



Solid development despite headwinds

Financial Highlights
Q3 2018



Forward-looking statements

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Q3 2018 Key Highlights



Core volumes

Stable due to
constrained supply

Guidance

Confirmed

MDI

New world-scale
plant announced

€859m

EBITDA
0% Y/Y

€2.59

EPS
+7% Y/Y

€350m

Cost savings
target by 2021e

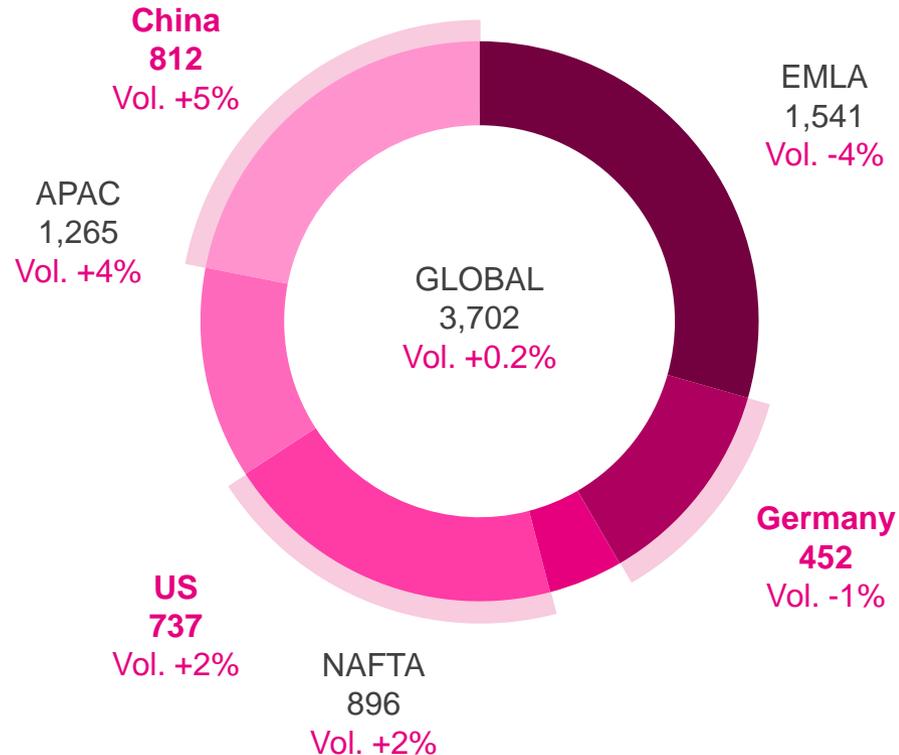
Stable core volumes due to constrained supply



Q3 2018 – Sales and core volume growth per region

Split by regions

Sales in € million
Core volume growth Y/Y in %



Highlights

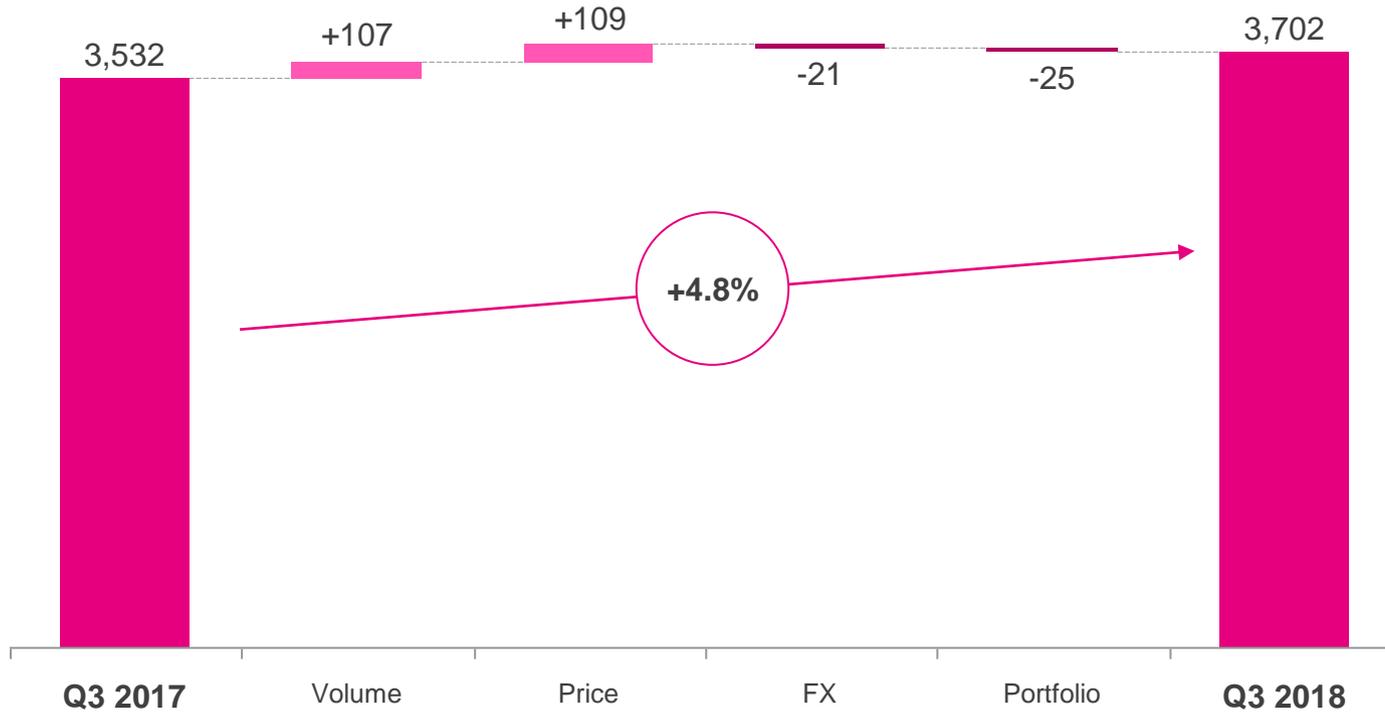
- EMLA: impacted by force majeure in Polyols precursor, as well as summer demand dip in automotive and construction
- NAFTA: positive core volume growth in automotive and solid development in construction and electronics
- APAC: solid core volume growth despite unplanned shutdown of MDI plant in Caojing
- Solid core volume growth in automotive, continuing structural growth above OEMs
- Double-digit core volume growth in medical applications

