



Securing profitable growth in challenging times

Roadshow presentation

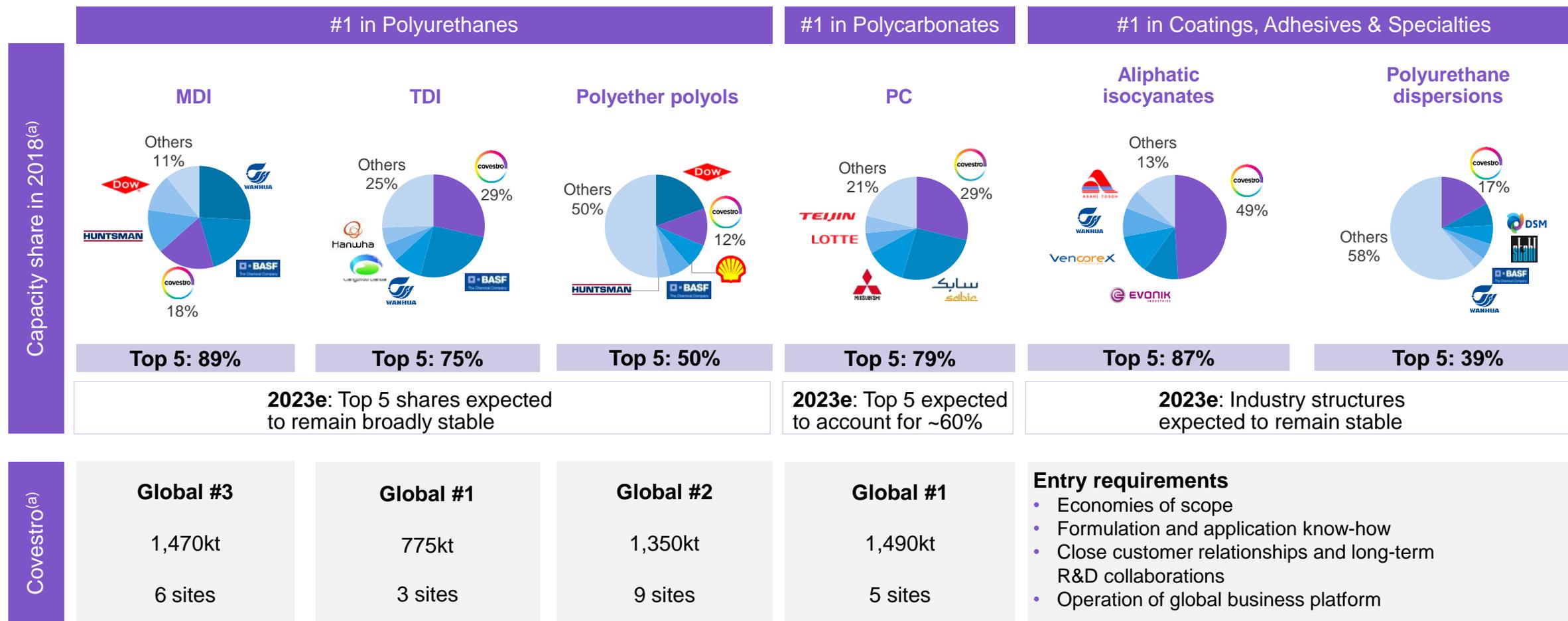


- **Covestro investment highlights**
- **Group Financials Q3 2019**
- **Segments overview**
- **Background information**

Covestro as global leader across its entire portfolio



World-wide industry positions and production capacities



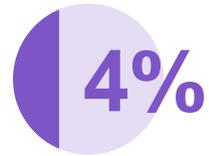
Covestro is diversified across geographies and end-markets



Key performance indicators and sales split



Sales
2018



Core volume growth
CAGR 2014-2018



FOCF
2018

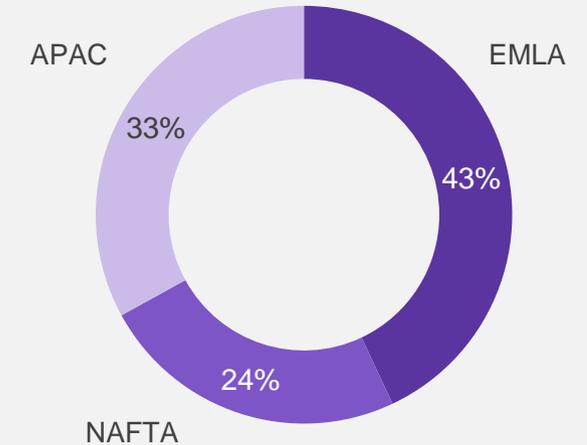
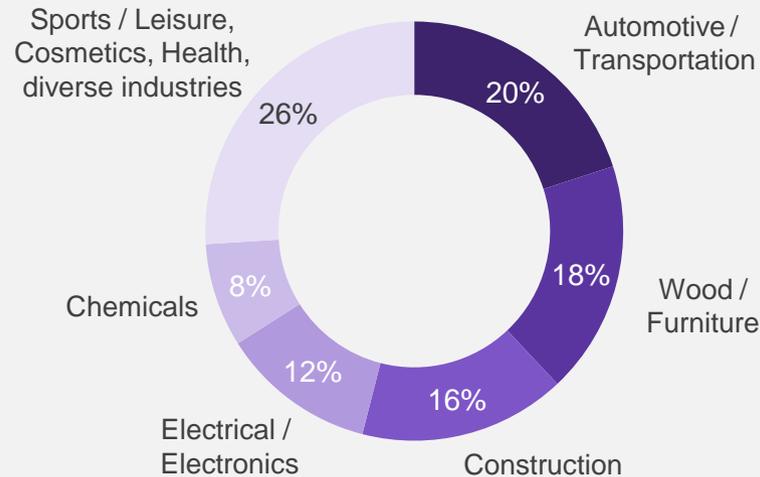
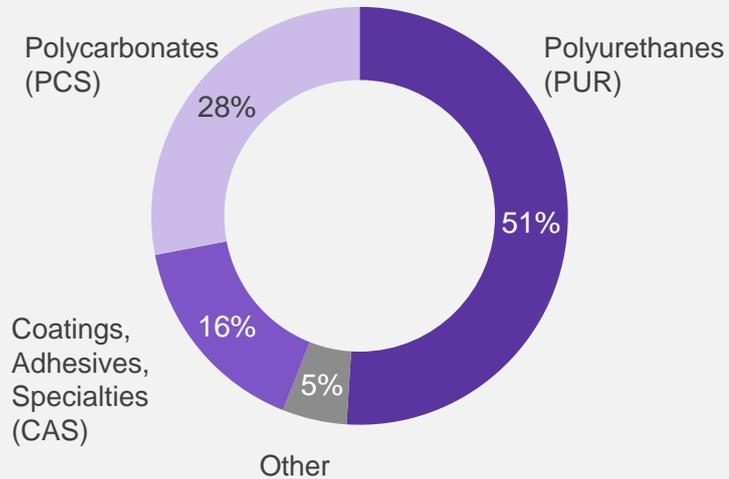


