Investor Presentation

London, June 2017

Welcome & Strategy

Patrick Thomas
June 29, 2017

Agenda

Capital Markets Day Covestro, London

Thursday, 29th June 2017	
10:30	Welcome & Strategy
11:00	New Growth Opportunities
11:30	Financial Performance
12:00	Q&A
12:45	Lunch break
14:00	Breakout session I – hosted by heads of business segments
15:00	Breakout session II – hosted by heads of business segments
16:00	Breakout session III – hosted by heads of business segments
17:00	Informal get-together & cocktail dinner
18:30	End

The presentation team

Welcome & Strategy

Patrick Thomas
CEO

New Growth Opportunities

Dr. Markus Steilemann
CCO

Financial Performance

Patrick Thomas
Interim CFO

The breakout sessions team

Head of business segments

Polyurethanes

Dr. Markus Steilemann

Polycarbonates

Michelle Jou

Coatings, Adhesives, Specialties

Daniel Meyer

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

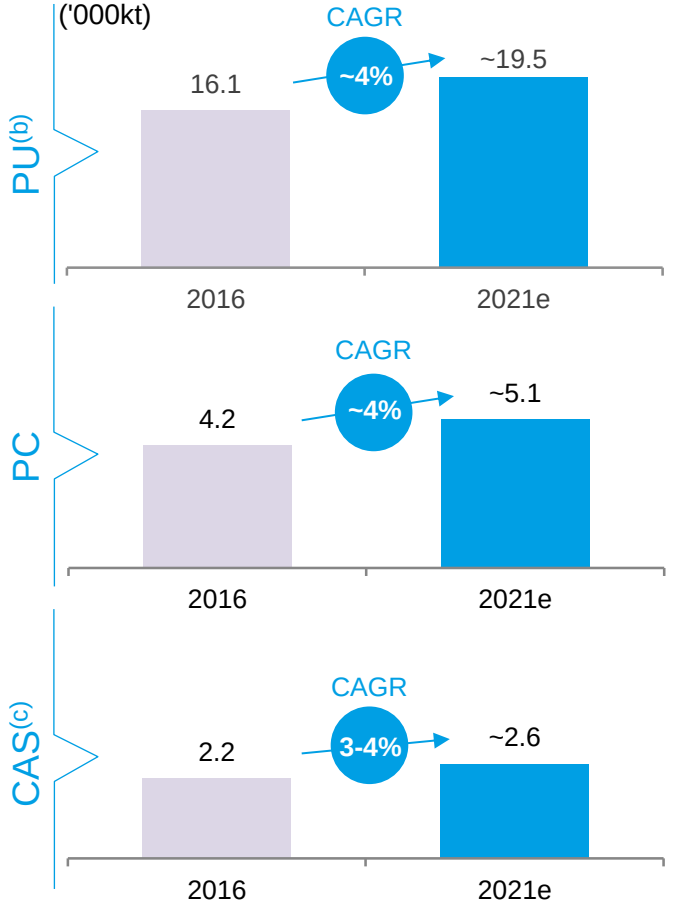
5. **Attractive cash flow growth outlook**
   with use of cash focused on value creation

1. Favorable industry environment

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

Global trends	Needs
Climate change 	• Zero emission concepts • Low energy buildings
Mobility 	• Energy efficient mobility • Lightweight transportation • Electric vehicles
Growing population 	• Food preservation • Low cost durable goods
Increasing urbanization 	• Affordable housing • Living comfort • Public infrastructure

Industry demand outlook[a] 2016 – 2021e



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

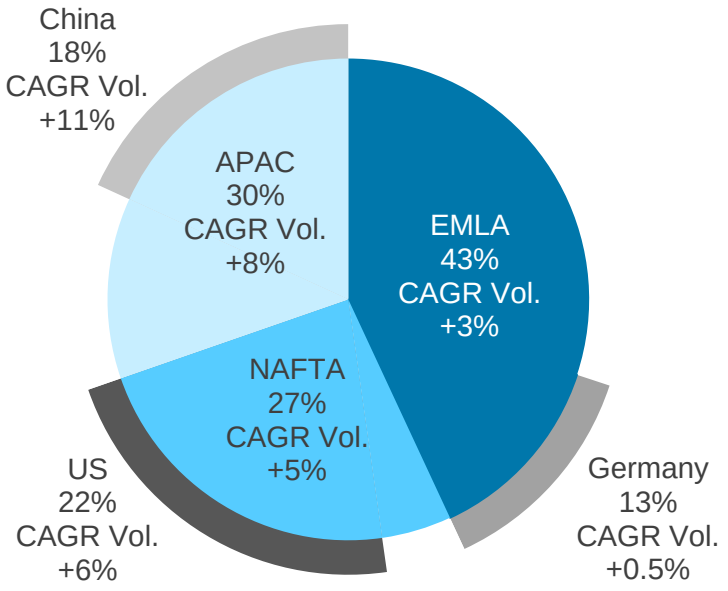
Notes: (a) Assumes global GDP CAGR 2016–2021e of 2-3% (b) Comprises MDI, TDI and polyether polyols
(c) Shows PU raw materials industry demand in Coatings, Adhesives and Sealants
Source: Covestro estimates and Orr & Boss 2016

2. Portfolio with broad-based geographical and industry footprint

Covestro core volume growth of +5.1% CAGR in 2014-2016

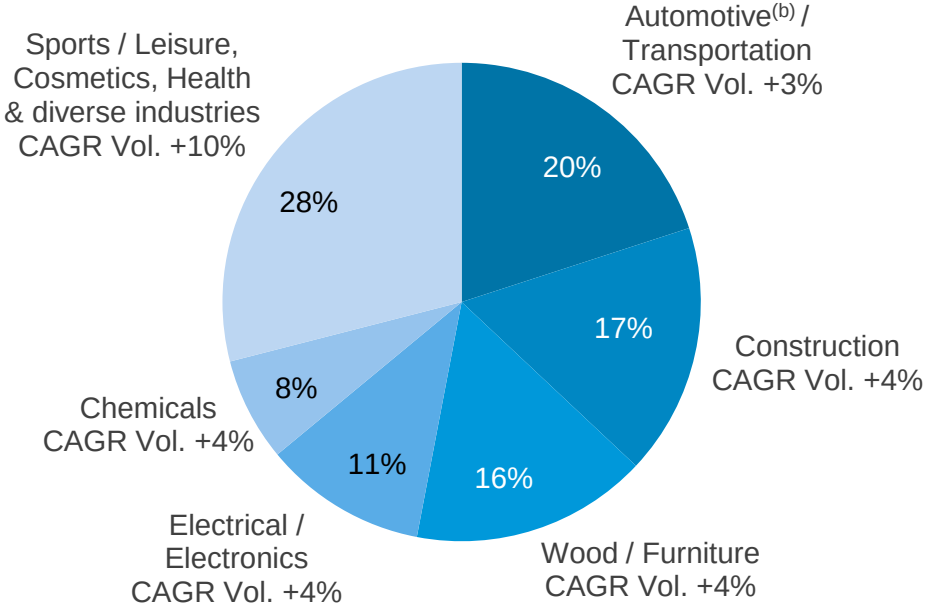
Sales split by regions[(a)]

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



Sales split by end-market

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



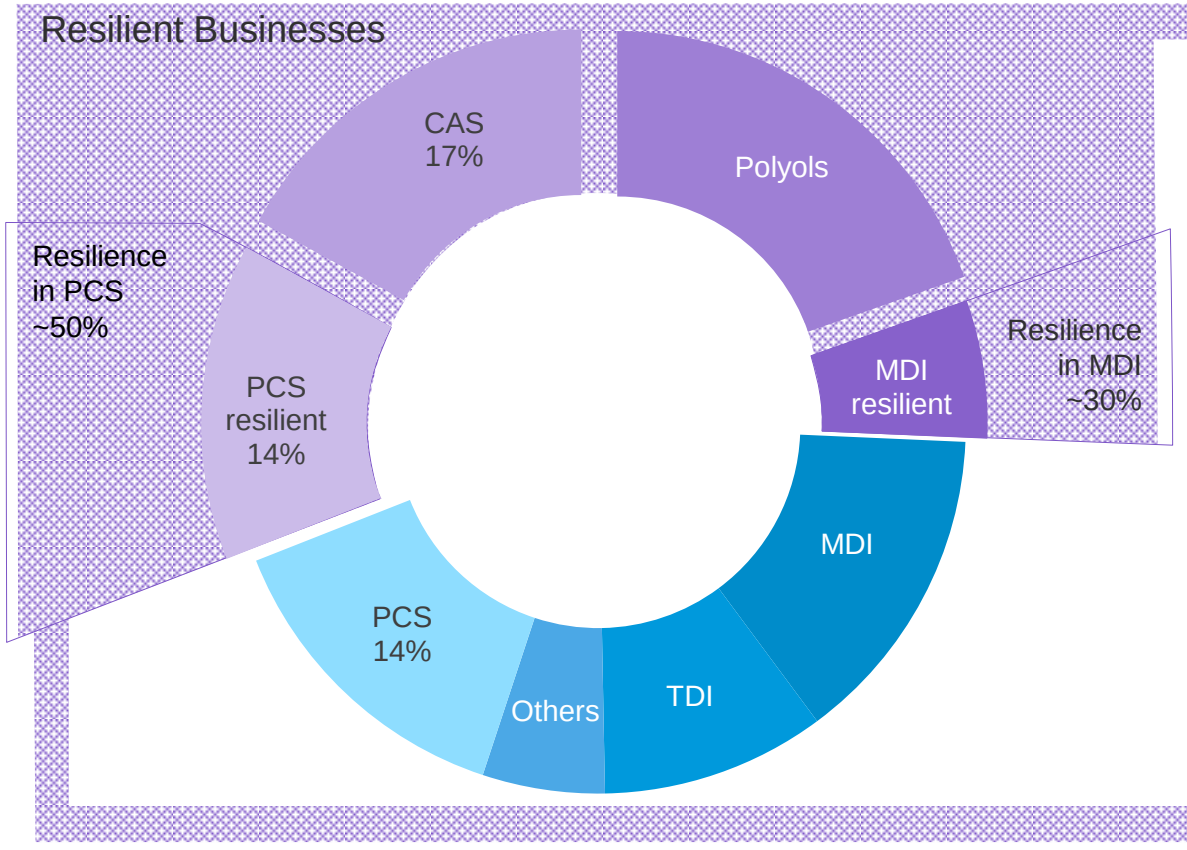
Notes: (a) Based on Covestro Annual Report 2016; EMLA = Europe, Middle East, Africa, Latin America (without Mexico); NAFTA = USA, Canada, Mexico; APAC = Asia, Pacific
(b) Automotive with CAGR 2014-2016 Vol. +5%

2. Portfolio geared towards differentiated products

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

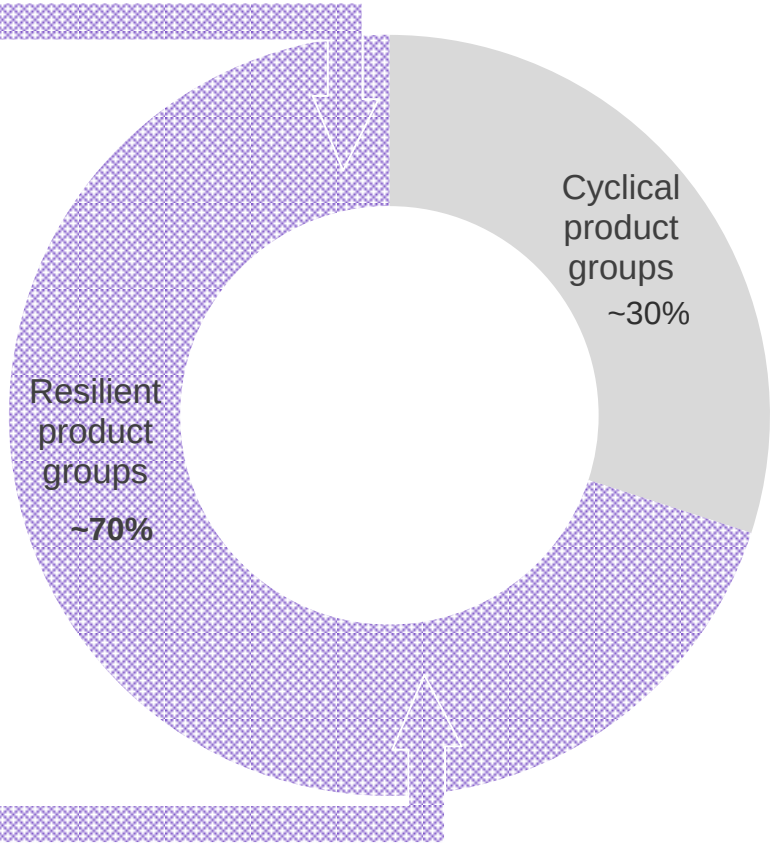
Sales by Segments

% of 2016 Group sales



Earnings of resilient businesses

% of 2016 Group earnings[(a)]



Note: (a) Calculated based on contribution margin

2. 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





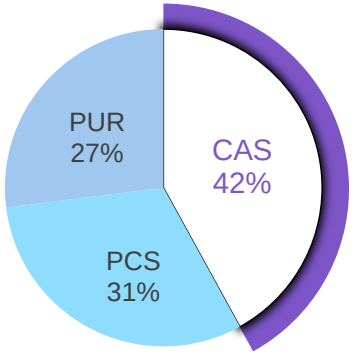

6+	2,300+	4,300+	#1	€2.0bn	20.1%
Monomers	Products	Customers[a]	Producer of aliphatic isocyanates[b]	Sales 2016	EBIT margin 2016

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

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

EBIT contribution of segments[c]

in €m / average 2014-2016



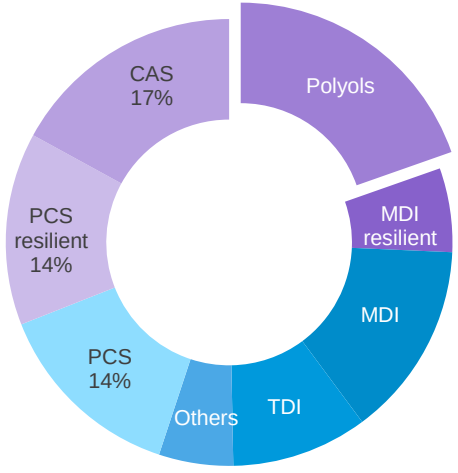
Notes:
(a) Includes direct customers only
(b) Based on total aliphatic isocyanates volume in 2016 relative to competitors as per Covestro estimates
(c) Excluding contribution of “Other segments / Consolidation”

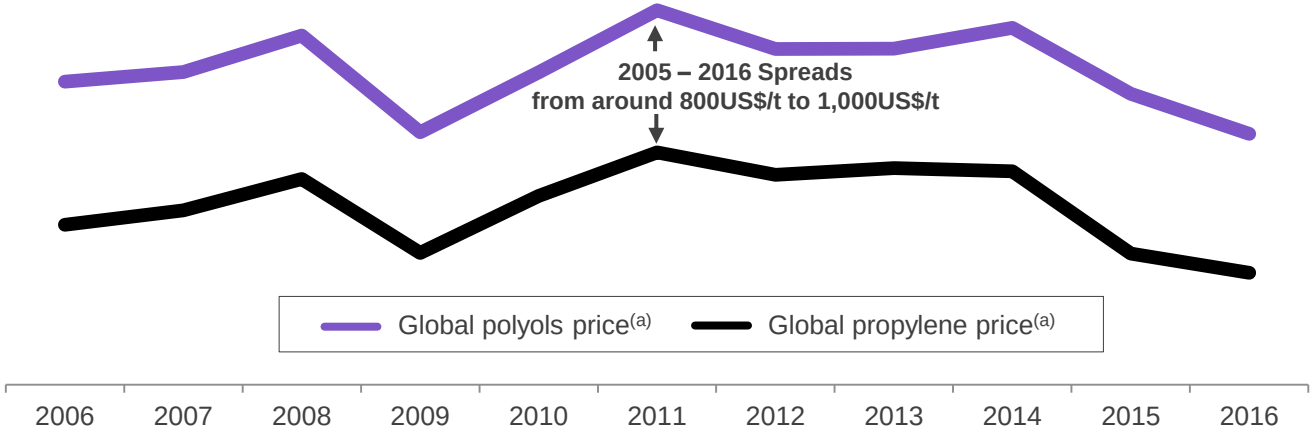
2. Margin resilience in polyols

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

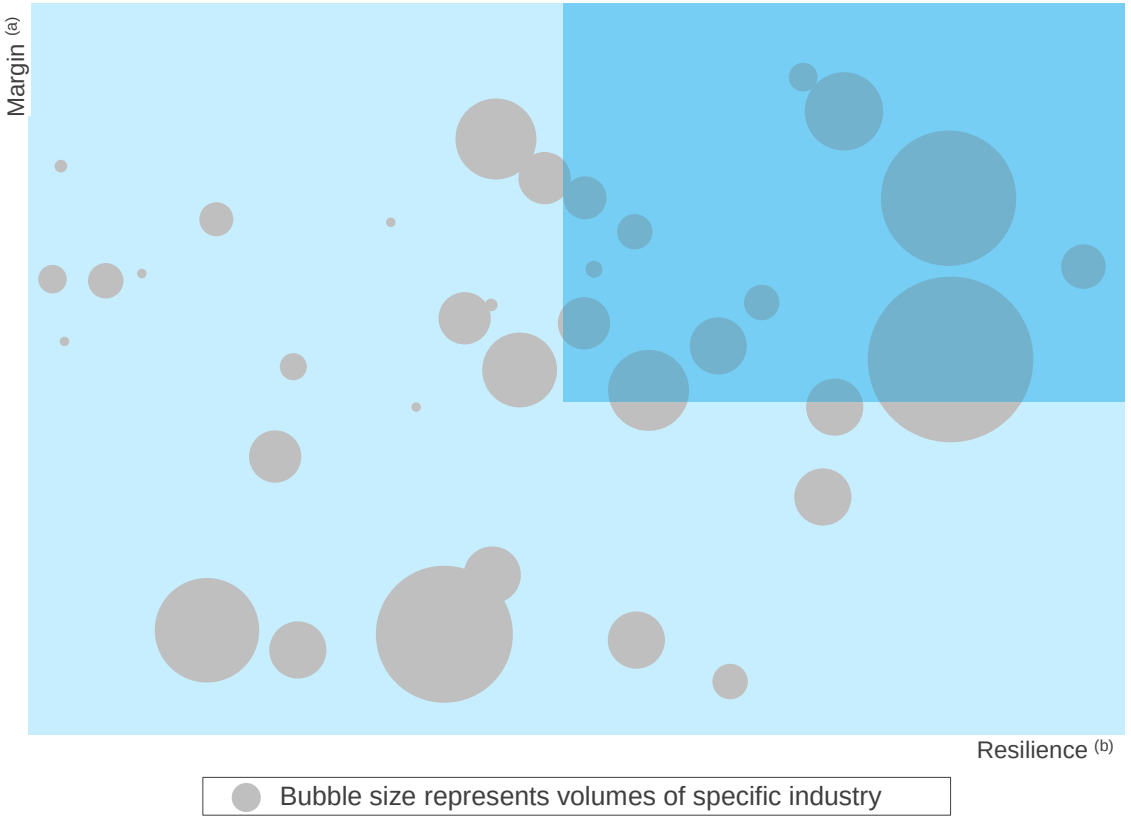
- Resilient industry margins over the last decade reflective of overall Covestro polyether polyols profitability
- Spreads not materially impacted by high volatility of propylene prices, particularly during the financial crisis
- Propylene oxide supply / demand dynamics create local pricing opportunities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

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

2. 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

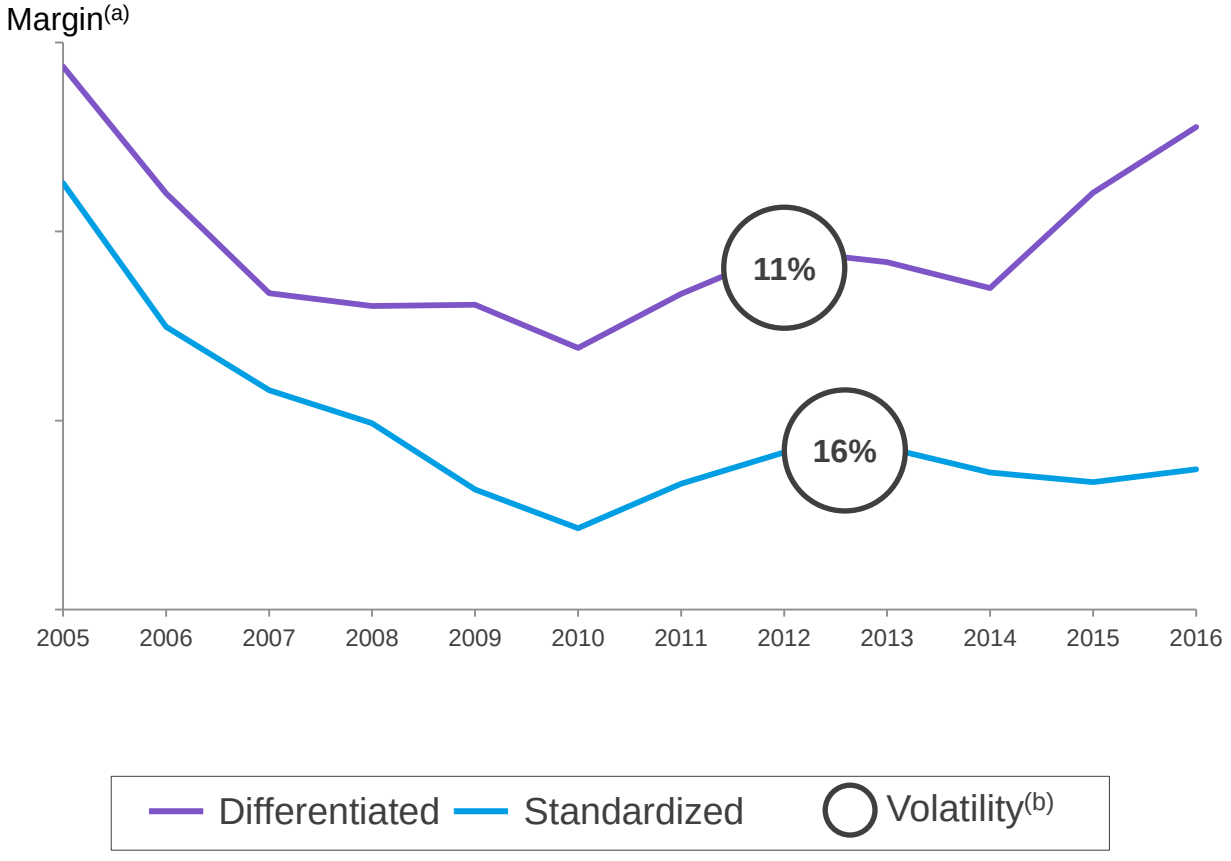
Resilient portion of PCS volumes improved from ~40% to ~50% in the last 5 years, supported by continuous progress of innovative offerings

Notes: (a) Contribution margin per kg
(b) Resilience measured as standard deviation of contribution margin for the years FY 2005-2016

2. Margin resilience in MDI

MDI product portfolio leads to increased resilience in earnings

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



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

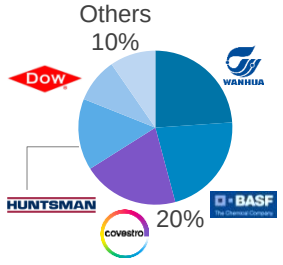
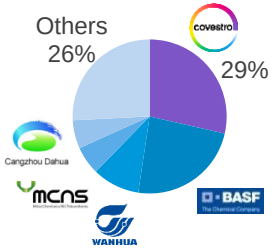
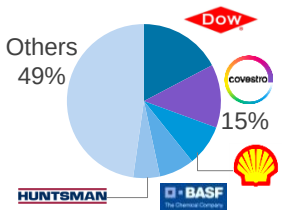
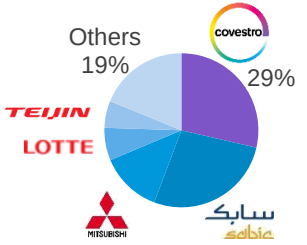
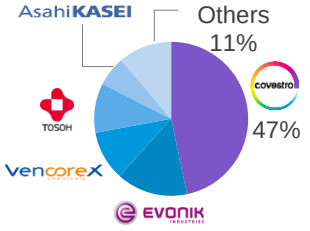
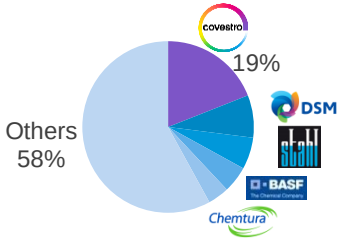
- Example: Window frames

Differentiated business with ~0.25€/kg higher gross margin

Notes: (a) Contribution margin per kg
(b) Resilience measured as standard deviation / average
(c) CASE – Coatings, Adhesives, Sealants and Elastomers

3. Global industry positions

Covestro is a leader across its entire portfolio

	Polyurethanes			Polycarbonates	Coatings, Adhesives, Specialties	
	MDI	TDI	Polyether polyols	PC	Aliphatic isocyanate derivatives	Polyurethane dispersions
	#1 in PUR			#1 in PC	#1 in CAS	
Capacity share in 2016[a]						
	Top 5: 90%	**Top 5: 74%**	**Top 5: 52%**	**Top 5: 81%**	**Top 5: 89%**	**Top 5: 42%**
	2021e: Top 5 expected to account for 91%	2021e: Top 5 expected to account for 75%	2021e: Further consolidation expected, especially in China	2021e: Top 5 expected to account for >70%	2021e: Industry structure expected to remain stable	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	

Note: (a) Based on total nameplate capacity at year-end 2016 relative to competitors
Source: Covestro estimates and Orr & Boss 2016

3. Innovation leadership

Pushing boundaries in use of alternative raw materials

Highlights

First bio-based hardener

CO_2 instead of crude oil

Revolutionizing aniline production

Benefits

- ✓ Coating hardener developed with ~70% bio-based content and ~30% reduction in carbon footprint
- ✓ Collaboration with Audi and BASF - clearcoat containing bio-based hardener applied to Audi Q2 test bodies
- ✓ Improved eco-balance goes hand in hand with full performance

- ✓ New technology permits to use CO_2 in the production of polymers – saving crude oil
- ✓ First products already commercialized: polyols for flexible foam with up to 20% CO_2 content
- ✓ More CO_2-based components to come – e.g. for rigid foam, elastomers, thermoplastics

- ✓ For the first time, aniline has been derived from renewable raw materials instead of petrochemicals
- ✓ Aniline is widely used in the chemical industry – key component of insulation foam
- ✓ Plans to produce bio-based aniline on a large industrial scale for own use, as of mid-2020s

3. Leading process technologies

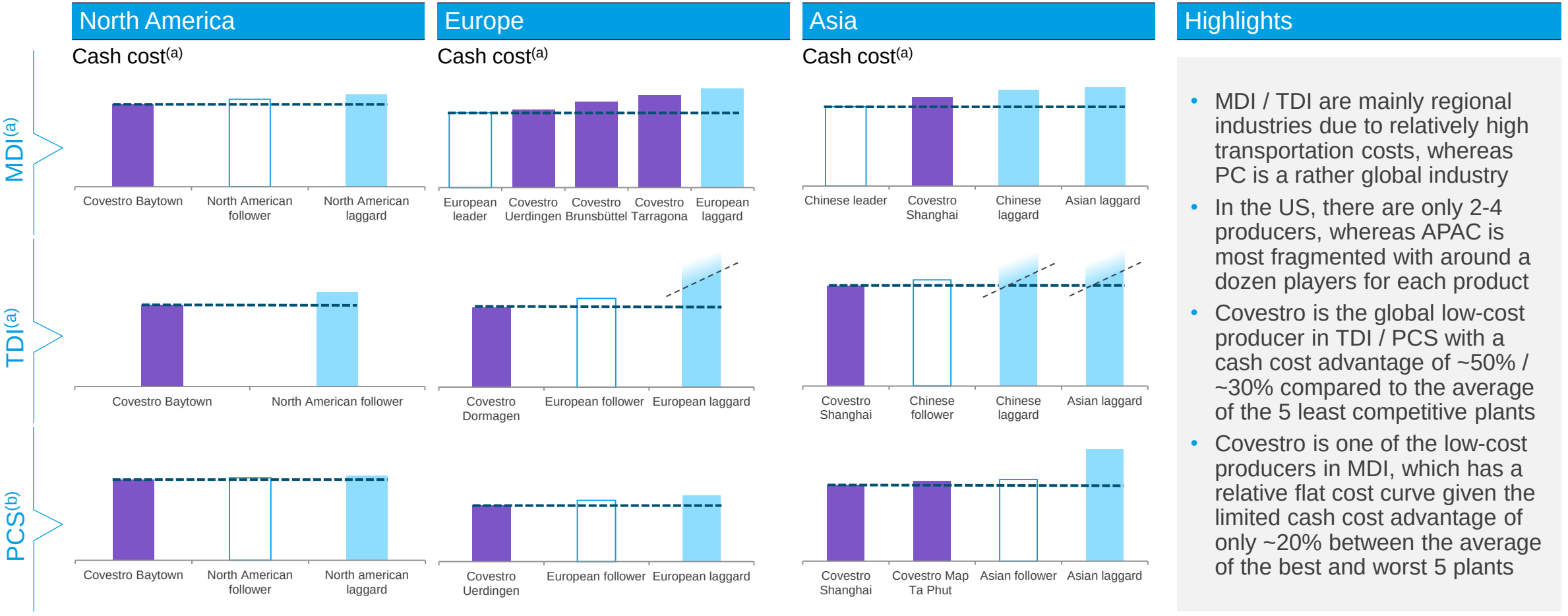
Competitive advantages based on world-class chemical engineering

	Melt process in world-scale PC production	TDI / HDI gas-phase phosgenation	Sodium chloride electrolysis with ODC[(b)]
Highlights			
Benefits	✓ Conversion cost advantage of around 20% vs. competitors technologies ✓ Raw material cost on par or better than competitive technologies ✓ Pushing economies of scale to new standard of 150kt/a per line in Caojing, China	✓ Capex reduced by 20%[(a)] ✓ Reduced conversion cost due to lower energy demand and reduced solvent usage ✓ Reduced phosgene hold-up by 40% and energy consumption by 60% vs. liquid phase	✓ Consumes 30% less electricity vs. conventional processes ✓ Significant economic and ecological benefits vs. conventional processes

Notes: (a) The plant size for a given capacity is smaller, because the reaction time for the gas-phase phosgenation process is shorter than the conventional process and results in a significantly higher throughput
(b) ODC is oxygen depolarized cathode

3. Competitive cost position

Leading cash costs across business segments and regions

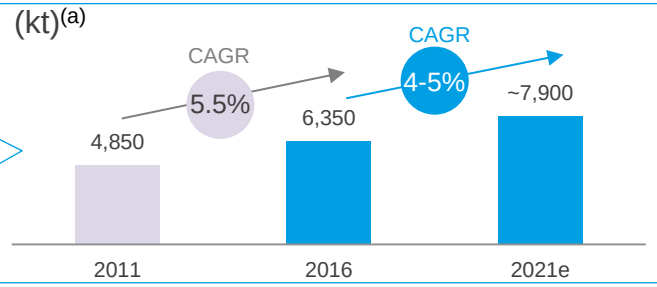
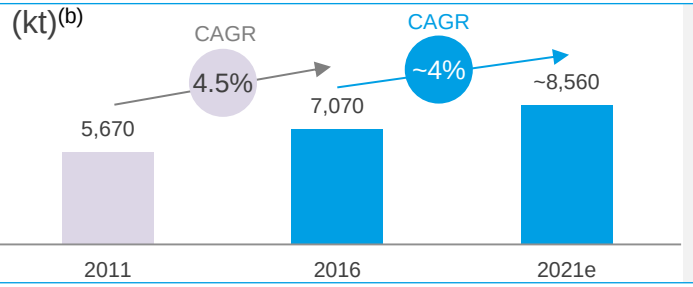
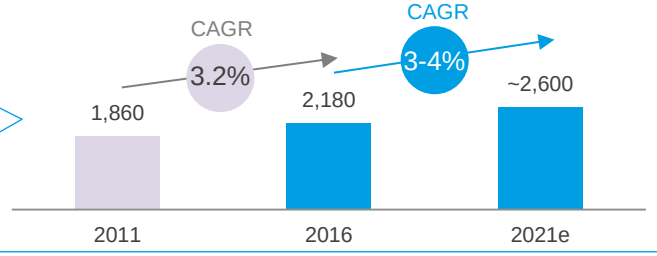
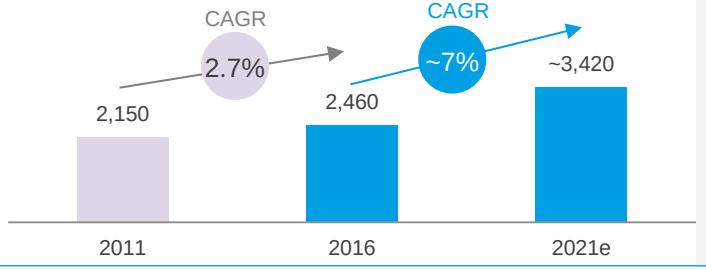
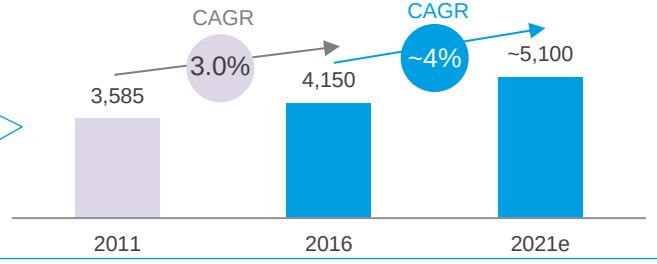
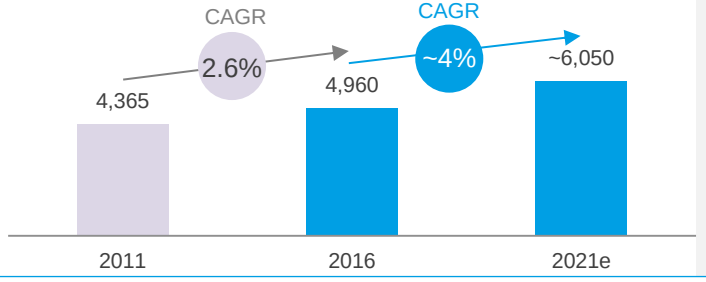


- MDI / TDI are mainly regional industries due to relatively high transportation costs, whereas PC is a rather global industry
- In the US, there are only 2-4 producers, whereas APAC is most fragmented with around a dozen players for each product
- Covestro is the global low-cost producer in TDI / PCS 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 relative flat cost curve given 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 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.