Positive volume and price effects increase sales



Q3 2018 – Sales bridge

in € million



Highlights

Solid volume development

- Sales volume expansion (in €) by +3.0% Y/Y

Positive pricing

- Higher selling prices positively impacted sales by +3.1% Y/Y

Limited FX

- FX burdened sales by -0.6% Y/Y

Portfolio impact

- US polycarbonates sheets business divested as of 1st August
- Sales reduced by -0.7% Y/Y

Strong volume leverage, small negative pricing delta



Q3 2018 – EBITDA bridge

in € million



Highlights

Strong positive volume leverage

- Broad-based in all three segments
- EBITDA volume leverage^(a) at 63%

Slightly declining cash margin

- Selling prices decreased more than raw material prices in PUR
- Positive pricing delta in PCS

Other items

- One-time item of €36m: book gain from disposal of US polycarbonates sheets business
- Higher maintenance and logistics costs as well as outage-related expenses

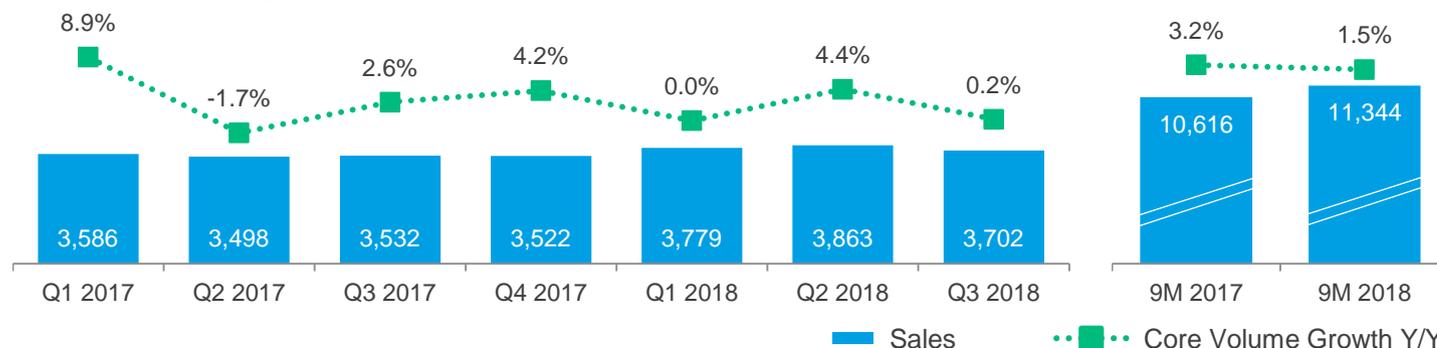
Covestro – solid results despite headwinds

Group results – Q3 2018 Highlights



Sales and Core Volume Growth

in € million / changes Y/Y



Highlights

- Stable core volumes in Q3 2018 due to constrained product availability
- Sales in Q3 2018 increased by +4.8% Y/Y driven by price (+3.1%) and volume (+3.0%)

EBITDA and Margin

in € million / margin in percent



Highlights

- Stable EBITDA in Q3 2018 despite negative pricing delta in PUR
- EBITDA margin on continuously high level, excluding one-time items and TDI fly-up contribution at c.19% vs. c.21% in Q3 2017

