



Strong earnings momentum continues

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

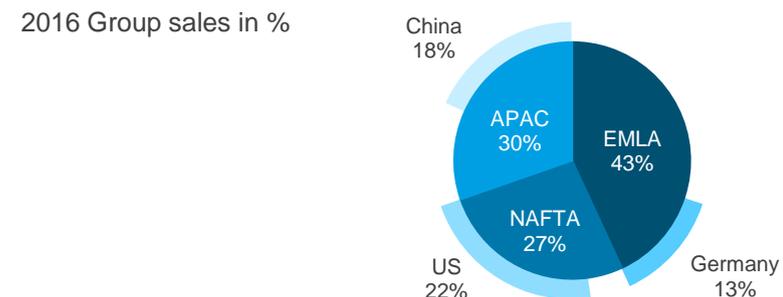
Covestro at a glance



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

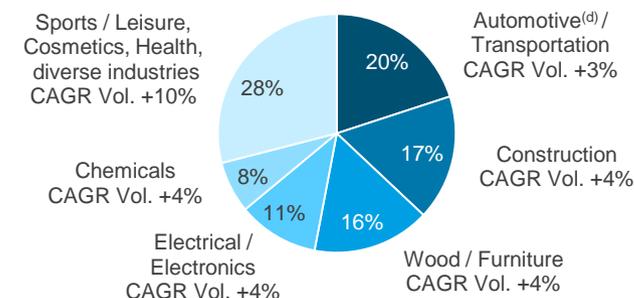
- Leading global polymer producer in polyurethanes and its derivatives as well as polycarbonates
- Proven track record of process and product innovation, customer proximity as well as market-driven solutions
- State-of-the-art asset base with leading process technology and total production capacity of 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 approx. 15,600 employees^(b) globally

Sales split by regions^(c)



Sales split by end-market

2016 Group sales in % / Core volume growth, CAGR 2014-2016



Key financials 2016	Sales €11.9bn	Sales Core Vol. CAGR 2014-2016: +5%	Adj. EBITDA €2.0bn	FOCF €1.4bn	ROCE 14.2%
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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  

Global industry positions

Covestro is a leader across its entire portfolio



Polyurethanes

Polycarbonates

Coatings, Adhesives, Specialties

Capacity share in 2016^(a)

MDI

TDI

Polyether polyols

PC

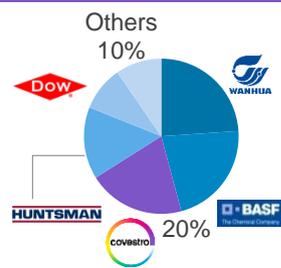
Aliphatic isocyanate derivatives

Polyurethane dispersions

#1 in PUR

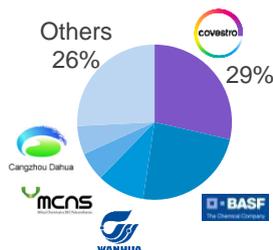
#1 in PC

#1 in CAS



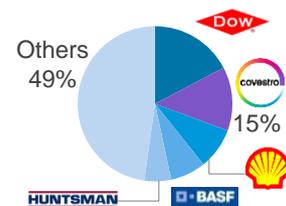
Top 5: 90%

2021e: Top 5 expected to account for 91%



Top 5: 74%

2021e: Top 5 expected to account for 75%



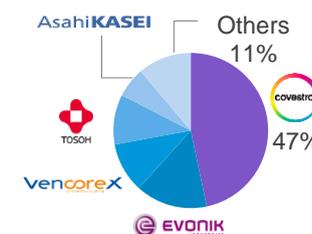
Top 5: 52%

2021e: Further consolidation expected, especially in China



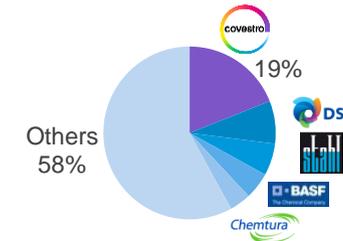
Top 5: 81%

2021e: Top 5 expected to account for >70%



Top 5: 89%

2021e: Industry structure expected to remain stable



Top 5: 42%

2021e: Industry structure expected to remain stable

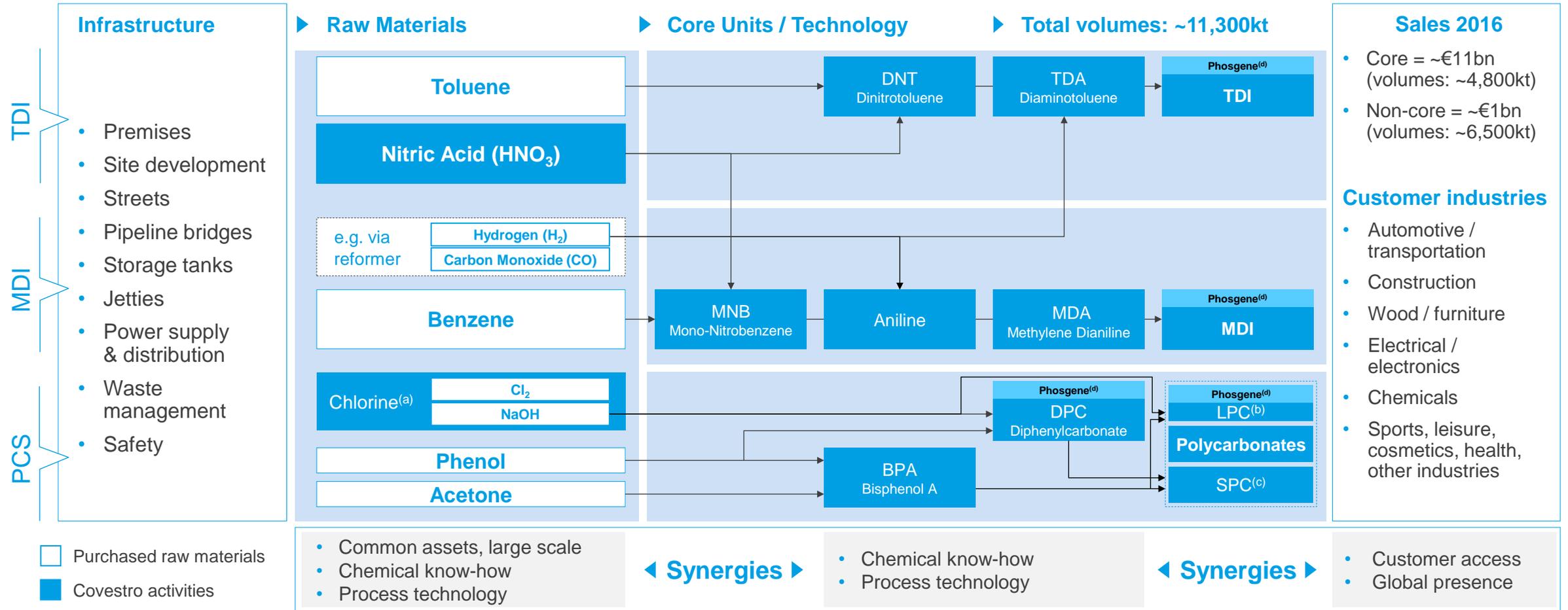
Entry requirements

- 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

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

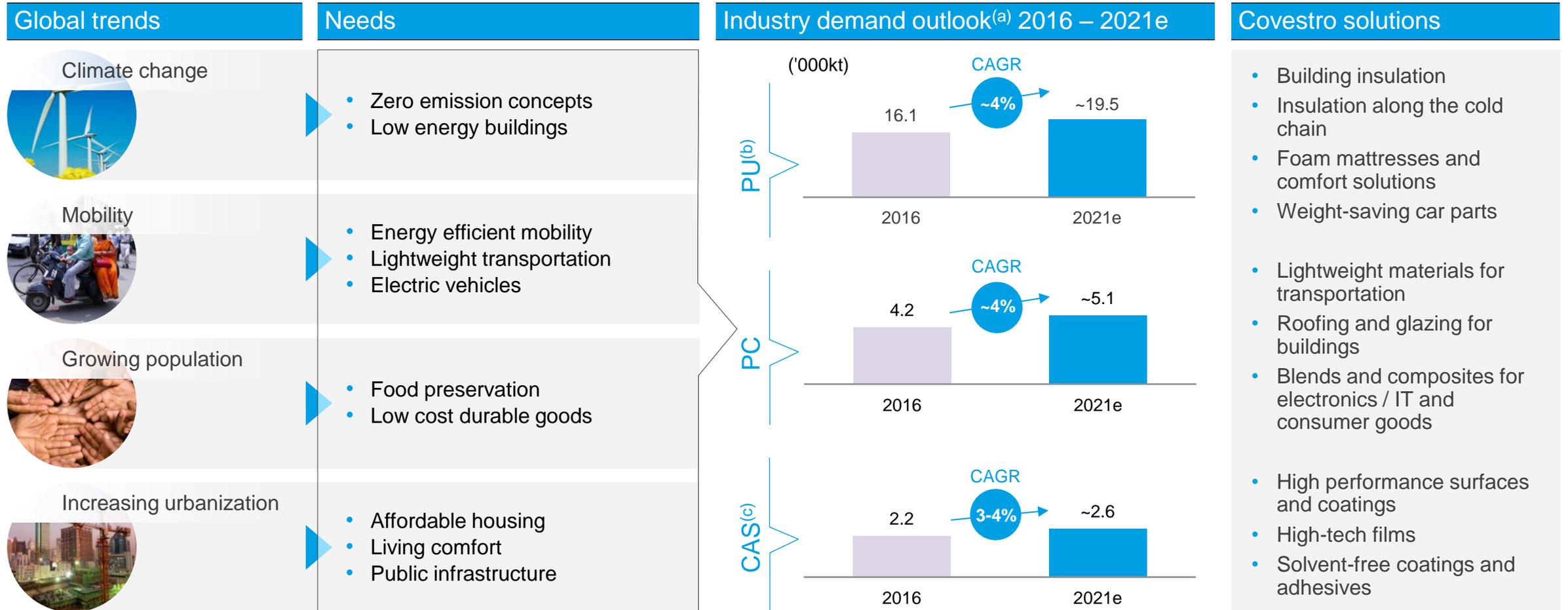
A common chemical backbone across all segments