4. Historical industry development and outlook

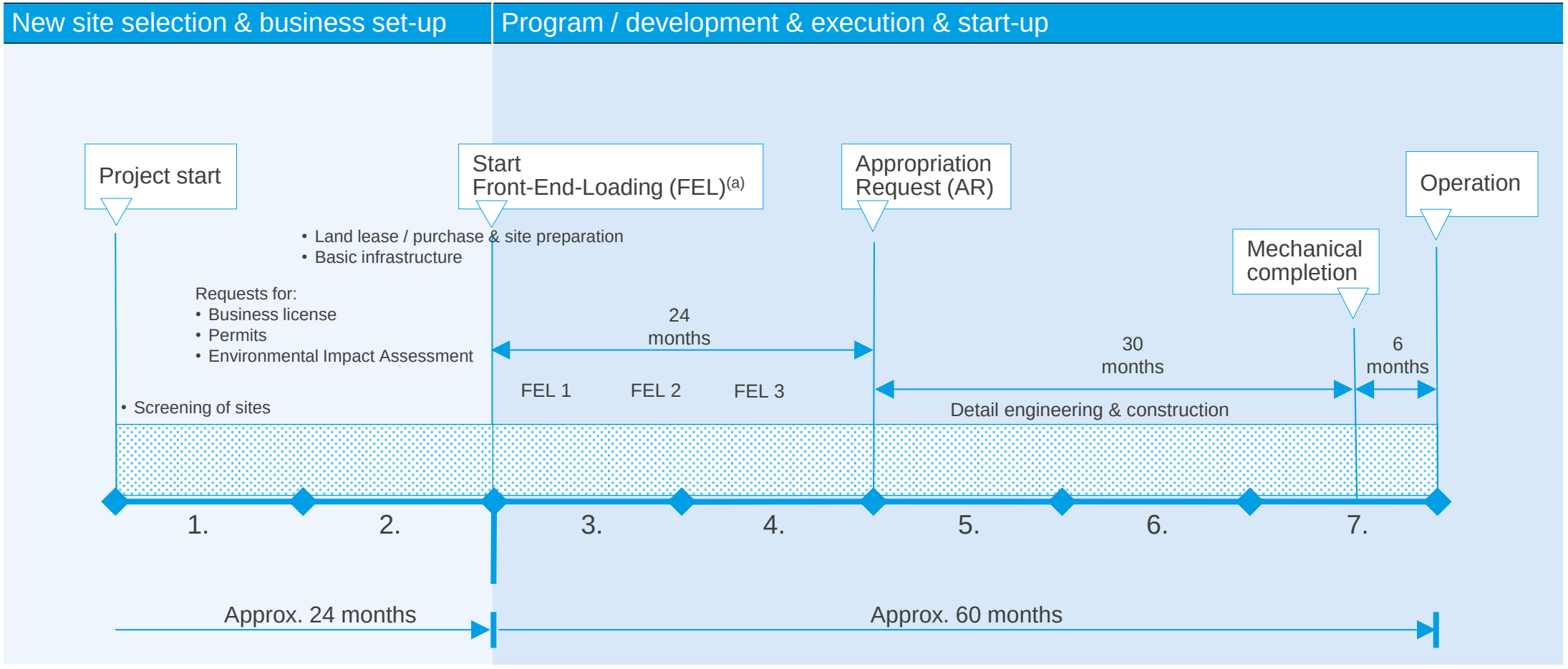
Above GDP growth driving industry capacity utilization and supporting stable margins

	Demand development (2011 – 2021e)	Supply development (2011 – 2021e)	Highlights
MDI			• MDI margins currently above long-term historical level based on robust industry utilization above 90% • In 2018 / 19, margins expected to slightly decrease based on new investments (e.g. Sadara, Covestro) • Upside margin potential towards the end of the decade along with increasing industry utilization
TDI			• TDI margins higher than long-term average due to delayed start-up of major investments • From 2018, margins expected to drop based on new world-scale capacities (BASF, Sadara, Wanhua) • Possible industry consolidation in China
PCS			• Sustainable margins driven by high utilization rates • Very diversified growth drivers ensure stability of demand development • New industry players likely to only penetrate low-end applications

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

4. World-scale production assets – timing

Sample timeline for industry-typical, green-field project planning and construction process



Note: (a) FEL also referred to as pre-project planning

4. World-scale production assets – announcements

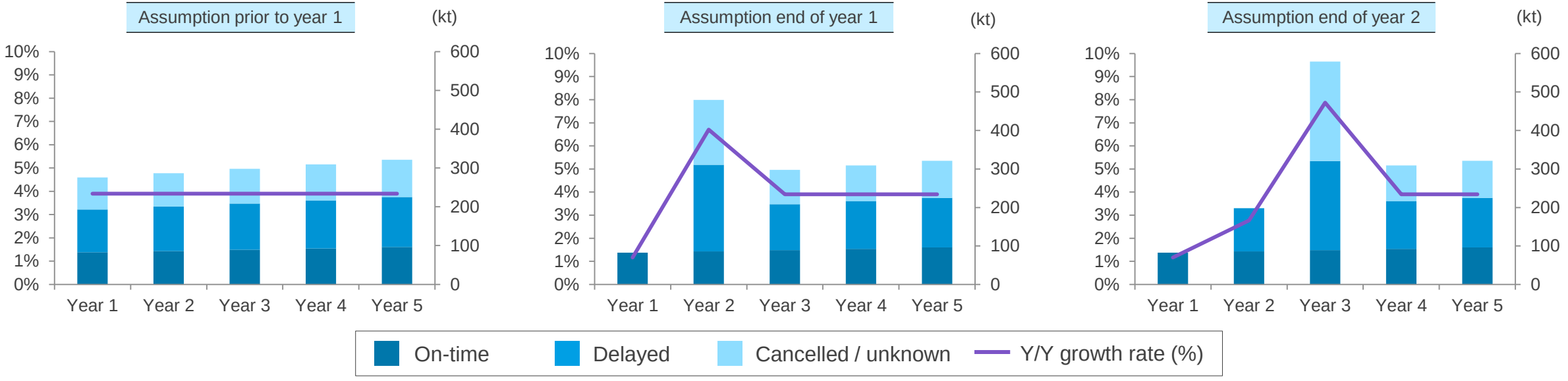
Delayed execution to be considered with every announcement

Current examples for delayed projects:						
Business	Project	Country / Region	1st public reference	Initial start-up plan	**Delayed by**	Expected start-up
MDI	Project S	KSA	2011	2016	**~2 years**	Expected mid 2017
MDI	Project H	US	2014	2018	**>2 years**	Beyond 2020
MDI	Project W	US	2015	2020	**~1 year**	Expected 2021
MDI	Project B	China	2007	2010	**~5 years**	~50% capacity in 2015 / full in 2017
TDI	Project S	KSA	2011	2016	**~2 years**	Expected H2 2017
TDI	Project B	Germany	2011	2014	**~4 years**	2016 / full capacity in 2018
TDI	Project W	China	2010	>2014	**~4 years**	Expected 2018
TDI	Project HJ	China	2011	2015	**~3 years**	Expected 2018
PCS	Project SS	China	2008	2009	**>10 years**	Beyond 2019
PCS	Project N	China	2011	2013	**~2 years**	2015
PCS	Project P	Thailand	2007	2010	**>10 years**	Beyond 2020

4. Modeling future supply additions

Illustrative example of the wave effect in supply models

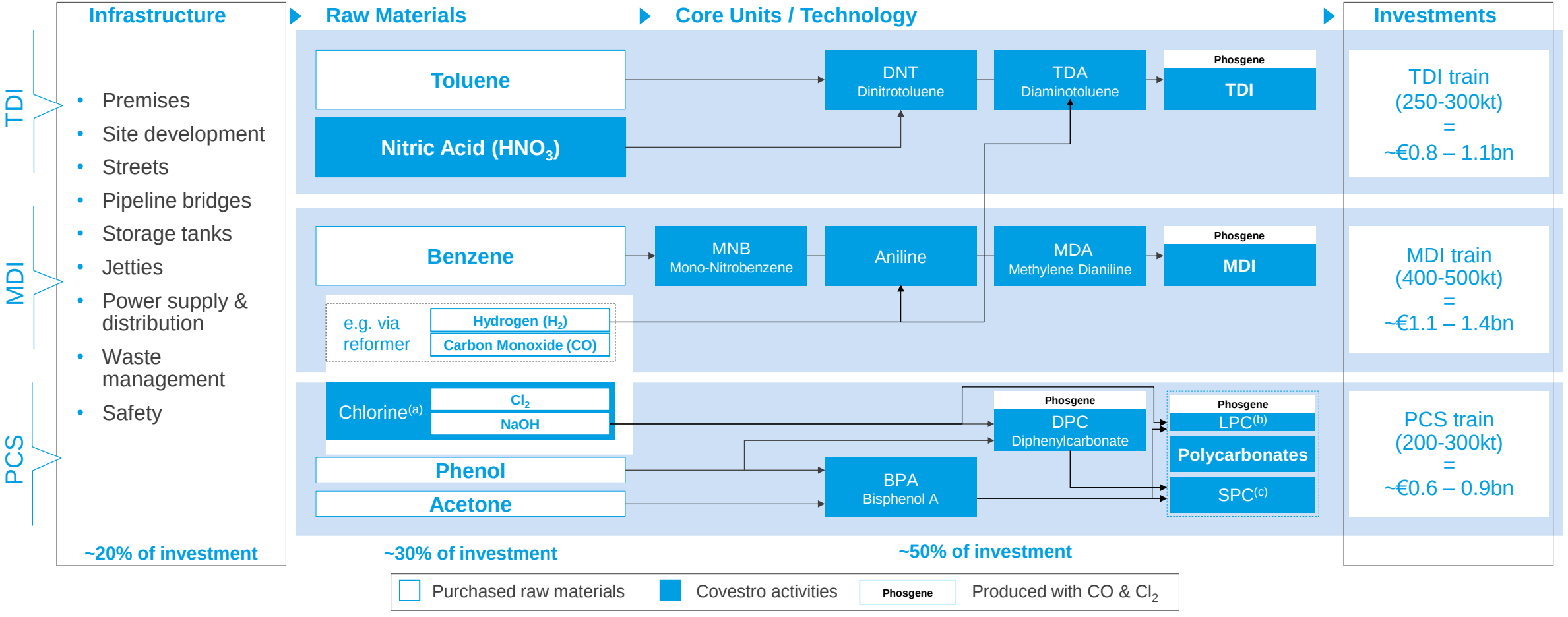
Typical supply model assumes oversupply in the coming year



- 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

4. World-scale production asset – investments

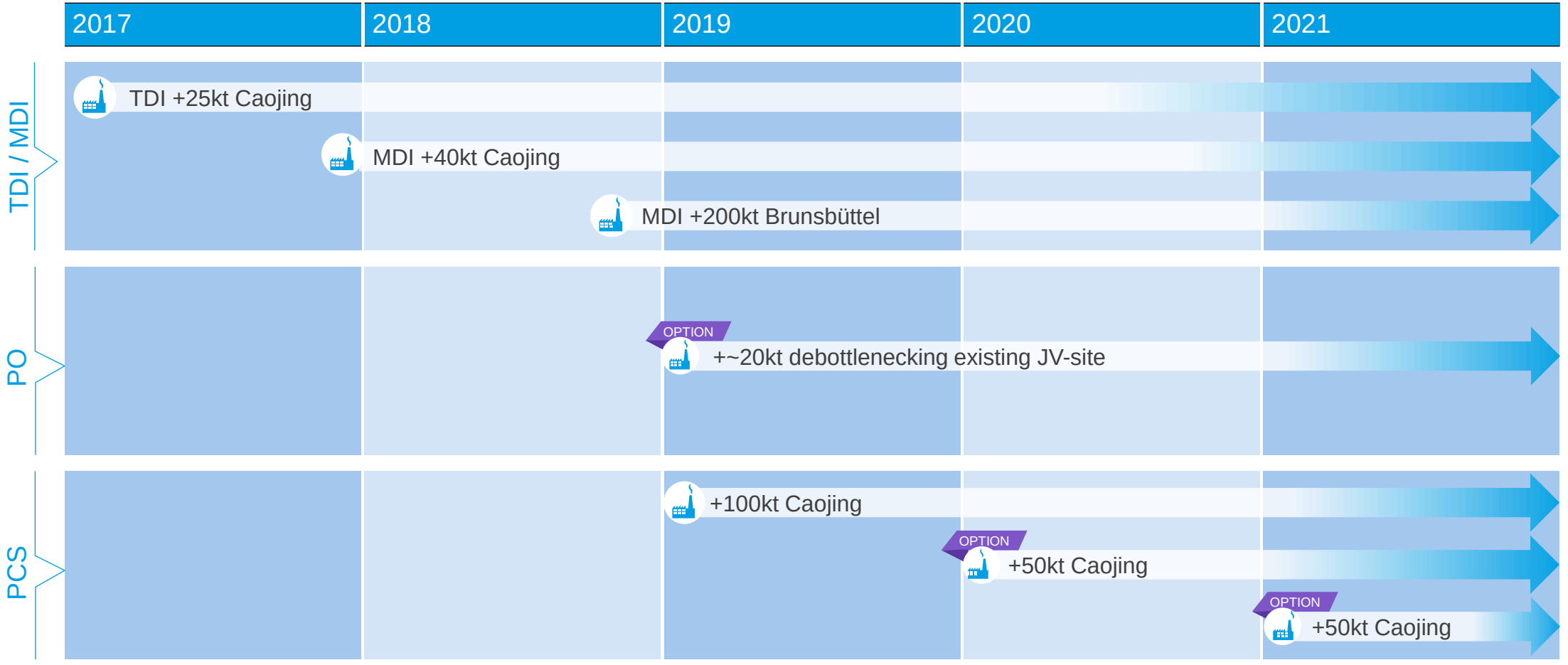
Industry-typical investments for green-field plants



Notes: Chart contains key feedstock only
(a) via Deacon or HCl-ODC technology and / or Chloralkali Electrolysis, (b) Interface process, (c) Melt process

4. Planned and optional Covestro capacity additions

Young asset base allows growth through smart capex approach

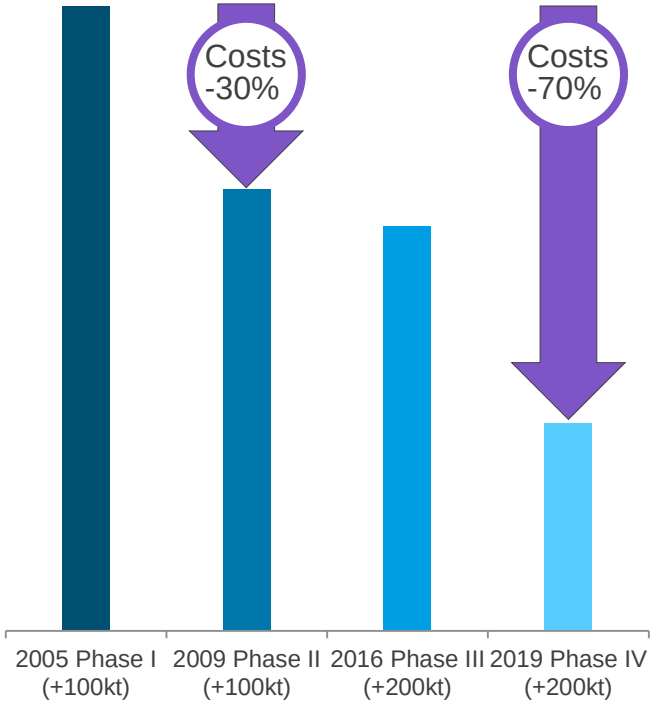


4. Smart capex approach: Caojing capacity expansions

Examples for specific investment cost developments

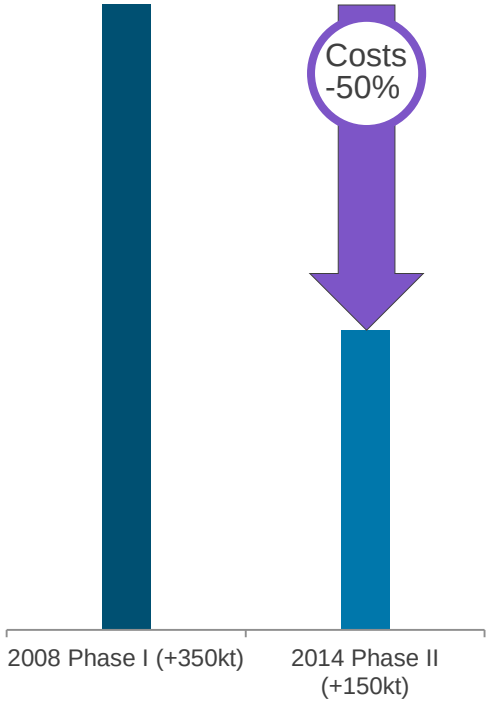
PCS capacity expansion

Capex €/kt



MDI capacity expansion

Capex €/kt



Advantages of brownfield expansion:

Lower specific capital investment required due to:

- Process improvement through progress on learning curve: technology progress enables higher throughput
- Only adjustment or replacement of selected equipment necessary (debottleneck), many parts of the plants suitable for higher load
- Site infrastructure existing and only to be adjusted to minor extent

5. Cumulative FOCF for next 5 years

Commitment to deliver free operating cash flow

Note: Based on exchange rate of USD/EUR ~1.10 and a global GDP CAGR 2016-2021e of 2-3%

Leverage industry leadership to capture growth

Covestro strategy

1. **Capture market growth**
   over the next years with existing world-scale assets and our smart capex approach

2. **Improve cost position**
   align overall costs with best-in-class chemical industry benchmarks

3. **Protect and build profitable competitive positions**
   through focused R&D

4. **Embed sustainability**
   in every element of the strategy

5. **Efficient use of cash**
   with focus on value creation

New Growth Opportunities (Innovation)

Dr. Markus Steilemann

June 29, 2017

Polymers – ubiquitous in modern life

The material of the 21st century

Indispensable in our daily lives

Used in key fields

Cars
Buildings
Electronic devices

Sporting goods
Medical technology
And much more

Attractive niche markets

Right answers for big challenges

Covestro set to outpace global growth

Trends…	and needs…	lead to demand for Covestro products
Climate change	Renewable energy Lower energy buildings	
Urbani-zation	Energy-efficient lighting Sustainable living	
Population & prosperity growth	Functional clothing Food preservation	
Increasing mobility	Goods transport Conventional & E-vehicles	

Core volume growth CAGR 2014-2016

+5%

Global GDP CAGR 2016-2021[(a)]

2-3%

Note: (a) Covestro estimate

Covestro - driving growth through innovation leadership

Innovation highlights

1. **Product innovation is long-term driver of above GDP growth**
   addressing ever-changing customer needs for new material solutions

2. **Effective R&D spend at Covestro**
   based on newly introduced marketing led stage gate process

3. **Focused R&D to build and protect profitable competitive positions**
   with ~20% of budget allocated to process R&D, critical to maintain cost leadership position

4. **Innovation leadership in the industry with continuous break-through contributions**
   as the inventor of polyurethanes and polycarbonates

Long tradition of research

80 years of ideas and inventions at Covestro

1937 Otto Bayer invents polyure-thanes

1953 Hermann Schnell invents polycarbonates

1954 Kuno Wagner invents cross-linking agent for lightfast polyurethane coatings

1959 Introduction of polyurethane in the fashion industry

1962 Market launch of rigid polyurethane foam for insulating refrigeration systems

1967 Presentation of the first car made almost entirely of plastic

1982 Introduction of CDs made of polycarbonate

Polycarbon-ate used for the first time in automo-tive head-lamps

1985 First office machines made of flame-retardant polycarbonate composite

1991 Introduction of polyure-thane “memory” foam for mattresses

1995 Films based on polycarbonate are introduced for security documents

1998 First automo-tive glazing for the rear window of the Smart

2001 Construction begins at the Covestro world-scale produc-tion site in Shanghai, China

2011 Plant in Shanghai equipped with eco-friendly and efficient gas-phase phosgenation technology

2012 Introduction of microcellular foam with improved insulating properties

2013 Epoxy resins replaced by polyurethane resins in wind turbine rotor blades

2014 Introduction of INSQIN® technology for a water-based polyurethane textile coating

2015 First coating hardener made of renewable raw materials is introduced

TCG company acquired in order to expand market position in thermoplastic fiber composites

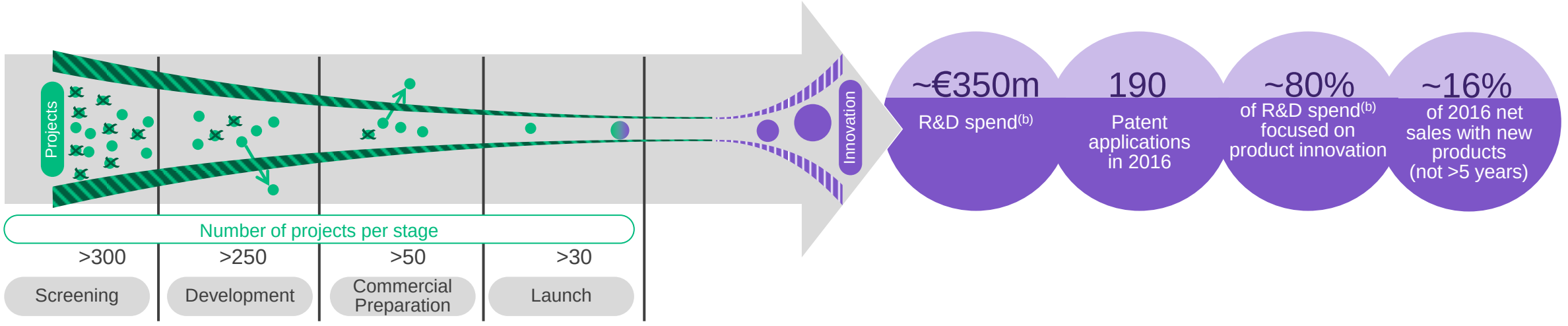
2016 Start of production of foam components with CO_2 in Dormagen, Germany

2017 Key chemical aniline won from renewable raw materials for the first time

Focused R&D to build and protect profitable competitive positions

Stage gate funnel

Progress of product and process innovation projects[(a)]



~€350m
R&D spend[(b)]

190
Patent applications in 2016

~80%
of R&D spend[(b)] focused on product innovation

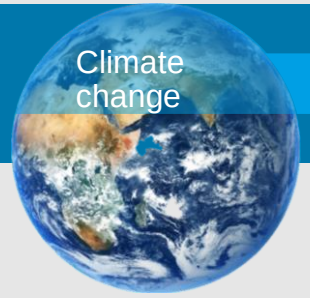
~16%
of 2016 net sales with new products (not >5 years)

- Harmonized process across all regions & BUs
- Best allocation of resources aligned with Marketing Process
- Fully implemented in 2016

Notes: (a) Status June 2017
(b) Based on FY 2016 incl. ~€100m customer advisory

Making wind power plants more efficient

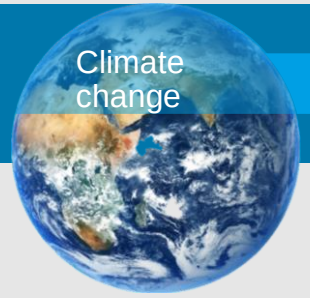
Climate change: renewable energy

Trend	Need	Market	Covestro contribution
 Climate change	More durable and economical wind power plants 	Energy consumption[(a)] CAGR: ~3% Offshore wind energy[(b)] CAGR: ~19%	Novel components for wind power plants • Rotor blades: Polyurethane resins for more stability and durability • Towers: Polyurethane materials for anti-corrosion coatings • Undersea cables: Elastomers for protection systems

Sources: (a) BP, Energy Outlook, 2017 for 2015 – 2020 based on million tons oil equivalent
(b) Navigant, World Wind Energy Market Update, 2017 for 2016 – 2021 based on mega watt

Enabling highly efficient insulation

Climate change: lower energy buildings

Trend	Need	Market	Covestro contribution
 Climate change	Energy- and cost-efficient buildings 	Construction market[(a)] CAGR: ~2% Polyurethane insulation market[(b)] CAGR: ~5%	Raw materials for polyurethane foam (rigid and in spray form) • For residential and commercial buildings, from basement to attic • Material of choice for high thermal insulation • Possible to save >50% of average heating energy

Sources: (a) B+L, Construction Quarterly Report, Q4 2016 + Q1 2017, 2017 for 2016 – 2021 based on billion €
(b) B+L, Construction Quarterly Report, Q3 2016, for 2016 – 2021

Fostering LED technology

Urbanization: energy-efficient lighting

Trend	Need	Market	Covestro contribution
	Reduction of high energy consumption of lighting 	Luminaire market(a) CAGR: ~3% Luminaire LED market(a) CAGR: ~19%	Polycarbonates in LED lenses, light guides, heat sinks • For vehicle headlamps, street lights, flat-panel displays • Transparent, heat-resistant, freedom of design • Easy to produce in high volumes

Source: (a) Global Luminaires, Lighting Market Analysis and Forecast 2016, PennWell for 2015 - 2022

Lowering CO_2 footprint

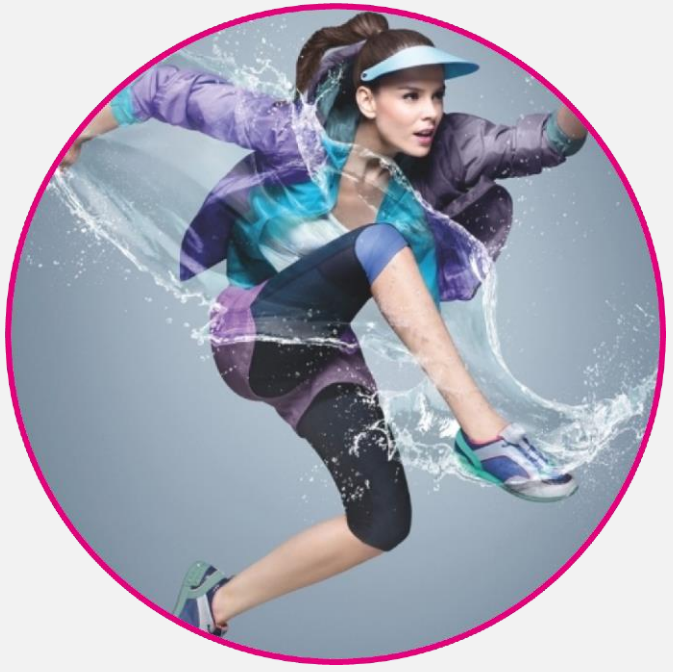
Urbanization: sustainable living

Trend	Need	Market	Covestro contribution
 Urbani-zation	Eco-friendly produced furniture 	Coating industrial furniture market[(a)] CAGR: ~3% Waterbased industrial furniture market[(b)] CAGR: ~5%	New bio-based hardener for water-based wood coatings • Furniture surface protection in demanding environments like bathrooms and kitchens • Biomass content of 66% and improved carbon footprint • High hardness and chemical resistance