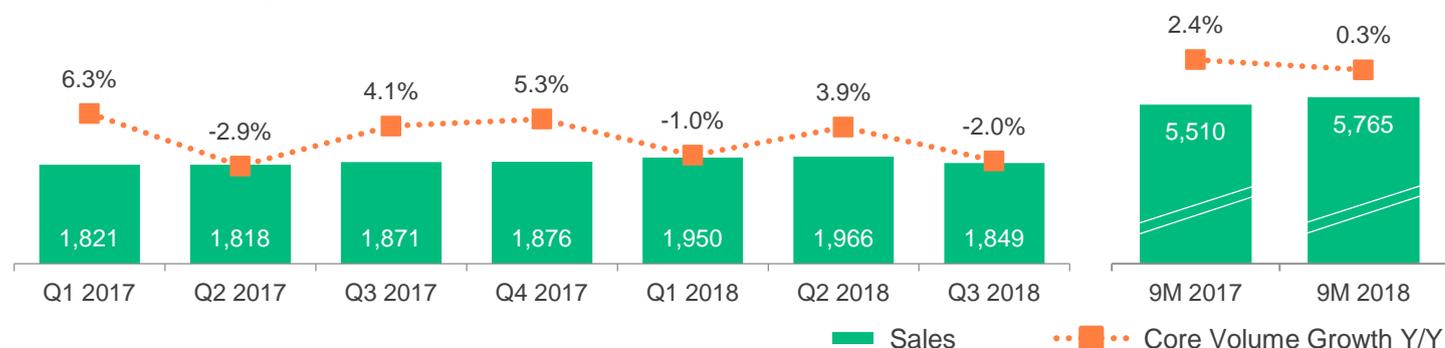
Polyurethanes – normalizing earnings

PUR segment results – Q3 2018 Highlights



Sales and Core Volume Growth

in € million / changes Y/Y

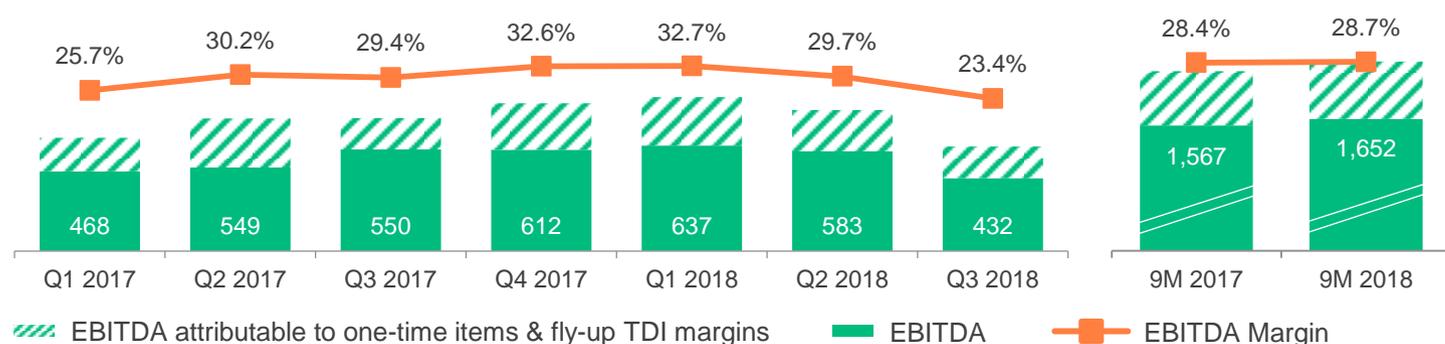


Highlights

- Decline in core volumes by -2.0% Y/Y, driven by constrained product availability in Polyols and MDI
- Slight sales decrease by -1.2% Y/Y driven by price (-0.5%) and FX impact (-0.8%)
- Stable sales volume (+0.1%) Y/Y

EBITDA and Margin

in € million / margin in percent



Highlights

- EBITDA decreased by -21.5% Y/Y due to negative pricing delta and outage-related expenses
- Underlying EBITDA margin excluding TDI fly-up contribution at c.16% vs. c.22% in Q3 2017

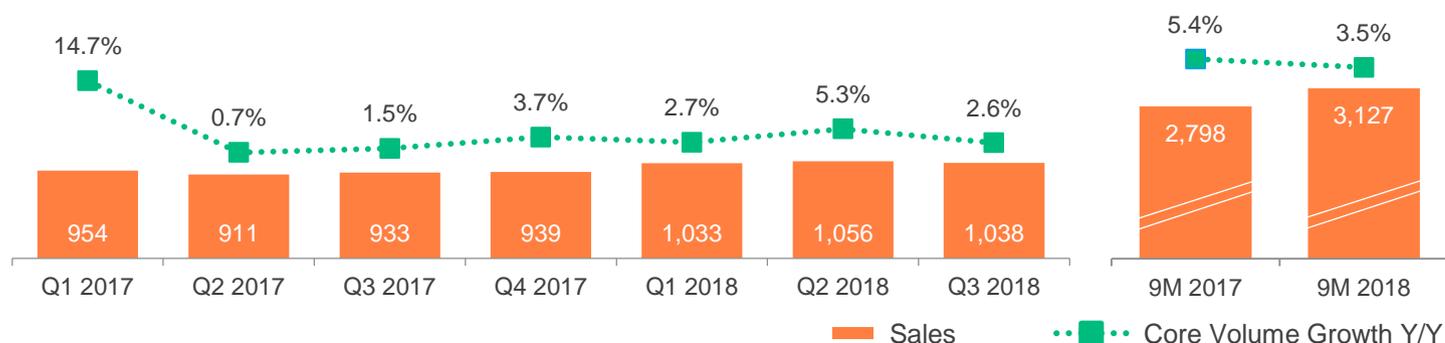
Polycarbonates – driven by price, volume and product mix



PCS segment results – Q3 2018 Highlights

Sales and Core Volume Growth

in € million / changes Y/Y

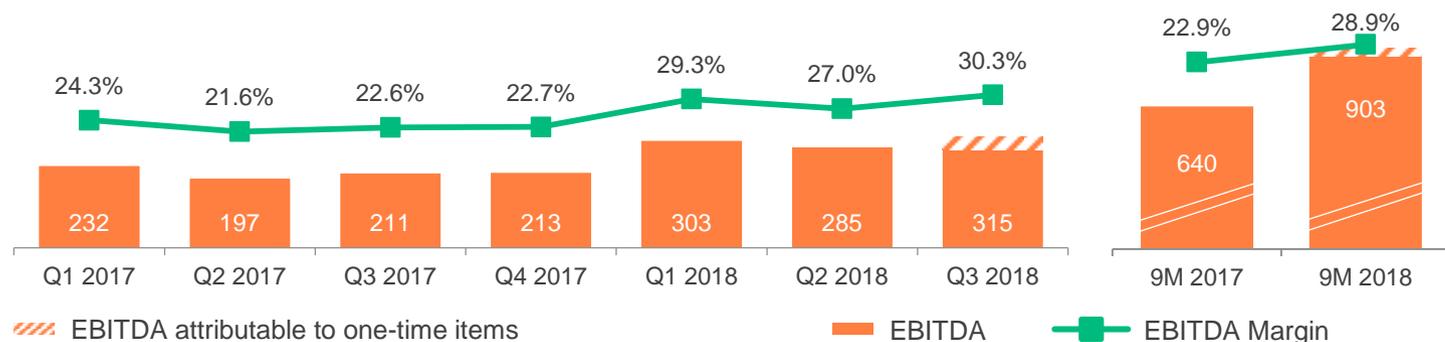


Highlights

- Solid core volume growth of +2.6% Y/Y driven by APAC and EMLA
- Sales increased by +11.3% Y/Y driven by price (+9.6%) and volume (+5.1%)
- Negative portfolio (-2.8%) and FX (-0.6%) impact Y/Y