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



Favorable industry environment

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



Product innovation is long-term driver of growth

Addressing ever-changing customer needs for new material solutions



Need	Overall market ^(a)	Relevant market ^(b)	Covestro solutions
More durable and economical 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: ~19%	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%	Covestro relevant car CAGR: ~5%	Attractive alternatives to conventional materials: polymers to replace glass and metal

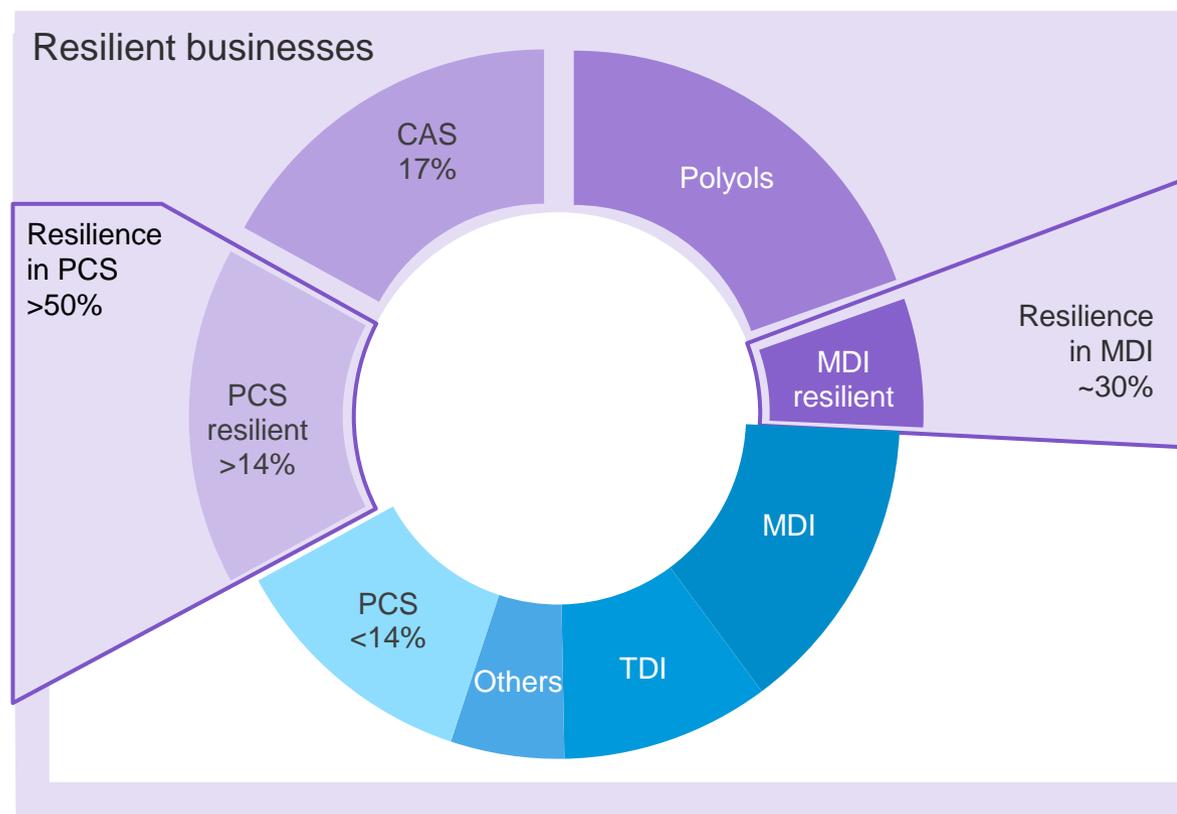
Portfolio geared towards differentiated products



Over 50% of sales and ~70% of earnings generated with resilient businesses

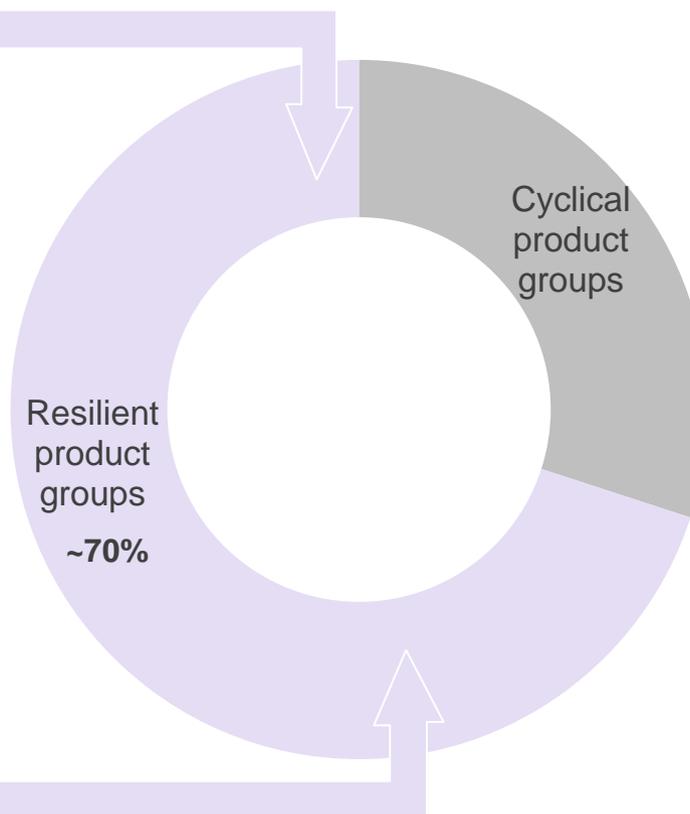
Sales by segments

% of 2016 Group sales



Earnings of resilient businesses

% of 2016 Group earnings^(a)

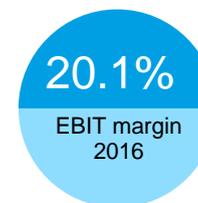


Margin resilience in CAS

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



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

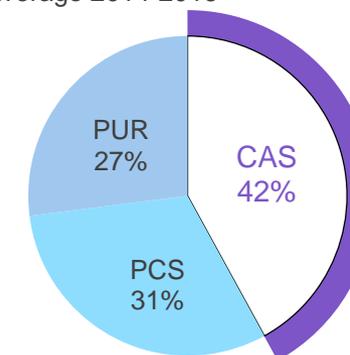


CAS products have all the characteristics of niche coating / ingredients chemicals

- ✓ 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 €m / average 2014-2016



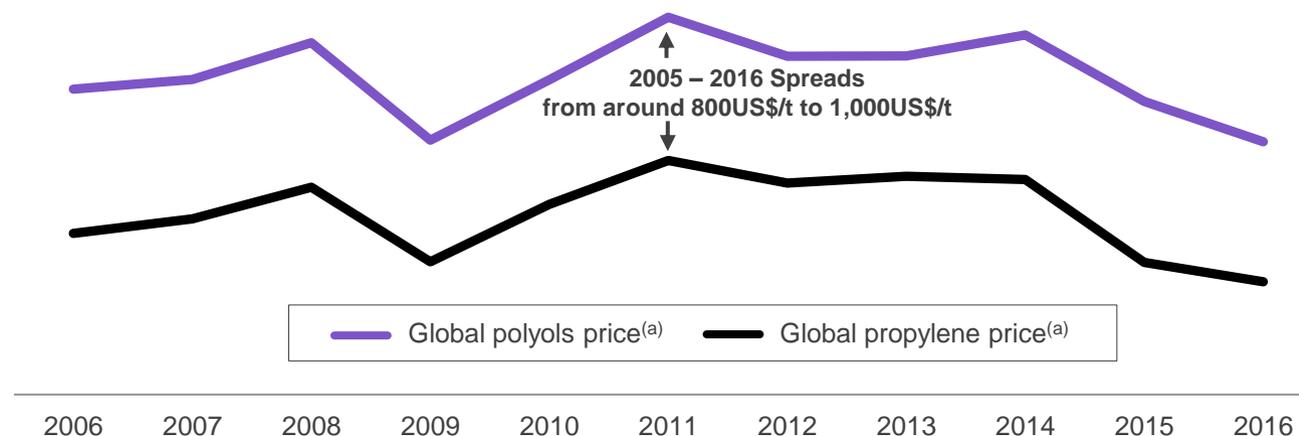
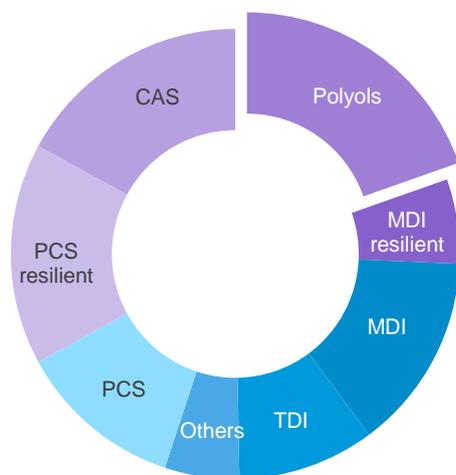
Margin resilience in polyols

Polyether polyols demonstrate inherently stable margins



Resilience of polyether polyols business confirmed in 2016, although at low end of historic band