ROCE
2018



EBITDA
2018

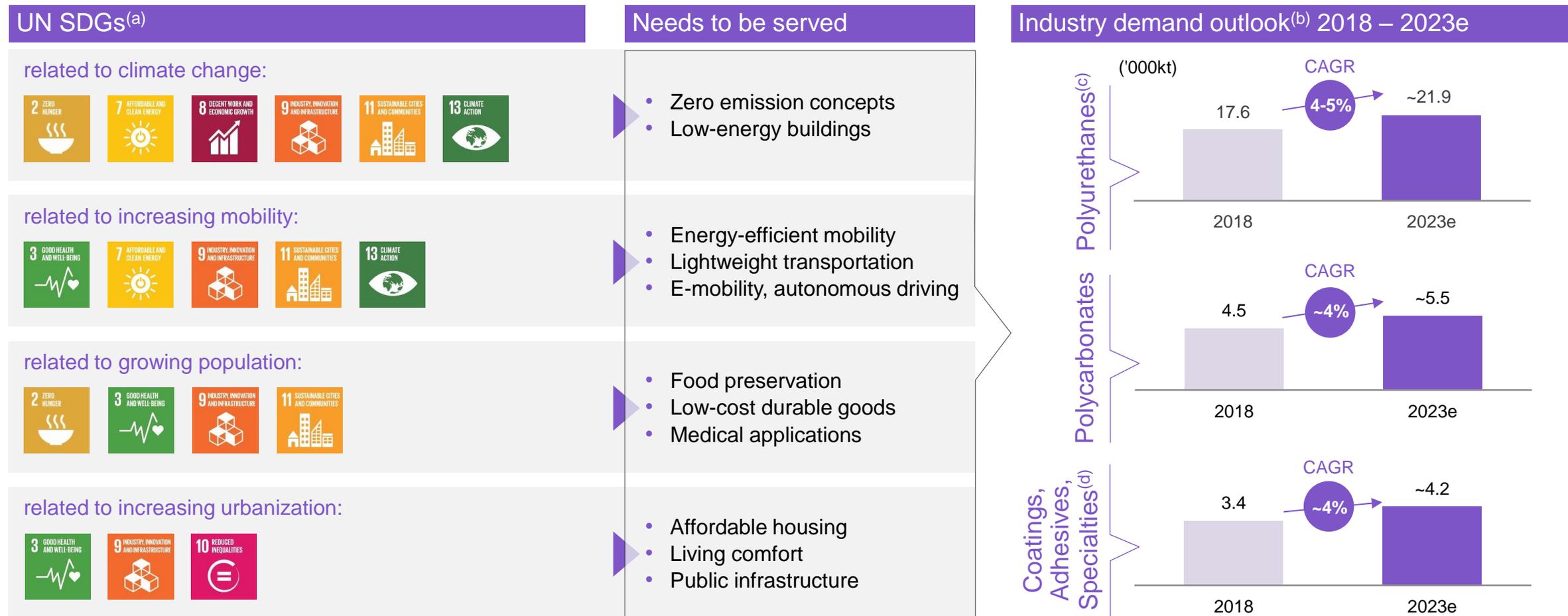
2018 sales



Covestro's industries grow above global GDP



Growth drivers and industry demand outlook

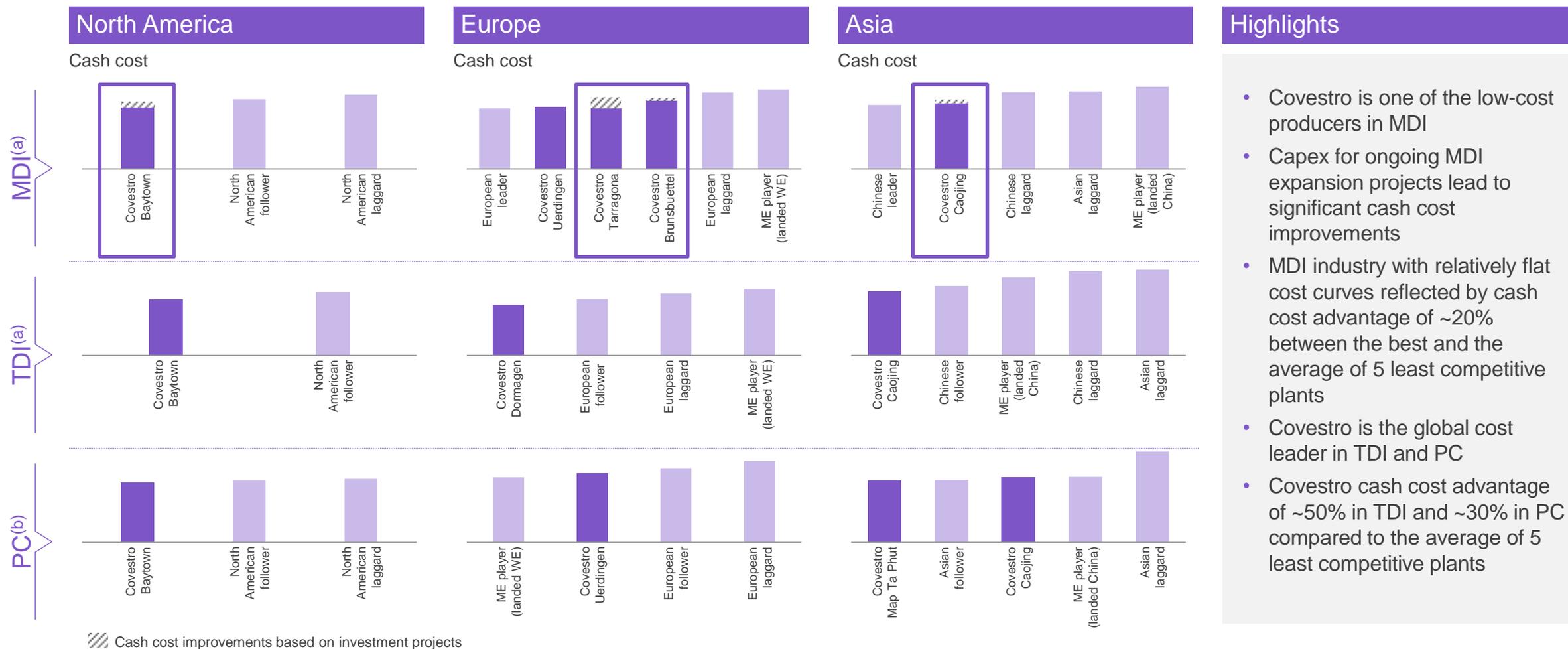


(a) Most impacted goals out of 17 Sustainable Development Goals, set by the United Nations' "2030 Agenda for Sustainable Development"
 (b) Assumes global GDP CAGR 2018 - 2023e of 2 - 3% as per Covestro estimates; (c) Comprises MDI, TDI and polyether polyols
 (d) Shows PU raw materials industry demand in coatings, adhesives and sealants (excl. architectural/textile coatings and solvent-borne polyacrylates); additionally TPU, elastomers and PC/TPU films

Leading cost positions across business segments and regions



Covestro cash cost positions

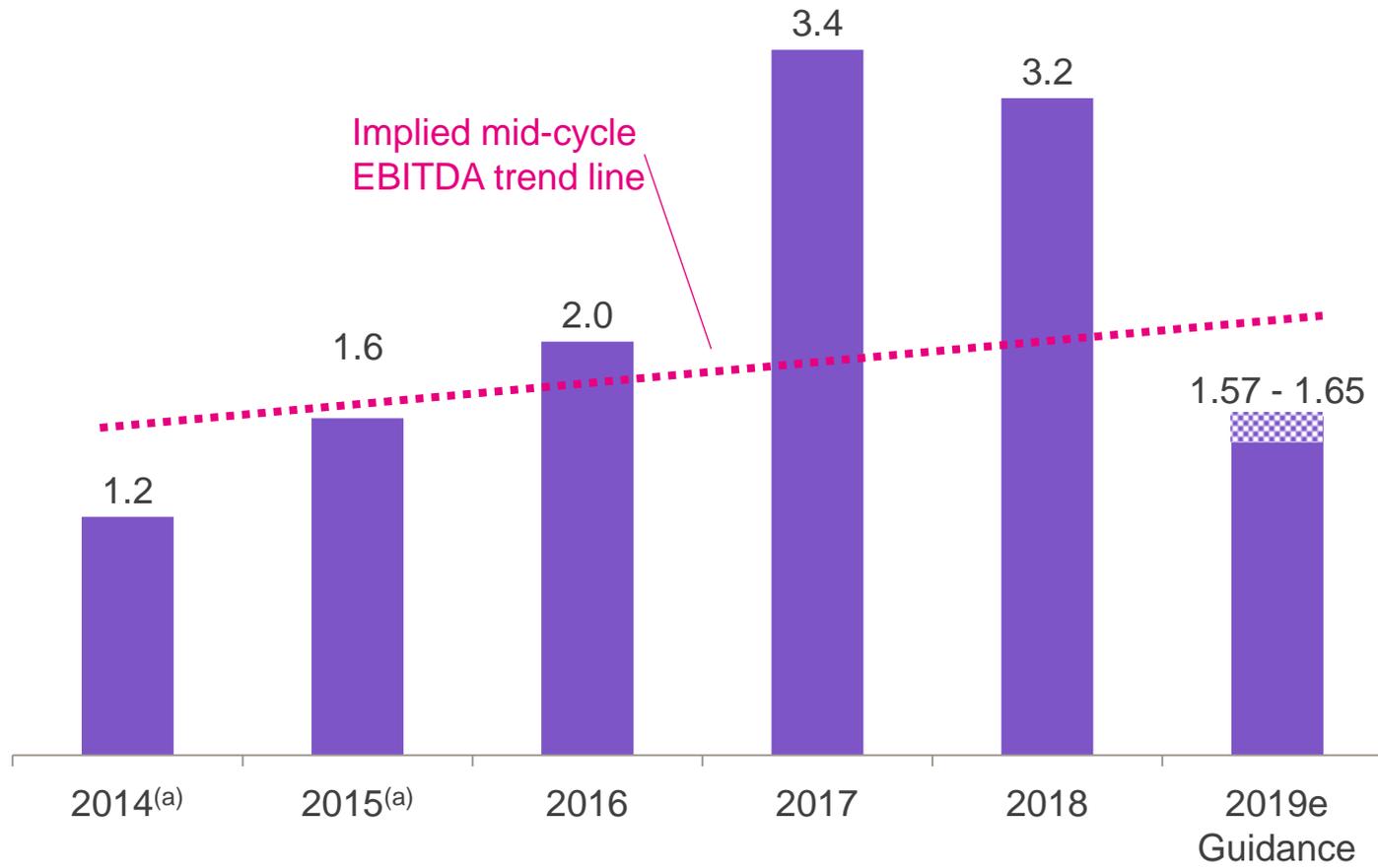


Current earnings below mid-cycle levels

EBITDA development between 2014 and 2019e



in € billion



Highlights

- 2014 below mid-cycle levels due to excess industry supply
- 2017 and parts of 2018 with strong demand growth and favorable industry supply-demand balance
- 2019 below mid-cycle levels as weaker demand and unfavorable industry supply-demand balance lead to margin pressure
- 18.6% average ROCE clearly above 6.9% average WACC (in 2014 - 2018), with ROCE low of 6.2% in 2014 and ROCE high of 33.4% in 2017
- Expected ROCE of 8 - 10% in 2019 above WACC

Significant EBITDA increase under similar conditions

EBITDA bridge between 2014 and 2019e



in € billion



Highlights

- Track record of growing core volumes above global GDP at ~4% CAGR in 2014 - 2018
- Corresponding average volume leverage^(a) of ~45% translates into c. €200m additional EBITDA p.a.
- Average net EBITDA addition of c. €100m p.a. after deducting “other items”
- The increase in “other items” was mainly driven by dis-synergies after the IPO, annual labor cost inflation and capex-related expenses
- Covestro targets to limit future increases of “other items” with the help of the ‘Perspective’ cost-cutting and efficiency program

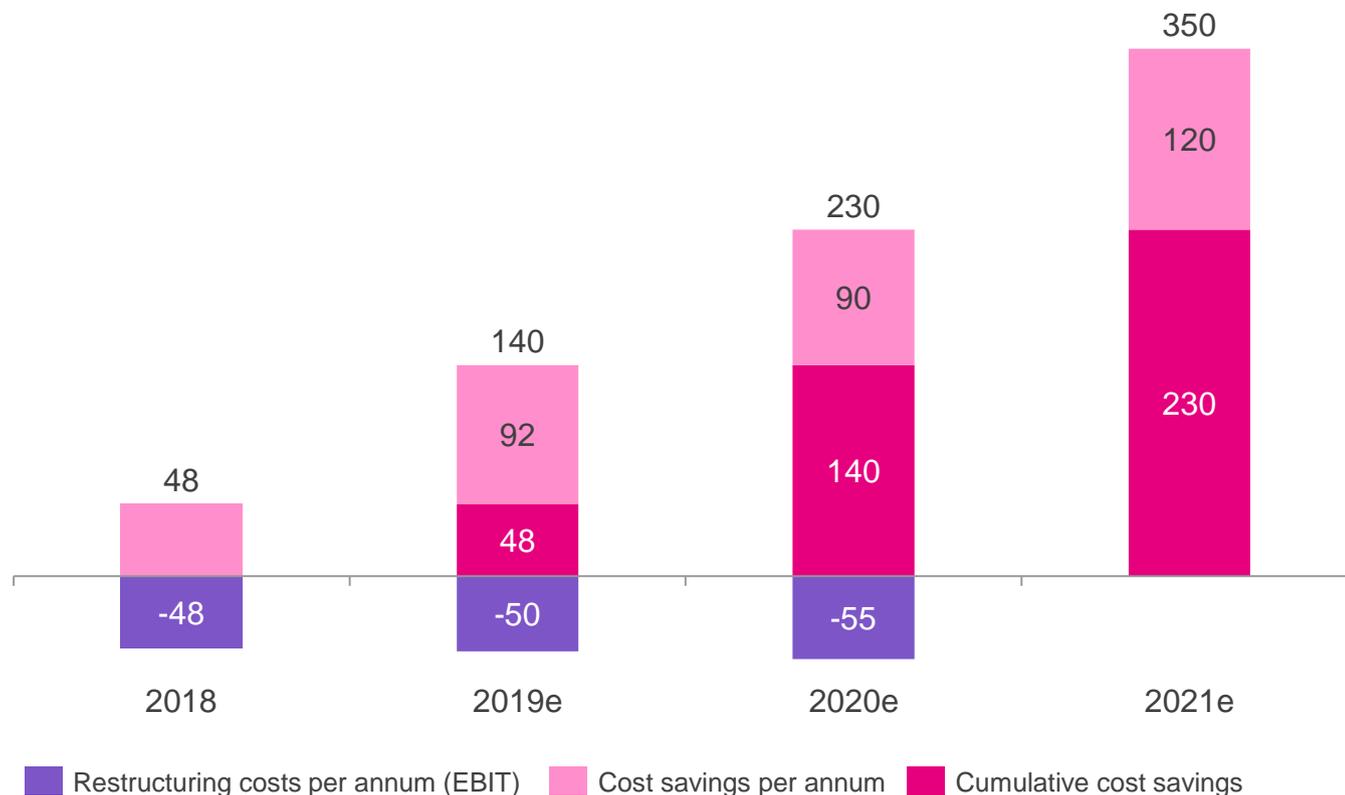
Execute cost-cutting, reduce headcount in non-production areas



Expected cumulative savings and restructuring costs

Progress on “Perspective” program

Approximations, in € million



Highlights

- Cumulative savings of around €350m planned until end of 2021e
- Reduction of ~900 FTE globally in non-production areas, to be carried out by way of socially acceptable solutions
- Functional areas: E2E supply chain, procurement, commercial, general and administration
- Driving efficiency by adapting business unit and corporate level structure to market needs: streamline standard businesses, extend differentiation and maximize portfolio synergies
- Expected increase of FTE in production areas

Management adapts organizational structure to market needs



Efficiency measures in execution

Driving efficiency

Streamline standard businesses



Internal bundling of standard businesses and strong cost focus with initiatives along entire value chain

Extend differentiation



Focused customer-centric technical and commercial capabilities, dedicated venturing structures and digital services