EBITDA and Margin

in € million / margin in percent



Highlights

- EBITDA increased by +49.3% Y/Y due to positive pricing delta and volume leverage
- One-time item of €36m: book gain from disposal of US sheets business
- Underlying EBITDA margin excluding one-time items expanded to c.27% vs. c.23% in Q3 2017

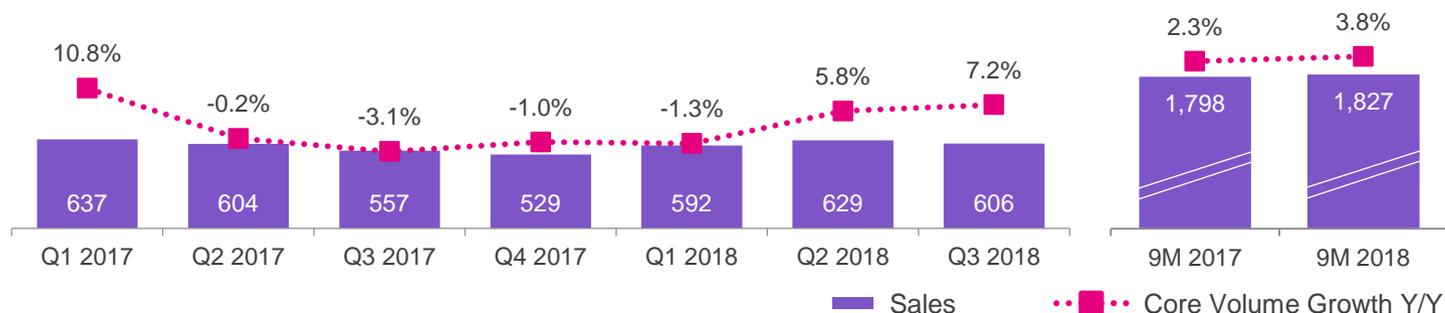
Coatings, Adhesives, Specialties – strong growth



CAS segment results – Q3 2018 Highlights

Sales and Core Volume Growth

in € million / changes Y/Y

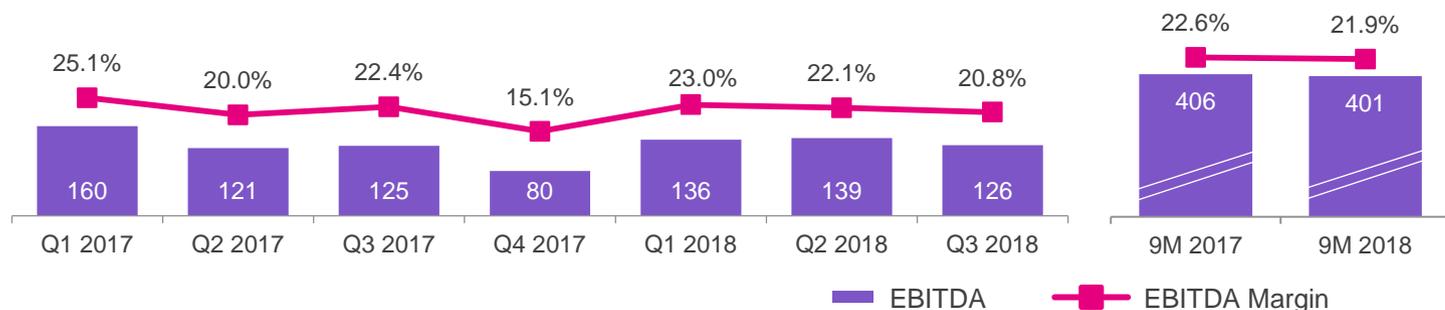


Highlights

- Strong core volume growth of +7.2% Y/Y with all regions contributing
- Sales increased by +8.8% Y/Y driven by volume (+9.7%) and price (-0.5%)
- Negative FX (-0.4%) impact Y/Y

EBITDA and Margin

in € million / margin in percent



Highlights

- Slight EBITDA increase of +0.8% Y/Y mainly due to positive volume leverage
- EBITDA margin decline to 20.8% due to cost increases

Positioning for growth with new capacity additions



Investment highlights of long-term MDI capex program

- Attractive MDI industry with above GDP growth requires new world-scale capacities
- Satisfy global demand and accompany industry growth with MDI projects in Caojing, Brunsbuettel, Tarragona, Antwerp and Baytown
- Increase Covestro global MDI nameplate capacity from 1,470kt by 2018e to 2,230kt by 2024e
- Extend leadership positions in the industry to become global #2 and #1 in the US by 2024e^(a)
- Improve cash cost position worldwide for long-term competitiveness by investing in full chemical chain including precursors and operating world-scale units on existing sites
- Deliver attractive returns with mid-term debottlenecking and world-scale investment into long-running assets