% of 2016 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

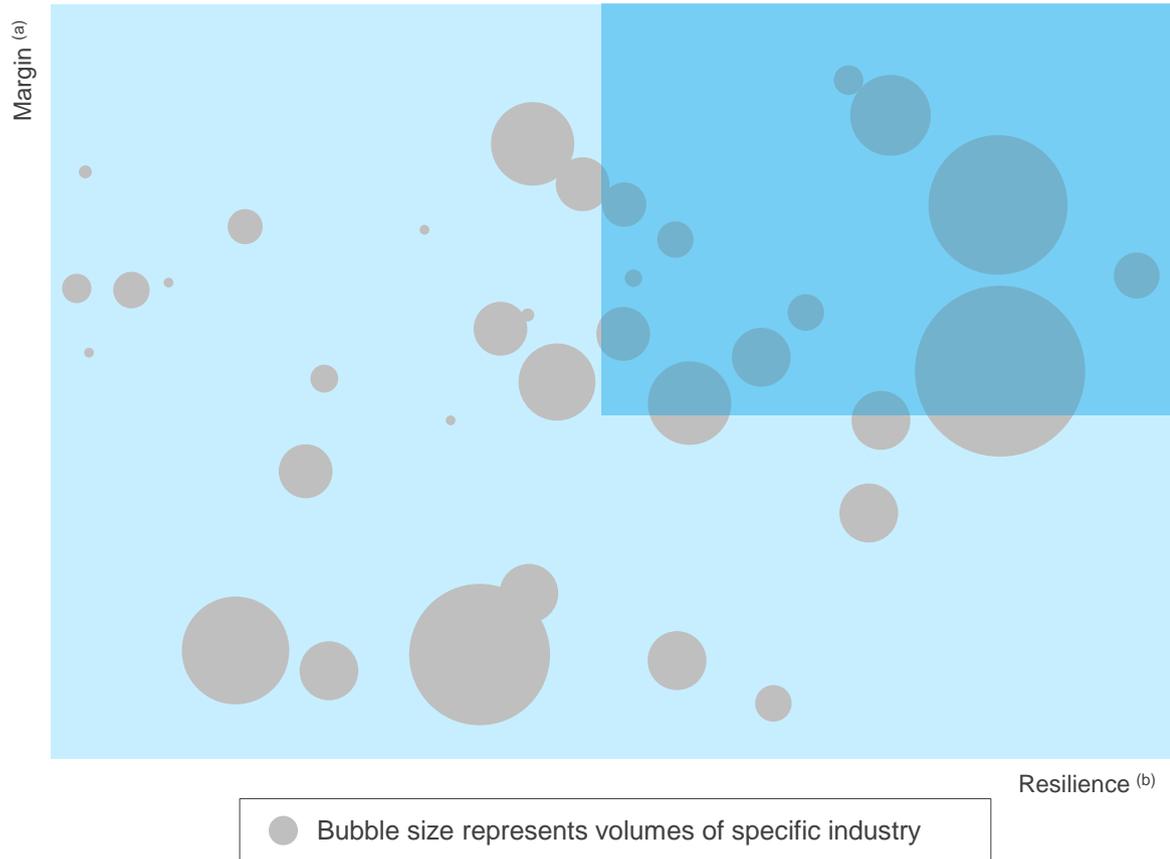
- Resilient industry margins over the last decade reflective of overall Covestro polyether polyols profitability
- Spreads not materially impacted by high volatility of propylene prices, particularly during the financial crisis
- Propylene oxide supply / demand dynamics create local pricing opportunities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

Margin resilience in PCS

Excellent global position to access differentiated, high-value polycarbonates applications



Resilient portion of PCS volumes accounts for ~50% in 2016



Improving portfolio mix

High-value industry application (e.g. automotive, medical, electrical)

- Greater technical specification requirement
- Longer lifecycles, higher market growth
- Comprehensive innovation capabilities and technical service is key
- Premium pricing in selected segments

Limited disruptions from new capacity additions

- Niche applications with strong differentiation potential
- Customer intimacy and distinct industry entry requirements
- Investment need for material switch

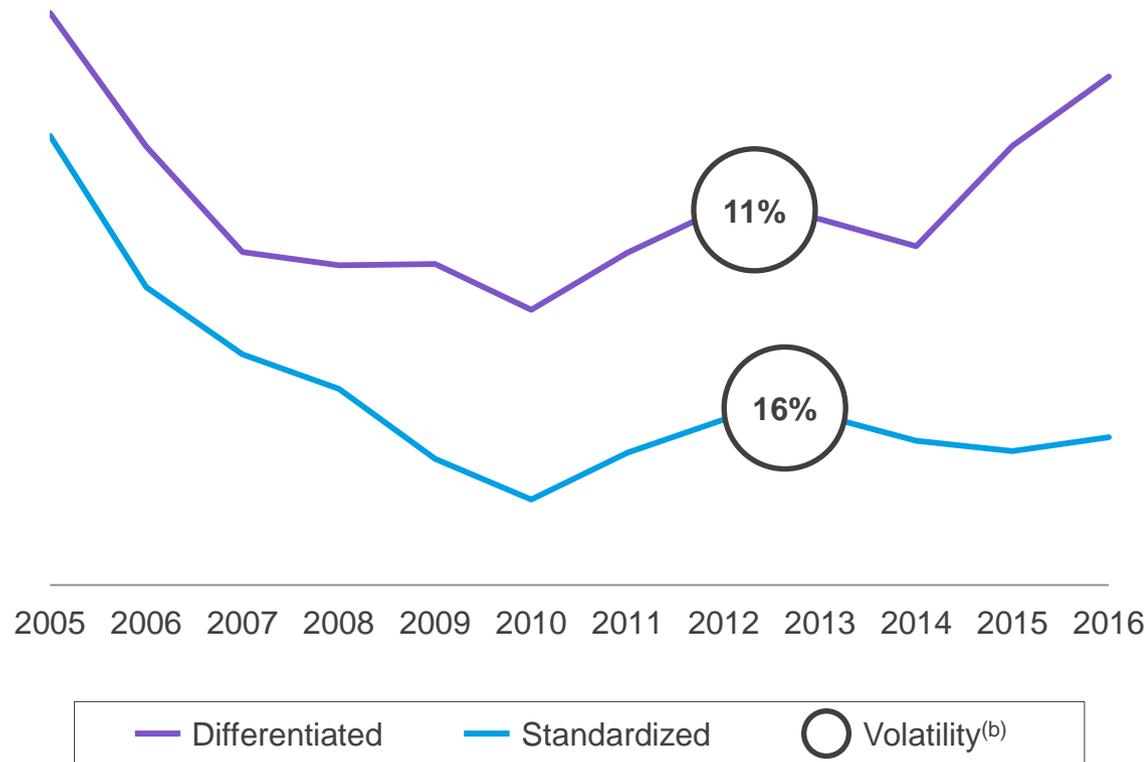
Resilient portion of PCS volumes improved from ~40% to ~50% in the last 5 years, supported by continuous progress of innovative offerings

Margin resilience in MDI

MDI product portfolio leads to increased resilience in earnings

Differentiated grades account for ~30% of MDI sales in 2016

Margin^(a)



Differentiation potential beyond standardized products

Joint sales of polyols and MDI

- Examples: CASE^(c), soft furniture, automotive seating

Specialty or downstream products

- Examples: Selected MDI grades (pre-polymers, blends, monomeric), TPU

Formulations as market access requirement

- Examples: Automotive, appliances

Customized solutions

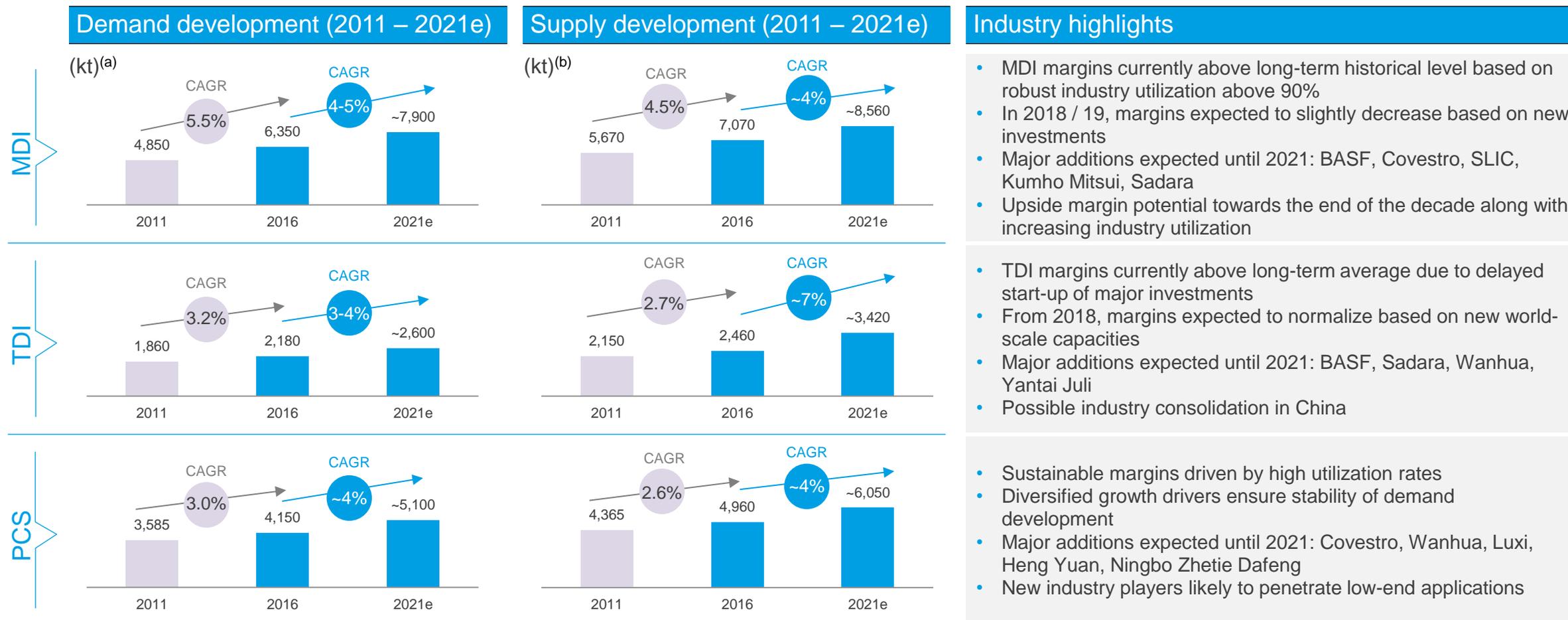
- Example: Window frames

Differentiated business with ~0.25€/kg higher gross margin

Historical industry development and outlook



Above GDP growth driving industry capacity utilization and supporting stable margins