Sources: (a) CSIL January 2017 for 2017 - 2021
(b) Covestro estimates

Replacing harmful by water-based ingredients

Population & prosperity growth: functional clothing

Trend	Need	Market	Covestro contribution
 Population & prosperity growth	Sustainable and functional fashion 	Textile coating market[(a)] CAGR: ~6% Covestro relevant textile coating market[(b)] CAGR: ~11%	Waterborne, solvent-free materials for functionalized textiles in diverse applications • Better occupational safety, environmental protection, resource consumption • Helps brand owners and producers meet their sustainability goals, e.g. ~45% lower carbon footprint • Enables new functionalities

Sources: (a) IAL PUD market report 2015 for 2014 – 2019
(b) Covestro estimates

Lower energy consumption and higher consumer satisfaction

Population & prosperity growth: food preservation

Trend	Need	Market	Covestro contribution
Population & prosperity growth 	More and better cooling devices 	Number of refrigerators[(a)] CAGR: ~3% Refrigeration insulation foam[(b)] CAGR: ~8%	Raw materials for particularly effective insulating foams • 40% smaller pores allow up to 10% better insulation • Support refrigerators with higher energy efficiency • Less material cost and higher production speed

Sources: (a) Euromonitor Consumer Appliance Annual Report, 2017 for 2016 – 2021 based on retail units
(b) IAL PU Global Database (2017), for 2016 – 2019 based on consumption in kt

Solutions for growth in temperature-controlled shipments

Increased mobility: goods transport

Trend	Need	Market	Covestro contribution
Increasing mobility 	Perfect insulation for perishable products 	Containers[a] CAGR: ~4% Reefer containers[b] CAGR: ~9%	Rigid polyurethane foam components • For heat-sensitive goods in international sea traffic • Optimum insulation, high stability, low weight • Economic production according to individual wishes

Sources: (a) World Cargo News (Feb 2017), Drewry Maritime Research (Feb 2016), for 2016 – 2021 based on No. of „normal“ container in Units or TEU (2 TEU ≈ 1 FEU)
(b) All four global reefer manufacturers, World Cargo News, Drewry Maritime Research, Sextant Consultancy, Irish Shipbrokers, in units or FEU

In the sweet spot of replacing traditional materials

Increased mobility: focus on light-weight and quality

Trend	Need	Market	Covestro contribution
Increasing mobility 	Reduced weight and increased comfort 	Global car production[(a)] CAGR: ~3% Covestro relevant car market[(b)] CAGR: ~5%	Attractive alternatives to conventional materials • Adhesive polymer solutions to replace mechanical fixing • Sustainable coating • Polycarbonates to replace glass and metal • Polyurethanes to increase comfort

Sources: (a) LMC 01/2017 for 2016 – 2021
(b) Covestro estimates for 2016 – 2021

Conventional car: exterior

Lightweight and aerodynamic

CAS

Metal body coatings, bumpers, body panels

PCS

Panoramic roofs, tailgates, roof panels, pillar covers, rear mirrors, filler flaps, headlamps, rear lamps, fog lamps, radiator grills

PUR

Car body parts, noise insulation, under the hood applications

Conventional car: interior

Individual and comfortable

CAS

Airbags, door panels, window shields, leather & topfinish, coatings, cockpit

PCS

Cockpit, pillar covers, middle consoles, seat covers, glove boxes air vents

PUR

Seatings, headliners, instrument panels, load floors, head rests

Technology enabler

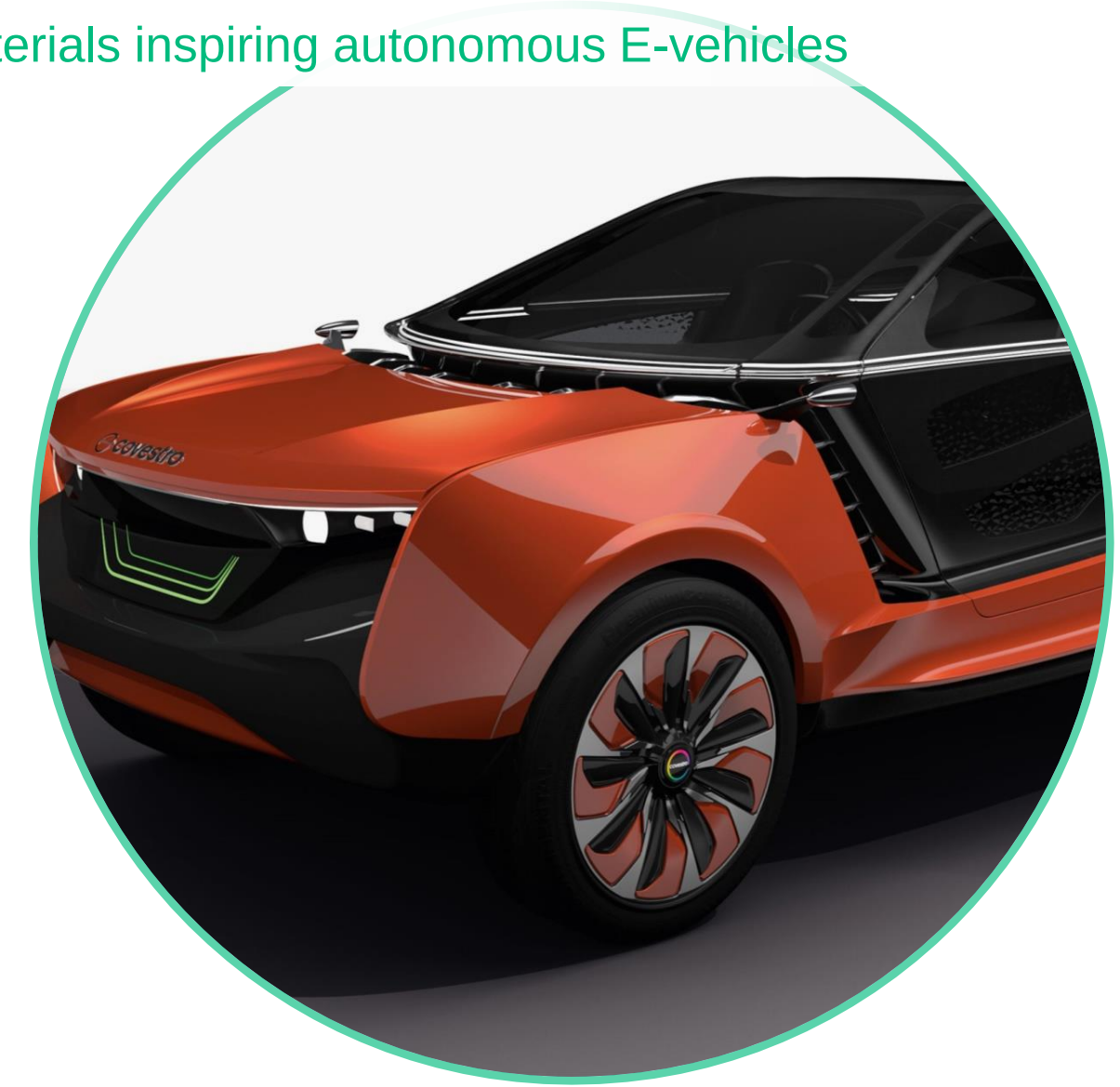
Increased mobility: E-vehicles and autonomous driving

Trend	Need	Market	Covestro contribution
Increasing mobility 	Environmentally friendly and freedom of design 	Global car production[(a)] CAGR: ~3% Global hybrid and electrical car production[(a)] CAGR: ~25%	Pioneering all-around material concept • Efficient thermal management to reduce energy demand • New lighting functions revolutionize design and safety • Most stringent weight reductions

Source: (a) LMC 01/2017 for 2016 – 2021

Future car: exterior

Materials inspiring autonomous E-vehicles



Design freedom

Unique aesthetic

Good aerodynamics

Holographic lighting

Integrated light and signal elements, sensors, antennas

Vehicle to environment communication

Entirely new possibilities in design

Wrap-around glazing

Improved visibility

Enhanced safety

Less weight

Better thermal management

Future car: interior

Materials inspiring design and functionality

Interactive 3D displays

Innovative rear projection solutions

Surfaces with integrated features

Displays, touch screens for multiple styling options and brand differentiation

Efficient manufacturing

Direct Coating, a cost efficient lean one-step process of coated polymer components

Covestro - driving growth through innovation leadership

Innovation highlights

1. **Product innovation is long-term driver of above GDP growth**
   addressing ever-changing customer needs for new material solutions

2. **Effective R&D spend at Covestro**
   based on newly introduced marketing led stage gate process

3. **Focused R&D to build and protect profitable competitive positions**
   with ~20% of budget allocated to process R&D, critical to maintain cost leadership position

4. **Innovation leadership in the industry with continuous break-through contributions**
   as the inventor of polyurethanes and polycarbonates

Financial Performance

Patrick Thomas
June 29, 2017

Attractive cash flow profile

Key financial highlights

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

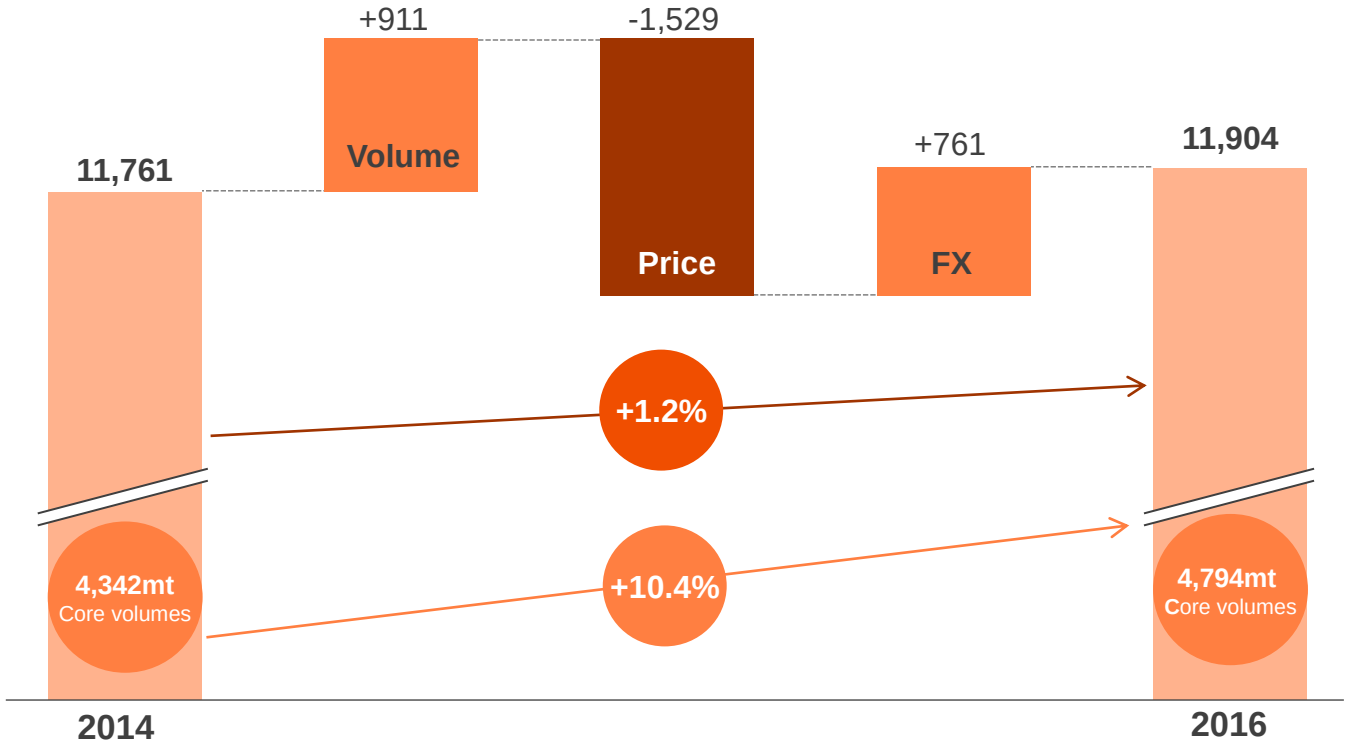
5. **Attractive dividend policy**
   with focus on increasing or at least stable dividends going forward

FY 2014-2016 – Sales bridge

Dynamic volume growth

Sales bridge

in € million



Highlights

Dynamic volume development

- Core volumes (in kt) expanded by +10.4% since 2014
- Sales volumes (in €) expansion of +7.7% since 2014
- Core volume growth above sales volume expansion due to declining non-core volumes

Prices and FX effects

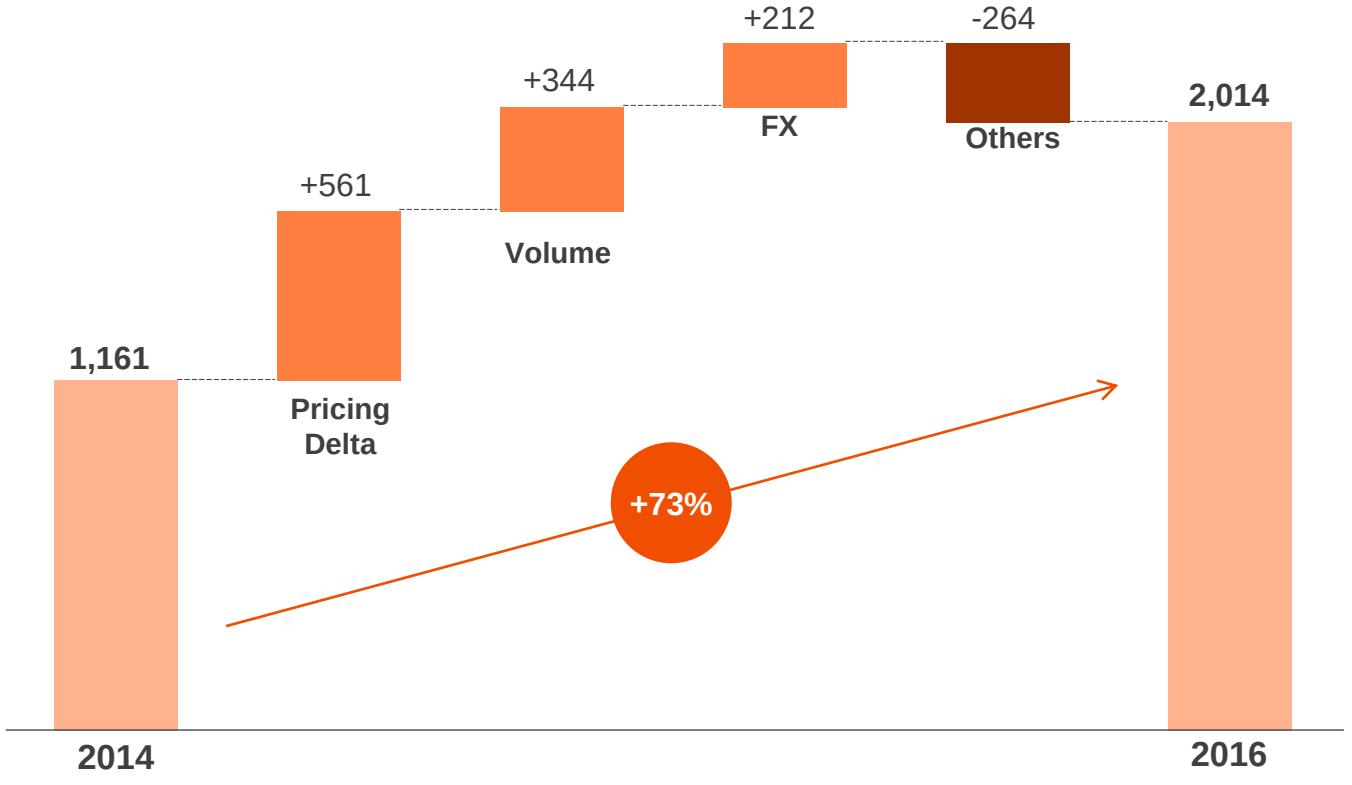
- Selling price decline driven by lower raw material prices
- Lower selling prices negatively impacted sales by 13.0% since 2014
- FX effects contributed +6.5% since 2014 mainly due to stronger USD

FY 2014-2016 – Adj. EBITDA bridge

Positive pricing delta and volume leverage drive earnings growth

Adj. EBITDA bridge

in € million



Highlights

Positive volume leverage

- Driven by all segments
- Ongoing growth expected to deliver €100-150m volume leverage p.a.

Improved cash margin

- Positive pricing delta driven by all segments
- PCS contributed approx. 2/3 of pricing delta effect, after industry emerged from optical media decline

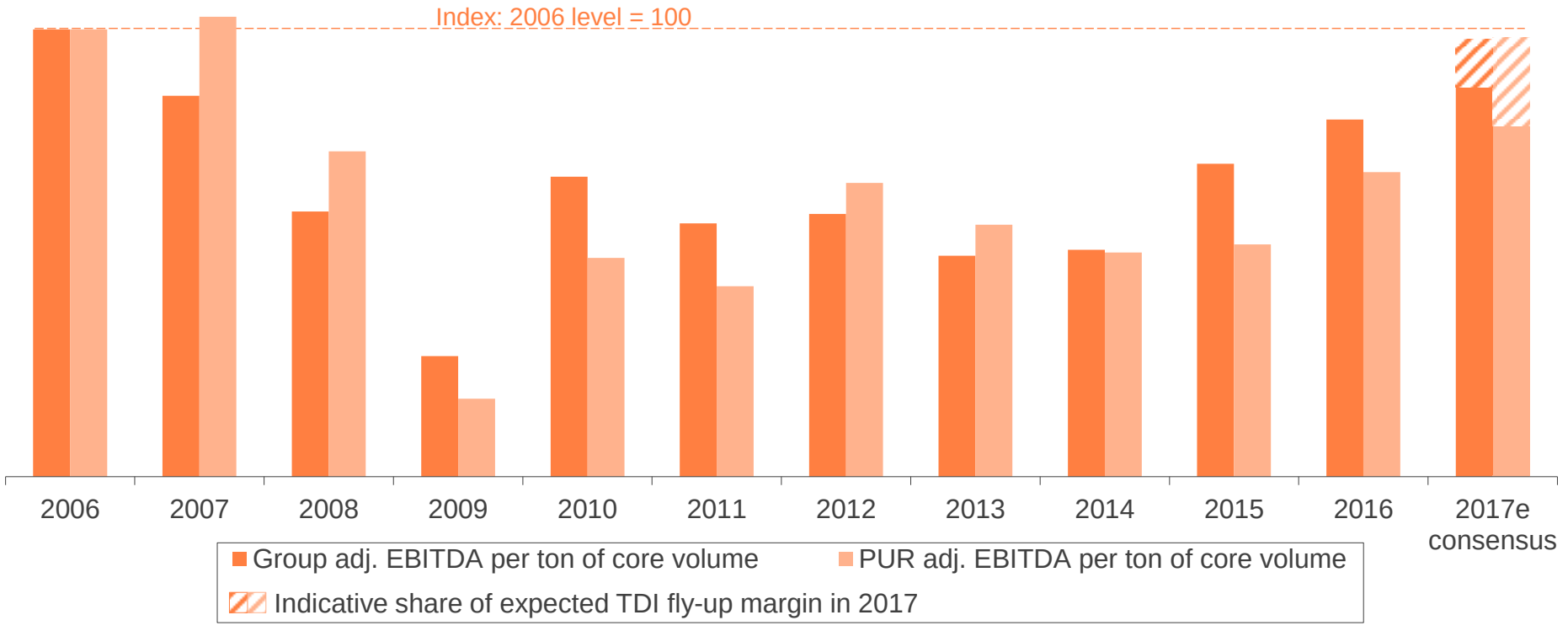
Other items driven by FM & STI

- Higher costs from force majeure (FM) and bonus provisions (STI: short-term incentive)

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

Note: (a) Adj. EBITDA per ton of core volume

Guidance 2017

Strong momentum continues

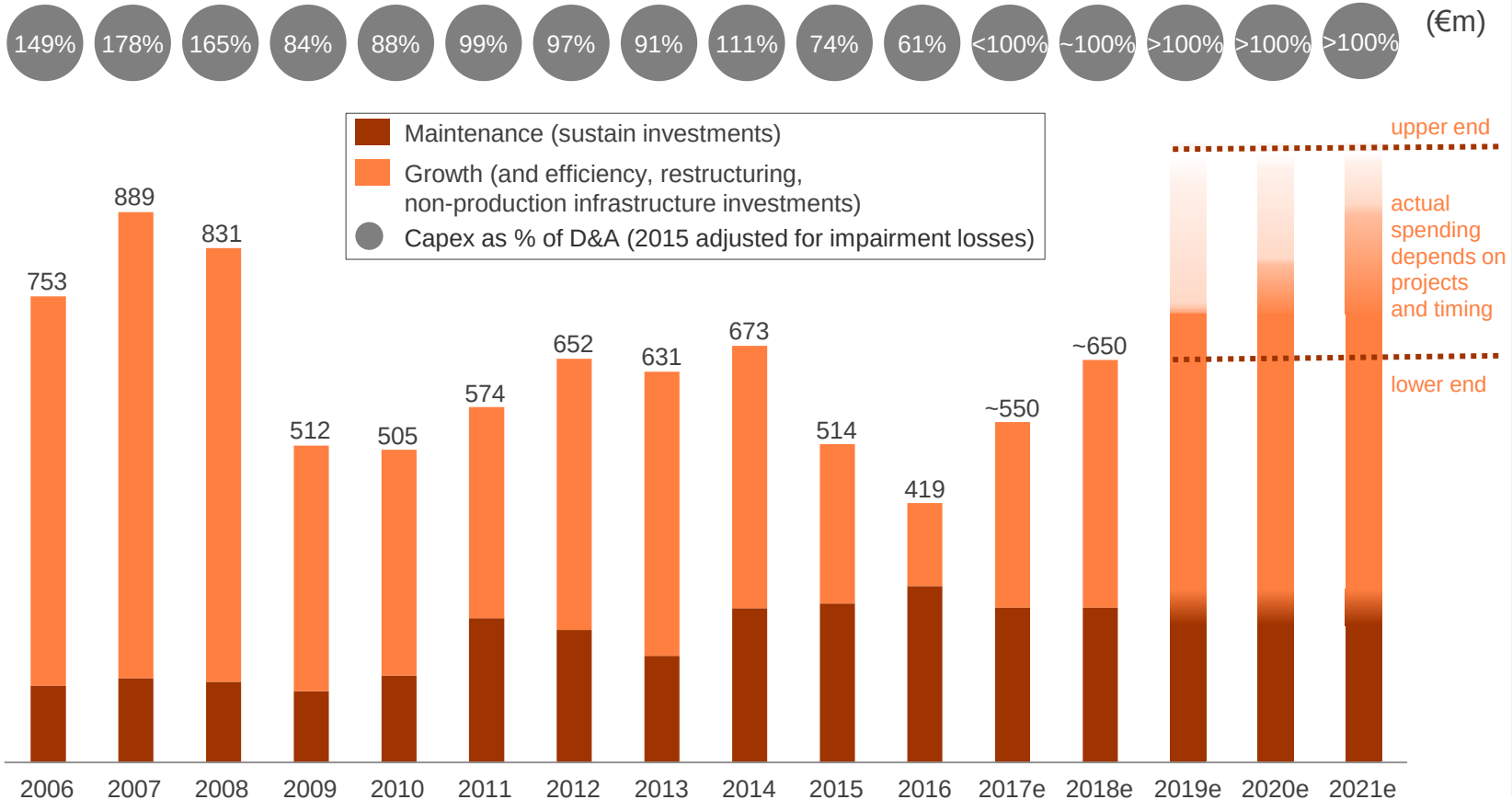
	FY 2016	Guidance FY 2017	Guidance update as of Apr. 25
Core Volume Growth	+7.5%	**Low- to mid-**single-digit percentage increase Y/Y	Unchanged
FOCF	€1,367m	**Slightly above** the average of the last three years	**Significantly above** the average of the last three years
ROCE	14.2%	**Slightly above** the 2016 level	**Significantly above** the 2016 level
Additional financial expectations	FY 2016	Guidance FY 2017	Guidance update as of Apr. 25
EBITDA 2017 FY	€2,014m	At or above the 2016 level	Significantly above 2016
EBITDA 2017 Q2	Q2: €542m	n.a.	Significantly above Q2 2016
D&A	€683m	~€650-700m	~€650m
Financial results	€-196m	€-170 to -190m	€-180 to -200m
Tax rate	29.0%	≤30%	Unchanged
Capex	€419m	~€550m	Unchanged

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

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

Disciplined decision process for capex projects

Focus on value creation

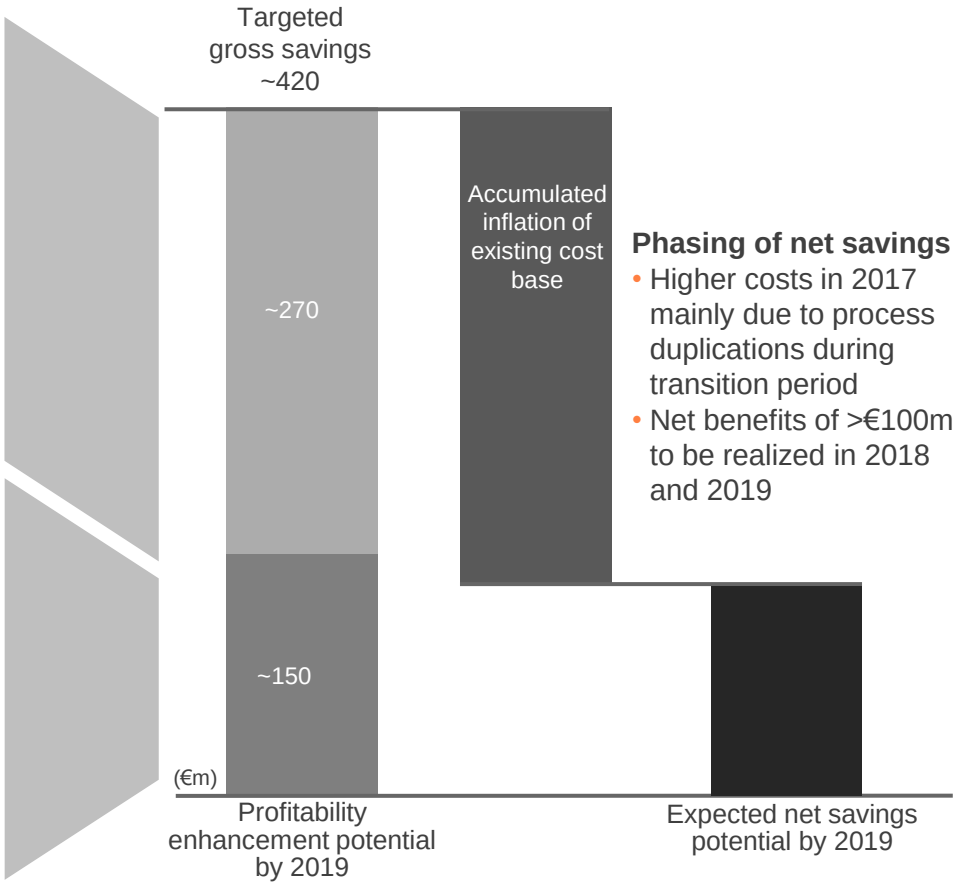
Financial fit	• ROCE (return on capital employed) • NPV (net present value) • POT (pay-off time)
Strategic fit	• Relevancy for strategy realization

Process	1. Definition of resource framework
	2. Definition of strategic priorities and financial expectations
	3. Prioritization of investment proposals:
	  • Maintenance capex projects: risk assessment, financial impact from project delay
	  • Growth and efficiency capex projects: ROCE, NPV, POT and strategic fit
	4. Approval of overall project portfolio by Covestro Board of Management and inclusion in Covestro financial plan
	5. Individual project approval according to stage-gate process

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	• Global initiative to reduce facility and asset management costs • More efficient turnaround execution • Further operational optimizations	ongoing
	Asset restructuring / efficiency projects	• Closure of Belford Roxo • TDI EMEA restructuring • Site consolidation: closure of South Korea PC sheet production	executed executed executed
	Continuous improvement	• In manufacturing area	ongoing
Cost improvement measures	Corporate overhead cost savings	• 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	• 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	• In non-manufacturing area	ongoing



Phasing of net savings

- Higher costs in 2017 mainly due to process duplications during transition period
- Net benefits of >€100m to be realized in 2018 and 2019

Note: (a) Transitional Service Agreements

Example 1: Lowering maintenance costs

Realize gross savings of ~€100m

Key Measures			Status
Asset optimization plan	Facility and asset management cost improvements	• Global initiative to reduce facility and asset management costs • More efficient turnaround execution • Further operational optimizations	
	Asset restructuring / efficiency projects	• Closure of Belford Roxo • TDI EMEA restructuring • Site consolidation: closure of South Korea PC sheet production	executed executed executed
	Continuous improvement	• In manufacturing area	ongoing
Cost improvement measures	Corporate overhead cost savings	• 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	• 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	• In non-manufacturing area	ongoing

Maintenance cost reduction program

- Goal: reduce annual spending for maintenance of production facilities globally by gross ~€100m
- Running multi-year facility and asset management cost savings program, based on pre-IPO (FY 2014) cost basis

Response to intense competition

- Maintenance cost analysis revealed significant savings potential
- Cost efficiency must never come at the expense of safety and plant availability

Multitude of bottom-up projects

- Almost every plant and site contributes to this program.
- Measures were implemented to improve the efficiency and effectiveness of our maintenance, inspections, and process cleaning activities; reducing the demand for service contractors

Note: (a) Transitional Service Agreements

Example 2: Streamlining IT landscape

Achieve best-in-class IT cost level in the chemical industry

Key Measures			Status
Asset optimization plan	Facility and asset management cost improvements	• Global initiative to reduce facility and asset management costs • More efficient turnaround execution • Further operational optimizations	ongoing
	Asset restructuring / efficiency projects	• Closure of Belford Roxo • TDI EMEA restructuring • Site consolidation: closure of South Korea PC sheet production	executed executed executed
	Continuous improvement	• In manufacturing area	ongoing
Cost improvement measures	Corporate overhead cost savings	• Streamlining IT landscape and services • More tailor-made service function designs to replace TSA[(a)] with Bayer, e.g. Shared Service Center in Bratislava	
	BU-level specific savings	• 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	• In non-manufacturing area	ongoing