Highlights of new US world-scale plant

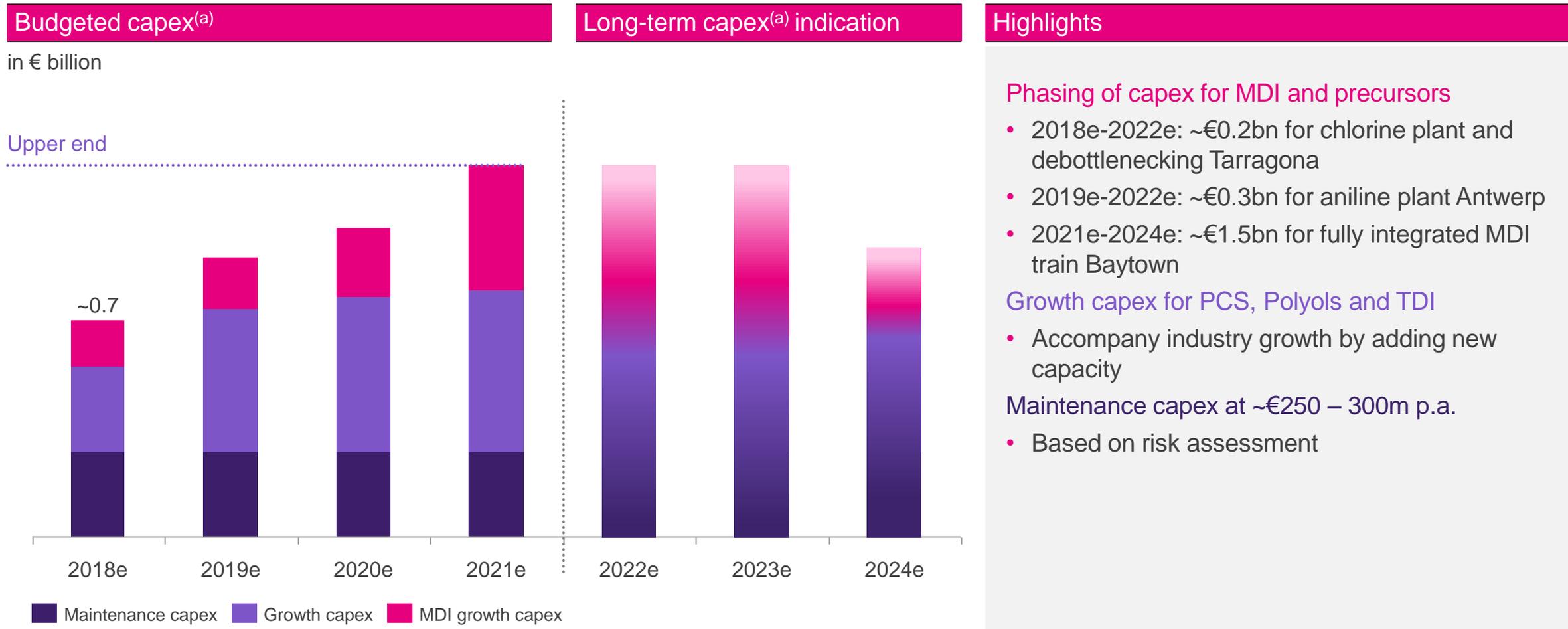
- Investment of around €1.5bn in new, highly efficient world-scale 500kt MDI plant on existing site
- Investment includes complete chemical backbone
- New plant to expand US capacity from currently 330kt p.a. to 740kt p.a. by 2024e
- Closure of a less efficient MDI unit of 90kt, in operation since 1974, to extend leading cash cost position in NAFTA