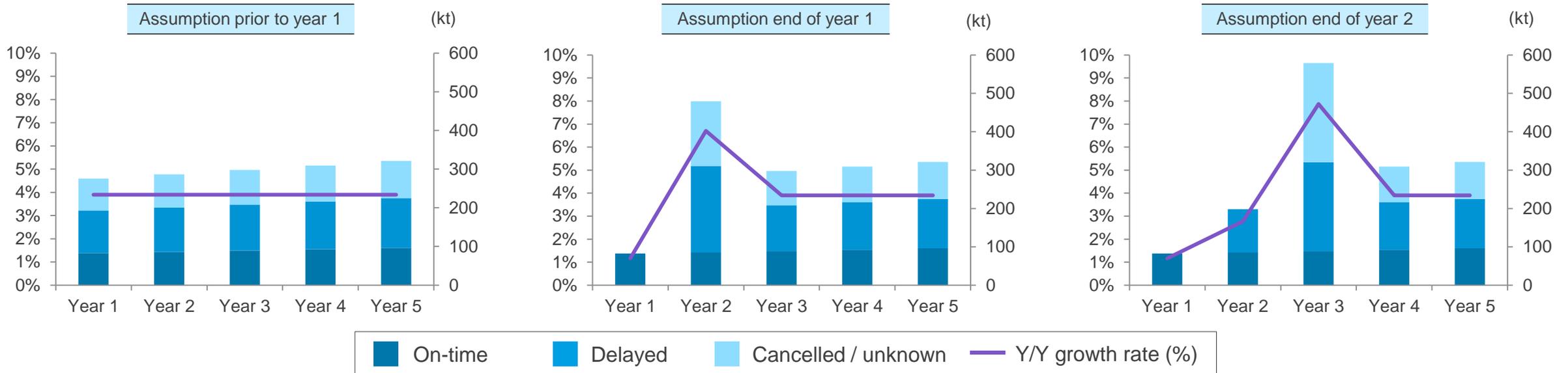


Modeling future supply additions



Illustrative example of the wave effect in supply models

Typical supply model assumes oversupply in the coming year



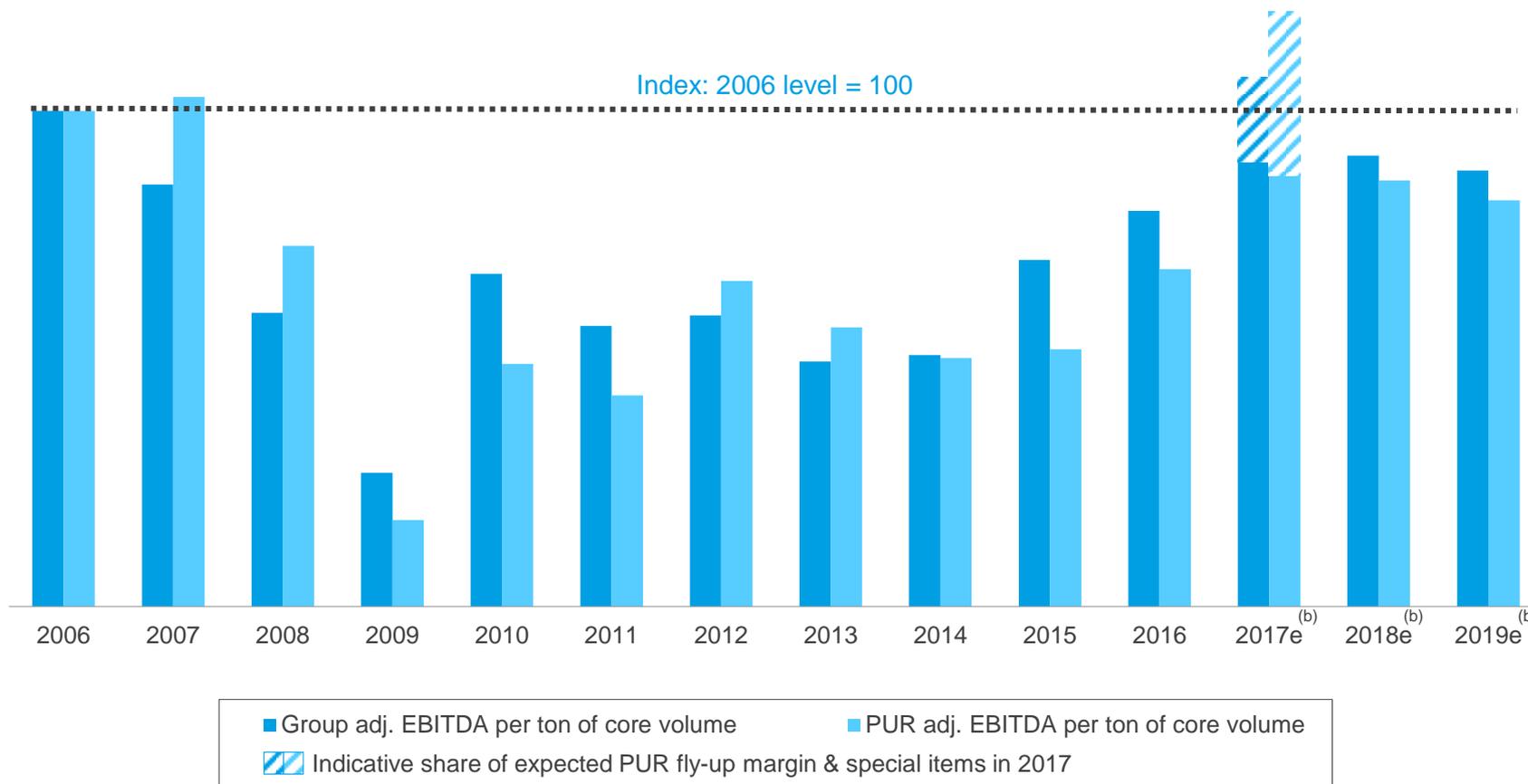
- Supply models are usually based on public information
- Delays and / or cancellations are commonly not announced by companies or publically available
- In models, delayed capacities are moved to the next year, thus add up and create an unreal, inflated level of supply additions in the following years

Adj. EBITDA per ton development

Current earnings levels are not excessive by historic standards



Adj. EBITDA per ton^(a) development



Highlights

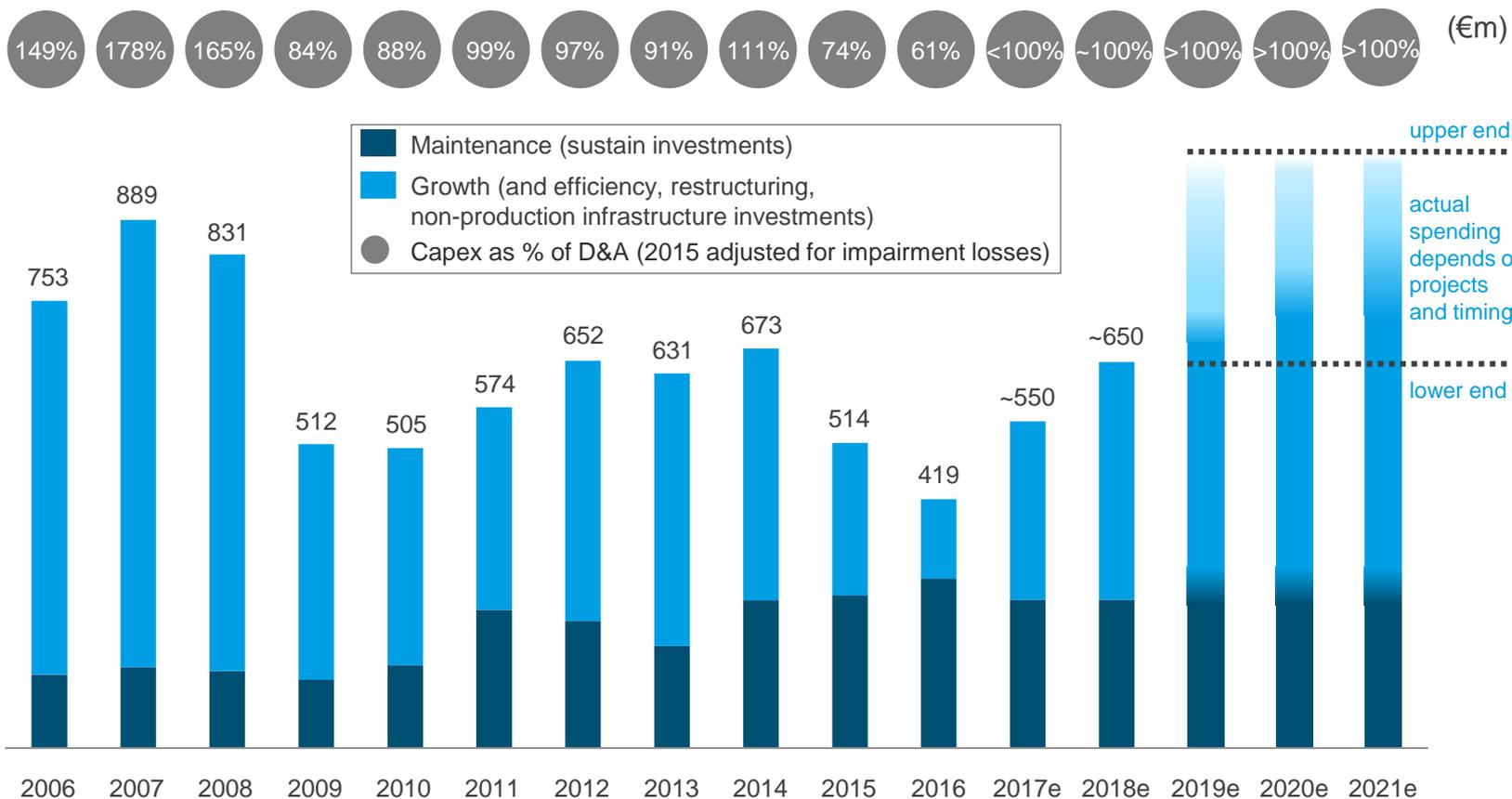
- Several years of high earnings levels recorded prior to 2008 financial crisis
- Global corrections of GDP growth assumptions in 2008 / 2009 resulted in oversupply for many years
- Adjusted industry supply assumptions are now aligned with adjusted GDP growth expectations of 2-3% p.a.
- Comparing asset utilization levels, 2017 and following years are expected to operate on higher levels compared to 2007 and before
- Covestro stand-alone operating costs per ton in mid-term future expected to be lower compared to pre-IPO