Streamlining IT

- Goal: standardization and lean IT solutions
- Actions (examples): move HR landscape to cloud solution; migrate SAP master data system to SAP P1; streamline approx. 80 product data collecting systems to a product life management solution; consolidate all internal service offerings into and onto one platform “Service4you”

Economies of scale

- Goal: Realize synergies through review of all IT contracts with focus to optimize offerings on a global level
- Actions (examples): Lenovo global PC fleet; Ricoh global printing fleet; Vodafone phone and data plans

Modernizing IT landscape

- Goal: Meeting business expectations through future orientated technology based on standards and business needs
- Actions (examples): Take advantage of simplifications, standardizations and consolidations while renewing workplace and infrastructure services; transition into a smart business cloud that opens up new paths towards collaborative ecosystems and further enhances Covestro´s digital capabilities

Note: (a) Transitional Service Agreements

Example 3: Optimizing service delivery model

Create best-in-class shared service center

Key Measures			Status
Asset optimization plan	Facility and asset management cost improvements	• Global initiative to reduce facility and asset management costs • More efficient turnaround execution • Further operational optimizations	ongoing
	Asset restructuring / efficiency projects	• Closure of Belford Roxo • TDI EMEA restructuring • Site consolidation: closure of South Korea PC sheet production	executed executed executed
	Continuous improvement	• In manufacturing area	ongoing
Cost improvement measures	**Corporate overhead cost savings**	• Streamlining IT landscape and services • More tailor-made service function designs to replace TSA[a] with Bayer, e.g. Shared Service Center in Bratislava	
	BU-level specific savings	• 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	• In non-manufacturing area	ongoing

Future Accounting SSC set-up

- Global shared service center (SSC) hub located in Bratislava, Slovakia, plus satellite in Shanghai, China
- Main task is processing major accounting services globally for Covestro, e.g. accounts payables and receivables, financial closings
- Optimized service delivery model end-to-end (SSC, robotics center and local finance)
- Expected go-live in April 2018

Process design and innovation

- Strong global process ownership model
- Increased automation
- End-to-end process optimization

Enhanced governance model

- Optimized activity split
- Streamlined process governance model
- Integrated global process governance organization

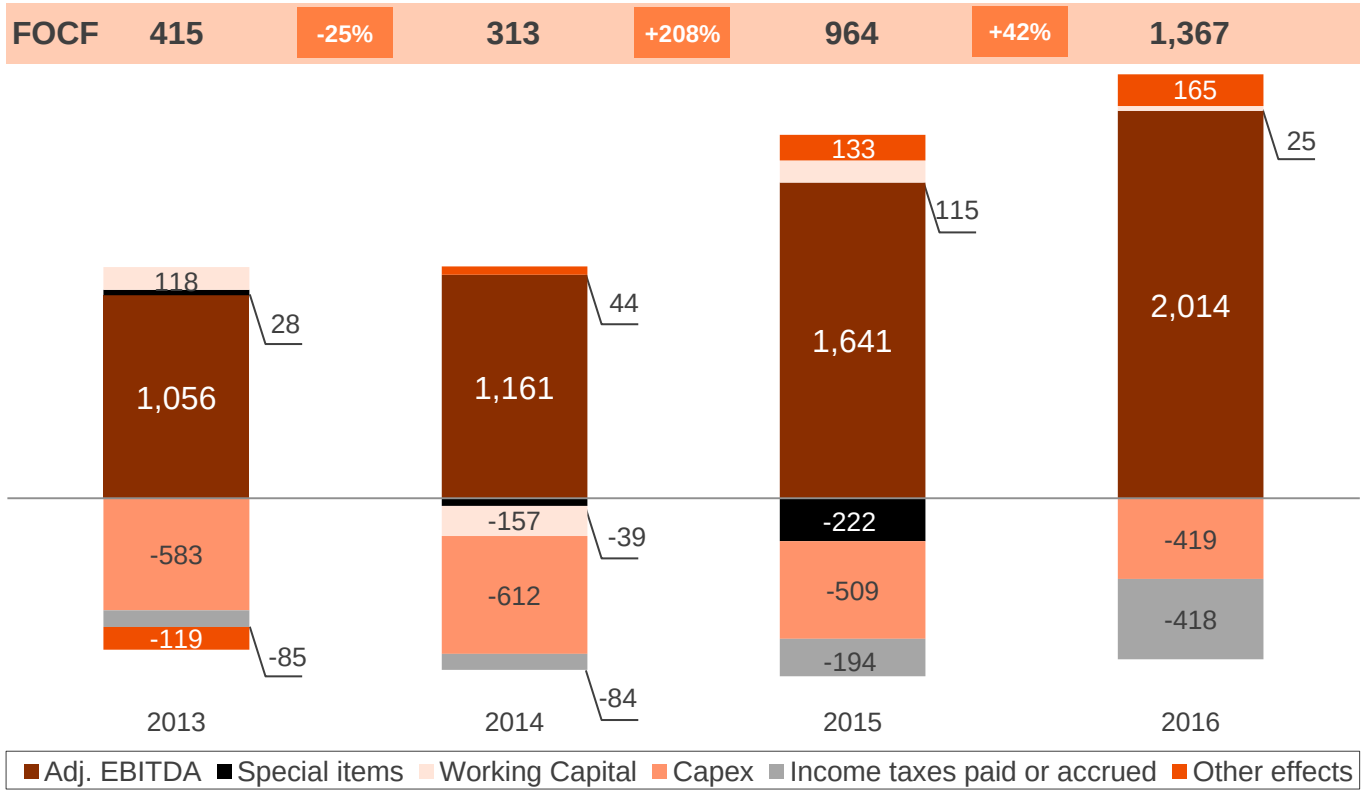
Note: (a) Transitional Service Agreements

High EBITDA to FOCF conversion rate

Record FOCF in 2015 and 2016

Free operating cash flow development 2013-2016

in € million



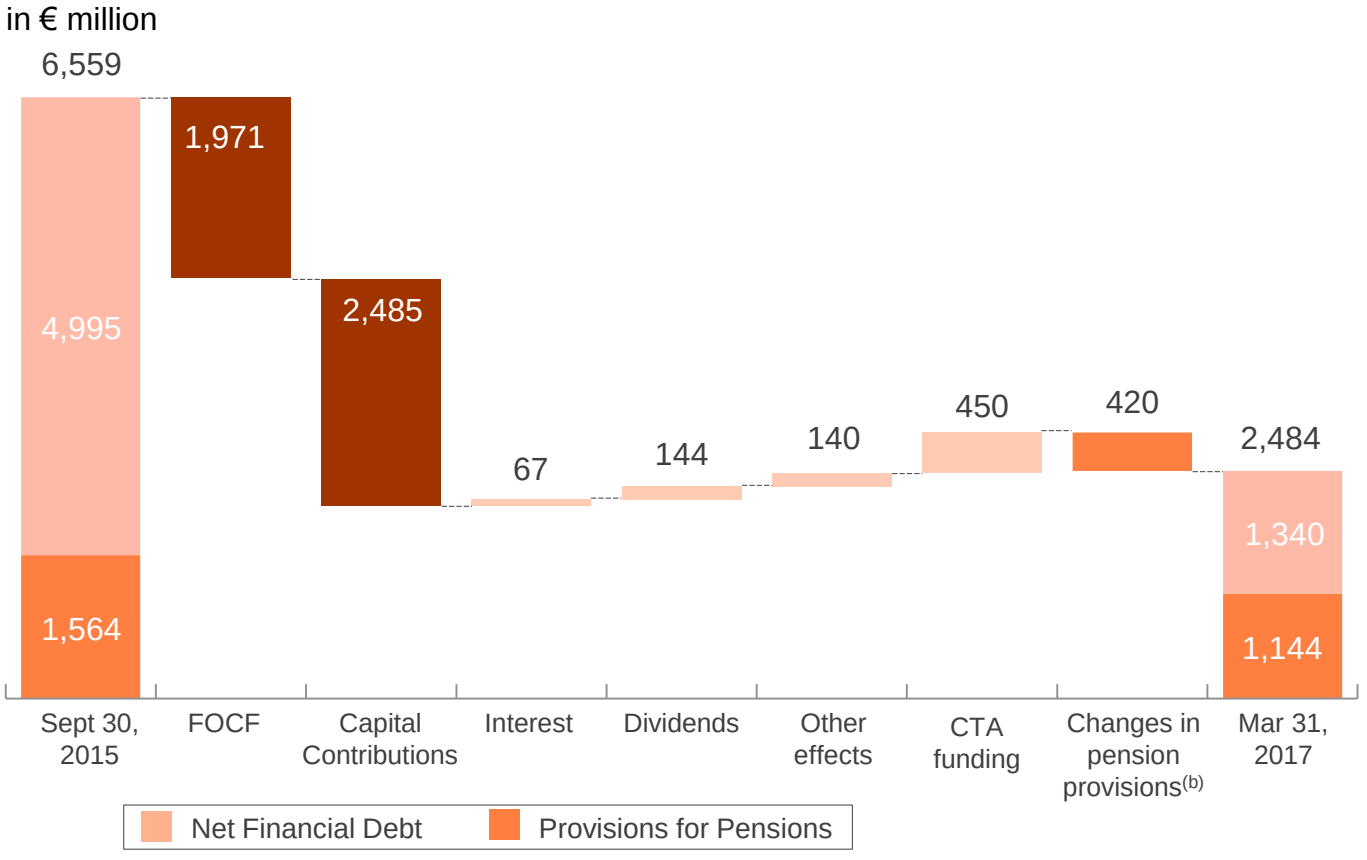
Highlights in 2016

- 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

Track record of reducing total net debt

Strong balance sheet

Total net debt – from IPO to end of Q1 2017



Highlights – as of Q1 2017

- Total net debt (net financial debt plus pension provisions) to EBITDA ratio(a) reduced to 1.1x
- Target of 1.5x achieved earlier than previously assumed, driven by strong cash flow generation
- Pension provisions decreased to €1,144m due to CTA funding of €450m in Q4 2016 and lower interest rates
- Equity ratio further improved to 44%
- Long-term commitment to a solid investment grade rating, since IPO “Baa2” by Moody’s

Notes: (a) Method of calculation: Total net debt on 31.03.2017 divided by EBITDA of last four quarters
(b) Including CTA funding of €450m in Q4 2016

Cumulative FOCF for next 5 years

Commitment to deliver free operating cash flow

Note: Based on exchange rate of USD/EUR ~1.10 and a global GDP CAGR 2016-2021e of 2-3%

Use of free cash flow

At the core: 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

Options of

- Share buyback
- Special dividends

Disciplined M&A approach with focus on value creation

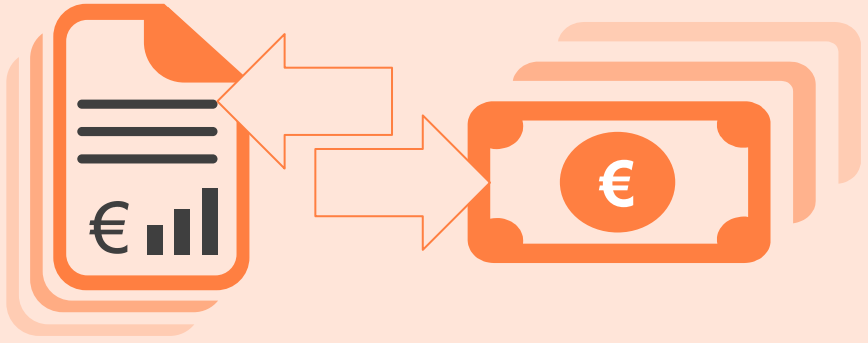
Clear strategic direction, defined process and strict financial criteria

Business case	• Positive NPV based on ramp-up of risk-adjusted synergies	
Financial impact evaluation	• ROCE after synergies above WACC • Positive contribution to FOCF through the cycle • No significant change of credit rating	
Strategic evaluation based on multiple criteria scorecard	• **Strategic fit**	• High revenue share in markets / industries of the future • Contributing to sustainability / benefiting from sustainable development goals • Growth rate above GDP • Increasing resilience • Fit to „Covestro DNA“ – To make the world a brighter place • Leading position in its key markets and technologies / jointly creating leading positions
	• **Operational fit / integration risks**	• Cultural fit • Low to moderate need for divestments • Low to moderate need for restructuring

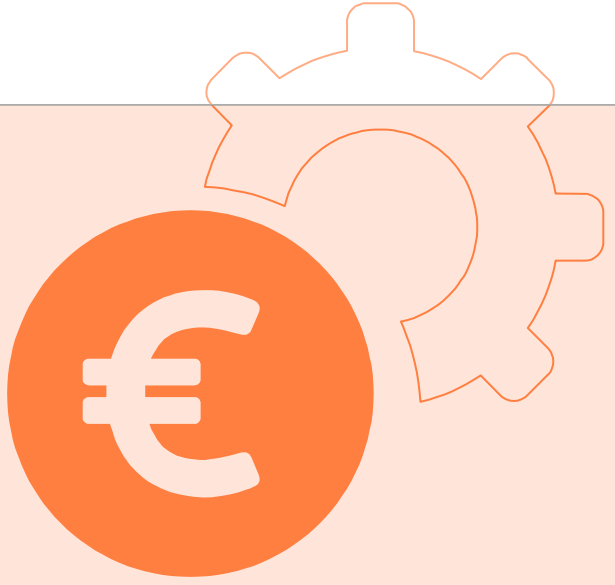
Commitment to return excess cash to shareholders

After 24 months without significant M&A activity

Option of share buyback



Option of special dividends



Attractive cash flow profile

Key financial highlights

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

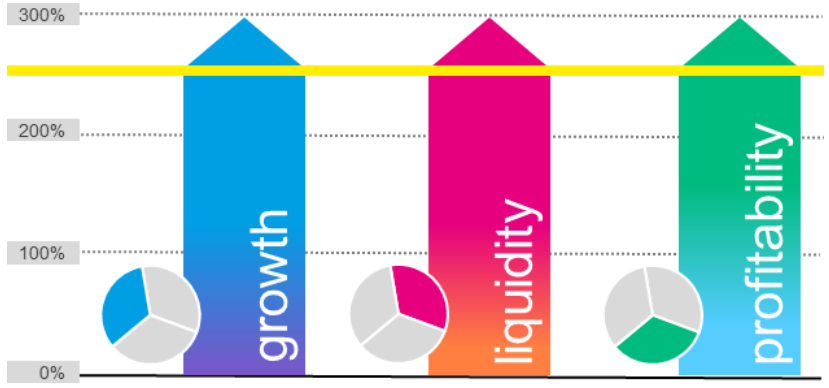
5. **Attractive dividend policy**
   with focus on increasing or at least stable dividends going forward

Financial Performance

Appendix

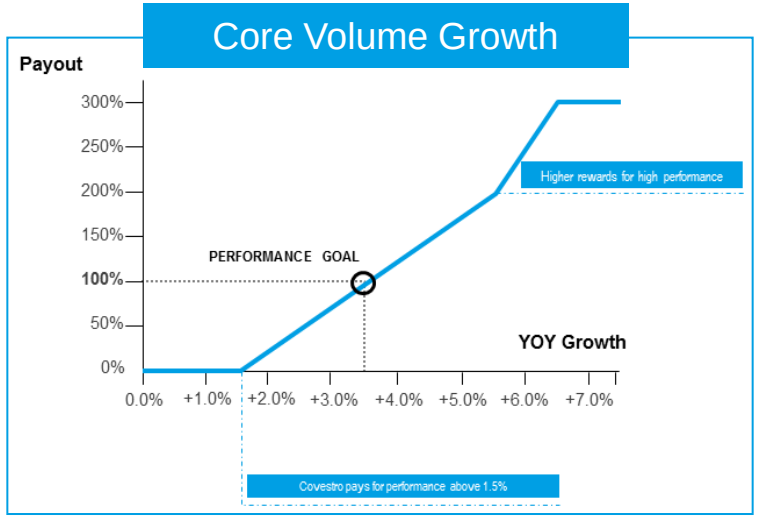
STI solely based on three financial Group KPIs

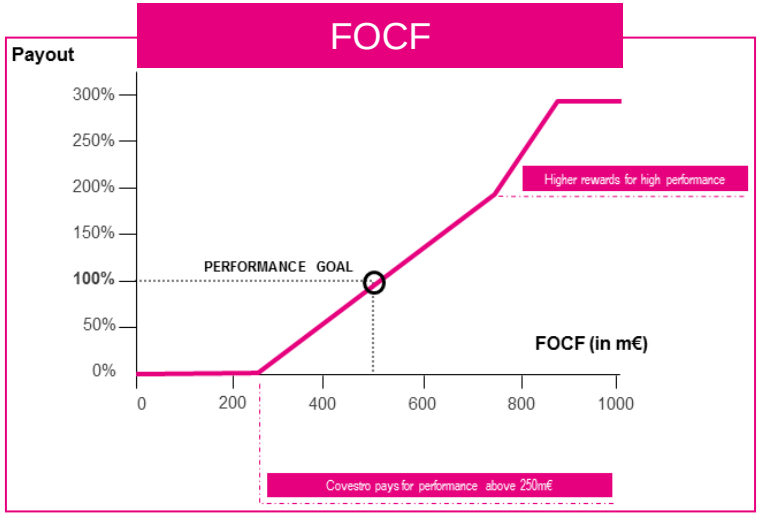
Short-term incentive program “Profit Sharing Plan (PSP)”

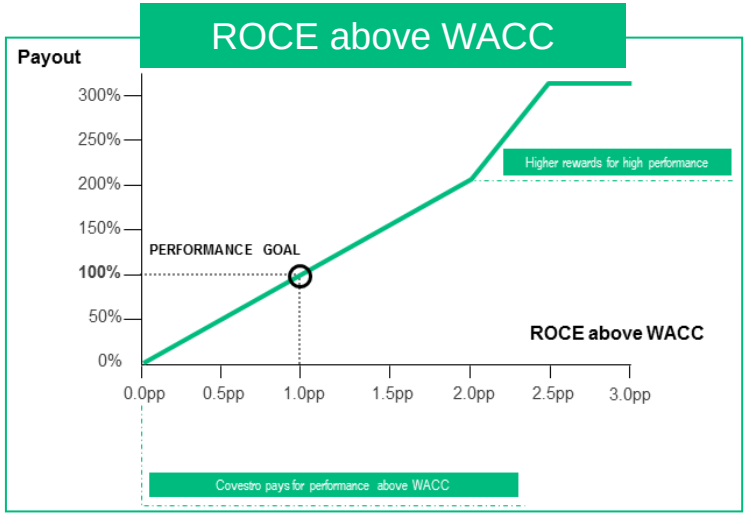


Program details

- Based on three equally weighted Group performance metrics core volume growth, FOCF and ROCE above WACC
- PSP target amounts (equal 100% payout) are a percentage of annual base salary, linked to individual position grade, ranging from 9% for non-managerial level to 100% for board members
- For each metric, payout can range from zero to 300%, depending on Group achievement levels; total payout capped at 250%



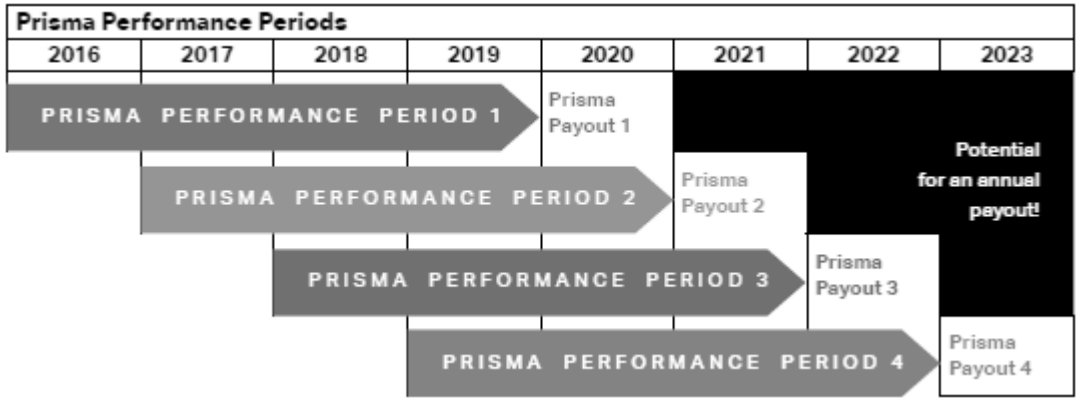




Notes: Participation description based on German eligibility; may vary in other countries

LTI component based on total shareholder return

Long-term incentive program “Prisma”



$$\frac{\text{Ending Share Price + Cumulated Dividends}}{\text{Starting Share Price}} = \textbf{TSR Factor}$$

$$100\% + (\underbrace{\text{Change in Covestro Share Price} - \text{Change in Index Price}}_{\text{Outperformance}}) = \textbf{Outperformance Factor}$$

$$\textbf{Prisma Payout} = \textbf{Prisma Target Amount} \times (\underbrace{\textbf{TSR Factor} \times \textbf{Outperformance Factor}}_{\text{Payout Percentage}})$$

Program details

- Cash settled plan with four-year performance periods (January to December)
- Globally consistent program for all eligible employees
- Target amount based on fixed percentage of annual base salary
- Payout criteria based on:
  - TSR (Total Shareholder Return) as absolute performance criterion
  - Outperformance factor as relative payout criterion based on STOXX® Europe 600 Chemicals index
- Start and end prices for Covestro share and index are determined by the average closing prices during November and December before the start and at the end of the performance period

Benchmark analysis of incentive programs

Exane BNP Paribas study

Range of metrics

Figure 6: Eclectic range of metrics used

Estimated low/mid/high (indicated by shading) exposure of total variable compensation to metrics

Source: Exane BNP Paribas

Highlights

- Study confirms Covestro's focus on few, meaningful KPIs
- Covestro is one of three companies with highest exposure of Return on Capital Employed on total variable compensation, reflecting high emphasis on value creation
- The study confirms a "high exposure" of the variable compensation elements (volume growth, cash flow and ROCE for STI, TSR for LTI) to the used KPIs – Covestro is the only company with high score in *all* analyzed KPIs
- The incentive components are – also in comparison with competitor companies – well aligned with external targets and thus provide a strong pay-for-performance relation

Source: Exane BNP Paribas Research, published May 2, 2017

Polyurethanes (PUR)

Dr. Markus Steilemann

June 29, 2017

Solid earnings growth potential through global PU leadership

PUR key investment highlights

1. **Attractive industry outlook**
   based on robust structural demand growth and stable supply / demand dynamics

2. **Global #1 producer of PU**
   with leading and defendable industry positions owing to distinct entry requirements, broad customer base and access as well as polyols-driven innovation capabilities[(a)]

3. **Well-invested asset base and growth through smart capex**
   complemented by evaluation of investment options to capture long-term market growth

4. **Cost leadership in TDI and competitive cost positions in MDI and Polyols**
   due to competitive process technologies, integrated production model and leading scale assets

5. **EBITDA growth potential**
   driven by volume growth and product mix improvements

Note: (a) #1 position based on combined 2016 MDI, TDI and polyether polyols nameplate capacities as per Covestro estimates

Inventor of and leader in polyurethanes

PUR at a glance

- Inventor and producer of polyurethane raw materials and formulations mainly for rigid and flexible foams[(a)]
- Broad portfolio spanning MDI and TDI (isocyanates) and polyether polyols
- Competitive integration from feedstock to formulations
- Global production platform comprising 18 facilities located in Europe, USA and Asia[(b)]
- Total production capacity of around 3,500kt globally
- Largest business unit generating half of Covestro sales and above 40% of EBITDA in FY 2016

#1	€5.9bn	14.9%	50%
Manufacturer of PU globally[(c)]	Sales 2016	EBITDA margin 2016	of total Covestro sales 2016

Comfort
e.g. furniture upholstery

Construction
e.g. metal panel

Automotive
e.g. instrument panel

Cold Chain
e.g. refrigerator

Innovation
e.g. process technology

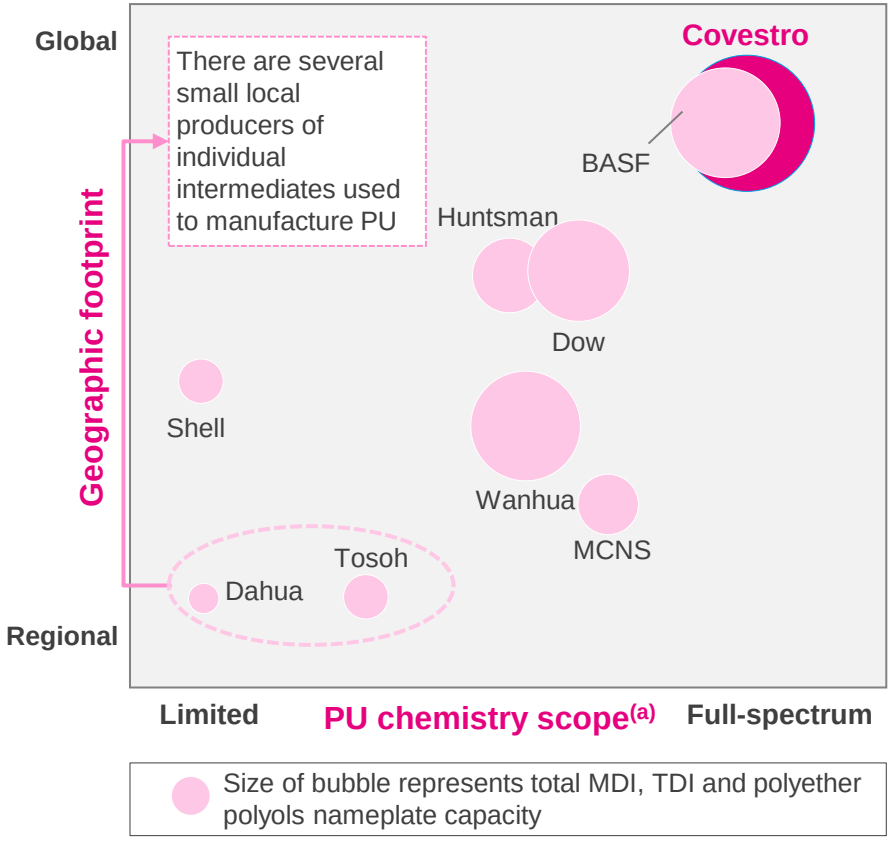
Innovation
e.g. CO_2-based polyether polyols

Notes:
(a) As well as integral foam, semi rigid foam, RIM, TPU and CASE (Coatings, Adhesives, Sealants and Elastomers) applications
(b) Includes all MDI, TDI and polyether polyols facilities that partially reside at one site; feedstock, TPU and systems houses are excluded
(c) Based on total combined nameplate capacity for MDI, TDI and polyether polyols in 2016 year end as per Covestro estimates

Full scope advantage as basis for innovation and growth

Industry structure and position

Competitive position of key PU players in 2016



Advantages of broad access play

Full innovation leverage	• Full-spectrum chemistry scope allows for broad solutions offering • Global backbone in technical support and production start-ups for customers • Proximity to customers and customized blends
Broad coverage of customer needs	• Reliable supply out of large production facilities globally • Joint sales of polyols and isocyanates (“one-stop-shop”) allow for economies of scope • Offering of specialty polyol and isocyanate grades
Smoothened cyclicality	• Optimized asset utilization at any point in the industry cycle • Broad geographical, customer and application portfolio • Strong positioning in niche application segments

Note: (a) Excluding CASE - Coatings, Adhesives, Sealants and Elastomers
Source: Covestro estimates

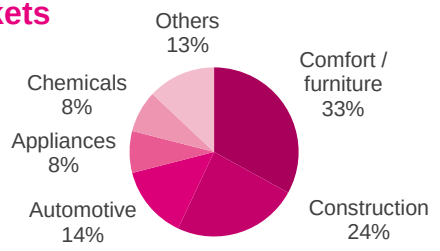
Balanced business with attractive growth and margin trajectory

PUR in numbers

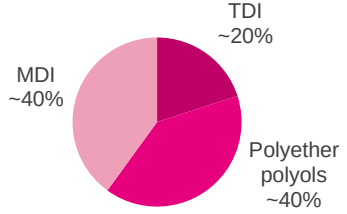
PUR sales split by

Covestro 2016

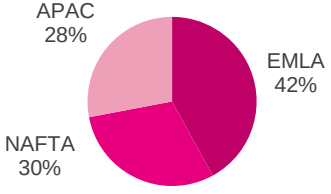
End-markets



Strategic Business Entities

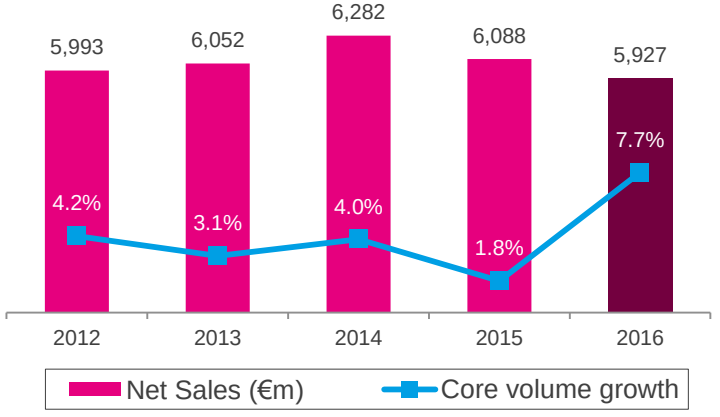


Regions

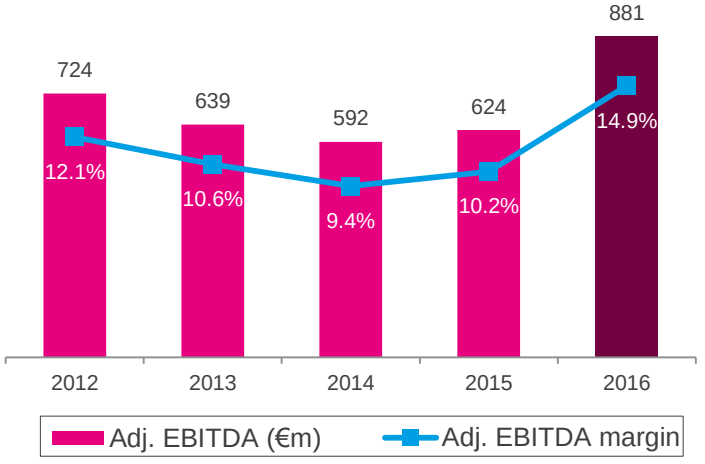


Total sales: €5.9bn

Net sales and core volume growth



Adj. EBITDA and margin



- Significant EBITDA margin increases since bottoming out in 2014
- Core volume growth outpaces turnover increase due to sales declining roughly in line with raw material prices
- PUR asset base strengthened by more than €1.4bn capex in 2012 - 2016

