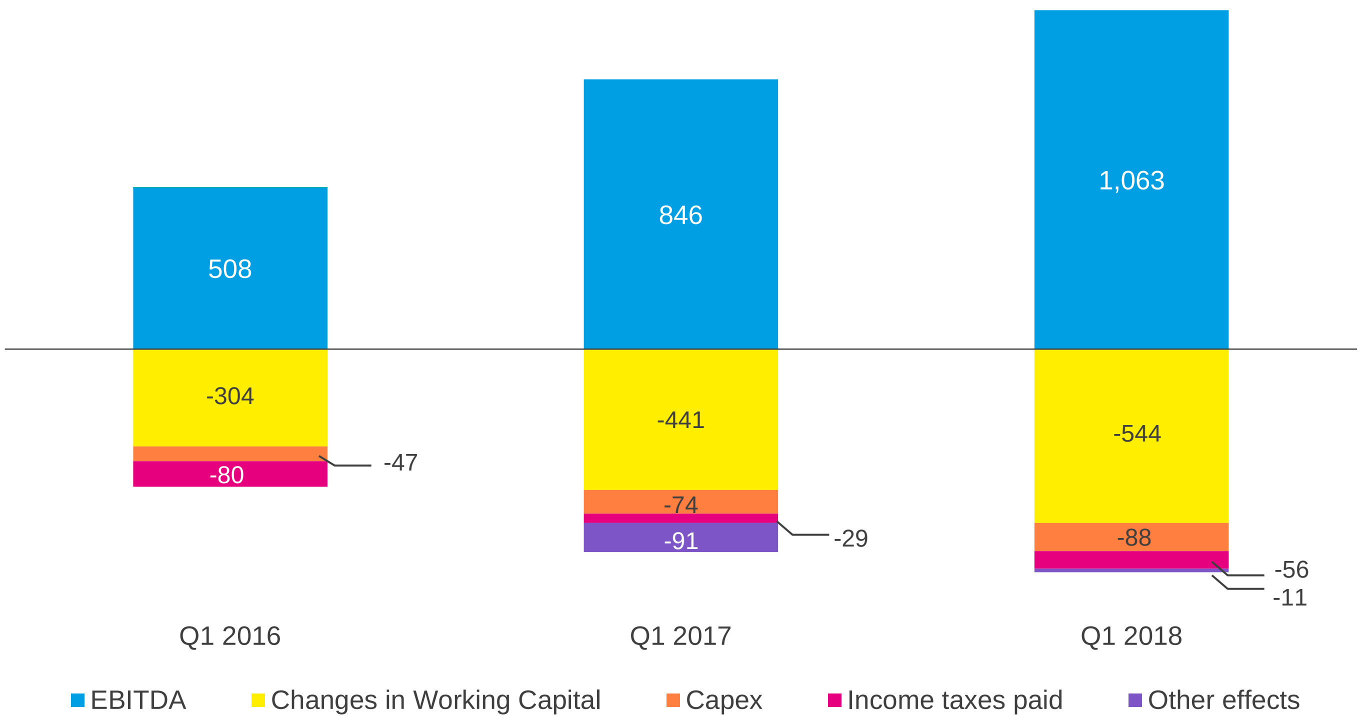
Q1 2018 – Free Operating Cash Flow

Strong FOCF despite higher working capital

Free Operating Cash Flow development

in € million

FOCF	77	+174%	211	+73%	364



Highlights

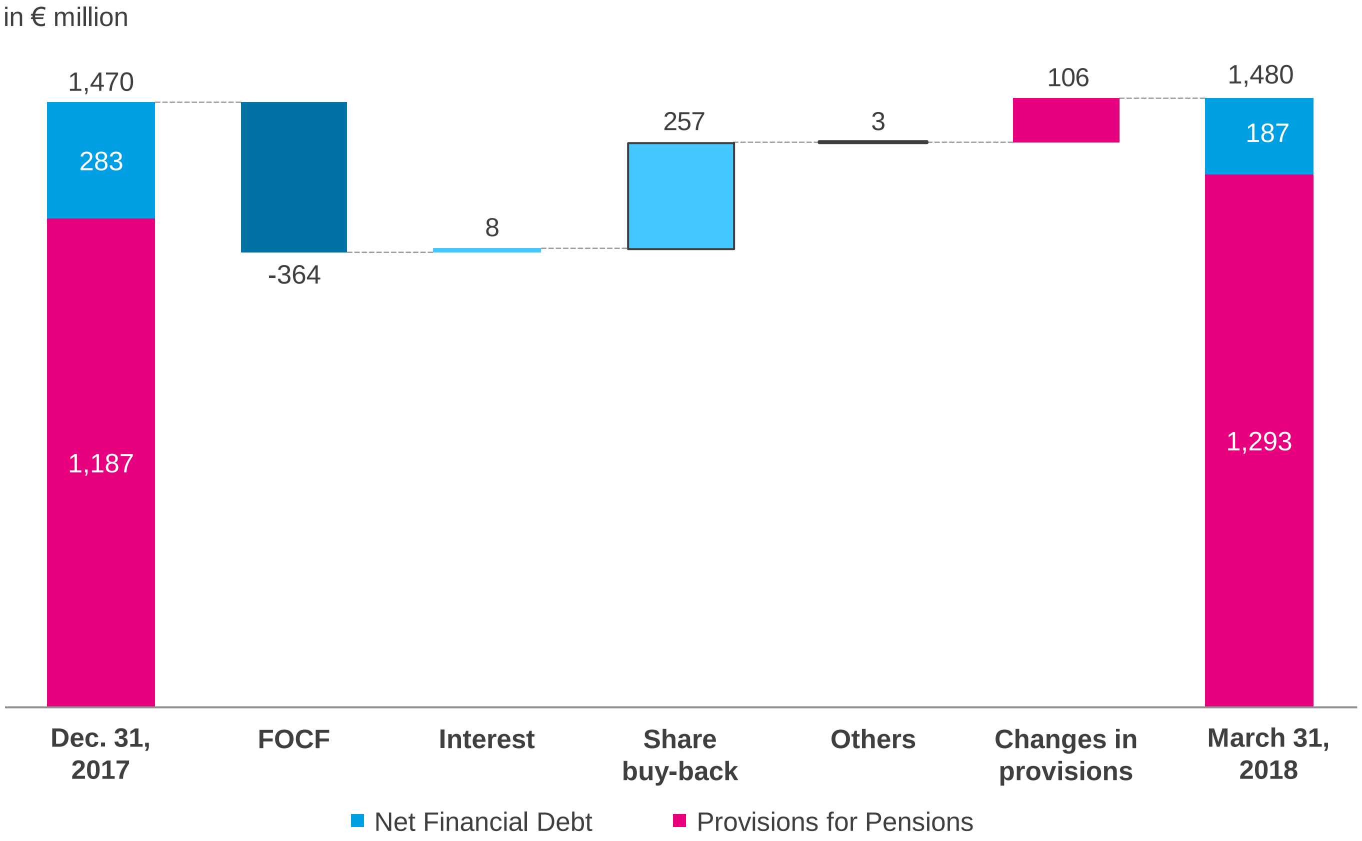
- FOCF follows EBITDA development: FOCF to EBITDA conversion rate increased to 34% vs. 25% in Q1 2017
- Working capital to sales ratio* at 18.7% driven by usual seasonality, plus higher valuation of stocks and increased receivables
- Capex of €88m up Y/Y in line with smart capex approach and full year guidance

* Method of calculation: WC on 31.03.2018 divided by sales of last four quarters

Q1 2018 – Total net debt

Strong balance sheet

Total net debt



Highlights

- Total net debt to EBITDA ratio* unchanged at 0.4x
- Further decrease of net financial debt by €96m, despite cash outflow for the share buy-back
- Repayment of a €500m bond out of cash
- Pension provisions increased by €106m due to lower interest rates
- Equity ratio further improved to 50%

* Method of calculation: Total net debt on 31.03.2018 divided by EBITDA of last four quarters

Confirmation of 2018 guidance

Well on track

	FY 2017	Guidance FY 2018
Core Volume Growth	+3.4%	Low- to mid-single-digit percentage increase Y/Y