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

2017e to 2021e

- Accompany industry growth by adding capacity through smart capex approach

2022e and beyond

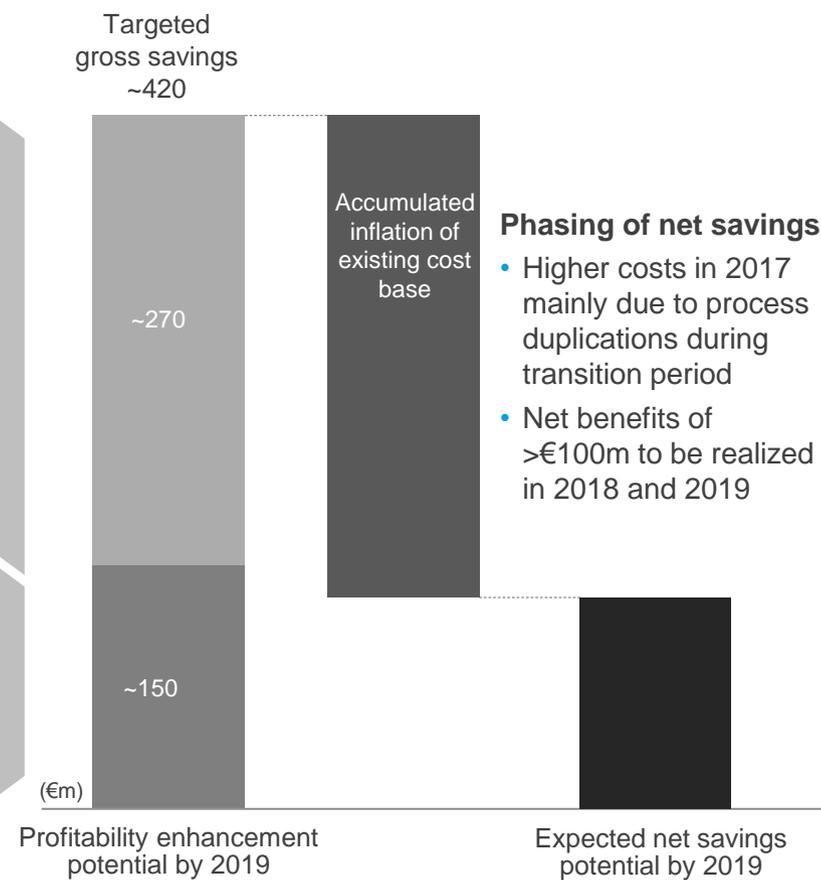
- New growth investments lead to capacity expansions
- Strengthen leading industry positions

Savings potential: structured profitability enhancement program



Net saving expected to start ramping up in 2018

Key Measures			Status
Asset optimization plan	Facility and asset management cost improvements	<ul style="list-style-type: none"> Global initiative to reduce facility and asset management costs More efficient turnaround execution Further operational optimizations 	ongoing
	Asset restructuring / efficiency projects	<ul style="list-style-type: none"> Closure of Belford Roxo TDI EMEA restructuring Site consolidation: closure of South Korea PC sheet production 	executed executed executed
	Continuous improvement	<ul style="list-style-type: none"> In manufacturing area 	ongoing
Cost improvement measures	Corporate overhead cost savings	<ul style="list-style-type: none"> Streamlining IT landscape and services More tailor-made service function designs to replace TSA^(a) with Bayer, e.g. Shared Service Center in Bratislava 	initiated
	BU-level specific savings	<ul style="list-style-type: none"> Streamline sales force and back-office Focus on core areas and customers Consolidation within regional functions, product management and sales Maximize use of existing trade and distribution channels 	ongoing
	Continuous improvement	<ul style="list-style-type: none"> In non-manufacturing area 	ongoing

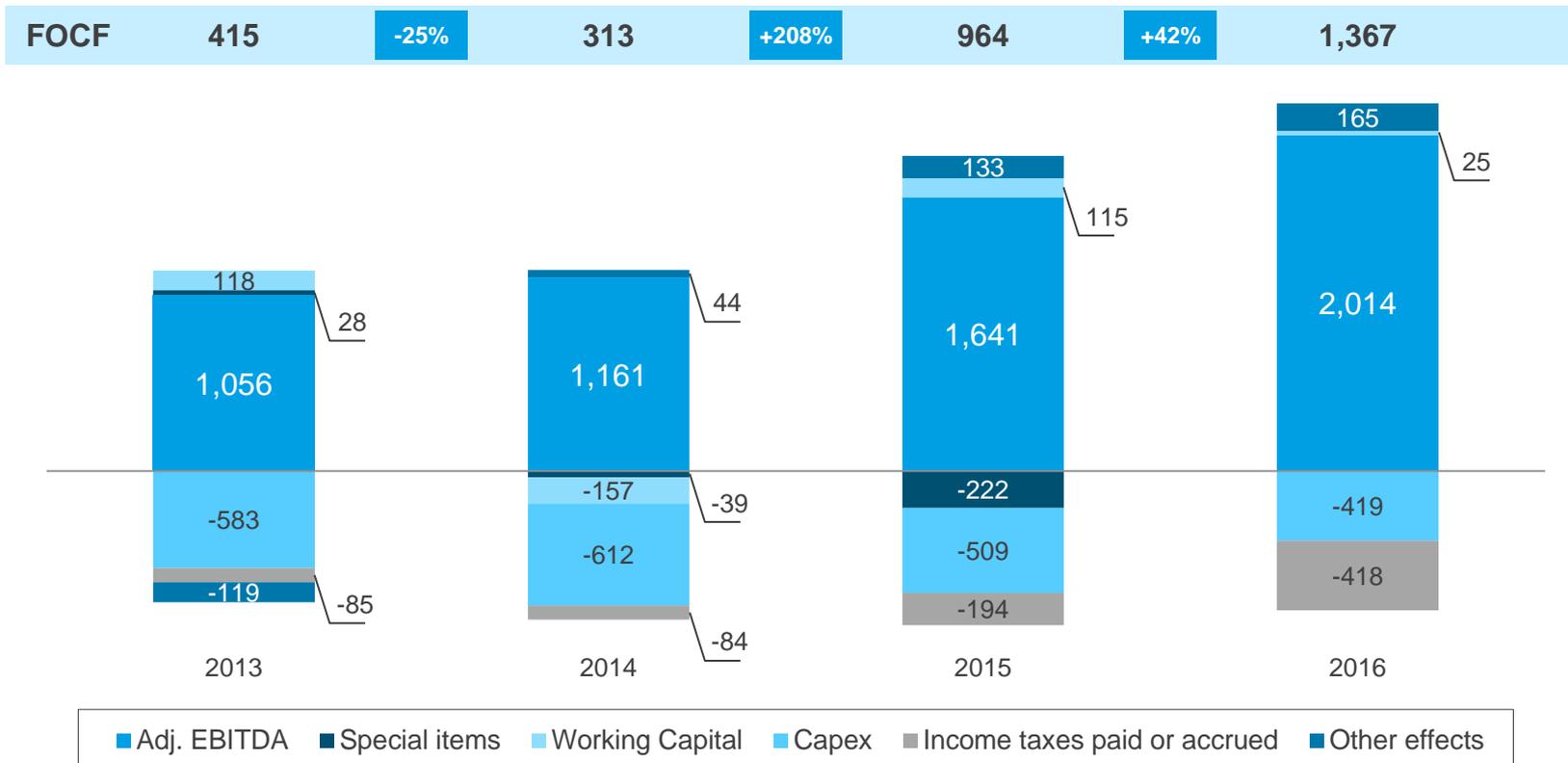


High EBITDA to FOCF conversion rate

Record FOCF in 2015 and 2016

Free operating cash flow development 2013-2016

in € million



Highlights in 2016

- 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% end of 2015, in the targeted range of 15-17%
- Capex of €419m significantly down Y/Y partly due to project delays; 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

Commitment to deliver €5bn cumulative FOCF in next 5 years



Use of free cash flow: value creation and cash return to shareholders

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 acquisitions to boost R&D and business development
- Focus on high margin, differentiated business areas and continuous portfolio optimization

Return to shareholders



- Commitment to return excess cash to shareholders after 24 months without significant M&A activity
- Options of either share buyback or special dividends

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 Commitment to return excess cash to shareholders**
after 24 months without significant M&A activity
- 5 Attractive dividend policy**
with focus on increasing or at least stable dividends going forward