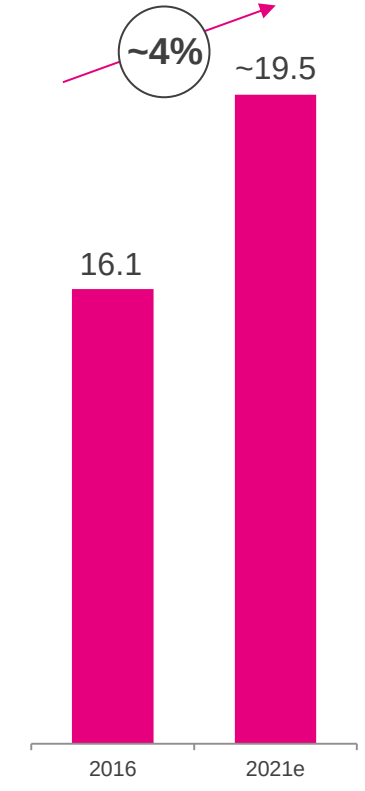
Sustainable solutions leading to above GDP growth

Tailwind from macro trends

Global PU industry[(a)]

Demand ('000kt)

CAGR in %



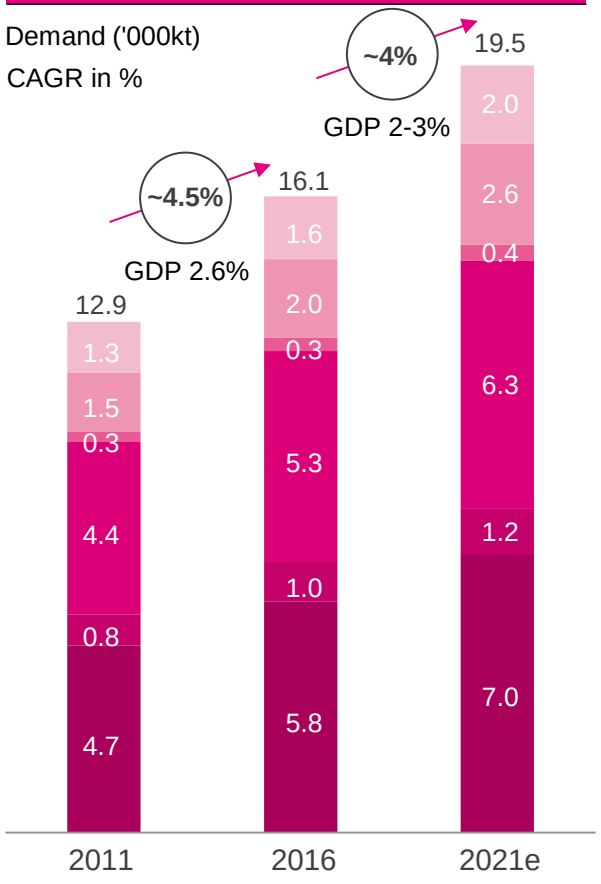
Macro trend	Impact on industries		PUR solution example	
Resource depletion	Increasing focus for sustainable solutions	→	Closing carbon cycle	Cardyon® (CO_2 based polyols) Bio-aniline (Bio-based MDI) Infusion technology for wind
Urbanization	New industry regulations on efficiency Material for comfort adapted to higher standard of living	→	Affordable appliance & comfort	Baytherm® Microcell (high-efficient microcellular foam) Bed in box
Population growth	Increasing needs for more intelligently insulated buildings	→	Enhanced insulation	Desmodur® (energy-efficient insulation material)
Mobility	Material for lightweight vehicles and enhanced consumer driving experience	→	Smart mobility	Baypreg® (Composite material for load floor) Baynat® headliners with improved acoustic
Digital revolution	Unleash the power of artificial intelligence to improve efficiency	→	Intelligent solutions	BayCap® (intelligent formulation support)

Note: (a) Global PU market comprises combined MDI, TDI and polyether polyols industry demands as per Covestro estimates
Source: UN, OECD, IPCC

PU industry expected to grow at CAGR ~4% until 2021

Global PU industry growth driven by various applications

Global PU industry[(a)]



CAGR 2016-2021e		Impact per Covestro cluster
Rigid foam	Appliance +4%	+ Consumer spend and increasing size of refrigerators Potential substitutes (vacuum insulation panel) need PU for structural properties
	Construction +5%	+ Stricter building codes and energy regulations: PU material of choice in selected applications + Following same drivers as for insulation
	Automotive +4%	+ Driven by automotive growth (trend of greater mobility) + Weight reduction and sound absorption favors use of PU
Soft foam	Wood / furniture +3%	+ Urbanization / rising income in emerging regions Increasing demand for comfort in mature regions (health & age)
	Automotive +4%	+ Driven by trend for greater mobility (e.g. weight reduction, sound absorption) + PU technology of choice (expected to keep share) Growth of automotive / light vehicle industry benefiting from mobility trends
Others	+4%	+ Apparel: End-market grows with clothing industry PU outgrowing PVC artificial materials; new technologies expected to remain niche + Wood binders: Driven by housing starts and consumer spend + CASE[(b)]: Solid growth in elastomers

Notes: (a) Global PU market comprises combined MDI, TDI and polyether polyols industry demands as per Covestro estimates
(b) Coatings, Adhesives, Sealants and Elastomers

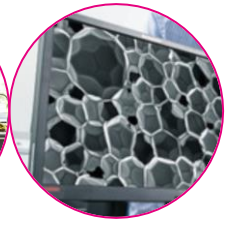
Market-driven innovation as key value driver

PUR R&D highlights

R&D project examples

Replacing epoxy resins by PU resins in wind turbine rotor blades

40% smaller cells allow up to 10% better insulation: BAYTHERM® Microcell



Bio-based aniline: biomass used as alternative raw material to benzene

Innovative technology enables use of up to 20% CO_2 as feedstock in polyether polyols production

Highlights 2016

100 Mio €
R&D spend

134
official approvals for product launches

~80%
of R&D spend going into product innovation

74
patent applications

Polyurethanes (PUR)

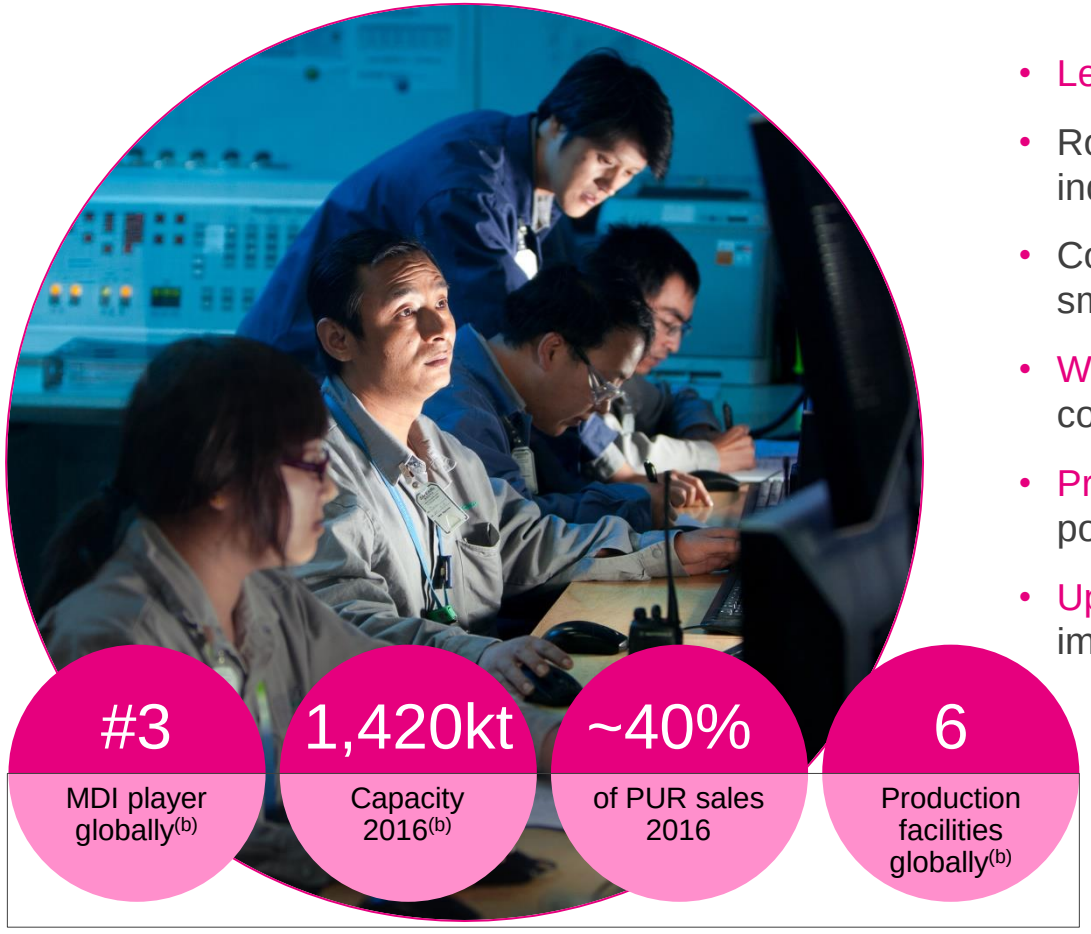
MDI

TDI

Polyether polyols

Leading global player in industry with growth 1-2pp above GDP

MDI at a glance



- Leading supplier in all key regions for MDI consuming industries
- Robust growth expectation of 1-2pp above GDP support stable industry utilization / margin outlook
- Covestro to grow volumes in-line with industry growth based on smart capex approach
- World-scale integrated production facilities support competitive cost position(a)
- Proven track record of cost discipline with asset restructuring potential in Europe to deliver further efficiency upsides
- Uplift potential in EBITDA due to volume growth and product mix improvements

Notes: (a) World-scale defined as MDI facility with capacity of 400-500kt p.a.
(b) Based on nameplate capacity 2016 at year end

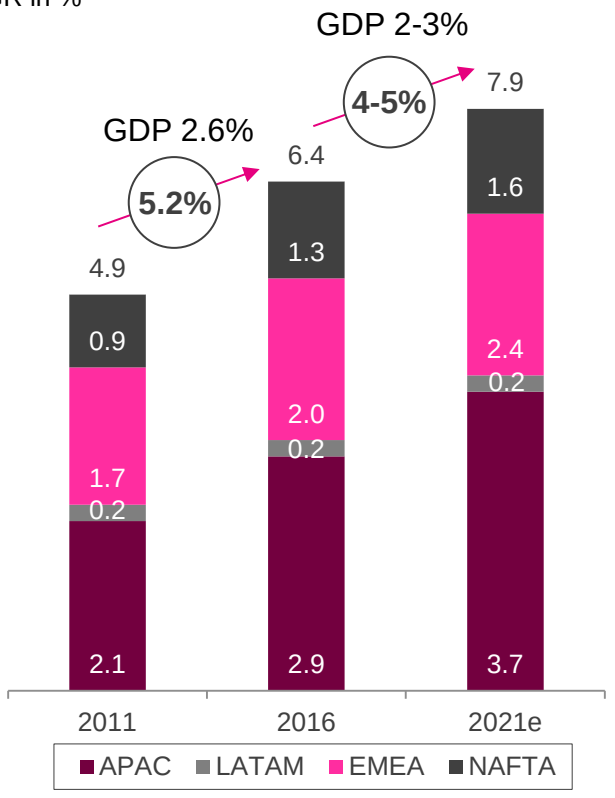
Diverse end-markets in all regions support robust growth

MDI industry demand outlook

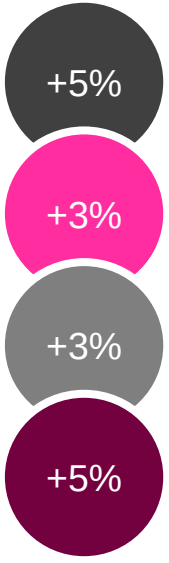
MDI demand by region

Demand ('000kt)

CAGR in %



CAGR 2016 – 2021e



Underlying application growth driver[a]

Construction	~5%
Appliances	~4-5%
CASE[b]	~4-5%
Diverse applications[c]	~4-5%

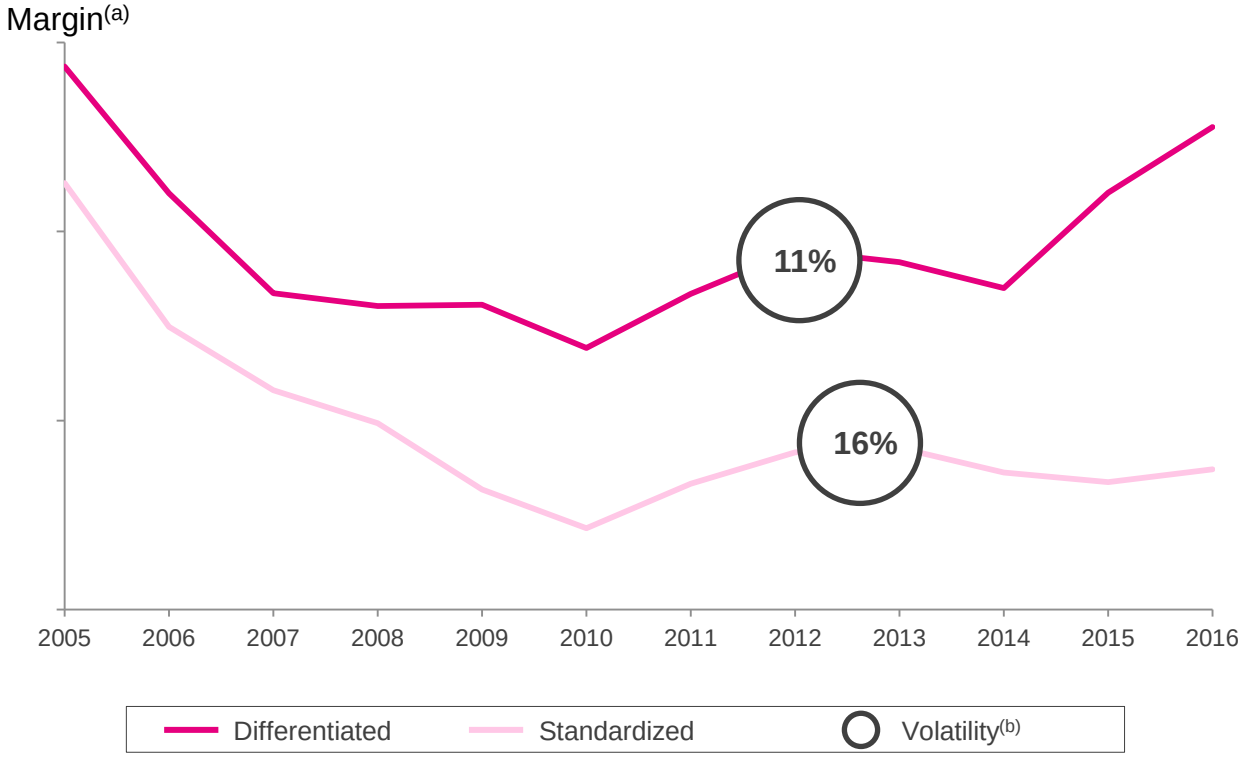
- Growing demand for insulation foam to comply with regional energy efficiency directives, particularly in developed economies
- Increase in global construction activity
  - broader macro upturn
  - high growth in emerging economies
- Higher consumption of appliances (refrigerators)
- Steady GDP-driven growth in other applications, e.g. CASE, textiles and footwear

Notes: (a) Figures represent CAGR 2016-2021e
(b) CASE - Coatings, Adhesives, Sealants and Elastomers
(c) Include applications such as flexible foams and polyurethane elastomer used in e.g. coated textiles and shoe soles

MDI product portfolio leads to increased resilience in earnings

MDI margin resilience

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



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

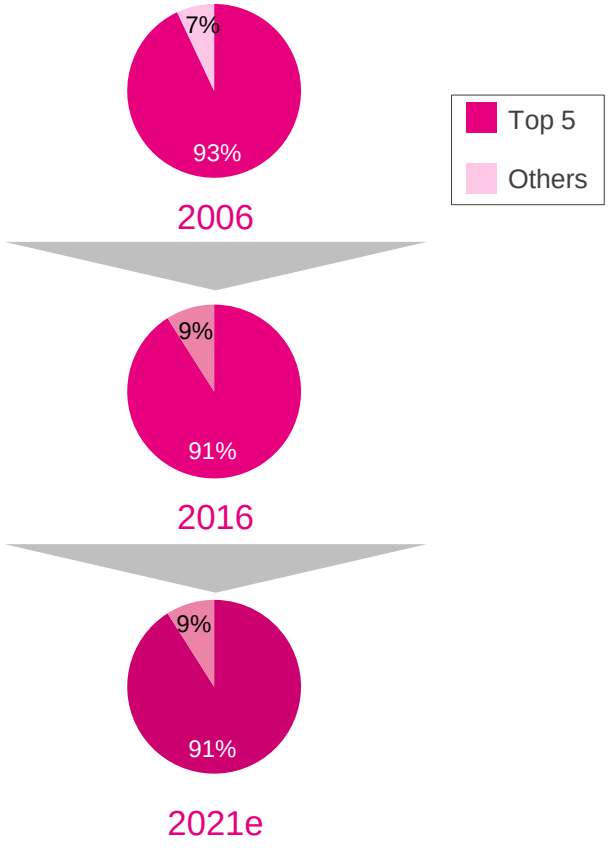
Differentiated business with ~0.25€/kg higher gross margin

Notes:
(a) Contribution margin per kg
(b) Resilience measured as standard deviation / average
(c) CASE - Coatings, Adhesives, Sealants and Elastomers

Strong industry position supported by distinct entry requirements

MDI overview

Global capacity by producer

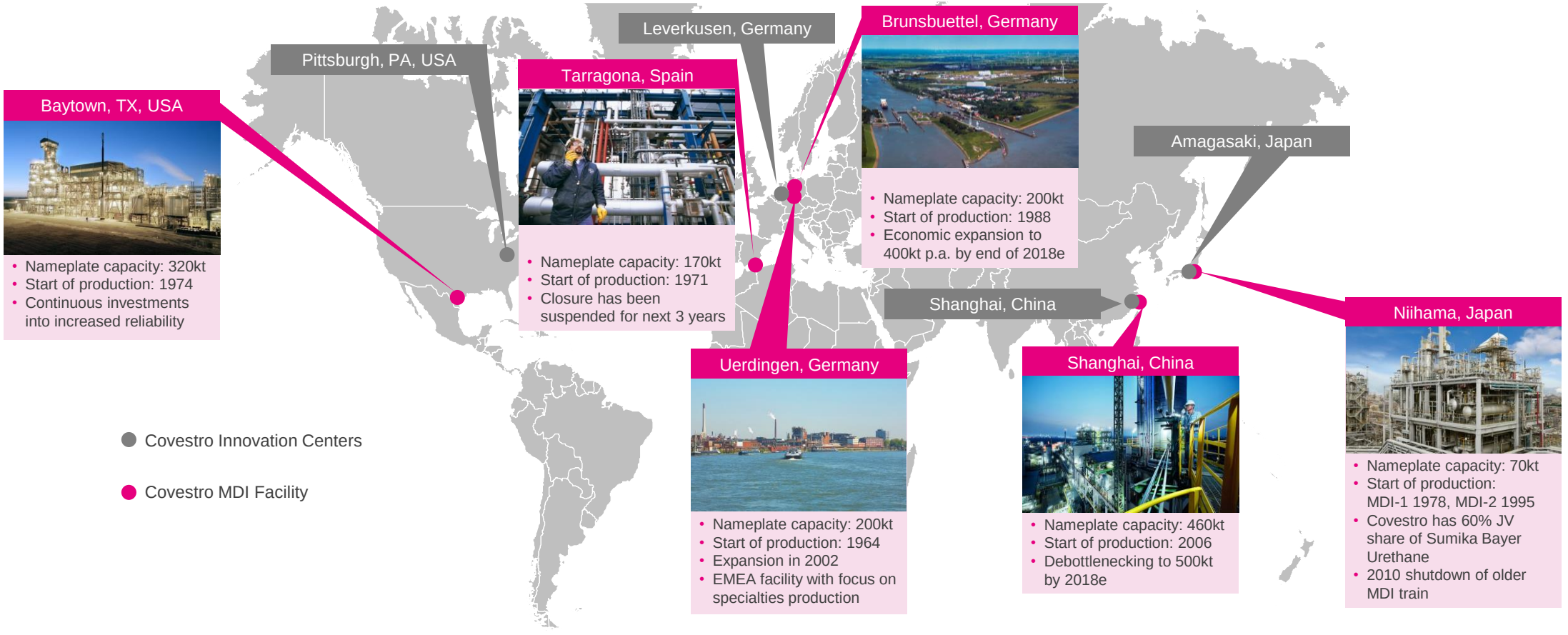


	Industry	Covestro position
Capital intensity	• Considerable investment required to develop world-scale plants[(a)] – €1.1 – 1.4bn investment for full train – Approx. 5 years to full operation after completed environmental impact assessment	• Well-invested, large- to world-scale asset base • Economies of scale • Total capacity 1,420kt[(b)]
Process technology	• State-of-the-art technology along the process chain of high importance	• Competitive process technology • Cost leader in NAFTA and advantageous position in Asia • Restructuring potential in EMLA
Feedstock integration	• Security of precursor supply essential • Backward-integration as major value lever	• Favorable backward-integration • Long-term supply contracts for important precursors
Technical capabilities and expertise	• Systems demanding greater knowledge and expertise • Permits required to handle hazardous feedstock, e.g. phosgene	• Superior expertise and know-how in application development and customer insight • Reputation cemented through 60+ years experience
Proximity to customer markets	• Importance of proximity to customer markets • Global asset base critical to support ambitions of global customer base	• Diverse, global footprint • Plants in all core regions • Ability to service all key areas of demand

Notes: (a) World-scale defined as MDI facility with capacity of 400-500kt p.a.
(b) Based on nameplate capacity 2016 at year end

Well-positioned production network to supply customers globally

Covestro MDI operations



Baytown, TX, USA

- Nameplate capacity: 320kt
- Start of production: 1974
- Continuous investments into increased reliability

Tarragona, Spain

- Nameplate capacity: 170kt
- Start of production: 1971
- Closure has been suspended for next 3 years

Brunsbuettel, Germany

- Nameplate capacity: 200kt
- Start of production: 1988
- Economic expansion to 400kt p.a. by end of 2018e

Uerdingen, Germany

- Nameplate capacity: 200kt
- Start of production: 1964
- Expansion in 2002
- EMEA facility with focus on specialties production

Shanghai, China

- Nameplate capacity: 460kt
- Start of production: 2006
- Debottlenecking to 500kt by 2018e

Niihama, Japan

- Nameplate capacity: 70kt
- Start of production: MDI-1 1978, MDI-2 1995
- Covestro has 60% JV share of Sumika Bayer Urethane
- 2010 shutdown of older MDI train

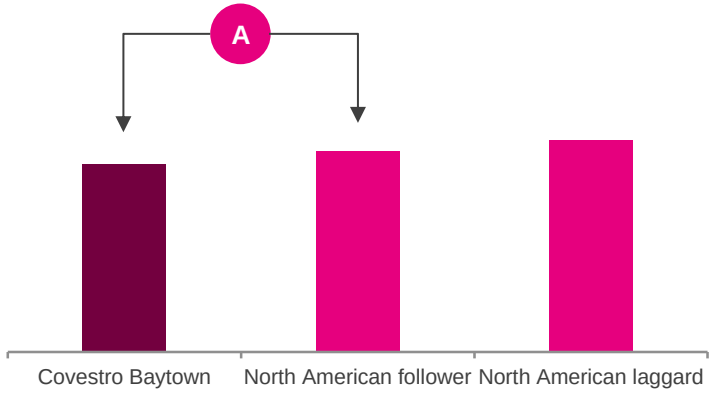
Note: All nameplate capacities based on year-end 2016

Leading cost position in US, efficiency potential in other regions

MDI regional industry cost curves

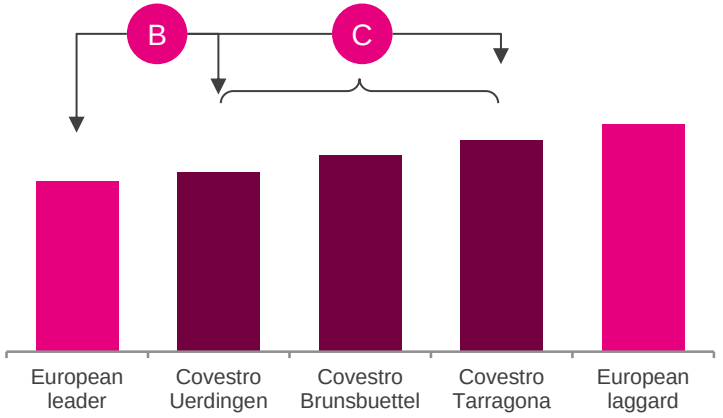
North America

Cash cost[(a)]



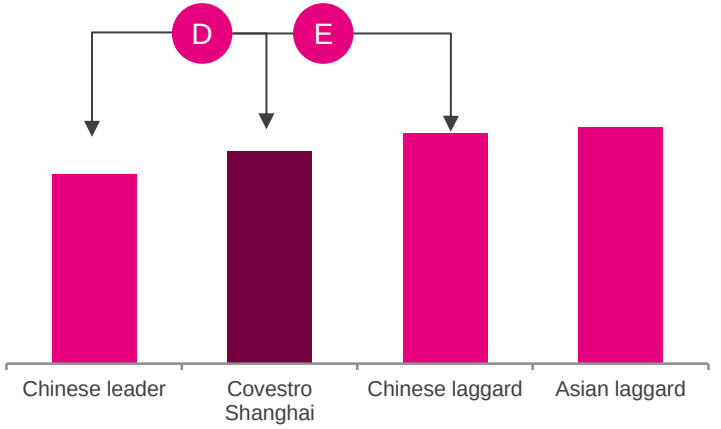
EMEA

Cash cost[(a)]



Asia

Cash cost[(a)]



- **A** Covestro cost leadership through backward-integration
- **B** European leader with large and energy efficient MDI capacity plus cost efficient raw material supply
- **C** Uerdingen more cost efficient relative to other Covestro facilities in Europe due to level of backward-integration
- **D** Chinese leader with larger backward-integration including energy supply
- **E** Covestro ahead due to larger MDI train capacity and energy efficiency

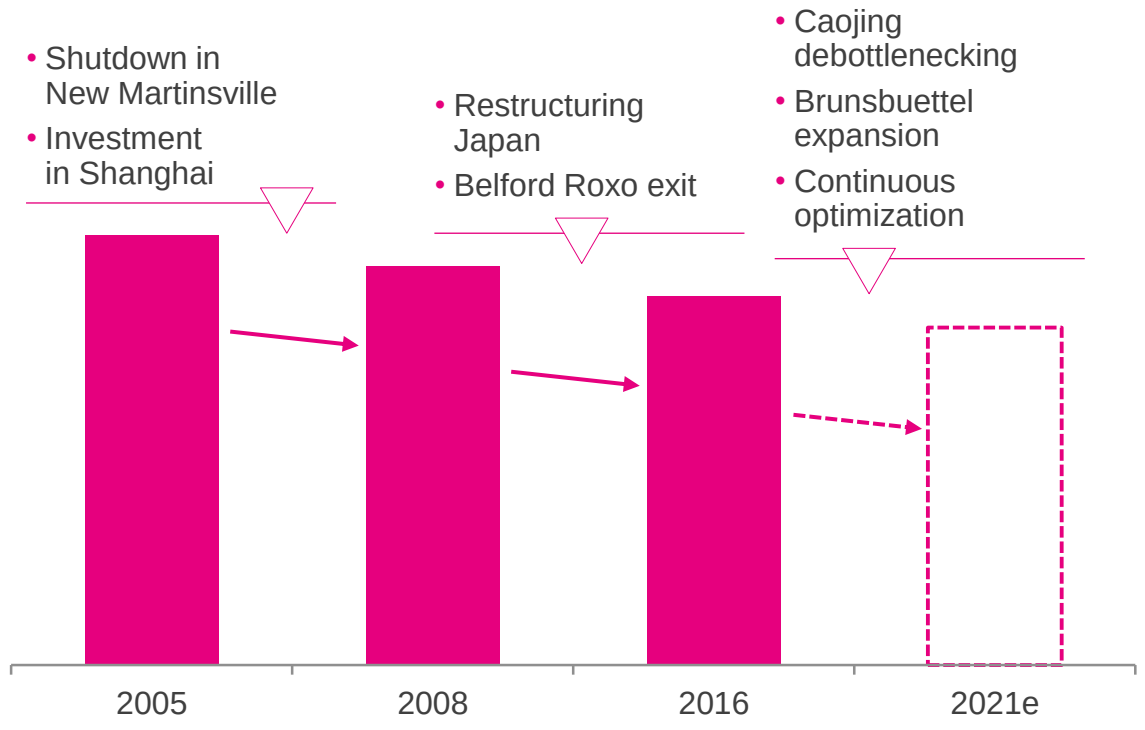
Note: (a) Cost of production based on total raw material costs less co-product credits, variable and fixed conversion costs at 100% utilization based on nameplate capacity for FY 2016

Competitive cost position through continuous improvements

Covestro asset efficiency

Track record of improving cost position in MDI

Covestro global average MDI cash costs driven by structural and technology improvements without benzene[(a)]



Closure of Belford Roxo, Brazil

- Operations discontinued since July 2015
- Decision driven by relative cost competitiveness vs. other production sites

Continuous optimization of global production set-up

- Caojing capacity to be debottlenecked to 500kt p.a. by 2018e
- Brunsbuettel expansion to 400kt p.a. in H2 2018e to leverage existing site-infrastructure

Note: (a) Covestro global average MDI production cash costs without benzene at uniform currency, labor and energy / feedstock prices based on management information

Smart capex approach to secure growth

Covestro plans for capacity expansions

Brunsbuettel
Germany

Shanghai
China

Brunsbuettel expansion of 200kt p.a.