Maximize portfolio synergies



Implement central marketing organization and other cross-BU synergies at corporate level

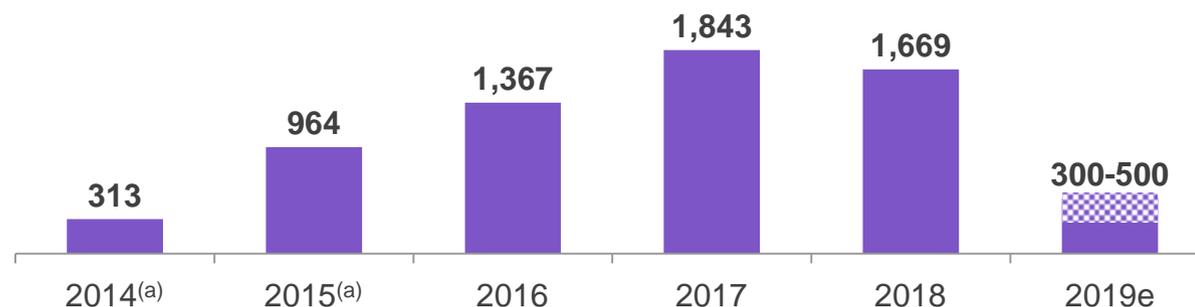
Adapted business unit and corporate level structure to market needs and execute “Perspective” efficiency program

Covestro generates strong FOCF across the cycle



Historical FOCF development and 2019 guidance

in € million



EBITDA	1,161	1,641	2,014	3,435	3,200	1,570 – 1,650
Changes in WC	-157	+115	+25	-475	-167	Expected positive
Income taxes paid	-84	-230	-418	-510	-574	CTR > ETR
Other effects^(b)	+5	-53	+165	-89	-83	Expected negative
Capex^(c)	-612	-509	-419	-518	-707	c. -900

Highlights 2018

- Solid EBITDA to FOCF conversion rate at 52%
- Working capital (WC) to sales ratio slightly up at 16.2% in 2018 vs. 15.4% in 2017, within the targeted range of 15 - 17%

Guidance 2019

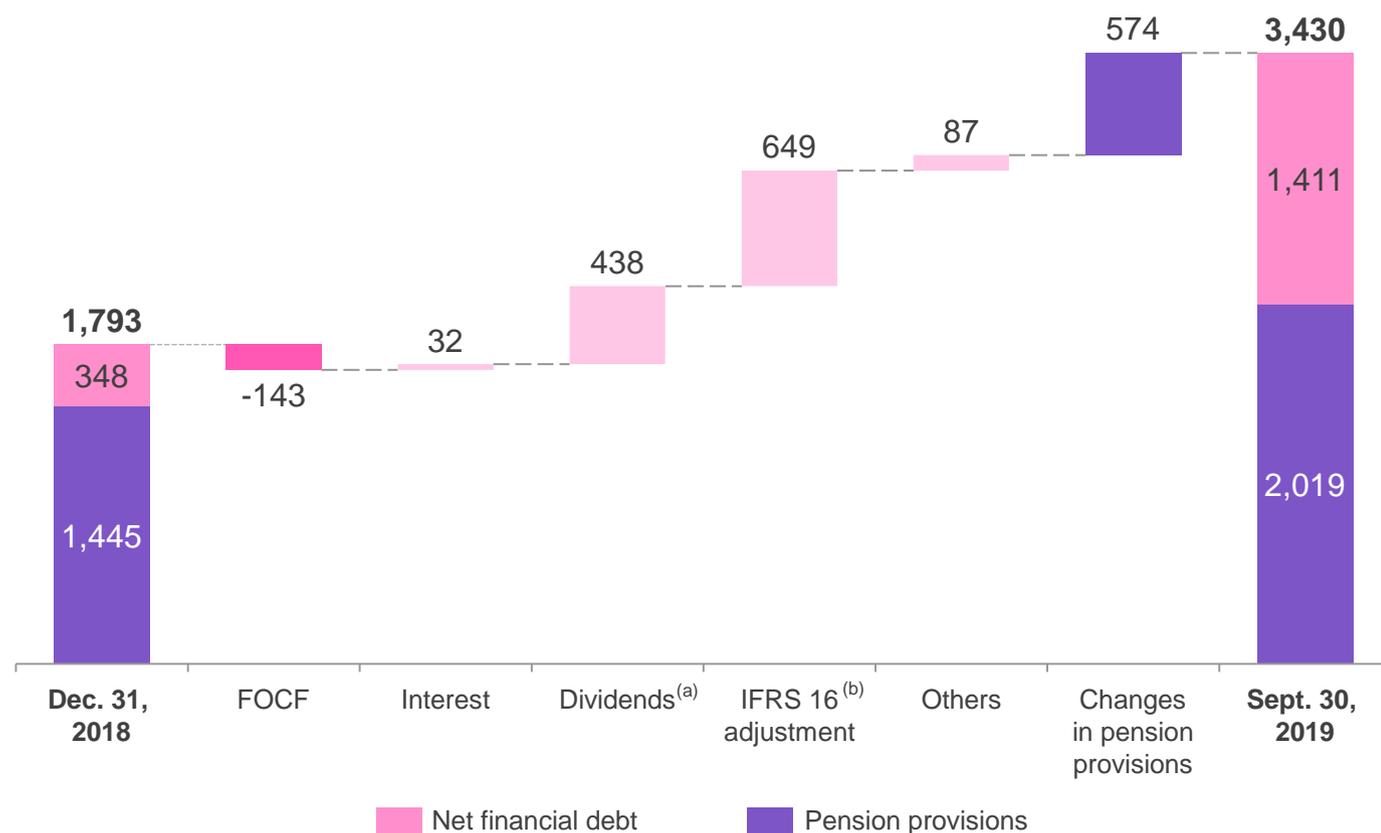
- EBITDA to FOCF conversion rate down to around 20 - 30%
- Capex^(b) of ~€900m up Y/Y with focus on growth investments
- Cash out of ~€350m for 2018 bonus payments
- Cash tax rate expected above P&L tax rate due to phasing of tax payments

Total net debt impacted by IFRS 16 and pension provisions



Total net debt as of September 30, 2019

in € million



Highlights

- Positive FOCF contribution reduced net financial debt
- Dividends of €438m paid out in Q2 2019
- Application of IFRS 16 increased net financial debt by €649m
- Pension provisions increased by €574m, mainly resulting from the lower discount rate in Germany
- Total net debt to EBITDA ratio^(c) of 2.1x end of Q3 2019 vs. 0.6x end of 2018, mainly due to IFRS 16 adoption and increase in pension provisions

Capital allocation focused on value creation

Clear set of priorities



Commitment

Dividend policy



- Progressive policy: increase or keep at least stable
- For FY 2018 dividend payment of €2.40 per share:
 - increase of 9% Y/Y
 - payout amount of €438m

Focus

Capex



- Industry and cost leadership make growth investments most value-creating use of cash
- Growth capex focuses mainly on CAS, MDI and PCS
- Maintenance capex to secure safe, reliable and efficient operations

Opportunities

Portfolio



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

Return to shareholders



- Return excess cash to shareholders
- New authorization for share buy-back program for up to 10% of share capital available for the next 5 years

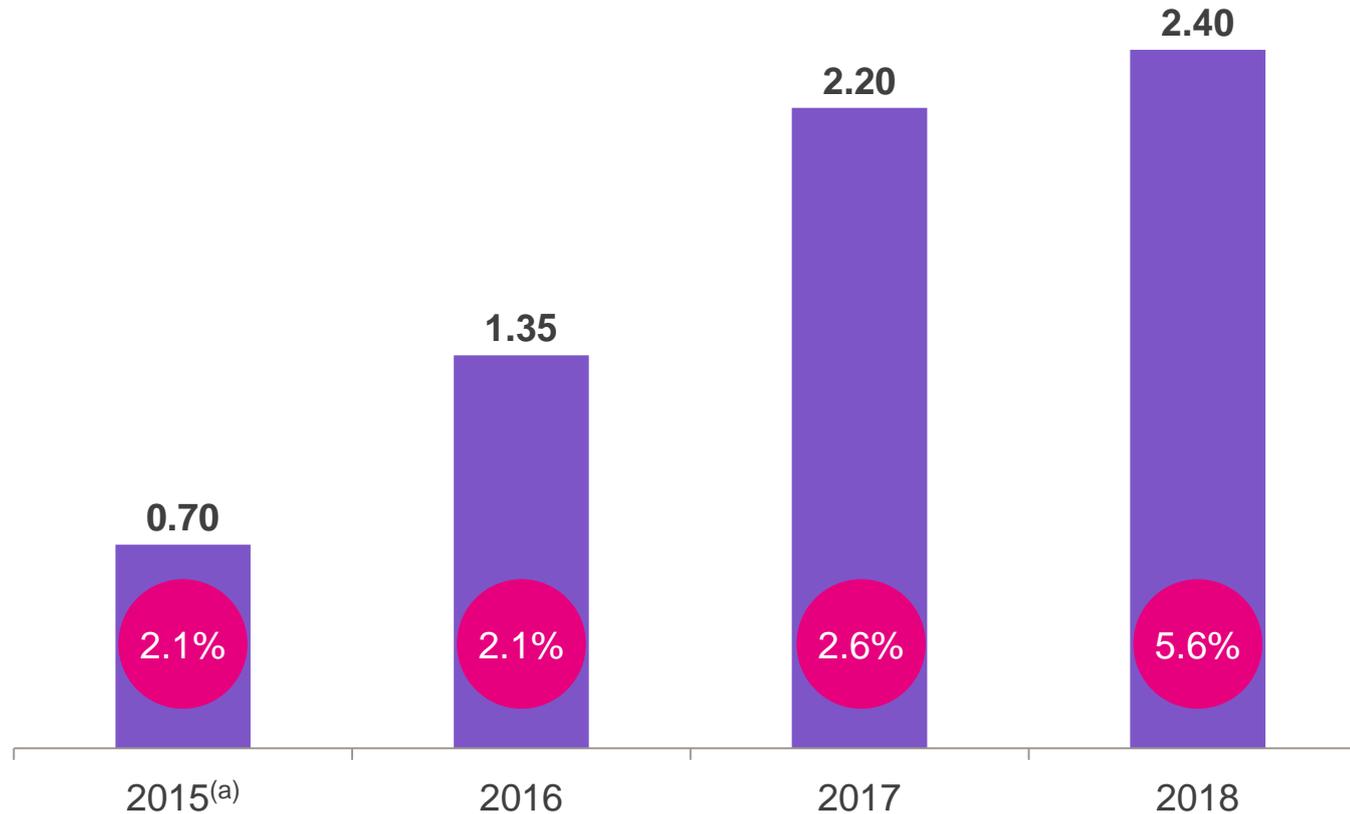
Decision based on highest value creation

Dividend per share to increase or keep at least stable



Historical dividend development

Dividend payout per share in €
Dividend yield in %^(b)



Highlights

- Progressive policy: increase dividend per share in every year or keep at least stable
- For FY 2018 the dividend per share amounted to €2.40
- Dividend per share increase of 9% Y/Y
- Corresponding total payout amount of €438m^(c)

Value-creating investments secure profitable growth



Key capacity expansion projects



Scale and efficiency in Europe: +250kt MDI plus backbone

- Brunsbüttel, Germany: economic doubling of MDI capacity from 200kt to 400kt
- Tarragona, Spain: debottlenecking from 170kt to 220kt and backward integration with own chlorine production
- Antwerp, Belgium: own aniline supply
- Estimated costs: mid-to-high triple-digit Euro million
- Start-up: gradually until 2022e