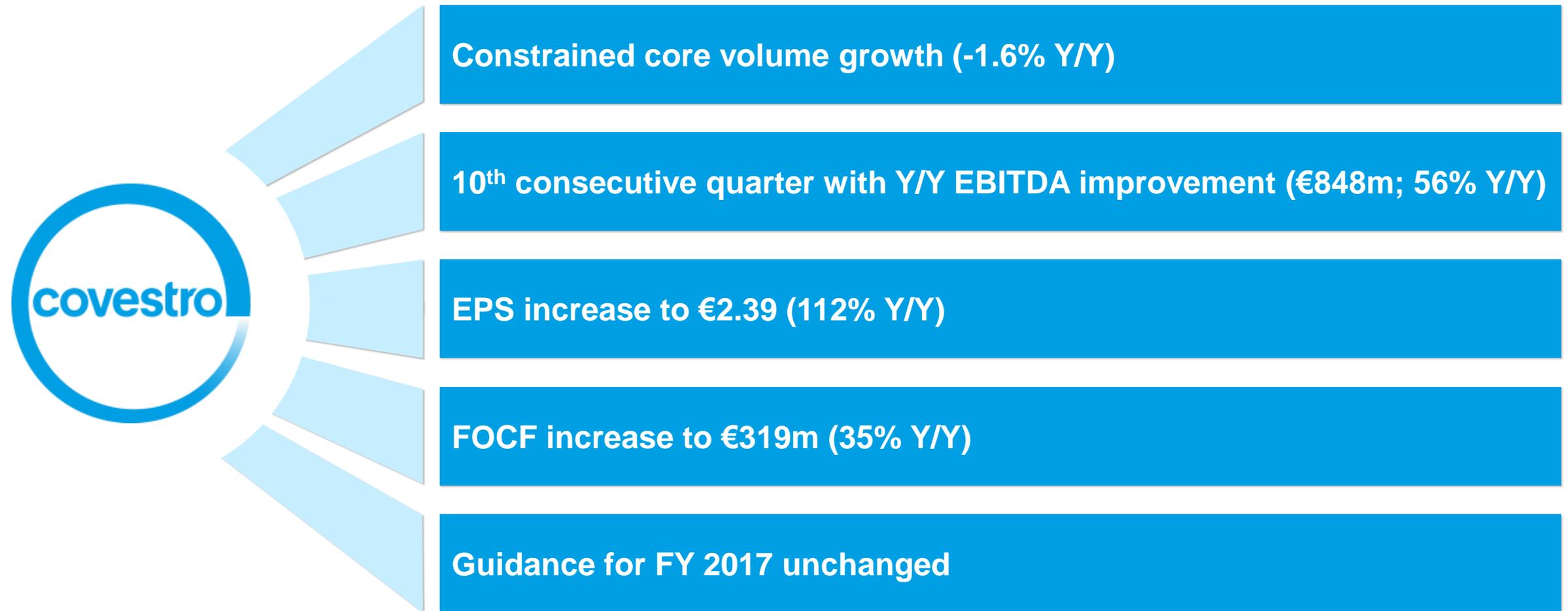


Financial Highlights

Q2 2017

Q2 2017 Key Highlights

Strong earnings momentum continues



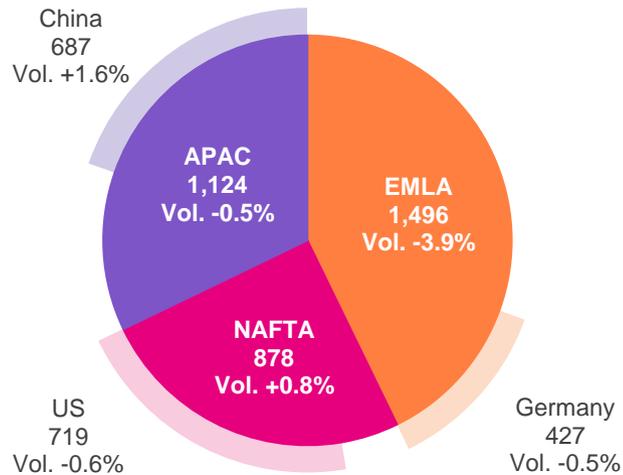
Q2 2017 & 6M 2017 – Sales per Region



Solid volume growth in all regions in 6M 2017

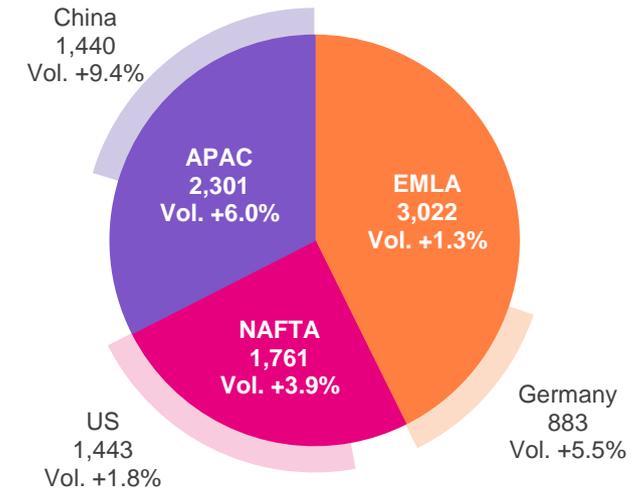
Constrained growth in Q2 2017

in € million /
Core volume
growth Y/Y



Solid growth in 6M 2017

in € million /
Core volume
growth Y/Y



Q2 2017 Highlights

- Core volume growth constrained by product availability
- Supply focus on core applications
- Mid-single-digit growth in automotive driven by APAC and NAFTA

6M 2017 Highlights

- Solid core volume growth of 3.5% Y/Y
- High-single-digit growth in automotive, outgrowing global OEM production growth
- Double-digit growth in medical & other industries, driven by high value added applications

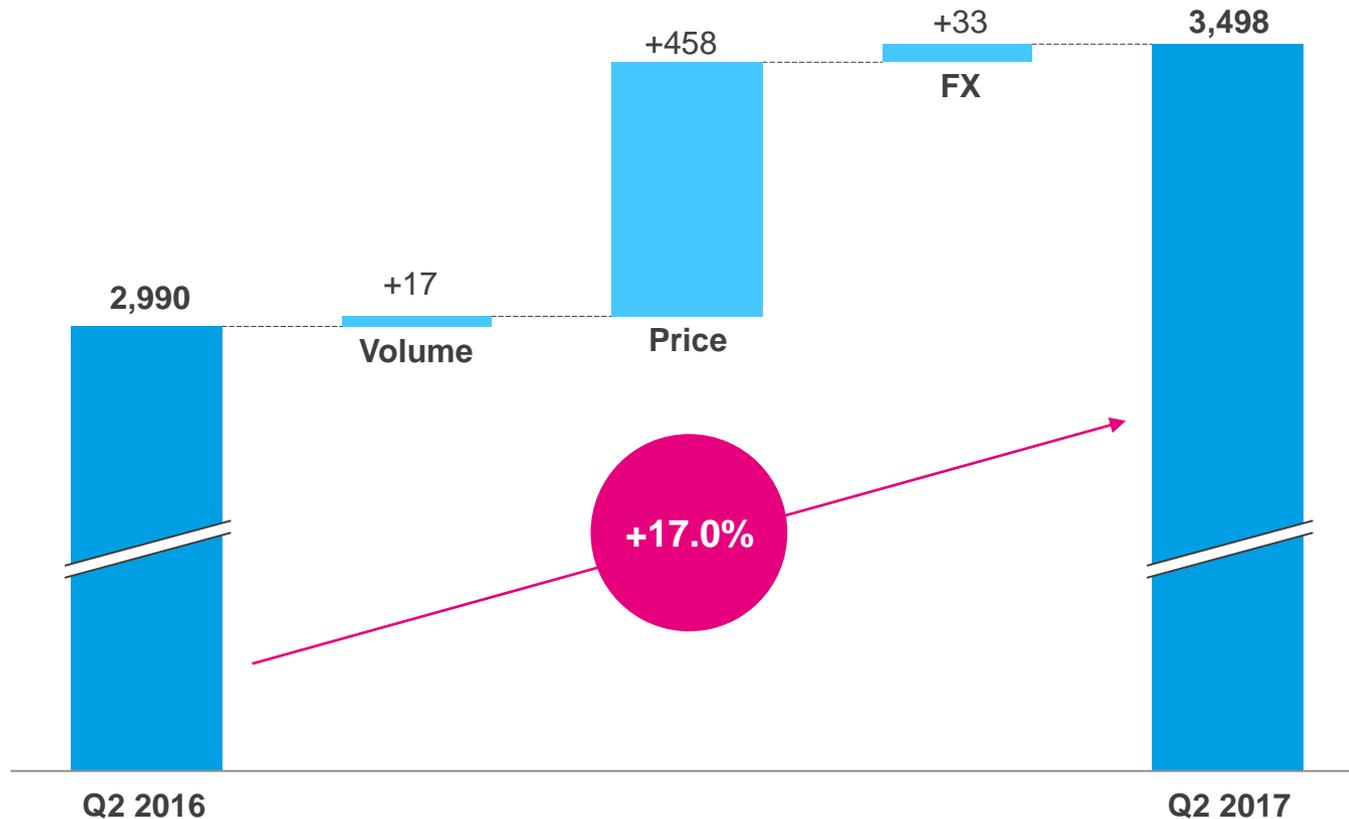
Q2 2017 – Sales Bridge

Constrained volume growth and strong pricing



Sales Bridge

in € million



Highlights

Strong pricing and higher industry utilization

- Higher selling prices positively impacted sales by 15.3% Y/Y

Product mix upgrades

- Core volume growth (in kt) of -1.6% Y/Y
- Total sales volumes (in €) on the level of prior year with +0.6% Y/Y
- Sales volume expansion above core volume growth due to product mix upgrades