- Possible re-usage of idle TDI infrastructure and precursors in Brunsbuettel enable economic doubling of MDI capacity by 200kt p.a.
- Expected on stream by end of 2018

Shanghai debottlenecking of 40kt p.a.

- World-scale plant in Caojing to reach targeted capacity of 500kt p.a. in 2018e
- Mid-single digit m€ investment backed by additional market demand

Various options for additional MDI growth will be investigated

- New world-scale plant investments operational approx. 5 years after completed environmental impact assessment
- Debottlenecking can be realized with approx. 3 years lead time

Polyurethanes (PUR)

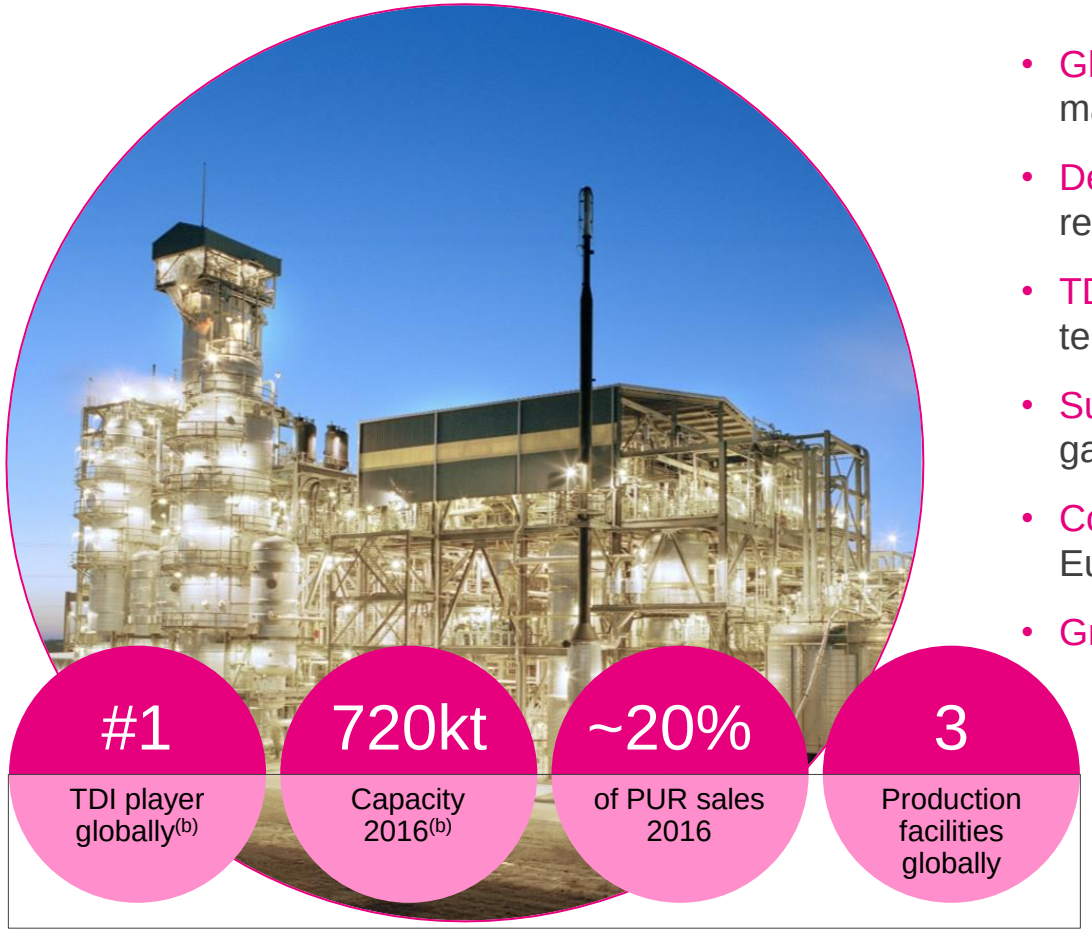
MDI

TDI

Polyether polyols

Global leader in long-term growth industry

TDI at a glance



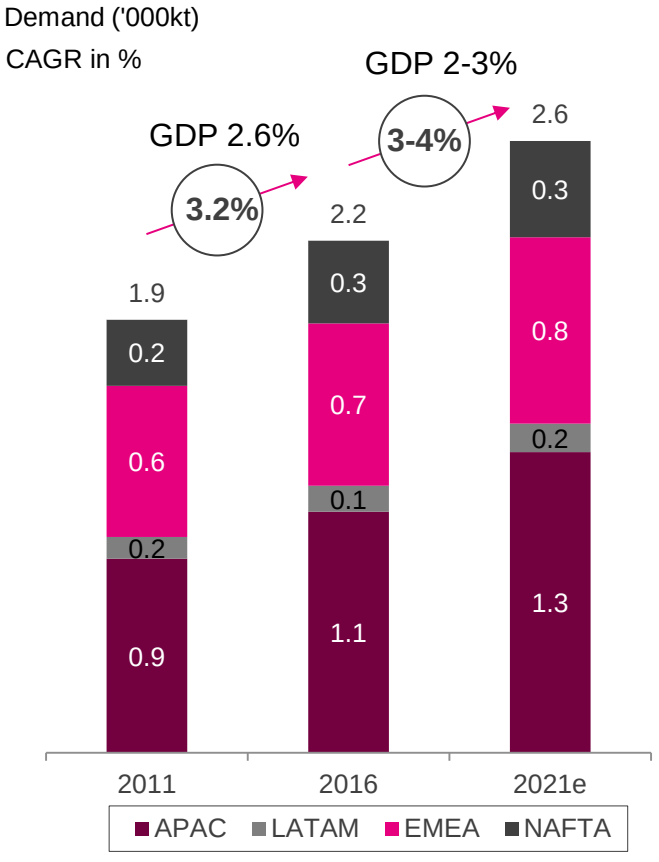
- Globally leading producer of TDI with number one positions in all major regions
- Demand growth around GDP driven by all key end-markets and regions, particularly APAC
- TDI margins volatile and currently above sustainable level due to temporary capacity constraints
- Superior cost position through backward-integration, proprietary gas-phase technology and integrated, world-scale asset base(a)
- Cost savings and increased profitability out of restructuring of European asset base
- Growth into recently expanded world-scale asset base

Notes: (a) World-scale defined as TDI facility with capacity of 250-300kt p.a.
(b) Based on nameplate capacity 2016 at year end

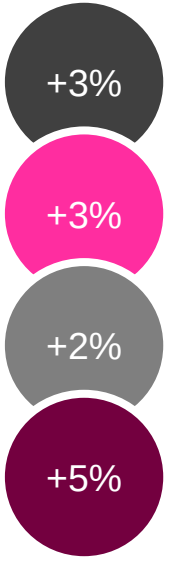
Diverse end-markets across all regions support robust growth

TDI industry demand

TDI demand by region



CAGR 2016 – 2021e



Underlying application growth driver[a]

Bedding	~3-4%
Furniture	~3-4%
Automotive	~3%
CASE[b]	~4-5%

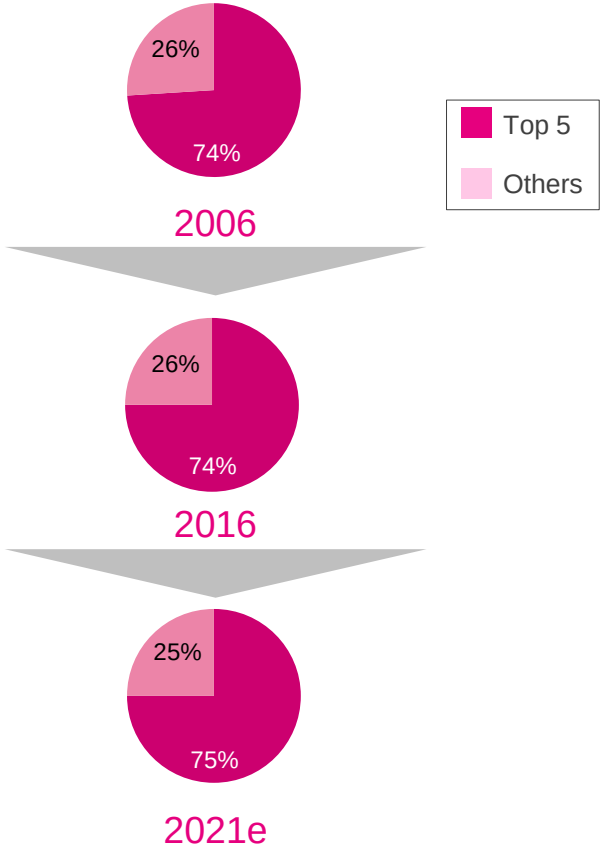
- Solid growth across all major end-uses
- Higher consumption of mattresses and furniture by emerging middle class in developing economies
- Favorable substitution trends in CASE[b] owing to relative advantages vs. competing materials

Notes: (a) Figures represent CAGR 2016-2021e
(b) CASE - Coatings, Adhesives, Sealants and Elastomers

Strong industry position supported by distinct entry requirements

TDI overview

Global capacity by producer



	Industry	Covestro position
Capital intensity	• World-scale plant[(a)] requires: – €0.8-1.1bn investment for full train – Approx. 5 years to full operation after completed environmental impact assessment	• 3 world-scale production facilities and total capacity of 720kt • Benefits from economies of scale
Process technology	• Advanced technology along the process chain important particularly in high cost locations • Limited options for licensing	• State-of-the-art gas-phase phosgenation (GPP) technology leading to global cost leadership[(b)] – highly cost efficient and eco-friendly
Feedstock integration	• Supply contracts as standard option • Backward-integration advantageous	• Long-term supply contracts for important precursors • Favorable backward-integration
Technical capabilities and expertise	• Permits required to handle hazardous feedstock, e.g. phosgene • Track record and suitable infrastructure important	• World-class expertise and know-how in customer-centric application development • Proven reputation with 60+ years experience • Impeccable safety record
Proximity to markets	• Benefits for established global players • Required to service large-scale multi-nationals with diverse operations	• Global footprint and customer insight • Facilities in all core regions

Notes: (a) World-scale defined by company assessment as TDI facility with capacity of 250-300kt p.a
(b) Covestro global cost leadership position as per company estimates

Efficiency program to enhance quality of existing assets

Covestro TDI operations

Dormagen, Germany

- Nameplate capacity: 250kt
- Start up beginning 2015
- Technology used: Features proprietary Covestro gas-phase phosgenation
- Cost leader resilient to new capacity additions in EMEA

Baytown, TX, USA

- Nameplate capacity: 220kt
- Start of production: 2000
- Technology used: Liquid-phase phosgenation
- Serves both US and non-US markets

Shanghai, China

- Nameplate capacity: 250kt
- Start of production: 2011
- Technology used: Features proprietary Covestro gas-phase phosgenation
- Cost leader in APAC and well-positioned to capture strong demand in Asia
- Debottlenecking to 275kt by 2017e

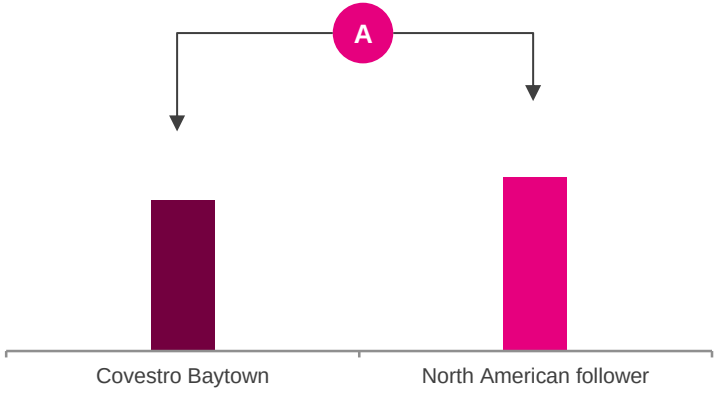
Note: All nameplate capacities based on 2016 at year-end

Global cost leadership by scale, integration and technology

TDI regional industry cost curves

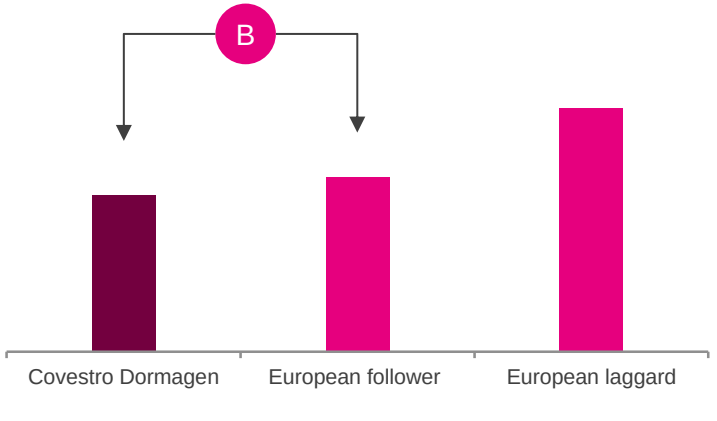
North America

Cash cost[(a)]



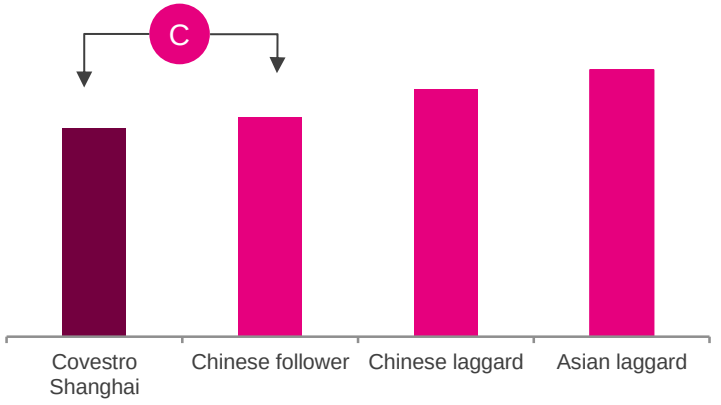
EMEA

Cash cost[(a)]



Asia

Cash cost[(a)]



- A Covestro cost leadership through backward-integration
- B Covestro advantages from superior process technology
- C Process technology advantages and larger TDI train capacity driving superior cost position for Covestro

Note: (a) Cost of production based on total raw material costs less co-product credits, variable and fixed conversion costs at 100% utilization based on on nameplate capacity for FY 2016

Polyurethanes (PUR)

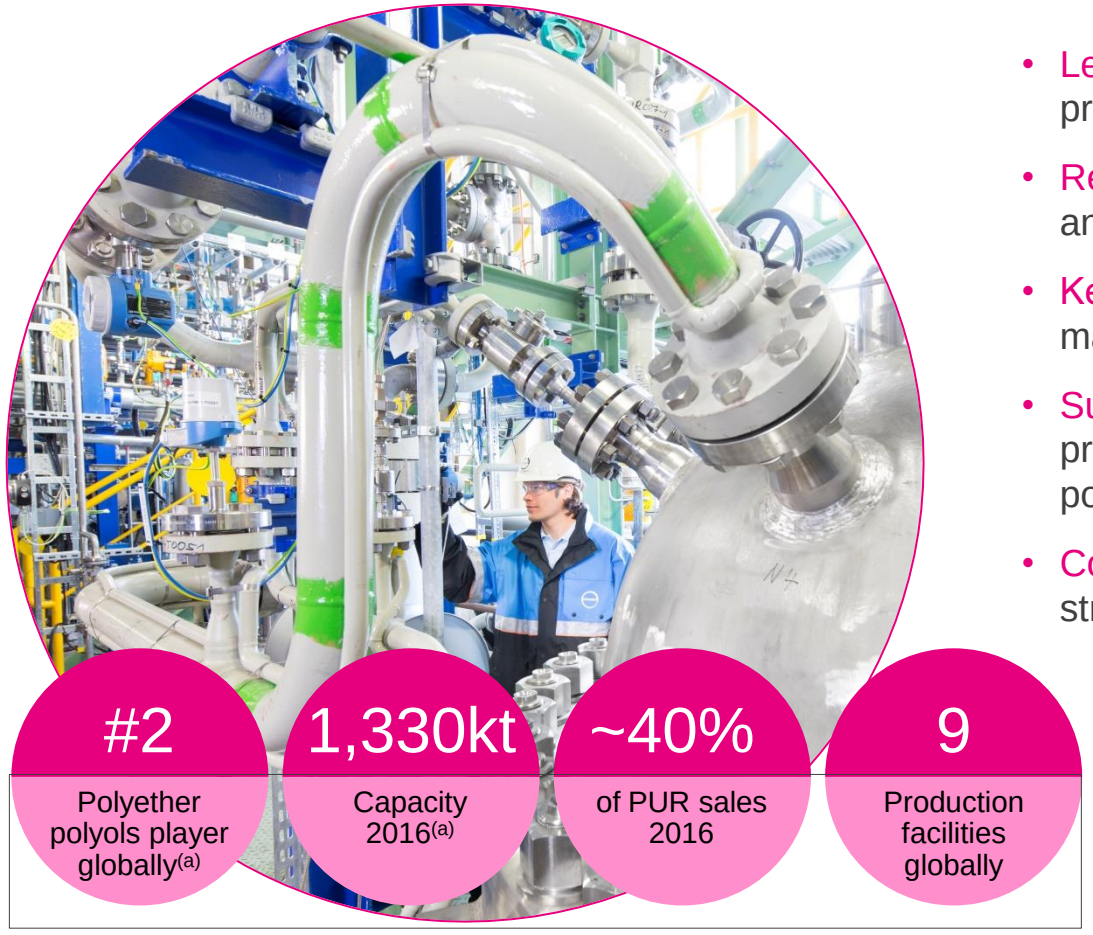
MDI

TDI

Polyether polyols

Leading position in polyether polyols as distinctive component

Polyether polyols at a glance



- Leading global supplier of polyether polyols with broad range of products and focus on NAFTA and EMEA
- Resilient profitability and cash generation backed by stable historic and forecast industry margins
- Key source of distinction and critical “enabler” in terms of providing market access and driving product innovation in polyurethanes
- Sustainable cost position through backward-integration into propylene oxide and best-in-class process technology in polyether polyols
- Covestro polyether polyol growth limited in the short term, yet strategy remains to grow in-line with portfolio

Note: (a) Based on nameplate capacity 2016 at year end

Polyether polyols drive innovation as competitive advantage

Role of polyether polyols in Covestro portfolio

Polyether polyols mixed with isocyanates lead to versatile applications

Rigid foam

Average mix = Molecular ratio: 1 **MDI** to ~0.7 polyether polyols

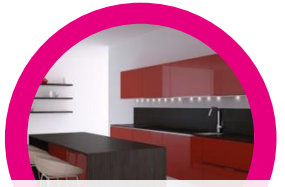
Building insulation
- space and energy efficient
- flexible processing

Cold chain
- affordable temperature preservation

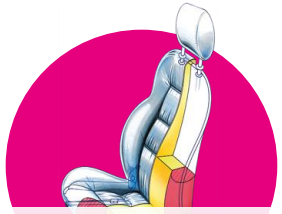
Automotive parts
- strong, durable and light
- noise and heat insulation

Flexible foam

Average mix = Molecular ratio: 1 **TDI** to ~2 polyether polyols



Furniture
- durable and supportive cushions



Automotive parts
- padding for auto seating

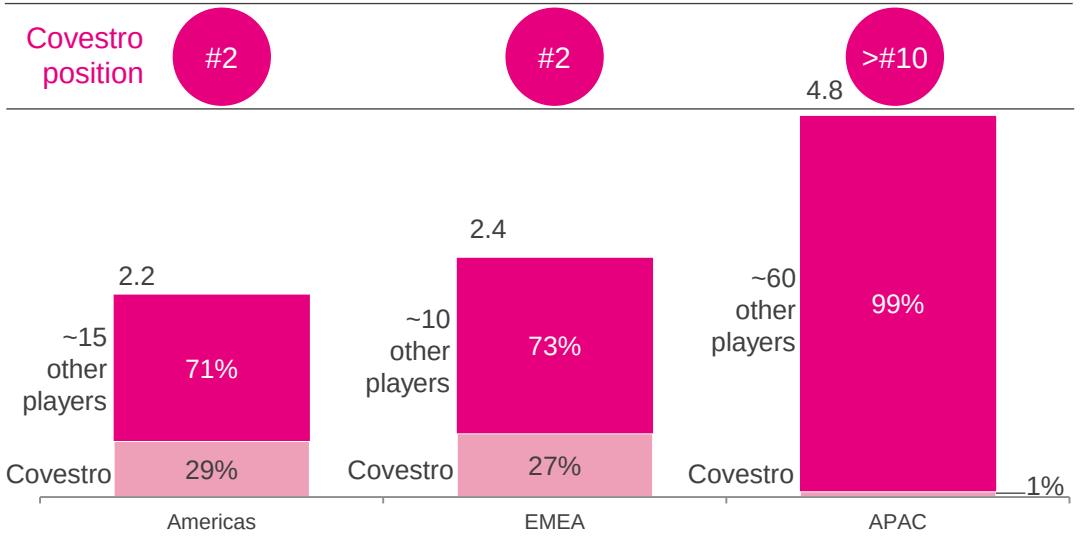
Bedding
- design and comfort driven mattress material

Global #2 producer with strong positions in NAFTA and EMEA

Polyether polyols position in the industry

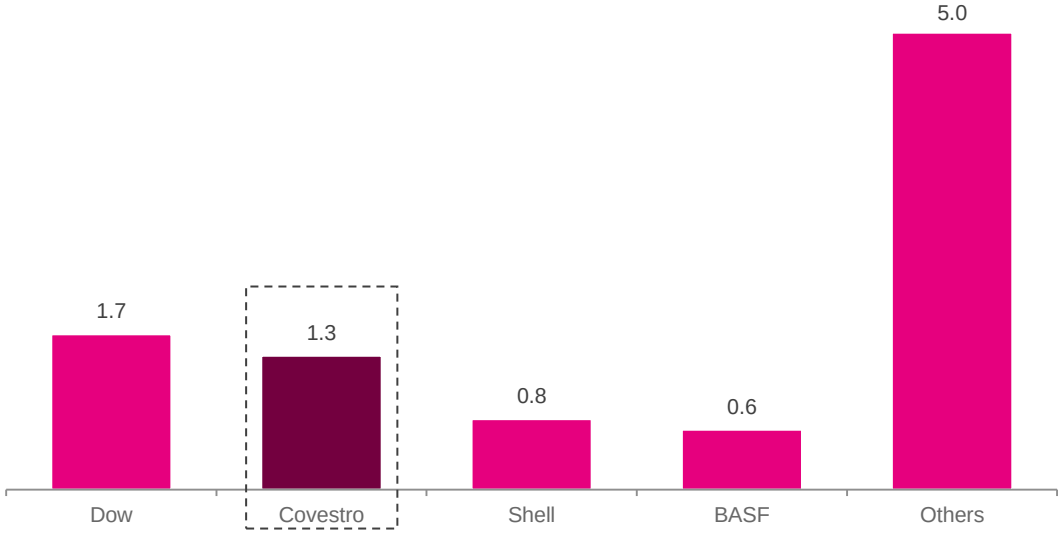
Polyether polyols industry capacity share by region[(a)]

('000kt), 2016



Top polyether polyols producers globally by capacity[(a)]

('000kt), 2016



- Polyether polyols landscape comprising 4 major players; Covestro is #2 producer globally with strong positions in NAFTA and EMEA
- APAC is highly fragmented based on a large merchant propylene oxide market; ~50 small producers[(b)] account for ~20% share
- Higher margins and distinct entry requirements for the business model of propylene oxide backward-integrated polyols vs. stand-alone
- Distinct entry requirements: capital intensity, propylene oxide access, advanced polyols process technology, R&D and technical infrastructure

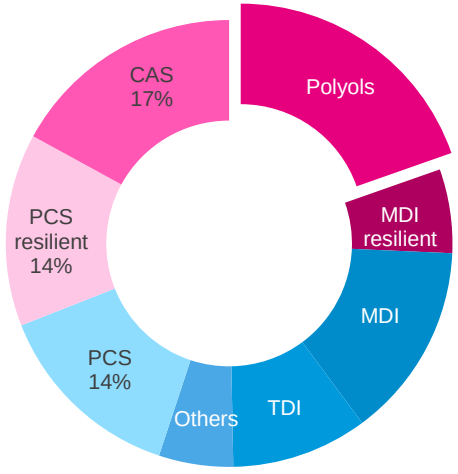
Notes: (a) Based on nameplate capacity
(b) Producers with capacity <70kt p.a. each

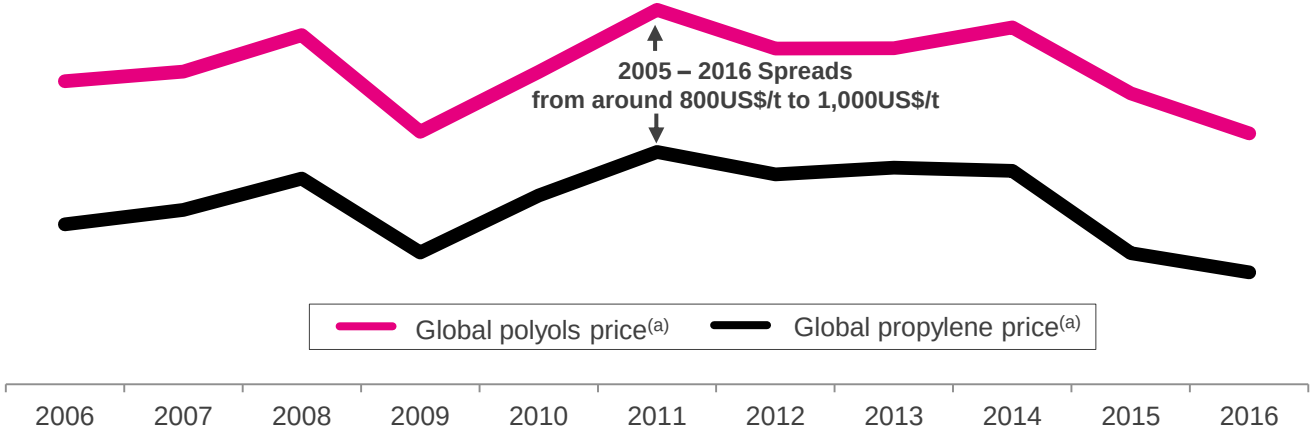
Polyols industry spreads

Polyether polyols demonstrate inherently stable margins

Resilience of polyether polyols business also 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

Notes: (a) The global average polyols/propylene prices have been calculated based on the polyols/propylene prices in Europe, US and China and weighted by the respective demand in those regions

Competitive cost position through PO backward-integration

Joint venture with LyondellBasell

LyondellBasell agreements

US propylene oxide joint venture

- Started in 2000
- Long-term off-take of propylene oxide from JV plants

EMEA propylene oxide joint venture

- 50 / 50 manufacturing JV for world-scale facility in Rotterdam
- Propylene oxide output used captively by Covestro as feedstock; sells styrene monomer in merchant market

Key benefits to Covestro

- Secure access of propylene oxide in Europe and US
- Producer cost economics vs. market price in a limited merchant market for propylene oxide
- Opportunity to explore debottlenecking options with LyondellBasell
- US propylene oxide JV not exposed to propylene oxide co-product volatility (TBA / MTBE or styrene monomer)
- Covestro responsible for certain styrene monomer sales from EMEA joint venture

Polycarbonates (PCS)

Michelle Jou
June 29, 2017

Well-positioned to capture global demand

PCS key investment highlights

1. **High-value, differentiated business**
   with more than 1,000 different PC grades ranging from ~€1.5 to ~€15 per kg
2. **Increasing earning resilience**
   driven by continuous product mix improvements
3. **Opportunity to outgrow the industry**
   taking shares for three consecutive years, outgrowing in high value-added applications
4. **Leading global player in an attractive industry**
   with above GDP growth, driven by broad application range
5. **Well-invested, young and highly efficient asset base**
   based on low-cost production and smart capex approach

Global leading producer of polycarbonates

PCS serving key growth end-markets

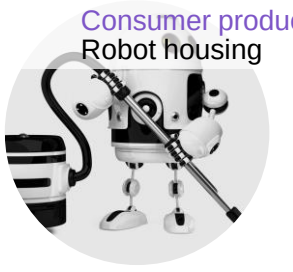
- Global leader and inventor of polycarbonates
- Offers products and solutions for a wide range of applications
- Integrated production processes along the value chain
- Global platform with 5 production sites, 5 R&D centers, 7 compounding centers and business unit headquarter in Shanghai, China
- Total production capacity of 1,480kt

Construction
Stadium roofing

Mobility
Automotive glazing

Electronics
Laptop housing

Medical
Drug delivery



Consumer products
Robot housing

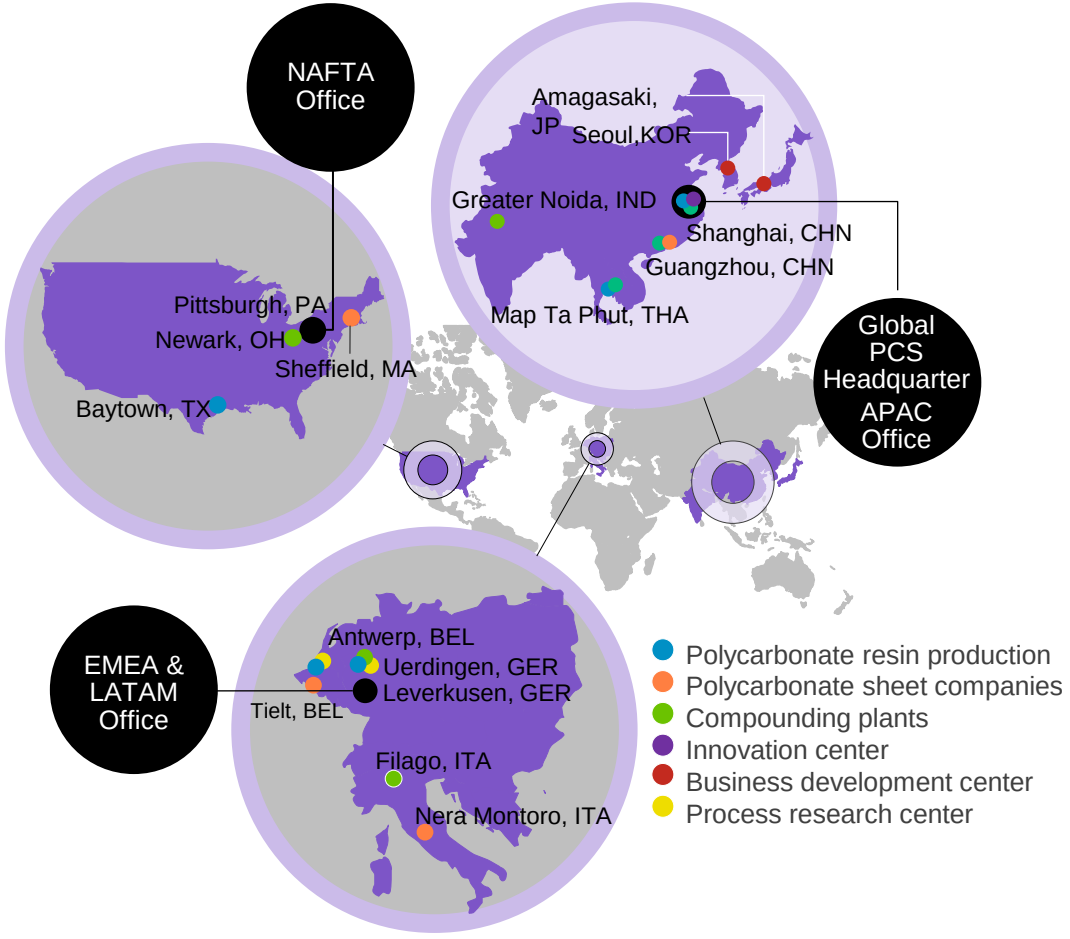
Information technology
LED street lamp

#1	€3.3bn	21.3%	28%
Producer of PC globally[a]	Sales 2016	EBITDA margin 2016	of total Covestro sales 2016