Optional debottlenecking in China: +200kt PC

- Currently 400kt with planned expansions to 600kt, through debottlenecking of existing production lines
- Economic capacity expansion to maintain scale and cost leadership in PC industry
- Estimated costs: low-triple-digit Euro million
- Start-up: gradually until 2022e



New world-scale plant in USA: +410kt MDI plus backbone

- New plant to expand Covestro's Baytown capacity from currently 330kt p.a. to 740kt p.a. by 2024e
- Replacement of 90kt sub-scale plant, in operation since 1974, to extend leading cash cost position with highly efficient world-scale plant
- Estimated costs: around €1.5bn
- Start-up: ≥ 2024e



Specialty Films: capacity expansion

- New co-extrusion production lines for high-quality specialty films in Germany, Thailand and China
- Rationale: invest in growth business of multi-layer specialty films
- Estimated costs: low-triple-digit Euro million
- Start-up: 2021e

ESG ambitions support growth strategy

Covestro non-financial targets for 2025



1 R&D project portfolio to be aligned with UN Sustainable Development Goals



2 100% of suppliers to be compliant with our sustainability requirements



3 Reduce specific greenhouse gas emissions by 50%



4 Help ten million people in underserved markets with sustainable solutions



5 Getting the most out of carbon by increasing its productivity



Securing profitable growth in more challenging times



Why invest in Covestro

- 1** Above GDP volume growth
driven by innovation and sustainability trends
- 2** Leading and defendable global industry positions
as innovation and cost leader
- 3** Management focus on driving efficiency
with streamlined structures to better adapt to market needs, focus on cost discipline and strict incentive targets
- 4** Capital allocation focused on value creation
with commitment to progressive dividend policy and profitable growth
- 5** Full alignment of strategy with ESG criteria
embodied by non-financial targets



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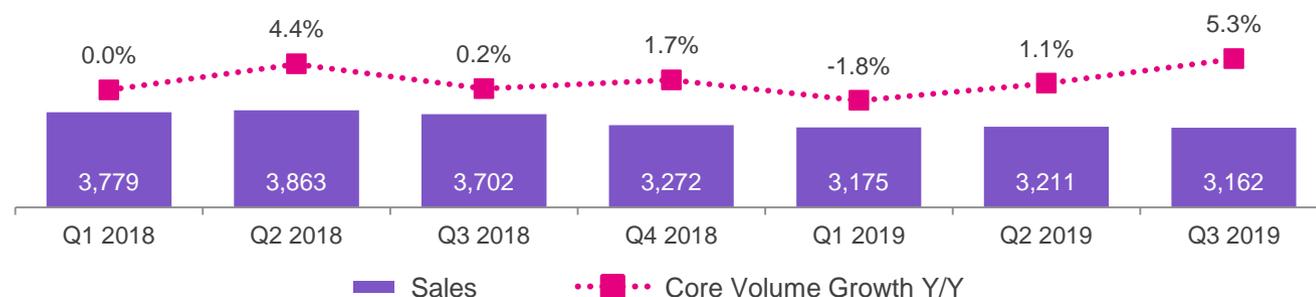
Attractive Core Volume Growth

Group results – Highlights Q3 2019



Sales and Core Volume Growth

in € million / changes Y/Y

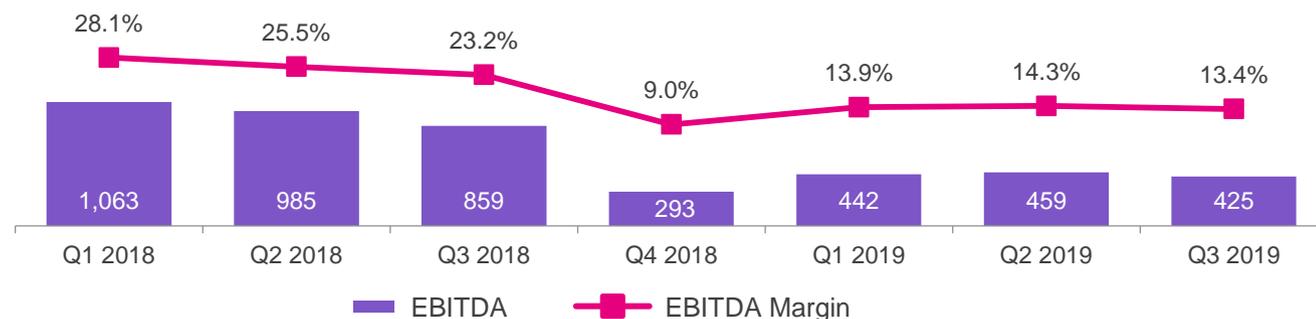


Highlights

- Core Volume Growth of +5.3% Y/Y
- Strong Core Volume Growth Y/Y in PCS, solid growth in PUR overall, declining volumes in CAS
- Negative pricing with -18.5% Y/Y

EBITDA and Margin

in € million / margin in percent



Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Sequentially, EBITDA margin declined to 13.4% vs. 14.3%, mainly due to margin pressure in a continuing challenging industry environment

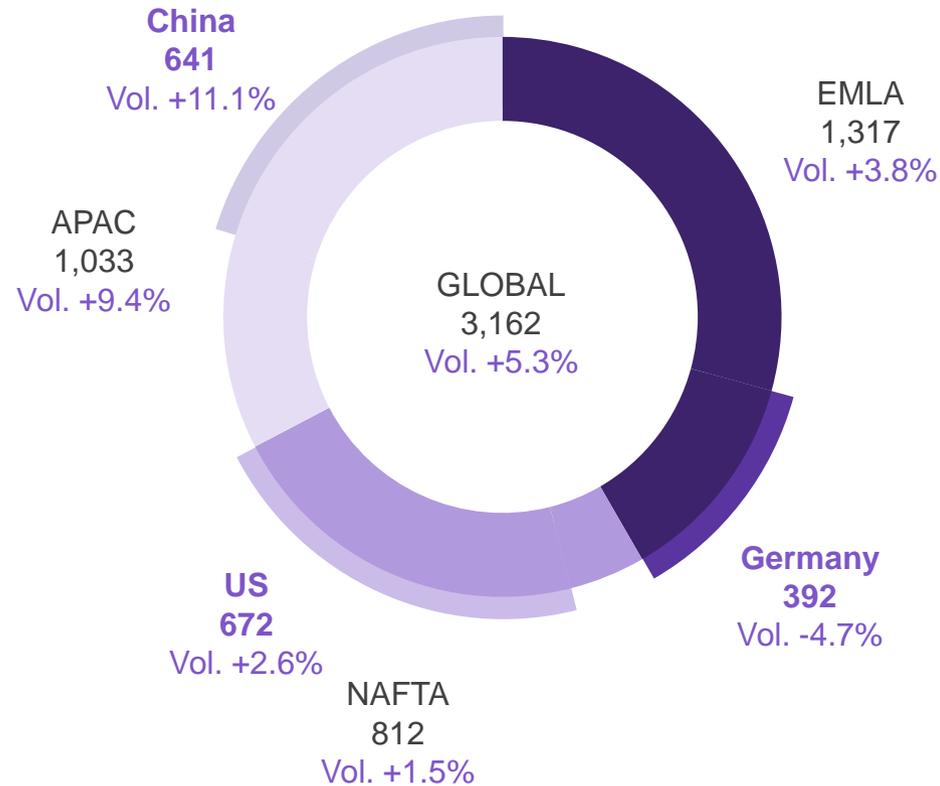
Strong growth in a difficult environment

Q3 2019 – Regional split



Sales and Core Volume Growth

in € million / changes Y/Y



Core Volume Growth Y/Y

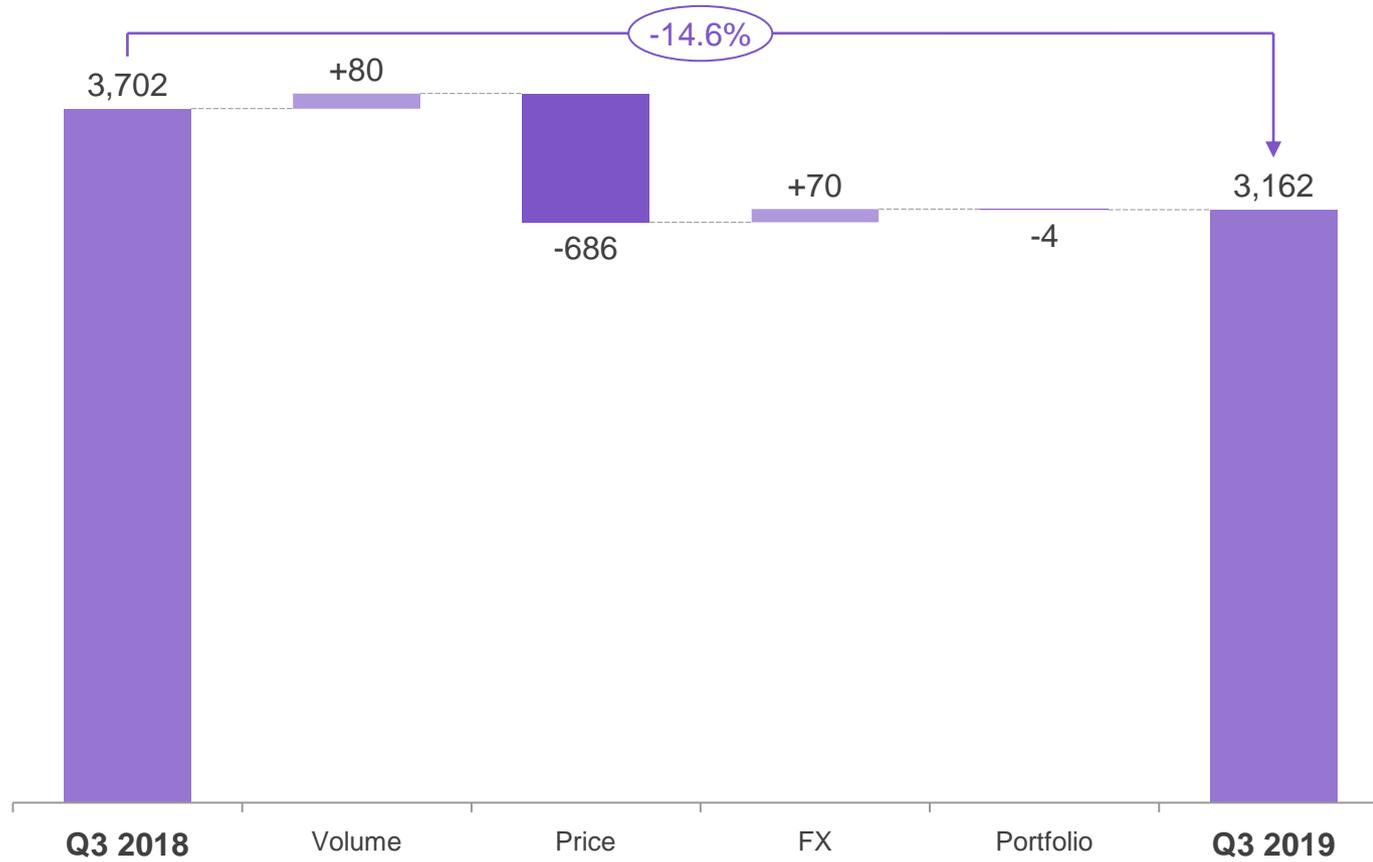
- APAC: double-digit growth in construction, electronics and wood/furniture
- EMLA: double-digit growth in wood/furniture and electronics compensate negative growth in automotive
- NAFTA: solid growth in construction and wood/furniture compensate negative growth in automotive
- Global: double-digit growth in wood/furniture and electronics as well as strong growth in construction more than compensate negative growth in automotive