Positive FX effects

- Sales benefited from FX by 1.1% Y/Y mainly due to stronger USD

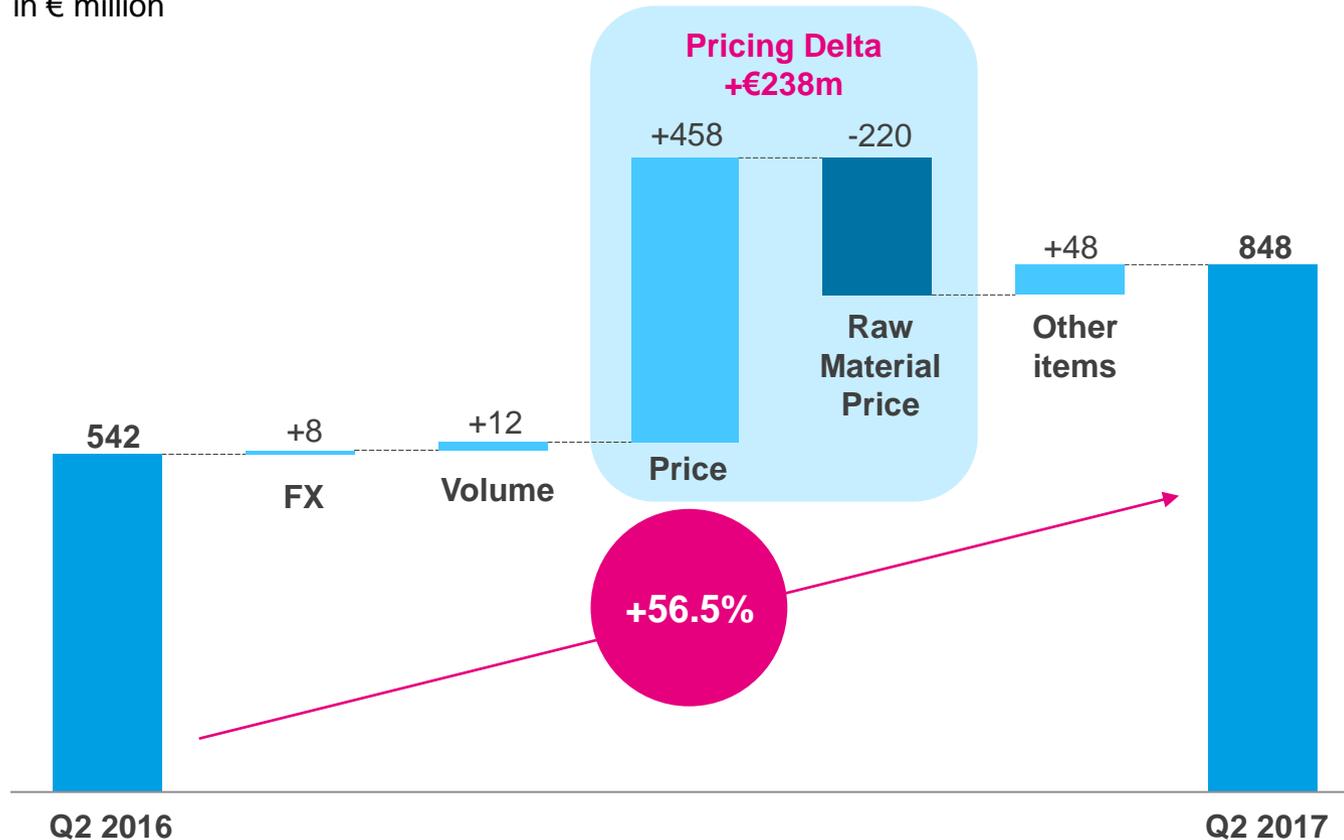
Q2 2017 – EBITDA Bridge

Strong positive pricing delta



EBITDA Bridge

in € million



Highlights

Improving cash margin

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

Positive volume leverage

- Driven by product mix upgrades

Other items

- One-time items of €74m from insurance payments and book gain from disposal

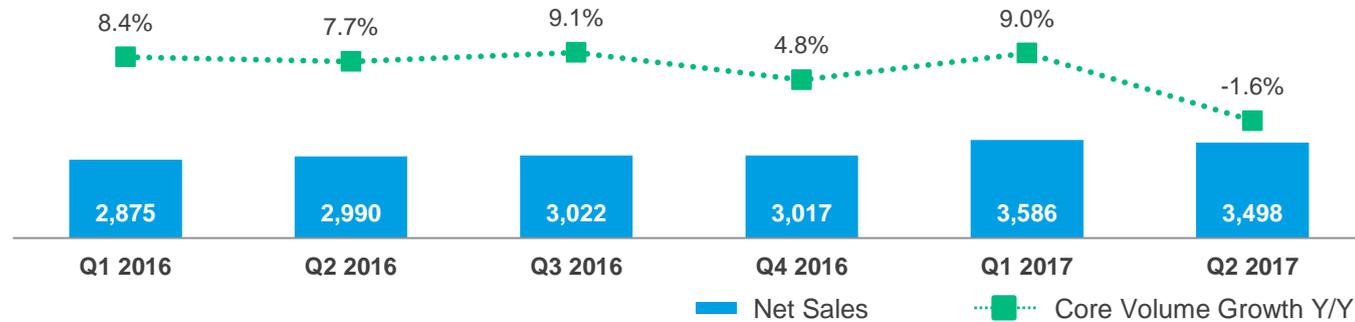
Q2 2017 – Group Results

Continued margin expansion



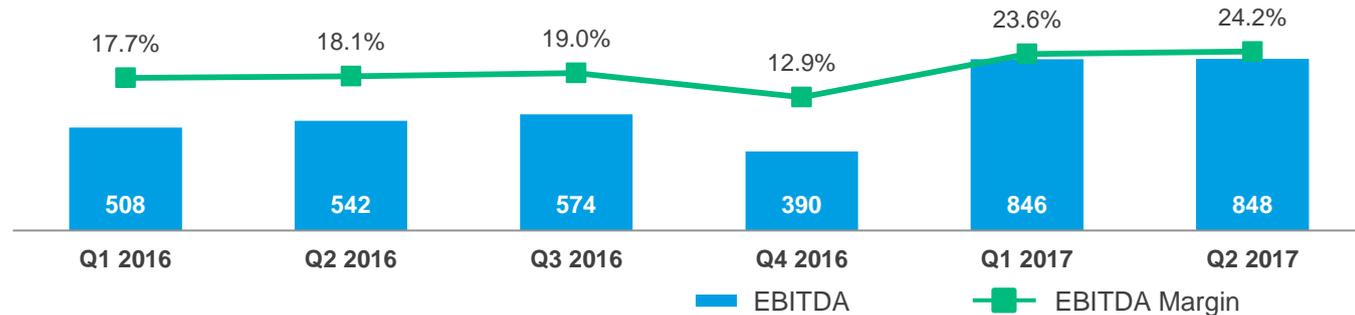
Net Sales and Core Volume Growth

in € million / changes Y/Y



EBITDA and Margin

in € million / margin in percent



Highlights

- Above GDP core volume growth (in kt) of 3.5% in 6M 2017
- Slightly declining core volumes in Q2 mainly due to constrained product availability
- Sales increased by 17% Y/Y in Q2 2017 mainly driven by higher prices

Q2 2017 Highlights

- EBITDA margin improved significantly to 24.2% vs. 18.1% in Q2 2016
- EBITDA margin of 22.1% excluding one-time items
- 10th consecutive quarter with Y/Y EBITDA increase

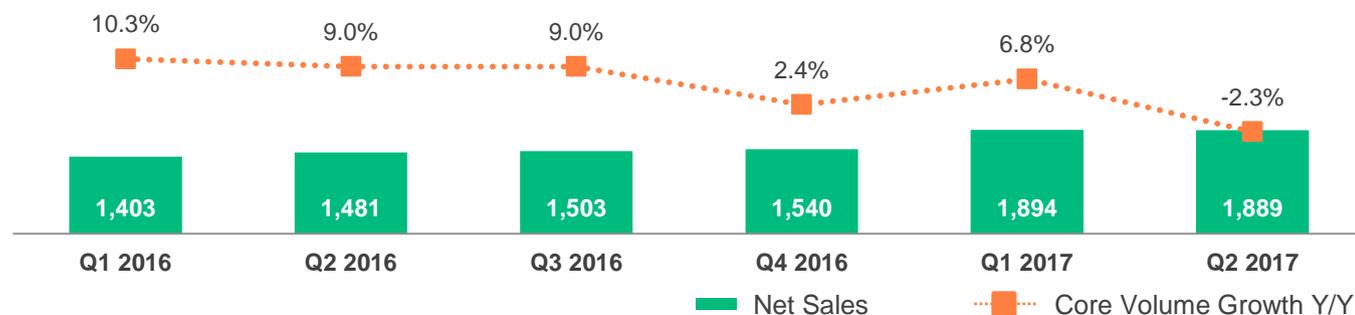
Q2 2017 – PUR Segment Results

Polyurethanes – Structurally improving margins in MDI



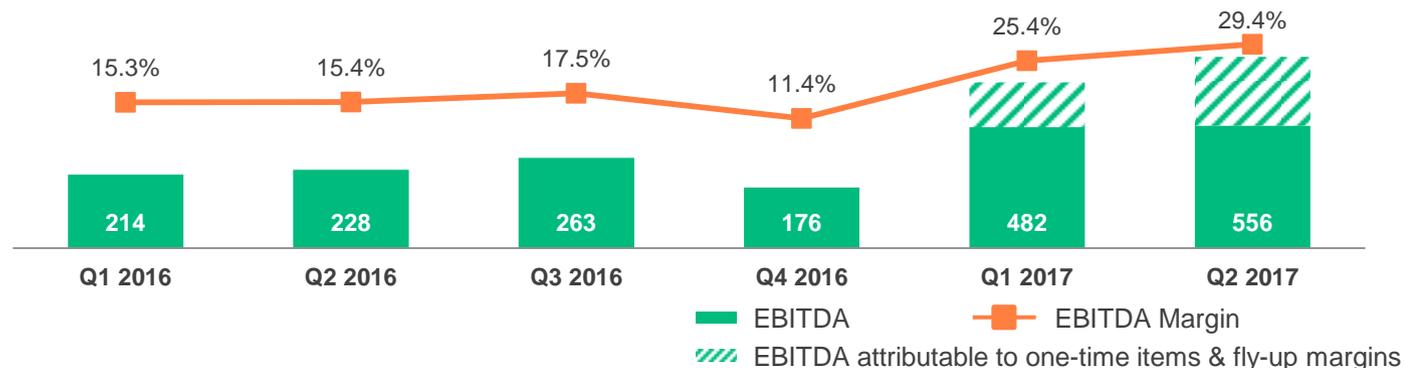
Net Sales and Core Volume Growth

in € million / changes Y/Y



EBITDA and Margin

in € million / margin in percent



Highlights

- Solid core volume growth of 2.1% Y/Y in 6M 2017
- Slight core volume decrease of 2.3% Y/Y in Q2 due to constrained product availability
- Selling prices increased by 27% Y/Y in Q2 2017

Q2 2017 Highlights

- EBITDA increased by 144% Y/Y with a margin of 29.4% vs. 15.4% in Q2 2016
- Helped by one-time items of €74m
- Fly-up margins (mainly in TDI) are positively impacting Q1 and Q2