FOCF	Ø 2015-2017: €1,391m	Significantly above the average of the last three years
ROCE	33.4%	Approaching previous year's level
Additional financial expectations	FY 2017	Guidance FY 2018
EBITDA FY	€3,435m	Around previous year's level
EBITDA Q2	Q2 2017: €848m	Above previous year's level
D&A	€627m	€600-620m
Financial results	€-150m	€-100 to -120m
Effective tax rate	24.1%	25-27%
Capex	€518m	€600-650m

Basic assumptions FY 2018: Exchange rate of EUR/USD ~1.20 and a similar macroeconomic environment as in 2017

Upcoming IR Events

Find more information on investor.covestro.com

Reporting dates	
• July 26, 2018	Half-Year Financial Report 2018
• October 25, 2018	Q3 2018 Interim Statement
• February 25, 2019	Annual Report 2018

Capital Markets Day	
• June 28, 2018	London

Broker conferences	
• May 15, 2018	Deutsche Bank, 9th Annual dbAccess Asia Conference 2018, Singapore
• May 24, 2018	Berenberg ,USA Conference 2018, Tarrytown
• June 5, 2018	Commerzbank, mBank Chemical Event, Warsaw
• June 6-7, 2018	Deutsche Bank, dbAccess, German, Swiss & Austrian Conference, Berlin

Annual General Meeting	
• April 12, 2019	Annual General Meeting, Bonn

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