Negative price effects decrease sales despite positive volumes



Q3 2019 – Sales bridge

in € million



Highlights

Positive volume development

- Sales volume expansion (in €) by +2.1% Y/Y
- Sales volume expansion below core volume growth mainly due to declining non-core business and negative product mix effects

Negative pricing

- Lower selling prices negatively impacted sales by -18.5% Y/Y, driven by competitive pressure in PUR and PCS

Positive FX

- Sales benefited +1.9% Y/Y from FX mainly due to stronger USD and CNY

Portfolio impact

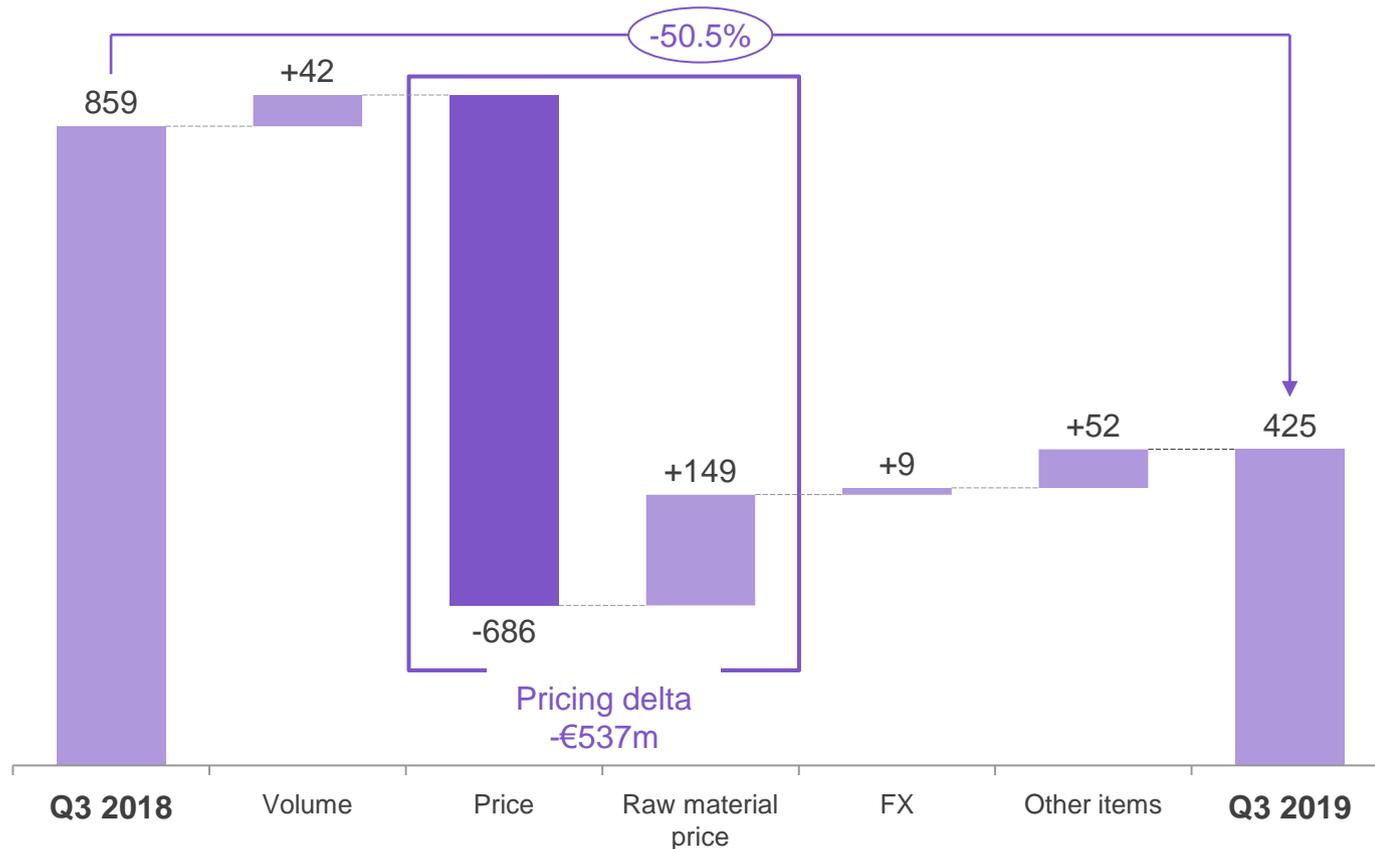
- Sales reduced by net effect of -0.1% Y/Y

Positive volumes and lower costs partly mitigate negative prices



Q3 2019 – EBITDA bridge

in € million



Highlights

Positive volume leverage

- Solid contribution at 53%^(a)

Pronounced decline in contribution margin

- Negative pricing delta in PUR and PCS mainly resulting from higher competitive pressure

Other items

- Prior year included €36m book gain from US polycarbonates sheets divestment
- Lower costs, with “Perspective” program on track
- Positive impact of €29m from accounting change (IFRS 16)

Full year guidance narrowed

FY 2019 guidance



	FY 2018	Previous guidance FY 2019	Guidance FY 2019
Core Volume Growth	+1.6%	Low- to mid-single-digit percentage increase Y/Y	Low-single-digit percentage increase Y/Y
FOCF	€1,669m	€300 – 700m	€300 – 500m
ROCE	29.5%	8% – 13%	8% – 10%
Additional financial expectations	FY 2018	Previous guidance FY 2019	Guidance FY 2019
EBITDA FY	€3,200m	€1,500 – 2,000m	€1,570 – 1,650m
D&A	€620m	~€750m	~€770m
Financial result	€-104m	€-100 to -120m	€-80 to -100m
P&L (effective) tax rate	26.1%	24 - 26%	26 - 28%
Capex^(a)	€707m	≥€900m	~€900m



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Materials and systems for rigid and flexible foams



Polyurethanes (PUR) at a glance

#1

Producer globally and inventor of PU^(a)



Cold chain
e.g. refrigerator

1,000

Polyols grades for differentiation



Construction
e.g. insulation panel

3.3%

Core volume CAGR in 2014 - 2018^(b)



Cost leadership
e.g. process technology

€7.4bn

Sales 2018



Comfort
e.g. furniture upholstery

€1.8bn

EBITDA 2018



Automotive
e.g. instrument panel



Sustainability
e.g. CO₂-based polyether polyols

Polyurethanes – stabilizing earnings below mid-cycle



PUR segment results – Highlights Q3 2019

Sales and Core Volume Growth

in € million / changes Y/Y

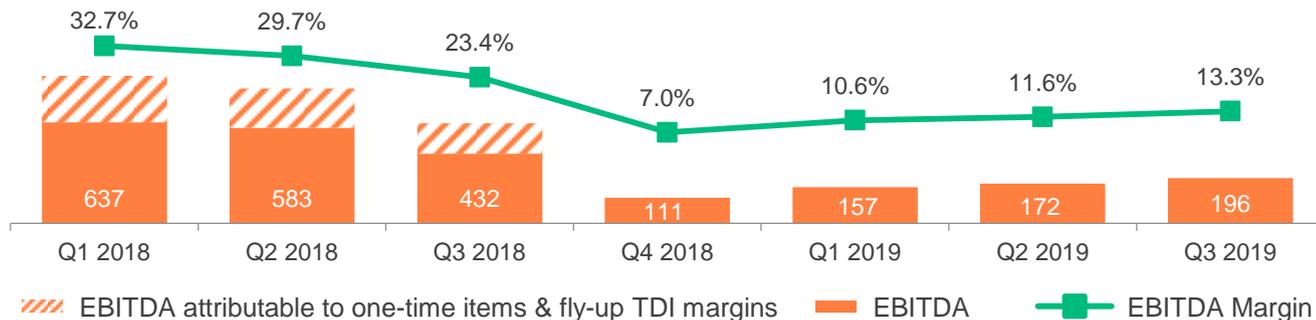


Highlights

- Solid core volumes of +5.1% Y/Y, driven by all product groups and most industries except automotive
- Positive effects from volume (+2.1%) despite declining non-core volumes and FX (+1.9%)
- Sales decreased by -20.1% Y/Y, driven by price (-24.4%)

EBITDA and Margin

in € million / margin in percent



Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Sequentially, EBITDA margin increased to 13.3% vs. 11.6%, mainly driven by positive volumes and lower costs

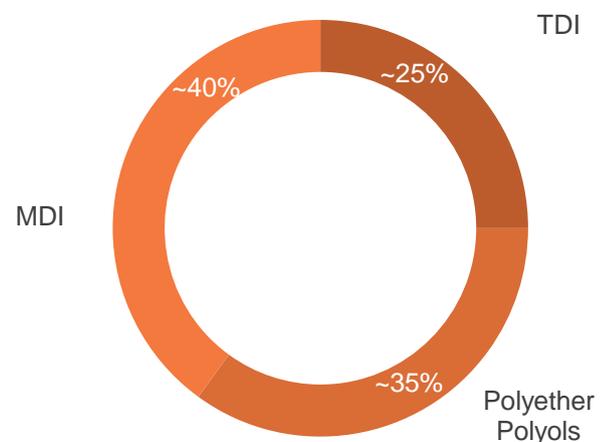
Polyurethanes broadly positioned for growth