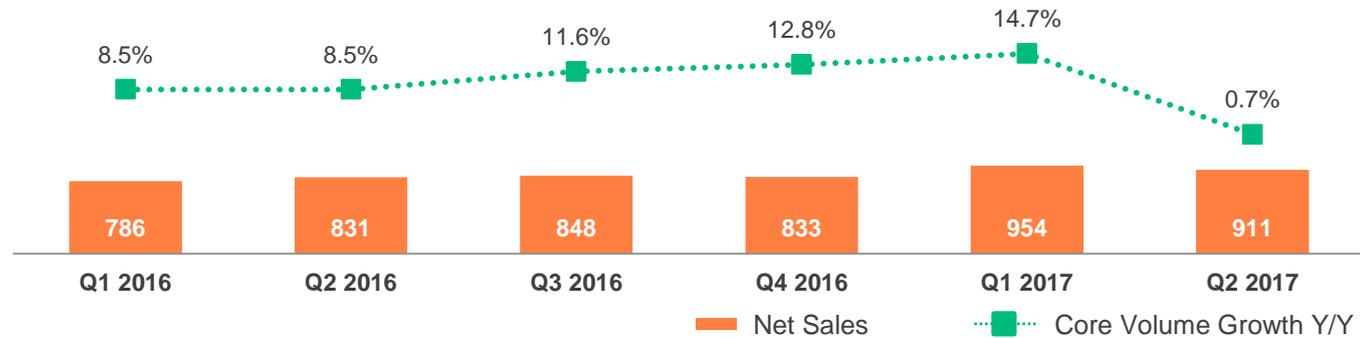
Q2 2017 – PCS Segment Results

Polycarbonates – Steady high margin business



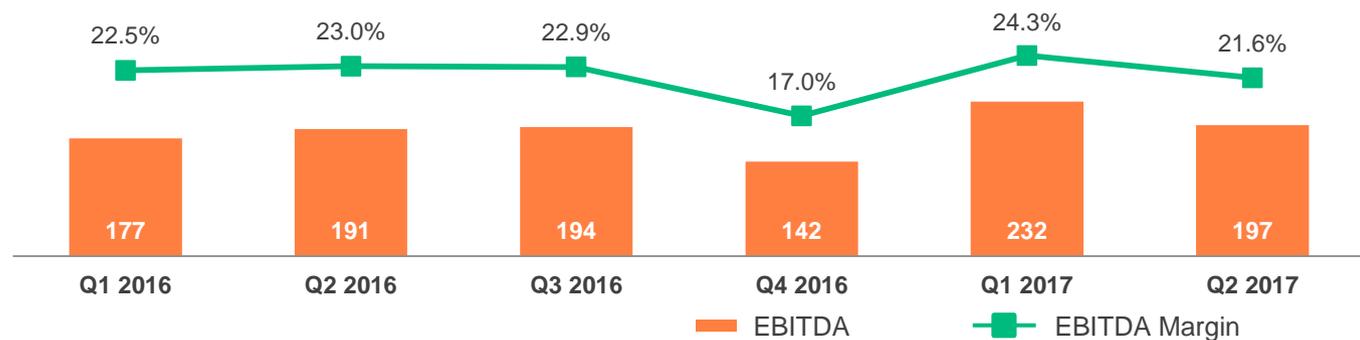
Net Sales and Core Volume Growth

in € million / changes Y/Y



EBITDA and Margin

in € million / margin in percent



Highlights

- Strong core volume growth of 7.5% Y/Y in 6M 2017
- Core volumes stable with 0.7% Y/Y in Q2 2017 due to high prior-year basis
- Sales increase by 9.6% Y/Y in Q2 2017, driven by volumes and prices

Q2 2017 Highlights

- EBITDA increased by 3.1% Y/Y due to product mix improvements, compensating higher raw material costs
- Announced price increases expected to balance negative raw material impact in H2 2017

Q2 2017 – CAS Segment Results

Coatings, Adhesives, Specialties – Quarter affected by volume phasing



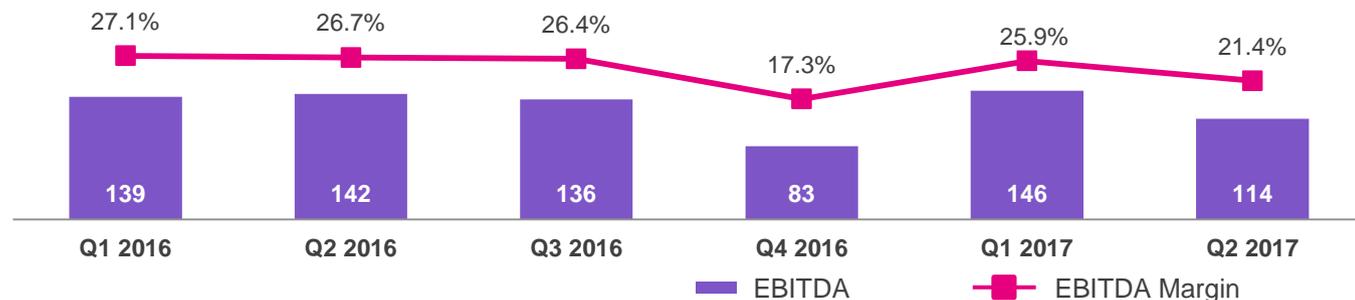
Net Sales and Core Volume Growth

in € million / changes Y/Y



EBITDA and Margin

in € million / margin in percent



Highlights

- Solid core volume growth of 2.3% Y/Y in 6M 2017
- Core volumes decreased by 3.0% Y/Y in Q2 2017 due to pre-buying in Q1 2017
- First time in 9 quarters, increase of selling prices Y/Y in Q2 2017

Q2 2017 Highlights

- EBITDA decreased by 19.7% Y/Y due to:
 - higher raw material costs
 - lower sales volumes
 - phasing of price increases
- Temporarily lower margin below par in Q2

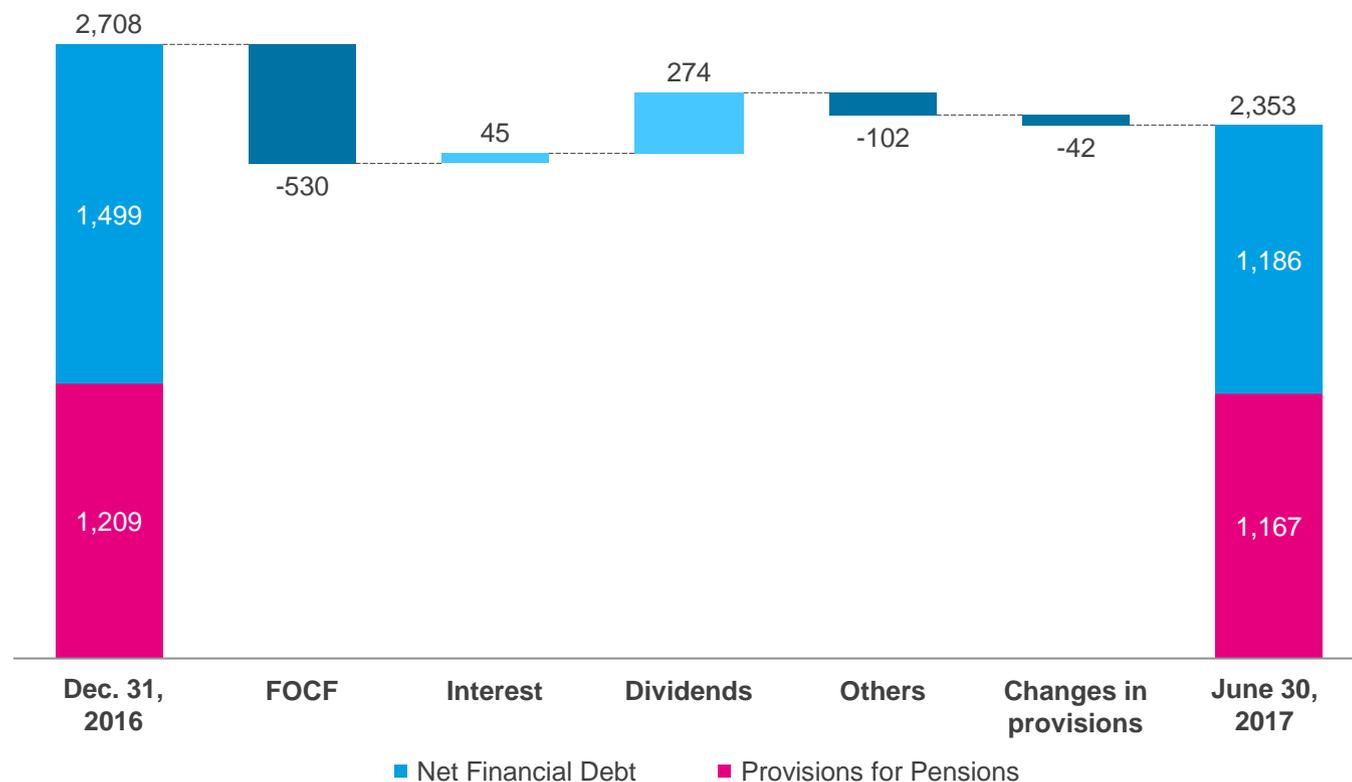
June 30, 2017 – Total Net Debt

Strong balance sheet



Total net debt

in € million



Highlights

- Total net debt to EBITDA ratio^(a) slightly reduced to 0.9x
- Pension provisions decreased slightly to €1,167m due to higher interest rates in Germany
- Equity ratio further improved to 45%

Guidance 2017

Fully on track



	FY 2016	Guidance FY 2017 ^(a)	1-6 2017
Core Volume Growth	+7.5%	Low- to mid-single-digit percentage increase Y/Y	+3.5%
FOCF	Ø 2014-2016: €881m	Significantly above the average of the last three years	€530m
ROCE	14.2%	Significantly above the 2016 level	n.a.
Additional financial expectations	FY 2016	Guidance FY 2017 ^(a)	1-6 2017
EBITDA 2017 FY	€2,014m	Significantly above 2016	€1,694m
EBITDA 2017 Q3	Q3: €574m	Significantly above Q3 2016	n.a.
D&A	€683m	~€650m	€319m
Financial results	€-196m	~€-180m	€-88m
Effective tax rate	29.0%	~28%	25.8%
Capex	€419m	~€550m	€166m

Upcoming IR Events

Find more information on investor.covestro.com



Reporting dates

- | | |
|---------------------|----------------------------|
| • October 24, 2017 | Q3 2017 Interim Statement |
| • February 20, 2018 | Q4 & FY 2017 Annual Report |
| • April 26, 2018 | Q1 2018 Interim Statement |

Annual General Meeting

- | | |
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| • April 13, 2018 | Annual General Meeting, Bonn |
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Broker conferences

- | | |
|-------------------------|---|
| • August 29, 2017 | Commerzbank Sector Conference, Frankfurt |
| • September 12, 2017 | Credit Suisse 30th Annual Basic Materials Conference, New York |
| • September 18-19, 2017 | Berenberg and Goldman Sachs 6th German Corporate Conference, Munich |
| • September 20, 2017 | Baader Investment Conference, Munich |
| • September 28, 2017 | J.P. Morgan Investor Forum, Milan |



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