Investment into organic growth to deliver attractive returns



Covestro Group capex^(a) development 2018e–2024e

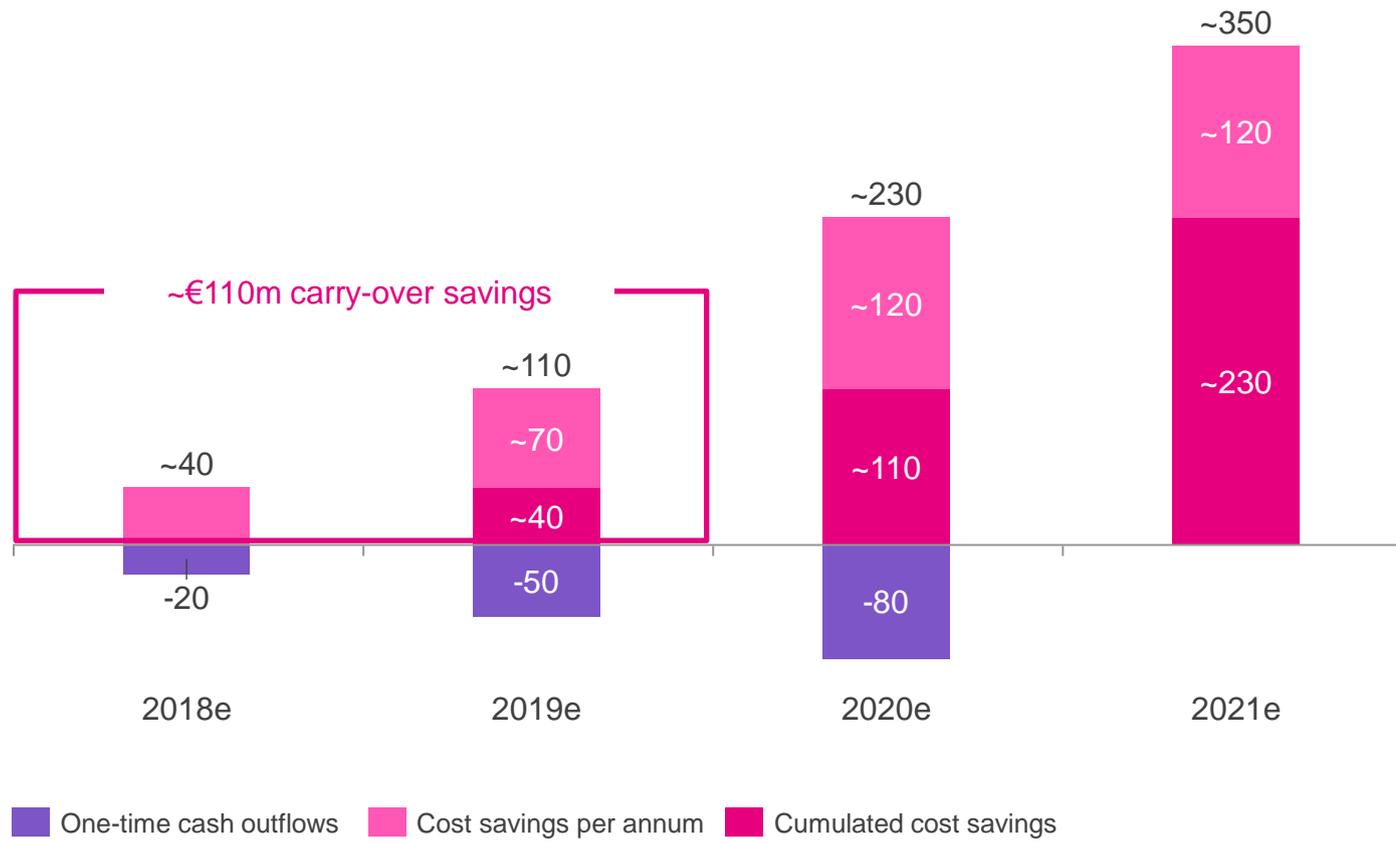


Continued efficiency focus: “Perspective” complements “PEP”(a)



Expected cumulated savings and one-time cash outflows

in € million



Highlights

- Cumulated savings of around €350m planned until end of 2021e
- Implemented “PEP” program expected to deliver carry-over savings of ~€110m by 2019e
- New “Perspective” program expected to deliver additional savings of ~€240m by 2021e
- Reduction of ~900 FTEs globally, to be carried out by way of socially acceptable solutions

Four work streams along the value chain address two pillars



Objectives of new program

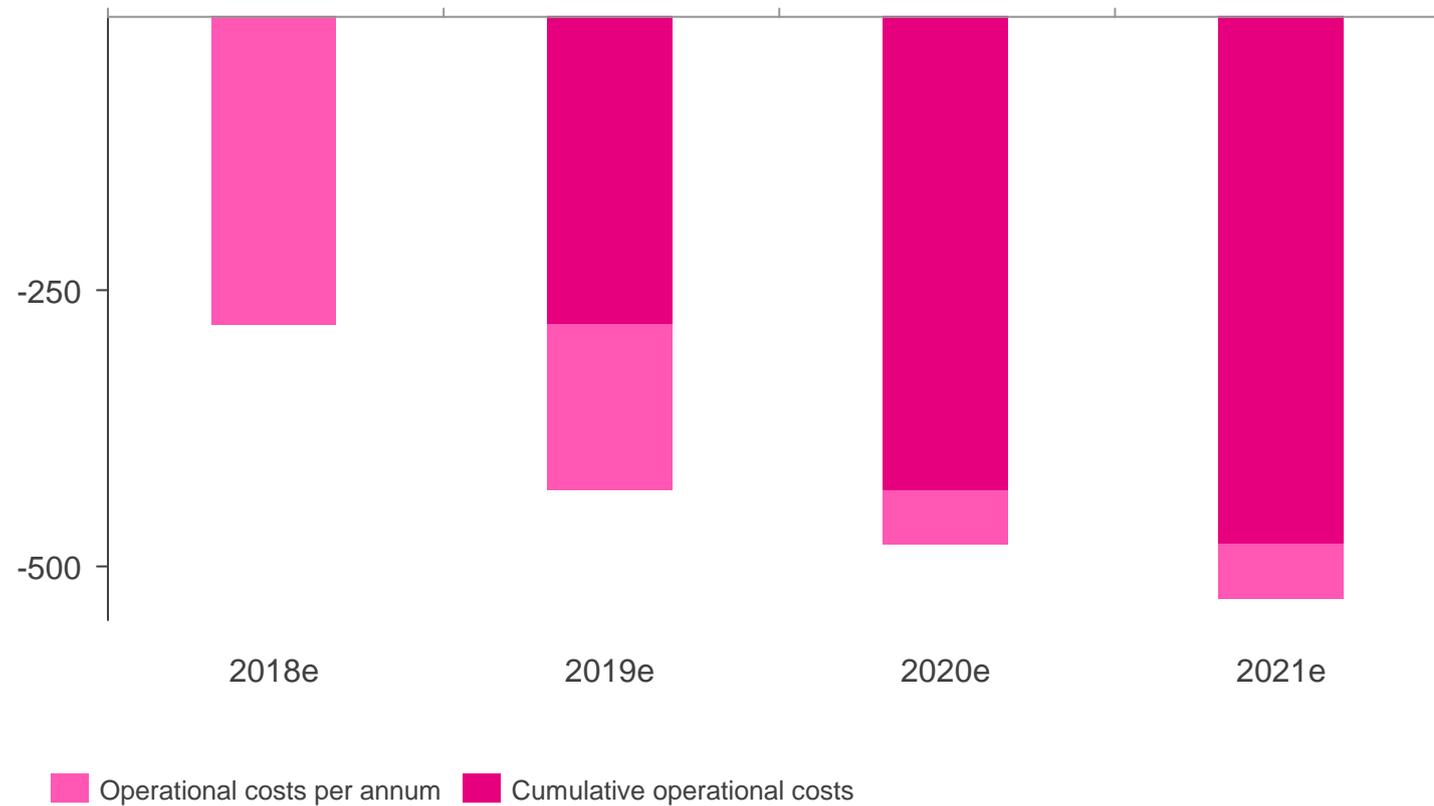
	Transform the way of working	+	Improve the competitive position	>	Share of savings in %
E2E Supply Chain/ Manufacturing	<ul style="list-style-type: none"> • Work towards fully visible and reliable end to end supply chain operations • Foster automation to increase share of touch-free transactions along material flow • Increase customer centricity by lowering error rates and increasing transparency 				
Procurement	<ul style="list-style-type: none"> • Increase security of supply and cost competitiveness by adjusting the supplier base • Optimize demand management in collaboration with the essential users • Leverage digitalization and innovation to increase effectiveness and efficiency 				
Commercial	<ul style="list-style-type: none"> • Broaden the channel mix and intensify the use of digital sales and marketing channels • Push efficiency in sales and application development functions • Drive growth in more attractive segments to improve margin and topline 				
General & Administration	<ul style="list-style-type: none"> • Increase effectiveness and efficiency across G&A functions and services • Review operating model to foster lean setup, agility, innovation, empowerment • Evaluate potential of end-to-end process optimization to support effectiveness and efficiency 				