Sales by end-markets and regions

PUR sales split by business

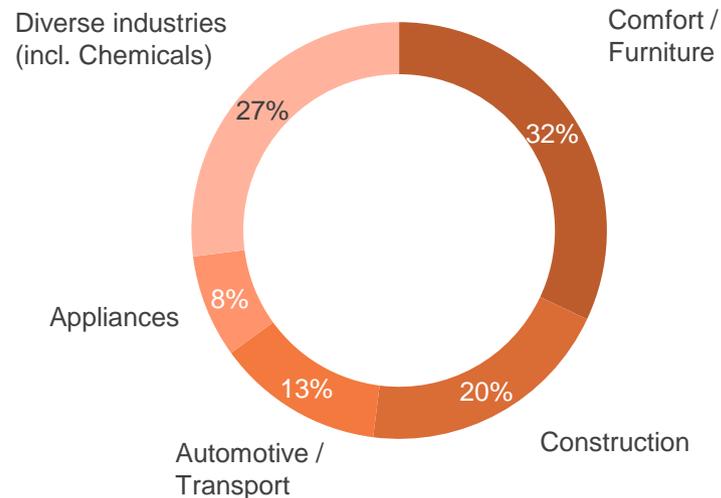
% of 2018 sales



Growth driven by MDI and TDI

PUR sales split by end-markets

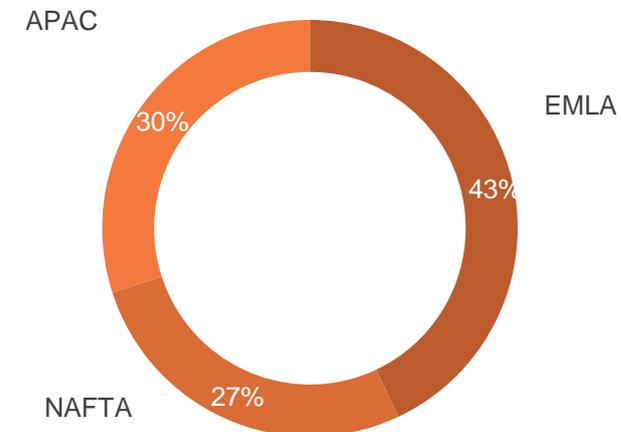
% of 2018 sales



Growth driven by several industries

PUR sales split by regions

% of 2018 sales

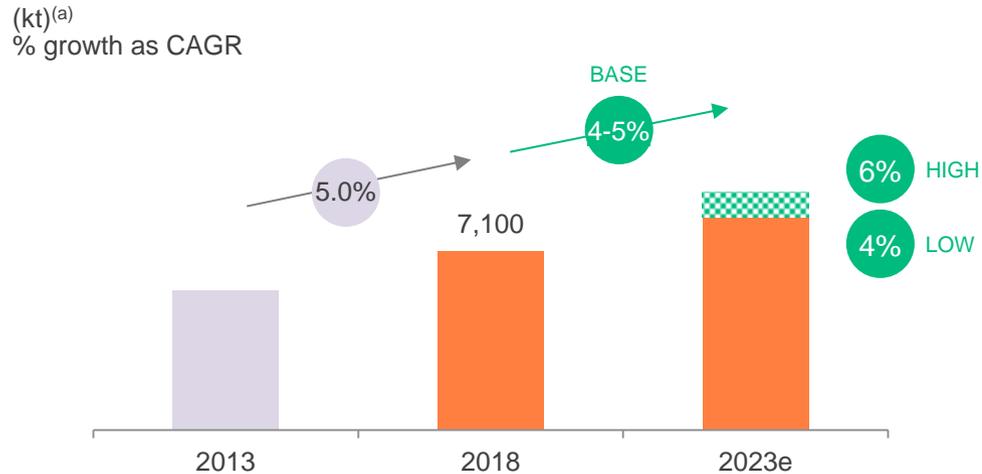


Growth driven by APAC

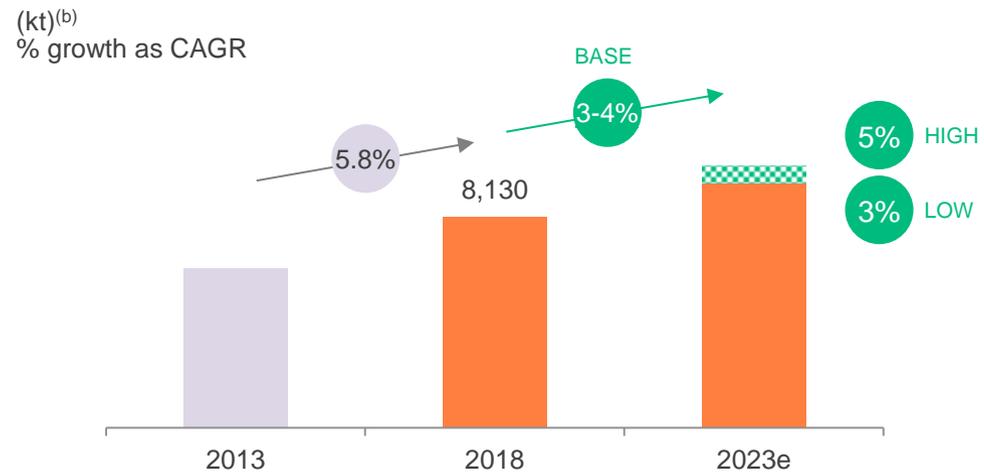
MDI industry supply and demand to remain balanced

Historical industry development and outlook

MDI demand development (2013 - 2023e)



MDI supply development (2013 - 2023e)



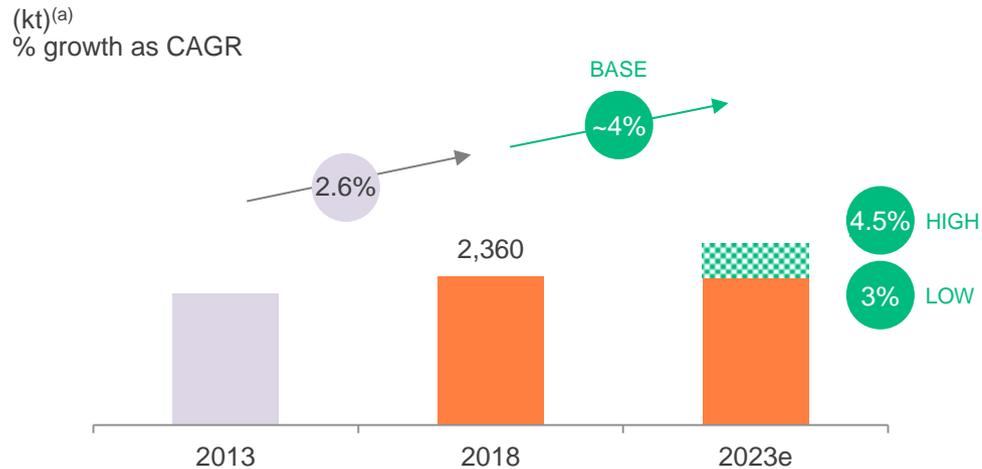
Industry highlights

- Structurally sound demand of 4% - 5% based on global GDP growth and substitution trends
- Major additions^(c) expected until 2023e: Wanhua (800kt in China) and BASF (300kt in USA)
- Covestro additions: Brunsbüttel, Germany (200kt, 2020e), Caojing, PRC (100kt, 2021e) and Tarragona, Spain (50kt, 2022e)

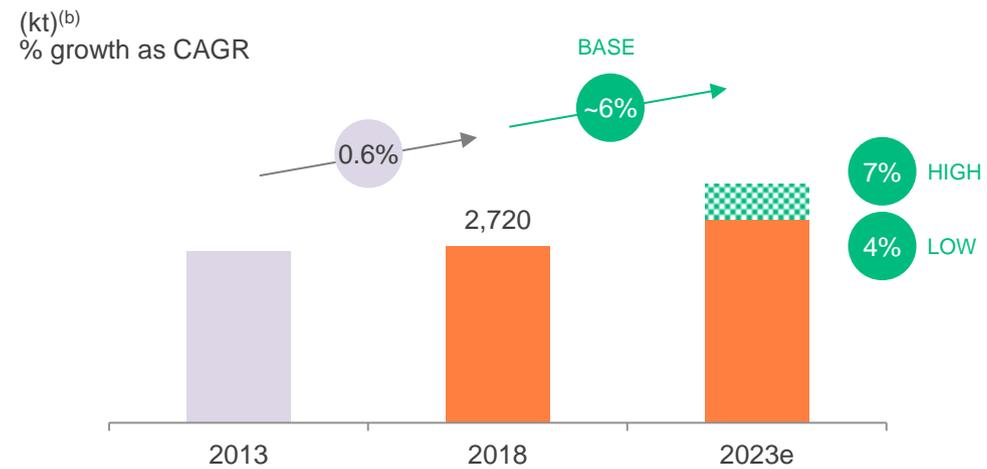
TDI supply additions to slow down after 2019

Historical industry development and outlook

TDI demand development (2013 - 2023e)



TDI supply development (2013 - 2023e)



Industry highlights

- Ongoing ramp-ups: Sadara (200kt), BASF (300kt) and Wanhua (300kt)
- Major additions^(c) expected until 2023e: Juli Heshan (150kt), Lianshi (50kt), Fujian SEEC (150kt)
- Announced closure of BASF (80kt, Schwarzheide)
- Potential industry consolidation in APAC

Engineering thermoplastic with unique combination of properties



Polycarbonates (PCS) at a glance

#1

Producer globally and inventor of PC^(a)



Mobility

e.g. exterior

1,000

PC grades for broadest offering



Electronics

e.g. robot housing

5.8%

Core volume CAGR in 2014 - 2018



Consumer electronics

e.g. adapter

€4.1bn

Sales 2018



Electrical

e.g. LED street lamp

€1.0bn

EBITDA 2018



Healthcare

e.g. drug delivery

Polycarbonates – strong volume growth

PCS segment results – Highlights Q3 2019



Sales and Core Volume Growth

in € million / changes Y/Y

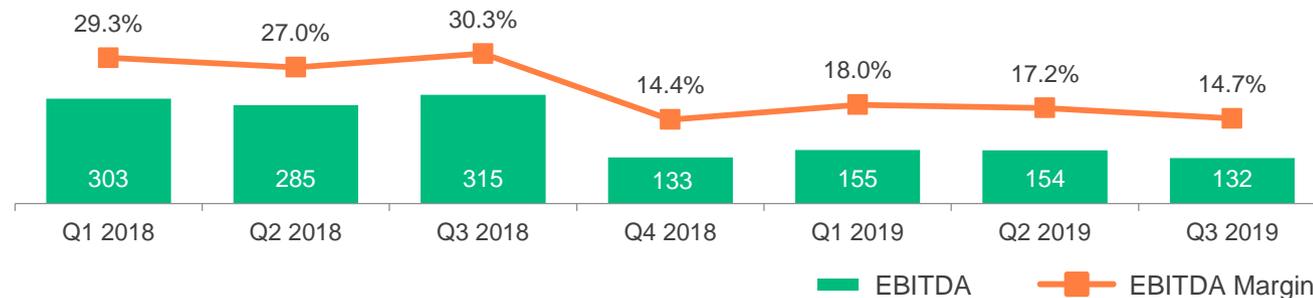


Highlights

- Strong Core Volume Growth of +9.3% Y/Y driven by most industries except automotive
- Positive effects from volume (+6.8%) and FX (+2.0%)
- Sales decreased by -13.2% Y/Y driven by price (-20.7%) and portfolio (-1.3%)

EBITDA and Margin

in € million / margin in percent



Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Sequentially, EBITDA margin decreased to 14.7% vs. 17.2%, mainly driven by lower prices and negative product mix effects

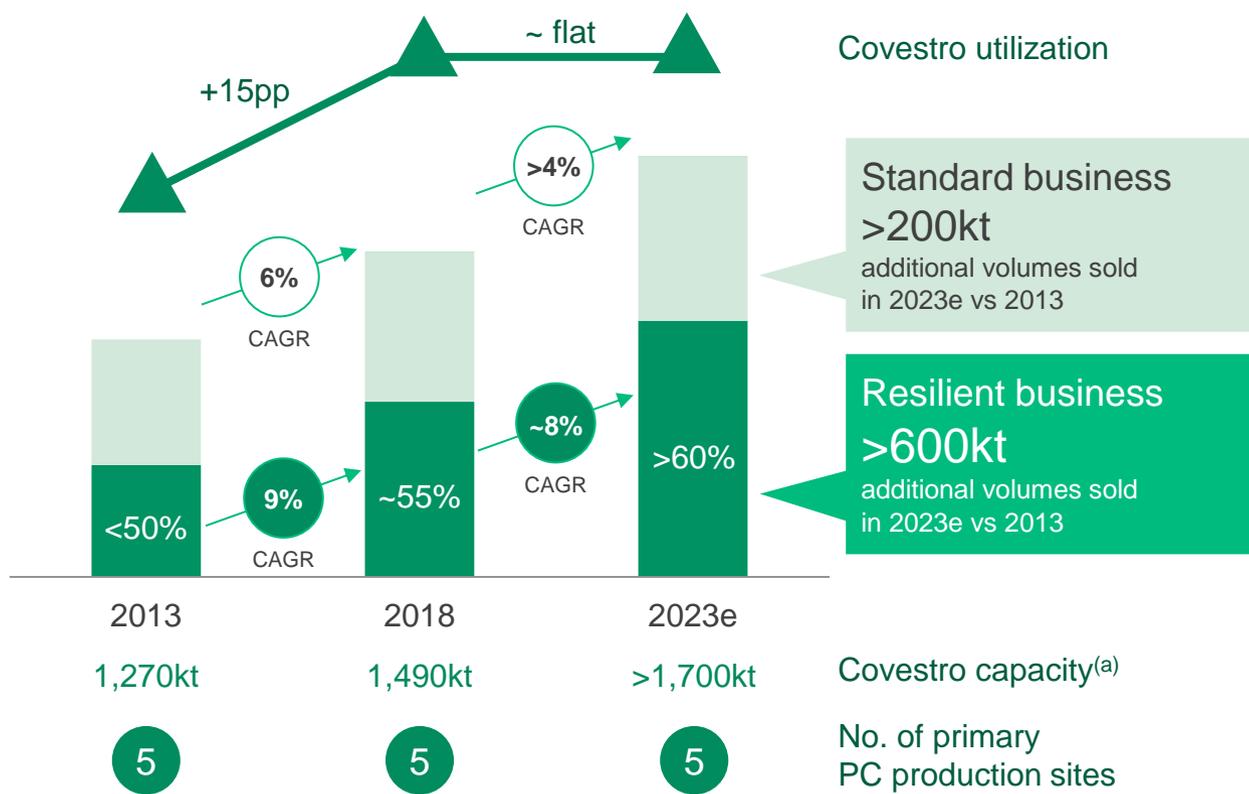
Resilient business to grow to 65% long term

PCS product portfolio



Development of resilient portion of PCS volumes

Covestro sales volumes in kt



Covestro highlights

Product portfolio improvement

- Short-term, product mix deterioration expected due to automotive weakness
- Long-term, goal to increase resilient portion of PC volumes to 65% with structural improvement of average contribution margin

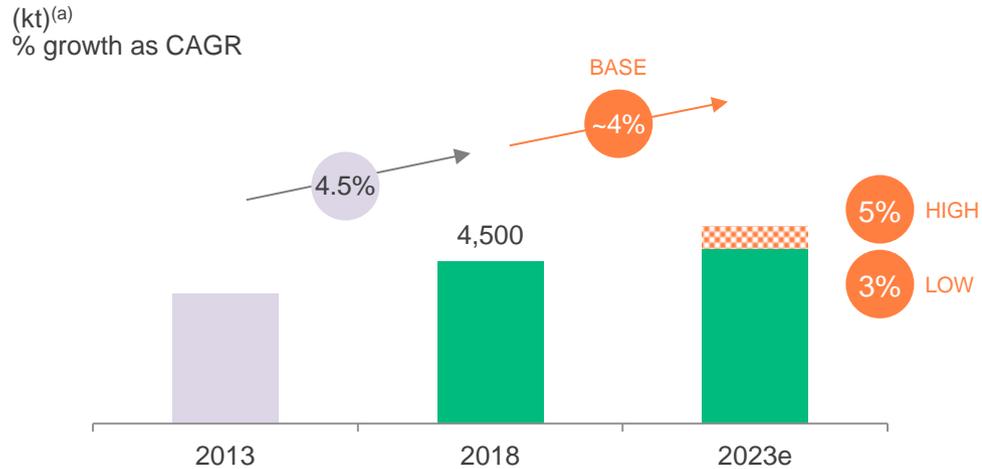
Higher asset utilization

- Volume leverage through significant improvement of capacity utilization by ~15 percentage points
- Significantly higher output from unchanged number of primary production sites

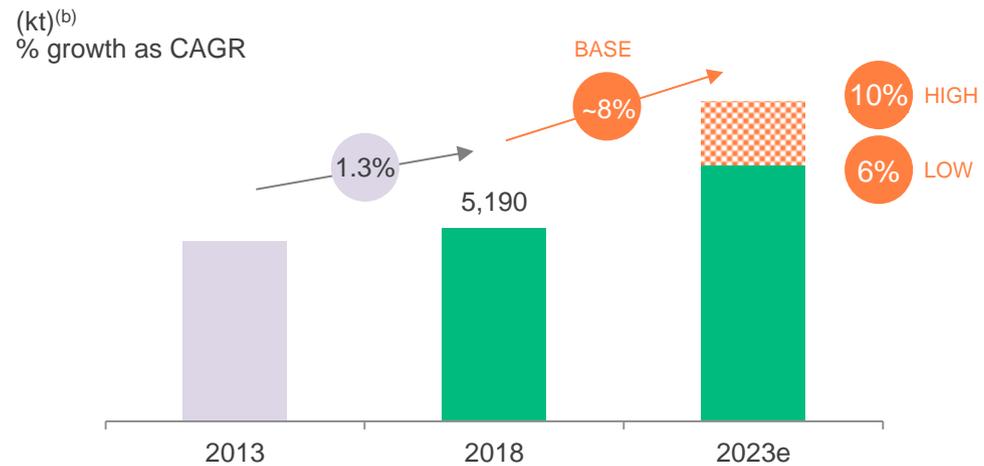
Execution risks may limit future capacity additions

Historical industry development and outlook

PC demand development (2013 - 2023e)



PC supply development (2013 - 2023e)



Industry highlights

- Electric mobility and autonomous driving could accelerate demand growth above base case
- Major additions^(c) expected until 2023e: Cangzhou Dahua, Heng Yuan, Hubei Ganning, Lotte, Luxi, SABIC-Sinopec, Shenma, Wanhua, ZPC, Zhong Lan
- Numerous announced projects with high uncertainties regarding actual timing and scope
- Covestro additions: Caojing, PRC (optional 4x 50kt in 2020e - 2023e)

Performance materials for coatings, adhesives and specialties



Coatings, Adhesives, Specialties (CAS) at a glance

#1

Producer globally of aliphatic isocyanates and PU dispersions^(a)



Ingredients for **surface coatings**

2,700+

Products based primarily on 6 monomers



Ingredients for **adhesives and sealants**

3.0%

Core volume CAGR in 2014 - 2018^(b)



€2.4bn

Sales 2018



Ingredients for **specialties**

€0.5bn

EBITDA 2018



Coatings, Adhesives, Specialties – disappointing demand

CAS segment results – Highlights Q3 2019



Sales and Core Volume Growth

in € million / changes Y/Y

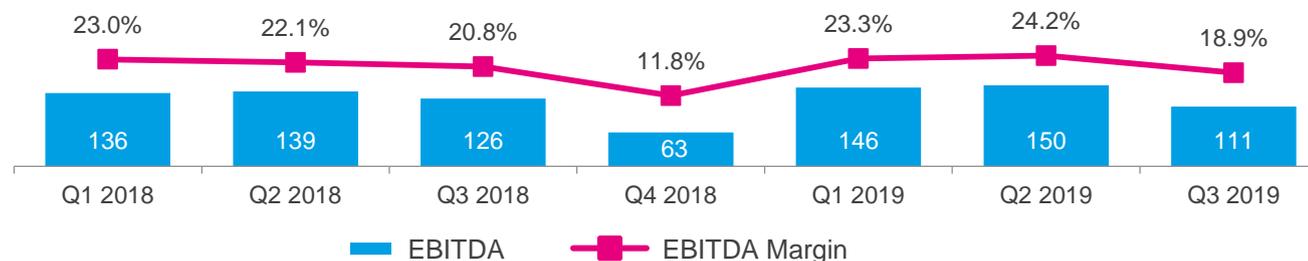


Highlights

- Decline in core volumes of -4.0% Y/Y, due to weak demand broad-based in all industries
- Sales decreased by -3.0% Y/Y driven by volume (-4.7%) and price (-2.1%)
- Positive FX impact Y/Y (+2.2%)
- Positive portfolio impact Y/Y (+1.6%) from DCP^(a)

EBITDA and Margin

in € million / margin in percent



Highlights

- Compared to prior year, EBITDA decreased due to lower volumes and margin pressure
- Sequentially, EBITDA margin decreased to 18.9% vs. 24.2%, mainly due to the negative volume leverage and decreasing prices

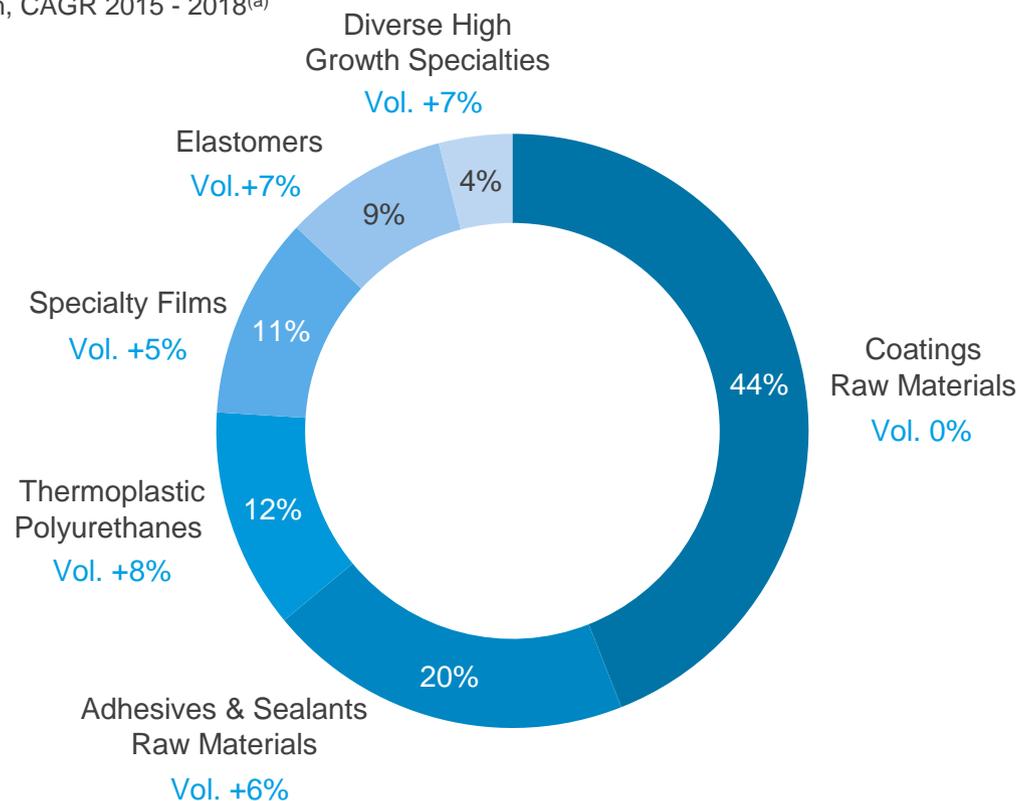
CAS demonstrated solid underlying growth of 3% p.a.

Outperformance of High Growth Specialties businesses



CAS sales split by businesses

Covestro sales share FY 2018, rounded
Core volume growth, CAGR 2015 - 2018^(a)



Highlights

- Core volume growth of 3.0% CAGR in 2014 - 2018^(a)
- Ongoing weakness in coatings and adhesives markets as well as competitive pressure remain burdens on CAS margin in the foreseeable quarters
- High Growth Specialties businesses generate 36% of sales: Thermoplastic Polyurethanes (TPU), Specialty Films and Elastomers
- Coatings raw materials businesses burdened by weak end markets like marine, oil and gas as well as refinishing



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Scores reflect Covestro's broad engagement in ESG

Rating results as of September 2019



Rating / Index	Total score	Detail / Status	
	A (Scoring A-D)	in Specialty Chemicals	
	B- (Scoring A-D)	Prime	
	77 (out of 100 Points)	Outperformer	
	80 (out of 100 Points)	Gold	
	Inclusion in FTSE4Good Index ^(a)		
	Inclusion in Vigeo Eiris Eurozone 120 Index ^(b)		