Counterbalancing capex-driven cost increases



Cumulative additional operational costs, net of savings from efficiency programs

in € million



Highlights

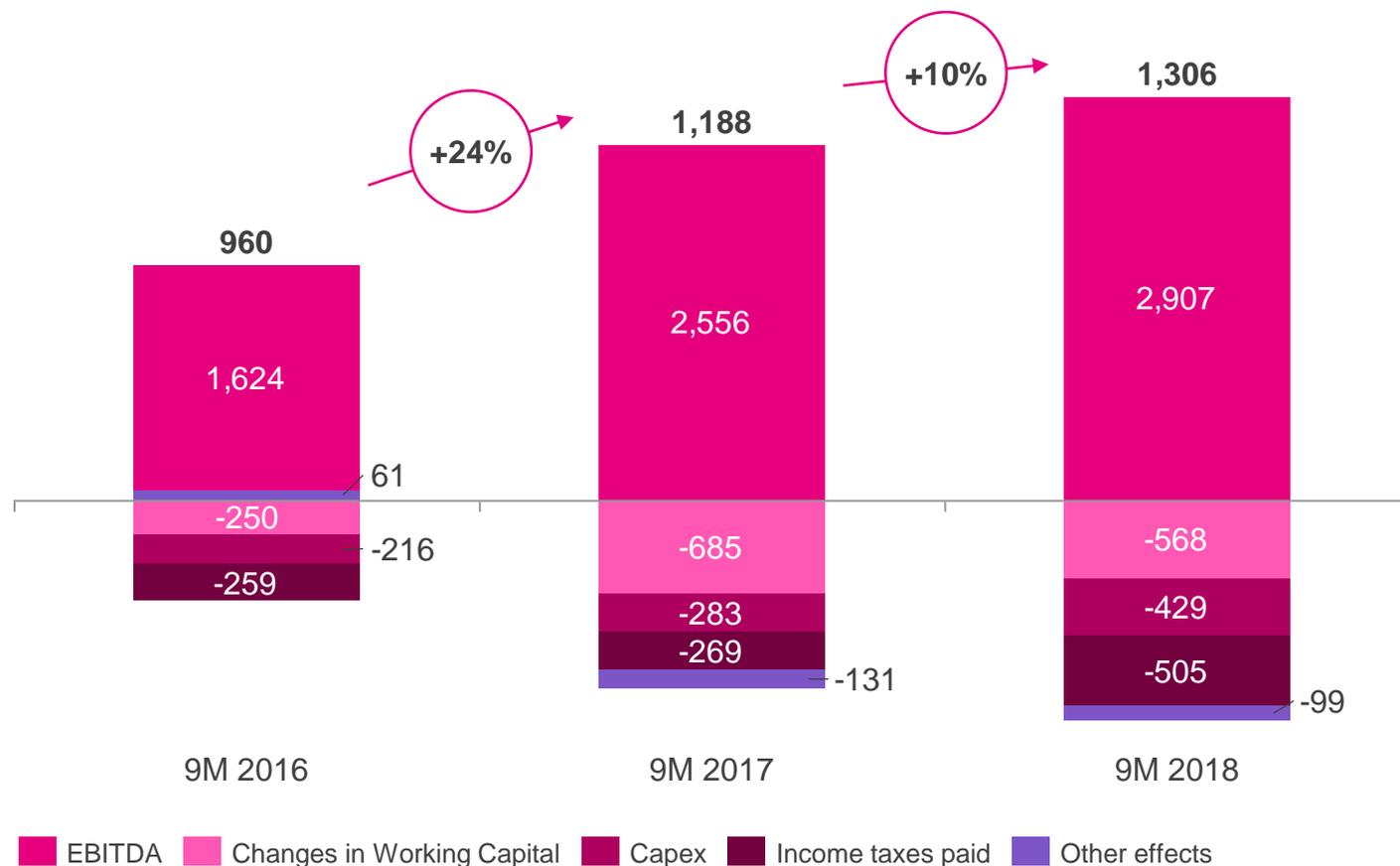
- Long-term growth strategy triggers higher operational costs mainly in production and technology (e.g. engineering expertise)
- Additionally, inflation-related costs have to be counterbalanced (e.g. salary increases)
- Savings from “Perspective” to limit annual additional operational cost increases
- Illustration of net effect shown in the “Other items” of the Covestro EBITDA bridge, excluding one-time items