Product innovation as long-term growth driver



Addressing ever-changing customer needs for new material solutions

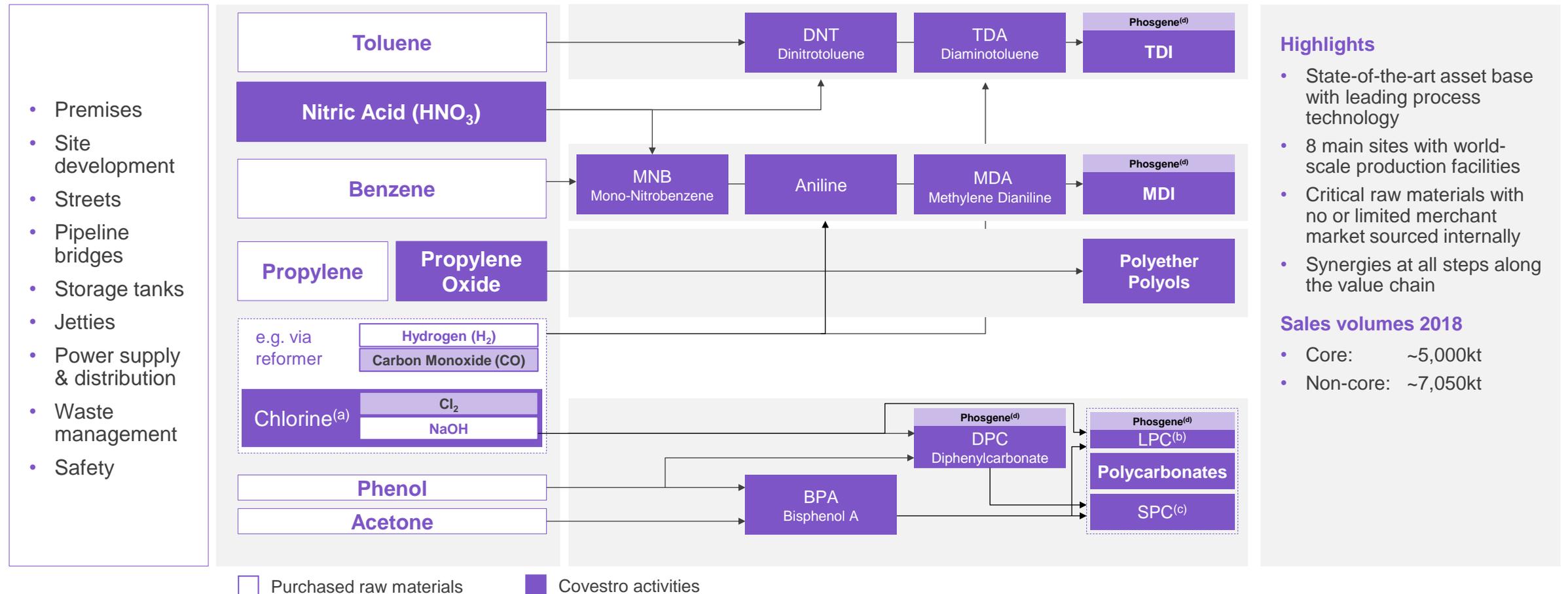
Need	Overall market	Relevant market	Covestro solutions
More durable and economical wind power plants 	Energy consumption CAGR: ~3%	Offshore wind energy CAGR: ~19%	Novel materials for wind power plants: PU resins for rotor blades, PU-based coatings, elastomers for sea cables
Energy- and cost-efficient 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 ind. furniture CAGR: ~3%	Water-based ind. furniture CAGR: ~5%	New bio-based hardener for water-based wood coatings
Sustainable and functional fashion 	Textile coating CAGR: ~6%	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
Reduced weight and increased comfort 	Global car production CAGR: ~3%	Relevant car applications CAGR: ~5%	Attractive alternatives to conventional materials: polymers to replace glass and metal

Synergies in scale, process technology and chemical know-how



One chemical backbone across all segments

► Infrastructure ► Raw Materials ► Core Units / Technology ► Final product



Highlights

- State-of-the-art asset base with leading process technology
- 8 main sites with world-scale production facilities
- Critical raw materials with no or limited merchant market sourced internally
- Synergies at all steps along the value chain

Sales volumes 2018

- Core: ~5,000kt
- Non-core: ~7,050kt

Significant synergies from Covestro chemical backbone

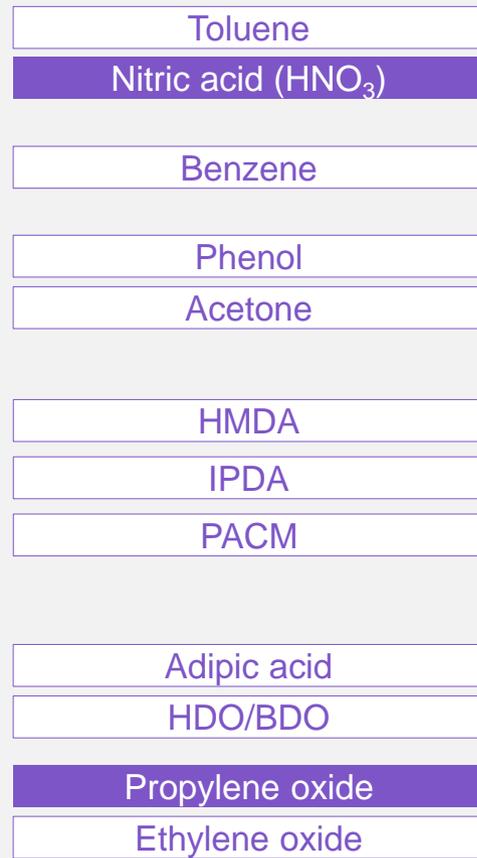


CAS backward integration

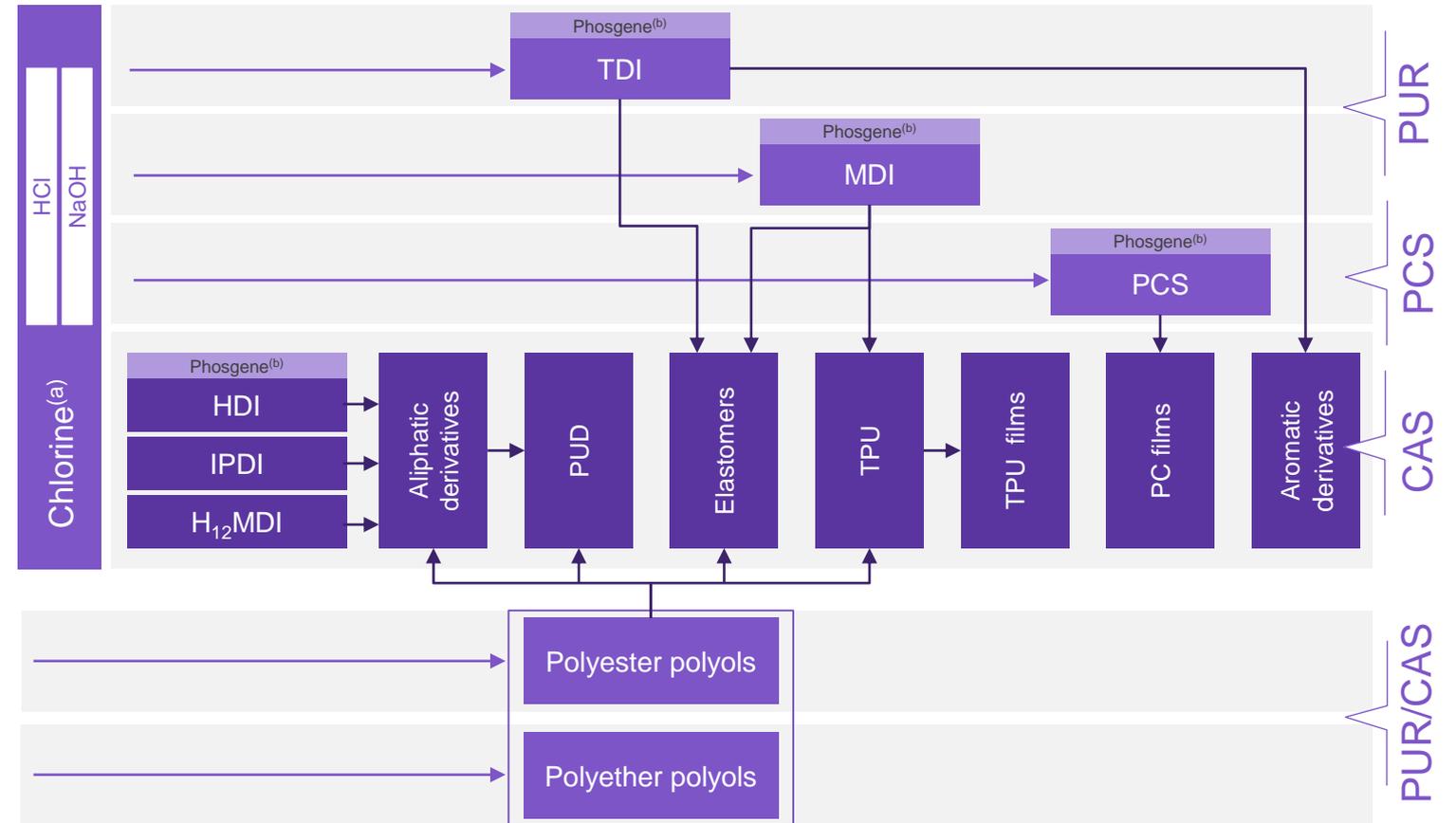
► Infrastructure

- Premises
- Site development
- Streets
- Pipeline bridges
- Storage tanks
- Jetties
- Power supply & distribution
- Waste management
- Safety

► Raw Materials



► Core Units / Technology



□ Purchased raw materials

■ Covestro activities

Disciplined decision process for capex projects

Focus on value creation



Financial fit	<ul style="list-style-type: none">• ROCE (return on capital employed)• NPV (net present value)• POT (pay-off time)
Strategic fit	<ul style="list-style-type: none">• Relevancy for strategy realization
Process	<ol style="list-style-type: none">1. Definition of resource framework2. Definition of strategic priorities and financial expectations3. Prioritization of investment proposals:<ul style="list-style-type: none">• Maintenance capex projects: risk assessment, financial impact from project delay• Growth and efficiency capex projects: ROCE, NPV, POT and strategic fit4. Approval of overall project portfolio by Covestro Board of Management and inclusion in Covestro financial plan5. Individual project approval according to stage-gate process

Entire organization aligned for performance

Full STI annual target achievement requires EBITDA above €2bn

Uniform bonus system

- Full alignment of all employees (including board) along the same KPIs
- Criteria with full focus on performance and shareholder value creation
- 100% payout, as percentage of annual base salary, linked to hierarchy level
- Total payout at Group level for 0%, 100% and 250% achievement is €0m, ~€180m and ~€450m, respectively
- Fixed hurdle rates for 2019 - 2021 reflect KPI values in mid-cycle conditions, based on historical review and expected future development

Three equally weighted Group metrics

- Targets for 100% achievement:

Core Volume Growth +4.0%



FOCF €800m



ROCE above WACC^(a) 8pp



- For each metric, payout can range from 0% to 300%
- Max. payout capped at 250%

Transparent ambition

- Future core volume growth goal of 4% requires growth capex
- 100% target achievement for ROCE and FOCF implies mid-cycle EBITDA above €2bn for 2019 - 2021

Upcoming IR events



Find more information on investor.covestro.com

Reporting dates

- | | |
|---------------------|---------------------------|
| • February 19, 2020 | Annual Report 2019 |
| • April 29, 2020 | Q1 2020 Interim Statement |
| • July 23, 2020 | Half-year Report 2020 |

Broker conferences

- | | |
|---------------------|---|
| • November 12, 2019 | UBS European Conference, London |
| • November 13, 2019 | Société Générale, European ESG & SRI Conference, Paris |
| • December 3, 2019 | Crédit Suisse, Chemicals and Agriculture Conference, London |
| • December 4, 2019 | Société Générale, Premium Review Conference, Paris |
| • January 14, 2020 | Commerzbank, German Investment Seminar, New York |
| • January 20, 2020 | Kepler Cheuvreux, German Corporate Conference, Frankfurt |

Annual General Meeting

- | | |
|------------------|------------------------------|
| • April 17, 2020 | Annual General Meeting, Bonn |
|------------------|------------------------------|

Disclaimer

This presentation 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 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.