Strong FOCF generation

9M 2018 – Free Operating Cash Flow components



in € million



Highlights

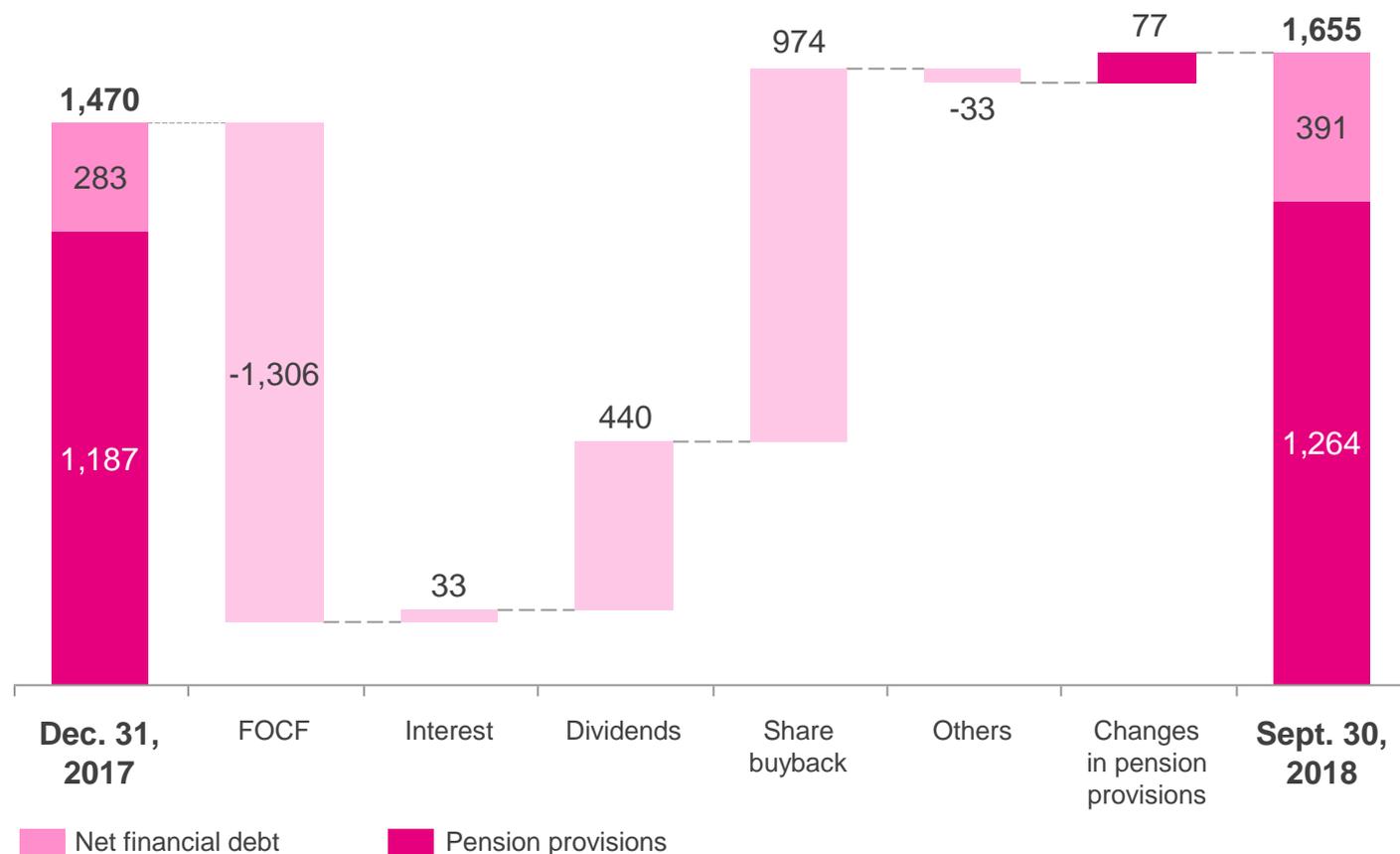
- Working capital to sales ratio^(a) at 18.4%, slightly above the targeted range of 15–17%
- Capex of €429m up Y/Y with focus on debottlenecking projects, on track for full year guidance
- Low cash tax rate of 21.4% below P&L tax rate mainly due to phasing of tax payments
- P&L tax rate of 25.9% within the guided range

More than €1.4bn cash returned to shareholders

September 30th 2018 – Total net debt



in € million



Highlights

- Total net debt to EBITDA ratio^(a) unchanged at 0.4x end of Q3 2018 vs. end of 2017
- Slight increase of net financial debt by €108m mainly due to share buyback and dividend payout
- €1.5bn share buyback program: ~14m shares bought back for a total amount of €1.1bn by end of Q3 2018
- Pension provisions increased by €77m mainly due to negative return on plan assets
- Equity ratio further improved to 51%

Confirmation of FY 2018 EBITDA guidance

Increasingly challenging economic conditions



	FY 2017	Guidance FY 2018
Core Volume Growth	+3.4%	Low- to mid-single-digit percentage increase Y/Y
FOCF	€1,843m	>€2bn
ROCE	33.4%	Around previous year's level
Additional financial expectations	FY 2017	Guidance FY 2018
EBITDA FY	€3,435m	Above previous year's level
D&A	€627m	€620-640m
Financial result	€-150m	€-100 to -120m
P&L (effective) tax rate	24.1%	25–27%
Capex	€518m	€650-700m

Solid development despite headwinds

Highlights Q3 2018



1

Stable core volumes

due to constrained product availability

2

Solid increase in earnings per share

supported by ongoing share buyback program

3

Confirmation of guidance for FY 2018

despite increasing macro-economic uncertainties

4

New efficiency program to limit operational cost increases

with a cost savings target of €350m by 2021e

5

Positioning for growth

including a new 500kt world-scale MDI plant for €1.5bn in Baytown, US

Upcoming IR events



Find more information on investor.covestro.com

Broker conferences

- November 13, 2018 UBS European Conference, London
- November 14, 2018 Morgan Stanley, Global Chemicals and Agriculture Conference, Boston
- November 20, 2018 Kepler Cheuvreux, One Stop Shop, Geneva
- November 28, 2018 Exane BNP Paribas, SRI Forum, Paris
- November 29, 2018 Société Générale, The Premium Review, Paris
- December 4, 2018 Crédit Suisse, Chemicals and Agriculture Conference, London
- December 4, 2018 Berenberg, European Conference, London
- December 5, 2018 Bank of America Merrill Lynch, Global Agriculture and Chemicals Conference, London

Reporting dates

- February 25, 2019 Annual Report 2018
- April 29, 2019 Q1 2019 Interim Statement
- July 24, 2019 Half-Year Financial Report 2019

Highlights

- April 12, 2019 Annual General Meeting, Bonn