Note: (a) Based on nameplate capacity at year-end 2016 as per Covestro estimates

Reach and access to customers is key competitive advantage

Global asset footprint with world-scale plants[(a)] in all key regions



Primary production plants

- Production of polycarbonate resin for either external sales or internal feedstock for compounding and sheet plants

Compounding plants

- Refinement of polycarbonate resin with color and / or other additives (e.g. ABS)
- Color matching, technical service and small-scale production capabilities

Sheet plants

- Production and sales of solid sheet in all regions and multi-wall sheet in EMEA and APAC

Note: (a) Defined as a plant with total nameplate capacity of 200-300kt

Engineering thermoplastics

Serving numerous industries with a unique combination of properties

Polycarbonates (PC)

- Resins: Makrolon© Bayblend© Apec© Makroblend©
- Sheets
- Composites

Key PC properties

- Break-resistant
- Lightweight
- Transparent
- High dimensional stability
- Heat-resistant
- High flame retardance
- High impact strength
- Electrical insulation

Key applications

Automotive interior & exterior panels
Bodywork parts
Lighting systems
Glazing
Outer door panels
Radiator grills

Windows
Conservatories
Roof structures
Partition walls

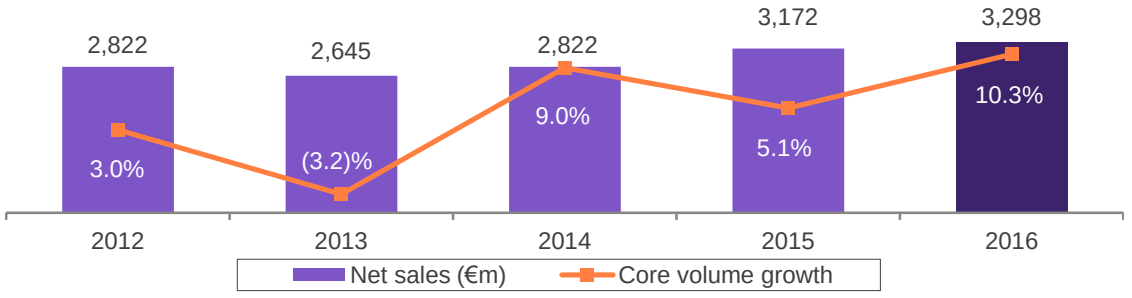
Medical devices
Robotics
Personal safety (helmets, headgear, eyewear)
Packaging (water bottles, pitchers)

IT equipment
Housing for mobile devices & consumer electronics
Chargers
Switchbox and other electrical systems
Diffusion panel of LCD monitors
LED parts

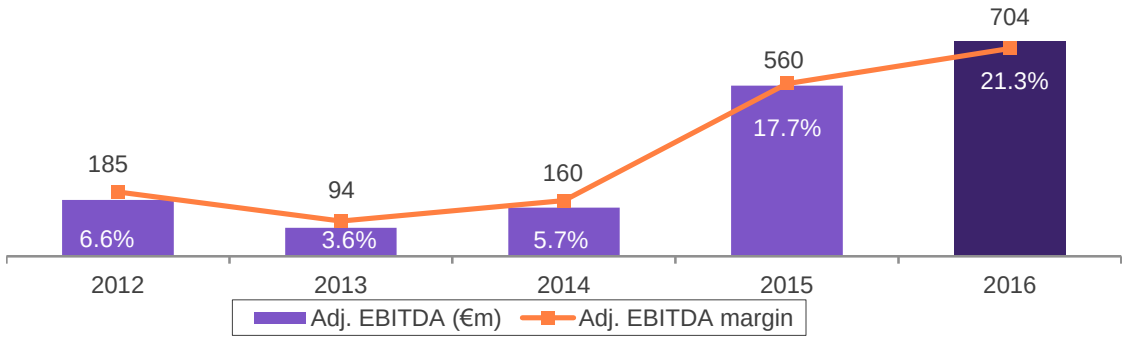
Strong growth and margin improvement continuing in 2016

PCS historical financial performance

Net sales and core volume growth



Adj. EBITDA and margin



Highlights

- Core volume CAGR of ~5% between 2011 and 2016
- Selling price declines below feedstock price benefits between 2012 and 2016
- Significant market share gains due to capacity expansions and innovative products

- Trough margin of 3.6% in 2013 driven by rapidly declining DVD / CD market
- Margins in 2015 and 2016 back to levels prior to DVD / CD boom and bust period

Supporting our customers in every step of the value chain

Material, application and production know-how ensure leading market access and development

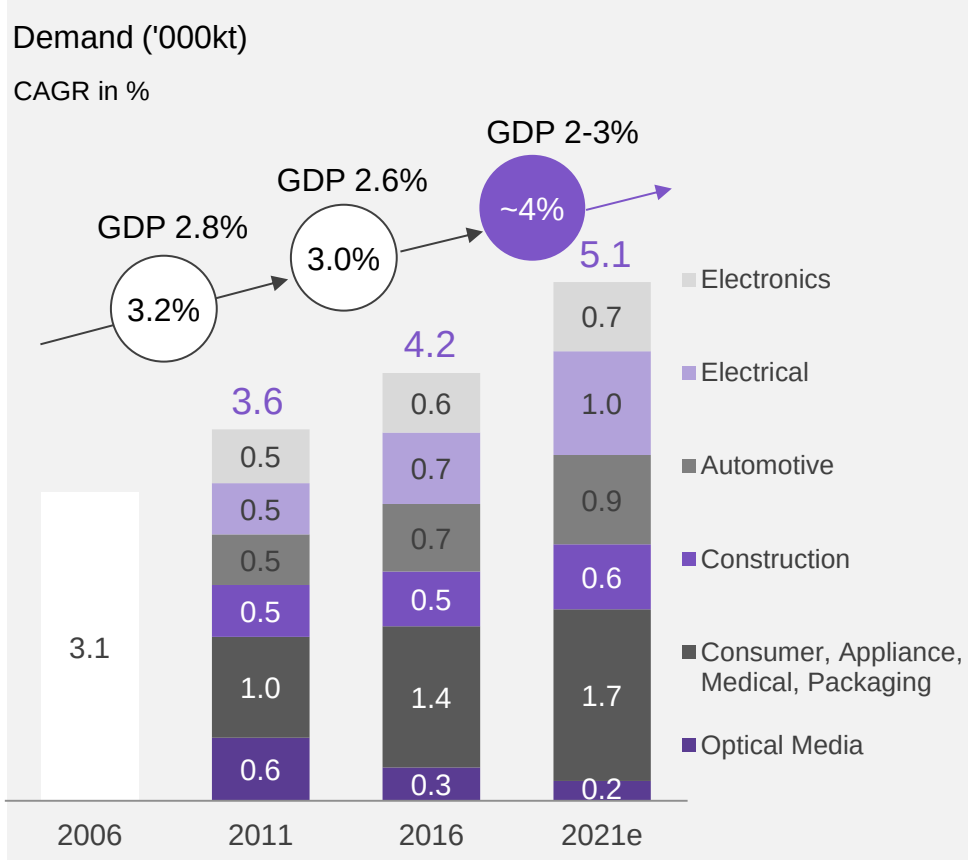
Example of customer product development lifecycle

Definition of customer requirements	Material & concept development	New application technologies	Scale up & customer production
			
Customer needs			
Distinctive and innovative automotive interior design	Specialized material solutions providing function integration and safety	Optimized and highly integrated manufacturing process	Global competitive offerings Comprehensive and competent product support
Covestro solution			
✓ High-end interior solutions with best-in-class product & technology portfolio ✓ Creative concepts based on profound understanding of materials and applications ✓ Support along the whole value chain	✓ Innovative polycarbonate grades, e.g. for infotainment display solutions ✓ New designs for lifestyle colors, surface finish and soft touch & feel ✓ Ductile materials for crash safety	✓ Best-in-class expertise in thermoplastics and processing technologies ✓ Reduction of cost and complexity	✓ First choice development partner for leading OEM, component suppliers and design houses ✓ Cutting-edge material and process innovation ✓ Global manufacturing, supply and support network

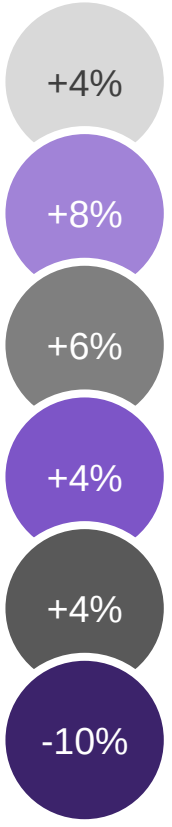
Macro trends support above GDP demand growth

Polycarbonates industry demand across diverse customer industries and regions

Polycarbonates by application



CAGR 2016 – 2021e



Accelerated growth 2016-2021e

CAGR in %

APAC	~5%
EMEA	~3%
NAFTA	~3%

Continuous upgrades, substitution and new application development; selected examples:

- Upgrade to “smart” electronics and new device class, e.g. smartphones / TV
- New revolutionary technologies, e.g. wearables, audio devices, AR and VR, sensors, robotics, drones
- Penetration of LED luminaires
- E-mobility applications
- Medical housing and device applications

Development of diverse applications drives the demand of PC

Polycarbonates industry demand

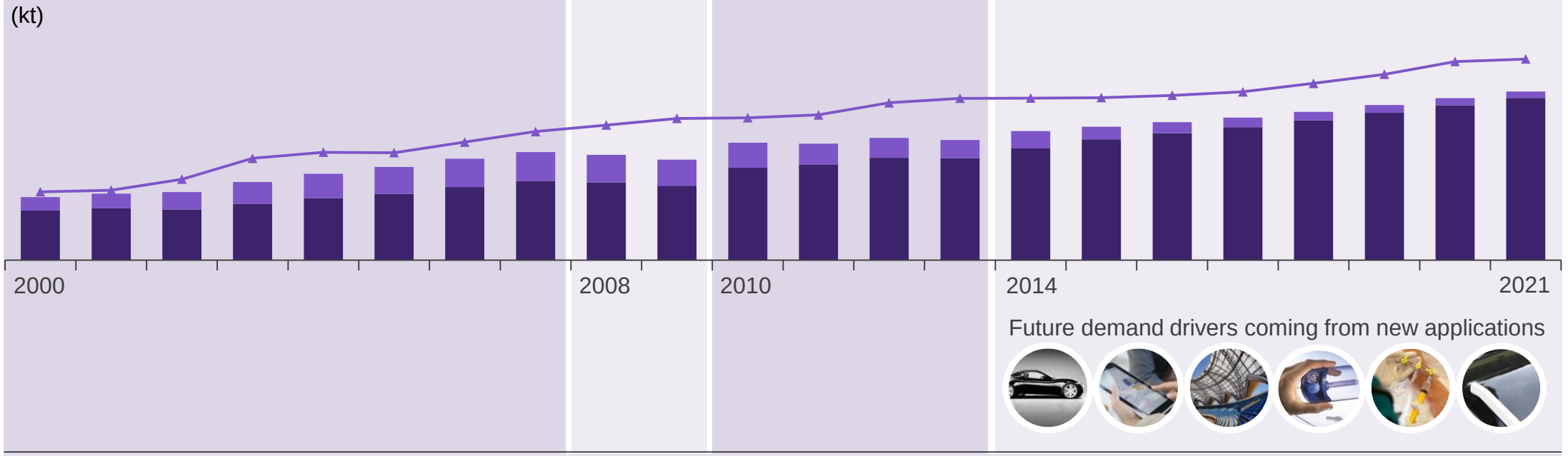
Global polycarbonates demand, 2000 – 2021e

Rise of Optical Data Storage (ODS; e.g. DVD/CD)
2000 – 2007

Fin. Crisis
2008/2009

Compensate ODS
2010 – 2013

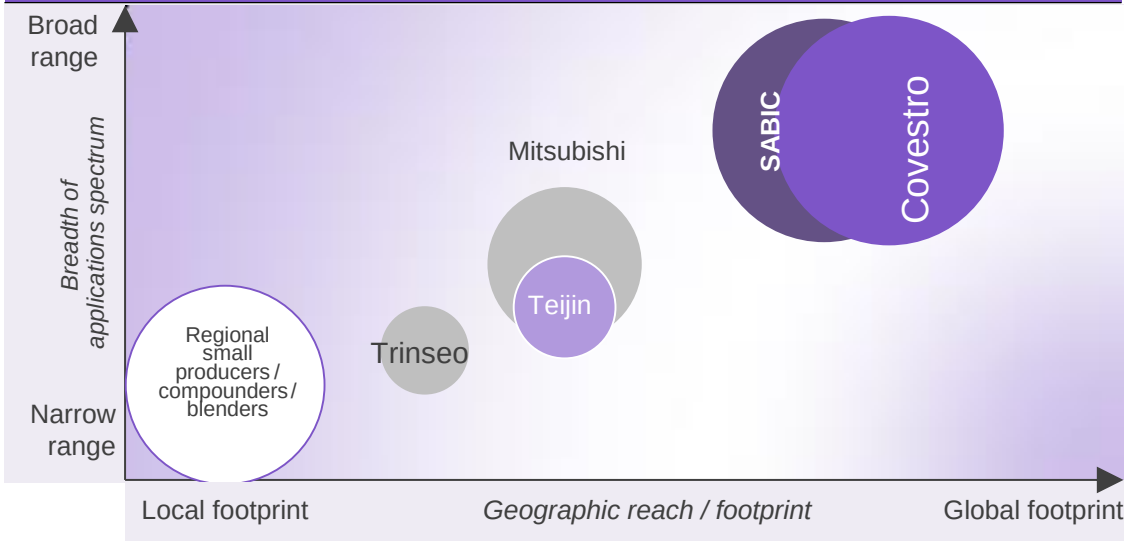
Growth in future products
2014 – 2021e



Broad access to customer applications and regions

Covestro position in the PC industry

Positions in the industry(a)

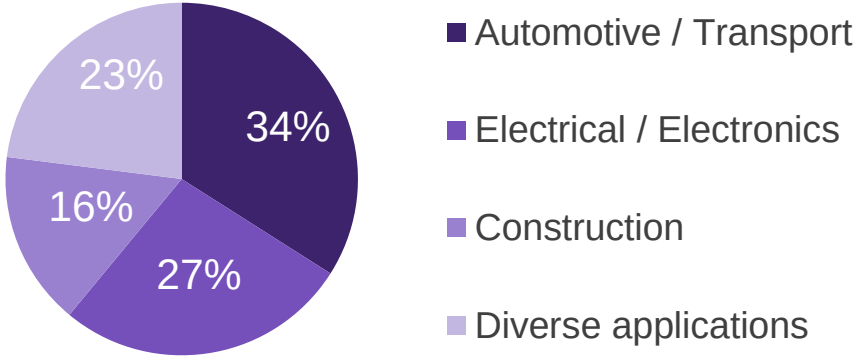


Advantages of broad play

- Reduced exposure to cyclicality of single customer industries
- Optimized risk distribution
- Optimized asset utilization
- Better flexibility in portfolio management

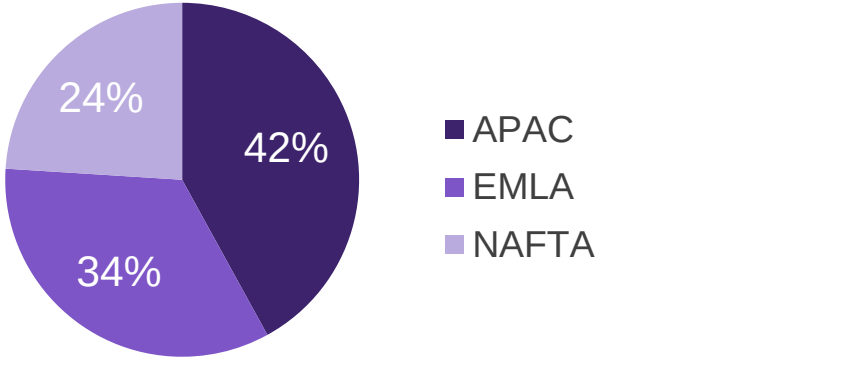
PCS sales split by end-markets

Covestro 2016



PCS sales split by regions

Covestro 2016

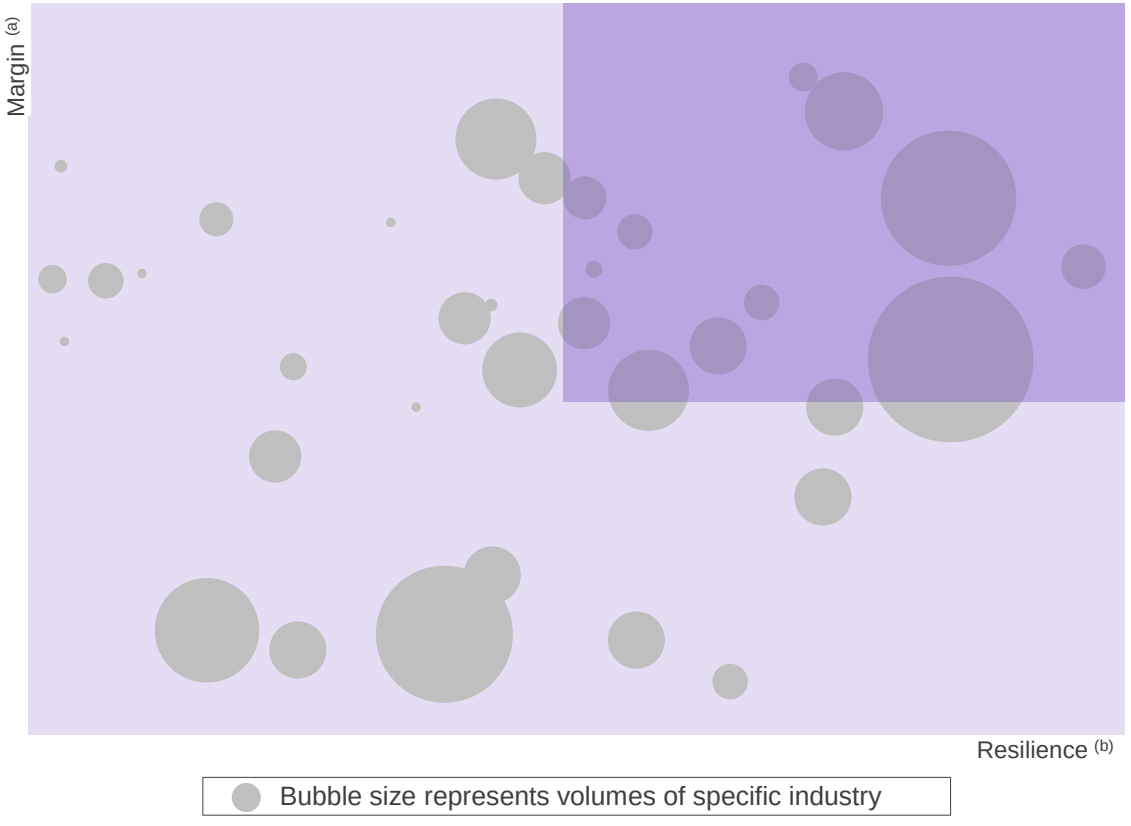


Note: (a) Bubbles represent 2016 global nameplate capacity as per Covestro estimates

Excellent access to high-growth and resilient end-markets

Benefits from the combination of global market access, innovation capabilities and high quality product portfolio

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



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

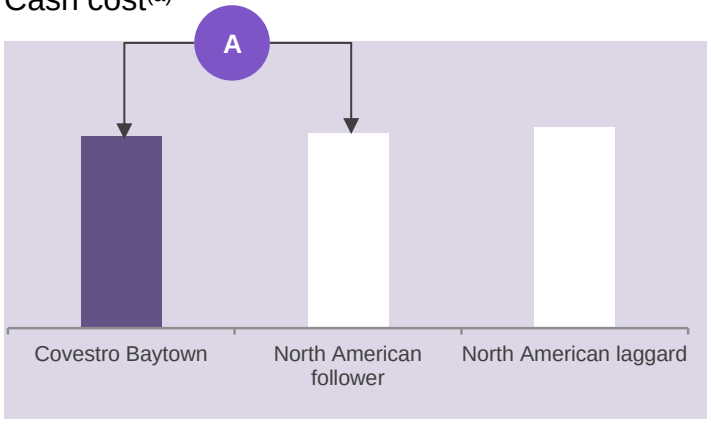
Notes: (a) Contribution margin per kg
(b) Resilience measured as standard deviation of contribution margin for the years FY 2005-2016

Leading cost positions in key regions

PCS regional industry cost curves

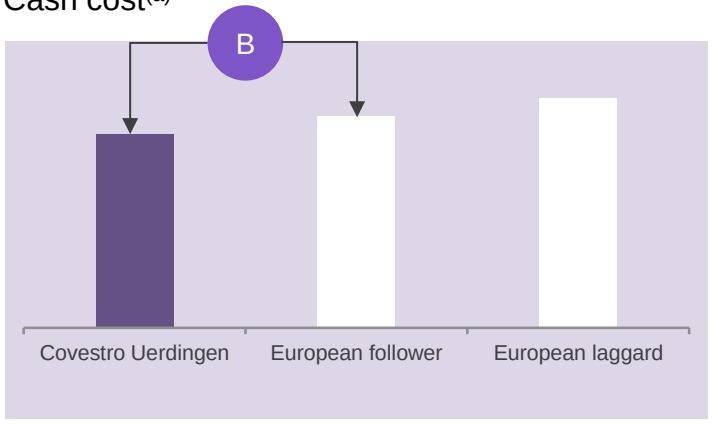
North America

Cash cost[(a)]



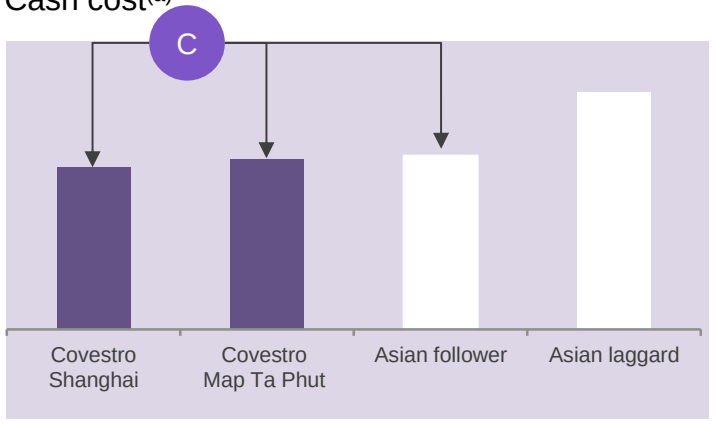
Europe

Cash cost[(a)]



Asia

Cash cost[(a)]



A	Covestro cost leader in North America
B	Covestro cost leader in Europe
C	Covestro's leading cost position in China due to integration and economies of scale

Note: (a) Cash cost ex gate, 82% utilization rate for all plants based on nameplate capacity. Integrated players are shown without any margins for BPA, phenol, acetone, etc.

Market-driven innovation as key value driver

PCS R&D highlights

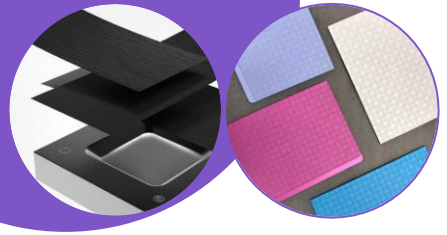
R&D project examples

Highly durable and chemical resistant housing materials

High-quality LED optical (transparent and translucent) and functional materials

(E-)mobility and transportation

Continuous fiber-reinforced thermoplastic composites



Highlights 2016

75 Mio €
R&D spend

18%
of PCS 2016 net sales with new products not older than 5 years

36
new grades in 2016

37
patent applications

Coatings, Adhesives, Specialties (CAS)

Daniel Meyer
June 29, 2017

Global industry leader with high and resilient profitability

CAS key investment highlights

1. **High-end solution provider for value-add materials**
   serving intrinsically complex customer industries

2. **Market-driven innovation capability and customer proximity**
   help create new application space and maintain leadership

3. **Global leading and defendable position**
   in an industry with distinct entry requirements

4. **Strong financial profile due to high margin resilience and low capex requirements**
   represent solid platform for future business expansion

Niche enablers business focused on high-end products

CAS at a glance

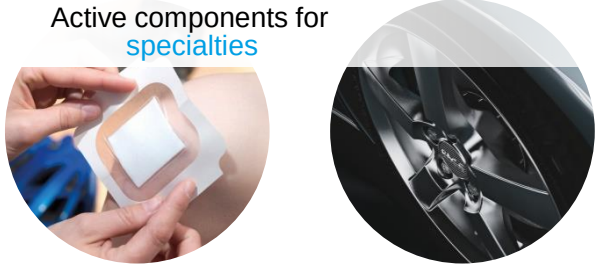
- Global leading supplier of high-performance materials to the coatings and adhesives industry and other specialties (films, elastomers, ingredients to textiles / medical / cosmetics)
- Inventor of and technology leader in isocyanate derivatives for coatings, adhesives, sealants and specialties
- More than 2,300 products based primarily on six monomers, serving over ten high-end industries and over 4,300 customers
- Product pricing driven by value-added to end-customer, as CAS materials are critical to the performance of the final product, but form a small proportion of the overall cost
- Market-driven innovation in close collaboration with all partners in the value chain, developing customized solutions for specific problems (“forward marketing”)
- Efficient production processes benefitting from low cost technology and integration
- Has delivered high, resilient margins and strong cash flow and returns

#1	€2.0bn	24.5%	17%	31%
Producer of aliphatic isocyanates[(a)]	Sales 2016	EBITDA Margin 2016	of total Covestro sales 2016	of total Covestro EBIT 2016

Active components for surface coatings

Active components for adhesives and sealants

Active components for specialties



Note: (a) Based on total aliphatic isocyanates volume in 2016 relative to competitors as per Covestro estimates

Specialist in managing complexity and high-end applications

2,300+ products derived from 6+ monomers

Raw materials / amines	Monomers	Total CAS products	Customers	Industries
4+	**6+**	**2,300+**	**4,300+**	**10+**

HMDA
NDA
H_{12}MDA
IPDA

Aliphatic

HDI
H_{12}MDI
IPDI
Newly Developed
PDI
XDI

Derivatives

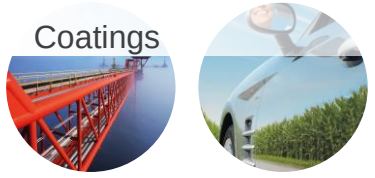
PU-Dispersions

Aromatic

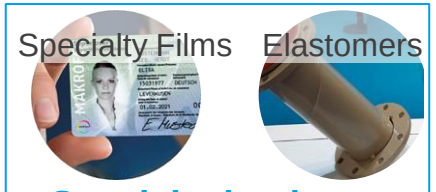
NDI
TDI
MDI
PUR Sourced

Derivatives

Other chemistries incl. polyol[(a)]



- Automotive
- Construction
- Wood & furniture
- Electronic
- Packaging
- Footwear



Specialty business

- Medical
- Cosmetics
- Textile

Note: (a) includes STP (Silane-Terminated Prepolymer), PAC (Polyacrylate) dispersions, PAS (Polyaspartics), PES (Polyesters), PC (Polycarbonate) diols

Strong growth potential in specialty products

Overview of CAS product portfolio

Product groups

1 Aliphatic isocyanates and derivatives

- Polyurethane resins derived from aliphatic monomers including **HDI, IPDI, H_{12}MDI**
- Applied mainly to coatings

2 Specialty products[a]

- Polyurethane- and polycarbonate-based specialty films, hot cast elastomers and other specialties

3 Polyurethane dispersions

- Polyurethane polymers dispersed in water and mainly used in coatings and adhesives

4 Aromatic isocyanate derivatives

- Polyurethane resins derived from aromatic monomers including **TDI and MDI**

Specialty products in detail

Specialty films:

- Globally leading producer of TPU and PC films
- Continuous stable cash flow and strong innovation pipeline

Elastomers:

- Leading producer in SCPU[b] cast machines, innovation leader for SCPU[b] Elastomers and machines
- Global production and sales network with dedicated legal entities in France, UK, China and a large global network of distributors

Textile:

- Specialty chemicals for the production of leather alternatives, technical and functionalized textiles for diverse industries (e.g. automotive, footwear)
- Comprehensive customer product development and services offering that is also delivered to downstream textile consuming companies

Medical:

- High OEM penetration generates market pull for differentiated PU-based materials for adhesives, foams and films
- Unique market position with broad tailor-made material offering in wound care

Cosmetics:

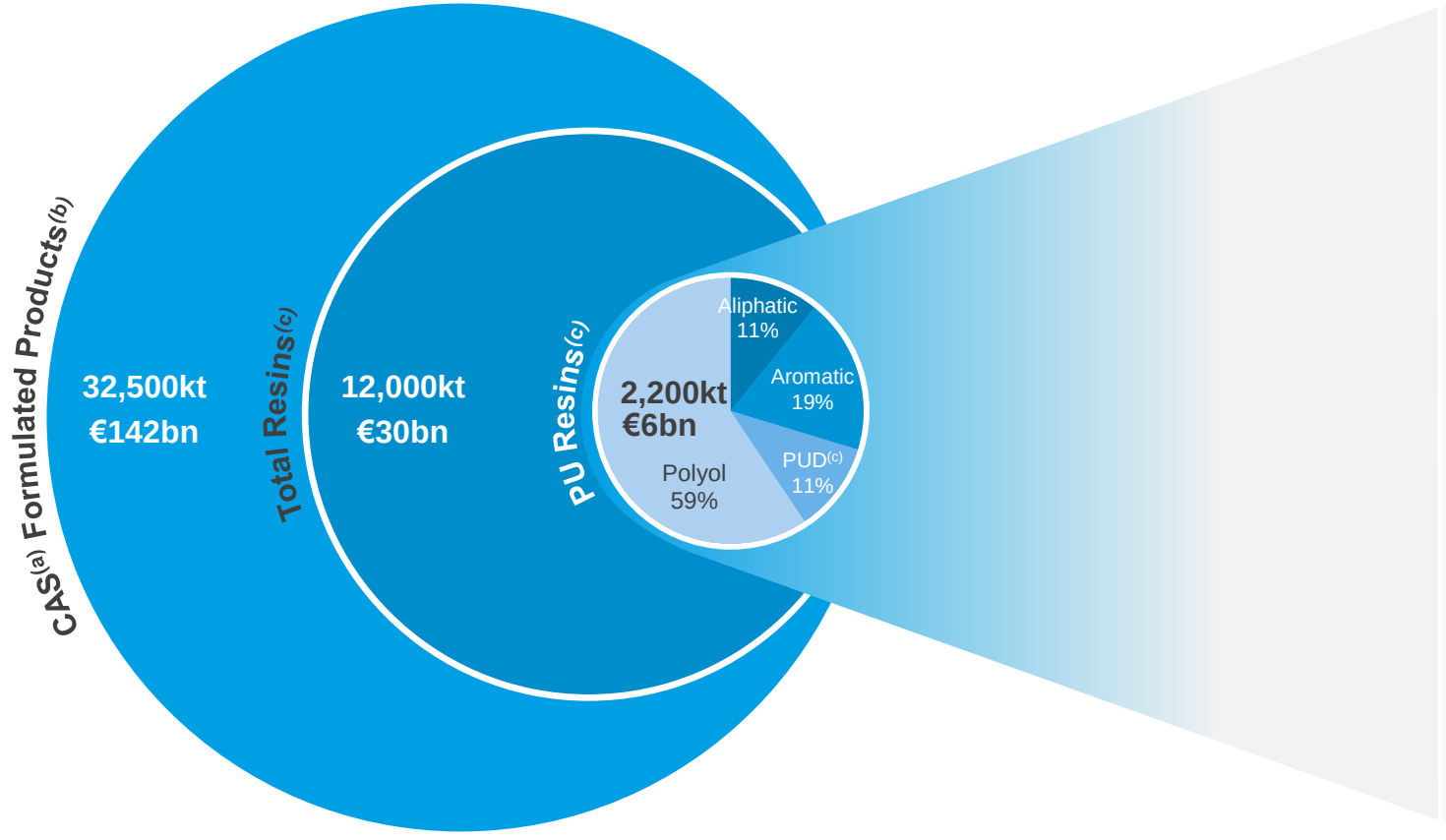
- Film formers and sensory additive for colour cosmetics, skin / sun and hair care
- PU-based solutions for innovative claims and high performance formulations

Notes: (a) Run as a virtual standalone business within CAS, higher growth and margin, include adjacent technology / chemistry / application
(b) SCPU = Specialty Cast Polyurethanes

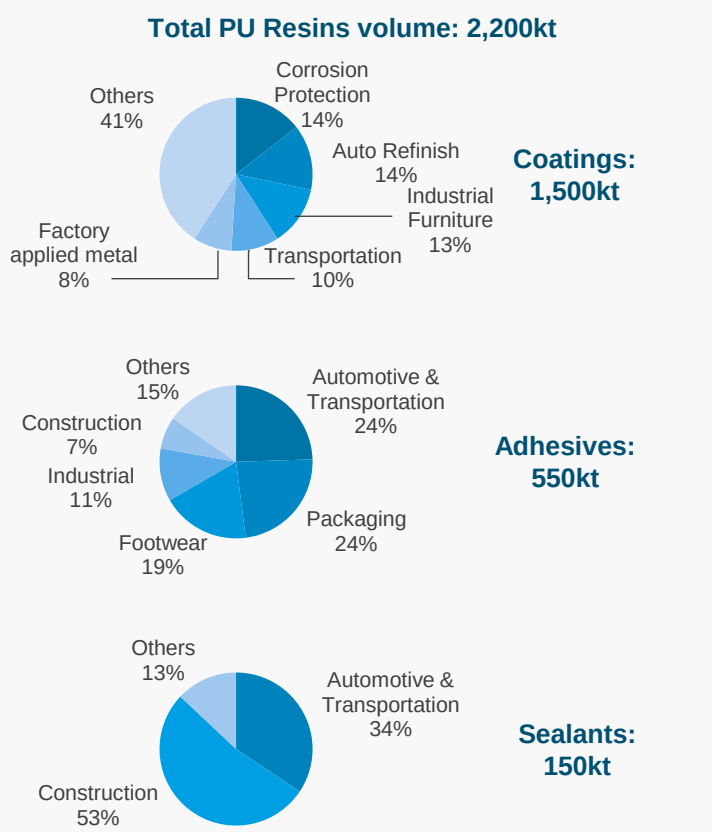
CAS present in high-value part of PU resins industry

Overview of total market and key industrial applications

Polyurethane resins = Isocyanates derivatives + polyols



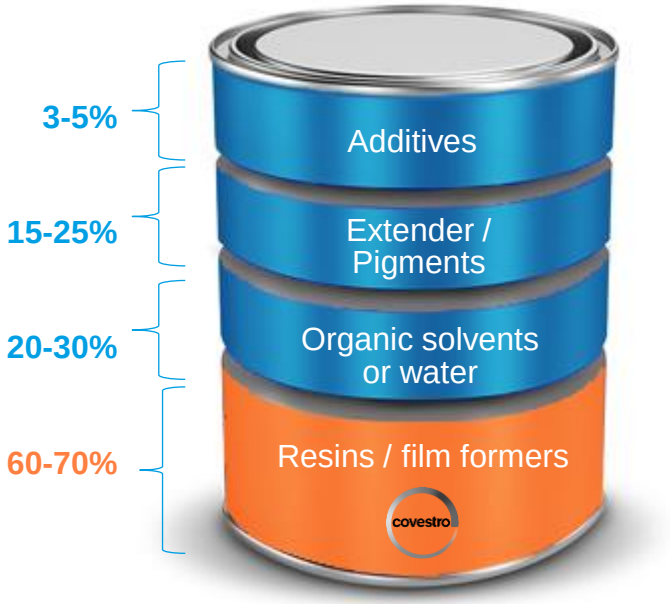
Key industrial applications



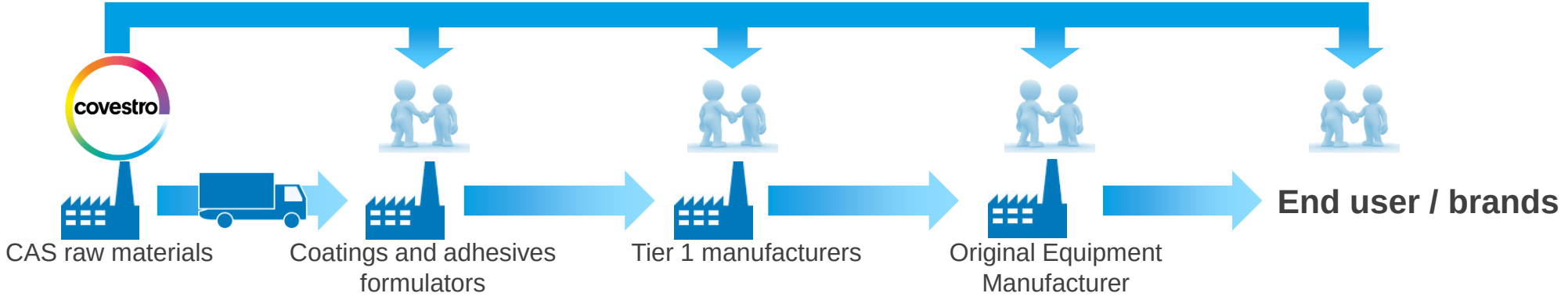
Notes: (a) Coatings, Adhesives and Sealants (b) Excluding decorative coatings
(c) Polyurethane dispersions
Source: Orr & Boss as of 12/2016, annual figures for 2016

Formulation in diverse chemical environment through partnership

Resins and film formers impact performance of final product

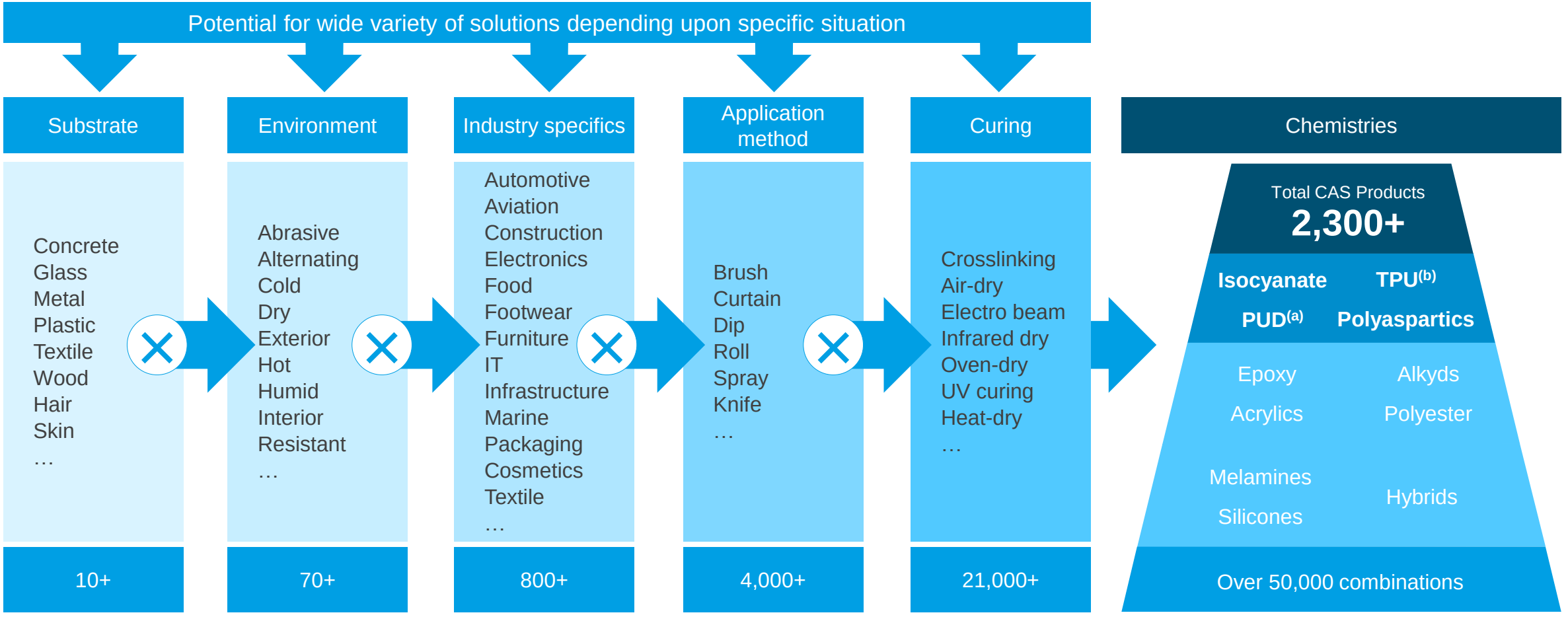


CAS delivers tailored solutions and has contact to all partners in the value chain



Diverse applications require multi-dimensional solutions

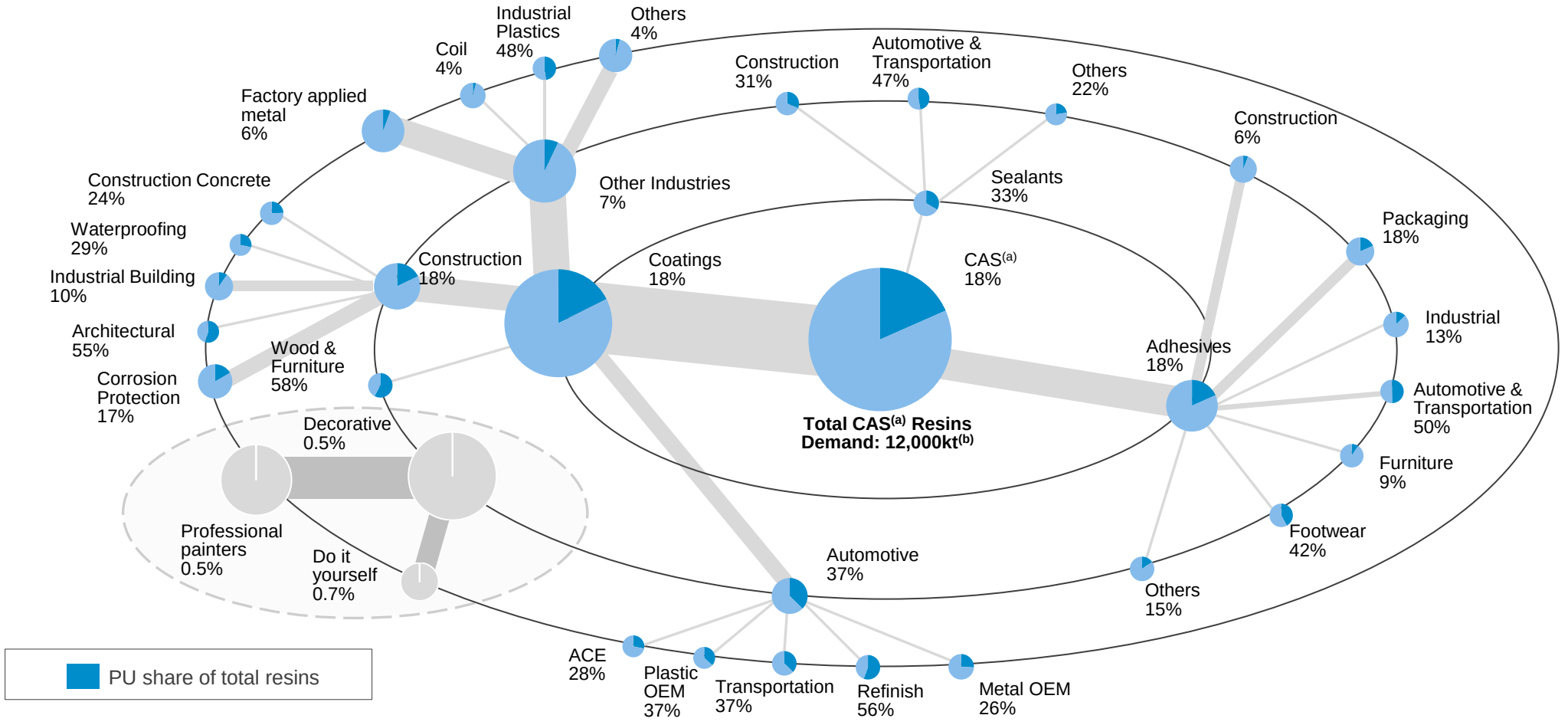
Covestro with widest offering



Notes: (a) includes STP (Silane-Terminated Prepolymer), PAC (Polyacrylate) dispersions, PAS (Polyaspartics), PES (Polyesters), PC (Polycarbonate) diols
(b) Thermoplastic polyurethane

Covestro serves profitable niches in diverse end-markets

Competitive advantage through a diverse application portfolio



Notes: (a) Coatings, adhesives and sealants
(b) Including polyols, excl. decorative coatings
Source: Orr & Boss as of 12/2016, annual figures for 2016

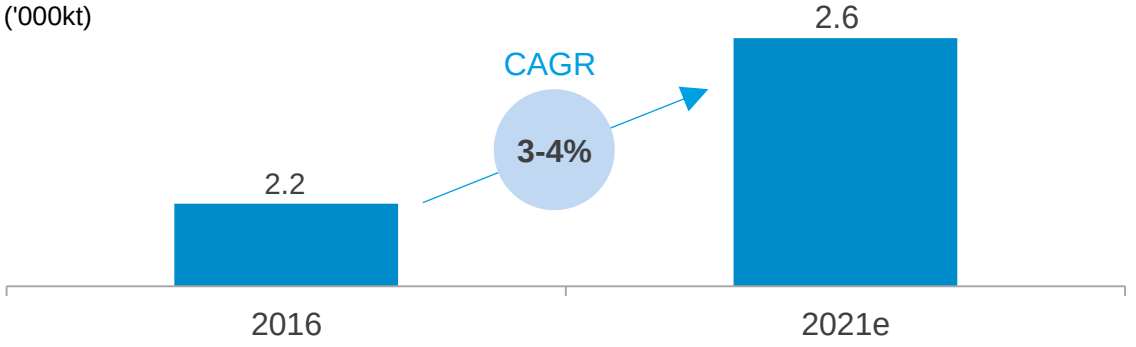
Technology substitution for growth and premium pricing

Leveraging unique characteristics of polyurethanes

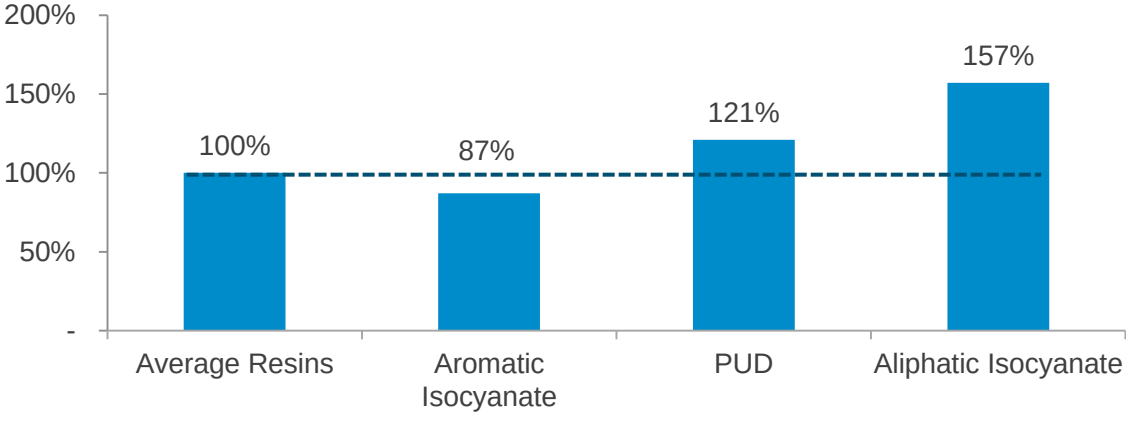
Characteristics of PU-based coatings / adhesives

- Highly versatile chemistry; allows tailor-made applications in formulations and solvent nature
- Unique characteristics include:
  - Abrasion resistance
  - Outdoor weathering
  - High flexibility
  - Low-temperature curing
  - Corrosion and chemical resistance
  - Durability
  - Gloss retention
  - Hydrolytic stability
- Offers solutions for environmental challenges (e.g. low VOC)
- Superior combination of performance and price

PU raw materials industry demand in CAS



Price index of resins within coatings

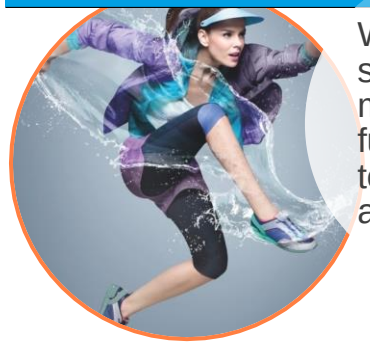


Source: Orr & Boss as of 12/2016, annual figures for 2016

Finding above average growth niches in adjacent industries

Selected CAS applications

Textile coatings



Waterborne solvent-free materials for functionalized textiles in diverse applications

- Better occupational safety, environmental protection, resource consumption
- Helps brand owners and manufacturers meet their sustainability goals, e.g. ~45% lower carbon footprint
- Enables new functionalities

Textile coating market[1]
CAGR: ~6%

COV relevant textile coating market[2]
CAGR: ~11%

Furniture coatings

New bio-based hardener for water-based wood coatings

- Furniture surface protection in demanding environments like bathrooms and kitchens
- Biomass content of 66% and improved carbon footprint
- High hardness and chemical resistance

Coating industrial furniture market[3]
CAGR: ~3%

Waterbased industrial furniture market[4]
CAGR: ~5%

Wind energy

Novel components for wind power plants

- Rotor blades: Polyurethane resins for more stability and durability
- Towers: Polyurethane materials for anti-corrosion coatings
- Undersea cables: Elastomers for protection systems

Energy consumption[5]
CAGR: ~3%

Offshore wind energy[6]
CAGR: ~19%

Source:
(1) IAL PUD market report 2015 for 2014 – 2019
(2) Covestro estimates
(3) CSIL January 2017 for 2017 - 2021
(4) Covestro estimates
(5) BP, Energy Outlook, 2017 for 2015 – 2020 based on million tons oil equivalent
(6) Navigant, World Wind Energy Market Update, 2017 for 2016 – 2021 based on mega watt

Strong track record of product innovation

CAS innovation strategy leads to continued competitive differentiation

History of robust product innovations

Highlights 2016

84 Mio €
R&D spend

28%
of CAS 2016 net sales with new products not older than 5 years

~90%
of R&D spend going into product innovation

72
patent applications

Continued competitive differentiation through innovation

Selected CAS innovation examples

Desmodur® eco – PDI

- Covestro developed a coating hardener with ~70% carbon content from renewable raw materials
- Successful coating of Audi Q2 under near-series conditions
- Based on proven 2K PU technology fulfilling high performance standards
- Application on existing coating lines possible
- Helps customers to lower carbon footprint of their products

3D products / cast elastomers

- Latest 3D printing production technologies help core customers to innovate both products and business models
- Integrating of 3D printing with core technologies and high performance materials, beyond “prototyping” maturity
- Polyurethane foams elastomers in combination with 3D printed parts exhibit excellent mechanical properties

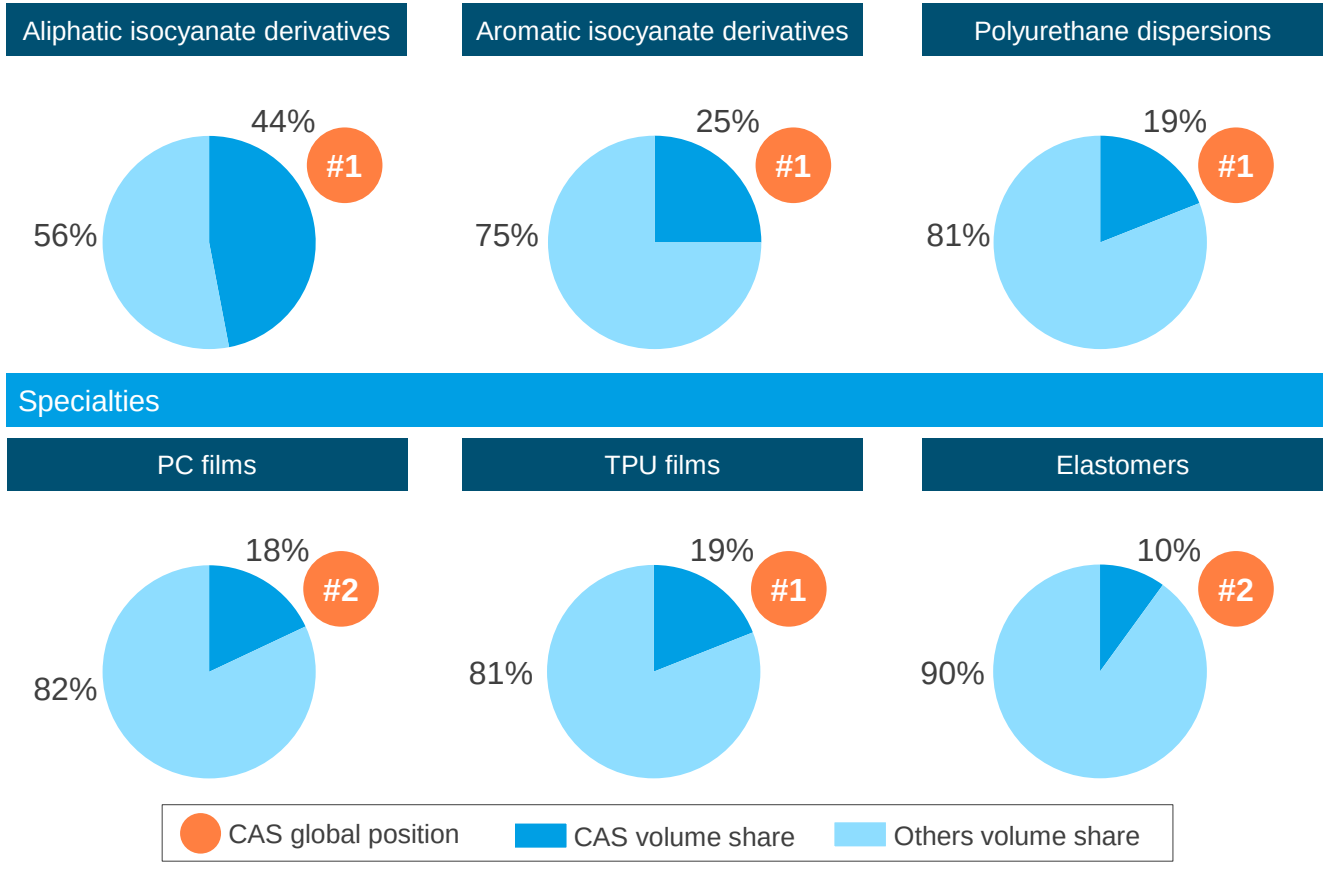
INSQIN® waterborne PU for textiles

- High-performance coating material for highly flexible materials e.g. Spandex
- Successfully commercialized in Puma, evoPOWER Vigor 1
- Latest top of the range football boot from Puma
- Technology transformed playing features, construction and design of the product, while being environmentally sustainable

Global leadership positions across entire portfolio

CAS competitive positions

Competitive global landscape in derivative products[(a)]



Highlights

CAS is the inventor of aliphatic isocyanate derivatives for the CAS industry, and the global leader with 44% share in a consolidated environment, and #1 player in EMEA, NAFTA and APAC

- NAFTA and EMEA relatively consolidated with only 3 competitors in each region
- APAC relatively fragmented with only 5 key players with shares higher than 5% and multiple others

Industry of aromatic isocyanates is more fragmented

- Global players like CAS compete in the more specialized segment, while regional players compete in the lower value segments

CAS is also the leading player in the PUD industry

- 5 other global players account for 28% share
- Remaining industry is fragmented with smaller regional players that compete in the low-cost, commodity-type products where CAS does not compete

Industry for specialties is quite fragmented

- CAS is one of the two leaders in PC films
- TPU films can be viewed as a regional business rather than global
- 8 other major players in elastomers account for ~60% share

Note: (a) 2016 share of total volumes
Source: Orr & Boss, hot cast elastomers global position as per company estimates and volume share as per Orr & Boss 2016 analysis

Critical success factors underpinning CAS unique position

Distinct entry requirements for derivative products

Entry requirements in derivatives		CAS position
Economies of scope	• Diversity of end-markets and products offered • Niche applications with customized solutions	✓ More than 2,300 products supplied to over 4,300 customers ✓ Focus on high value-add products ✓ Complementary product offering
Formulation know-how and technical expertise	• Expertise required to address customers needs with specific formulations	✓ Inventor of isocyanate derivative chemistry ✓ Unique formulation capabilities
Long-term customer relationships	• Long-term relationships with customers are key	✓ Solutions provider ✓ Proximity to customers ✓ Superior technical support
Market-driven innovation	• Innovation is key to continuously address customers' needs	✓ Leader in new product development ✓ Recently developed a new thermolatent hardener
Global platform	• Global network to supply customers on a reliable basis	✓ CAS has a strong international footprint with presence across all regions • 3 world-scale HDI production hubs • 11 other production units • 9 technical centers

Global leadership position for isocyanate derivatives

CAS value chain position in an attractive industry

Raw materials / amines

- Raw materials broadly available, both internally and externally

Monomers / isocyanate derivatives

- Distinct entry requirements in isocyanate monomers and derivatives production
  - ➡ CAS is #1 player

Specialty products

- Well positioned in production of specialty products due to know-how

Coatings/adhesives makers

- Customers are fragmented, allowing positive pricing delta to derivative producers

End-consumer industries

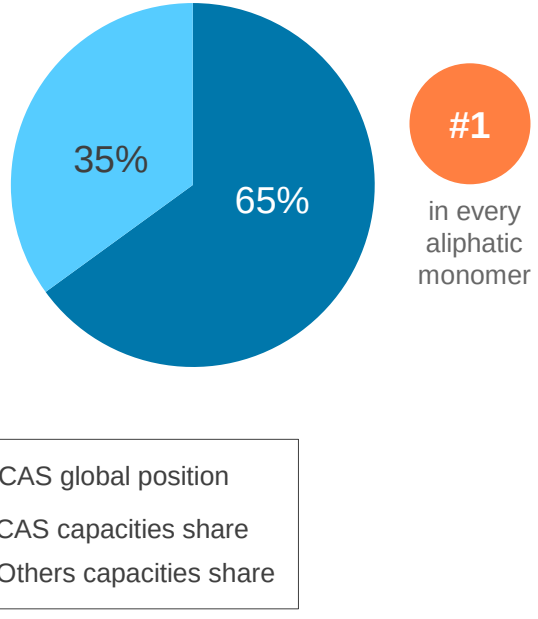
- High-value applications

Best-in-class production technology

CAS backward-integration into monomers

Global aliphatic monomer capacities

HDI, IPDI, H_{12}MDI, PDI[(a)]



Entry requirements in monomers		CAS position
Engineering capability to build monomer plant	• Financial resources and know-how required to build efficient isocyanate monomer plants	✓ CAS operates 3 world-scale HDI production hubs across NAFTA, EMEA, APAC at integrated CAS sites
Economies of scale	• Cost efficiency achieved by benefitting from world-scale assets	✓ CAS is the global capacity leader in HDI production
Phosgene handling and environmental permits	• Phosgene requires important know-how and legal permits before being handled	✓ Unique expertise in handling phosgene ✓ One of the pioneers in phosgene industrial use
Technology and cost leadership	• Technology know-how and capabilities to produce isocyanates	✓ Proprietary gas-phase phosgenation technology ✓ On average 30%[(b)] less expensive than competing technologies
Innovation in launch of new monomers	• Innovation is key to avoid commoditization	✓ Launch of Desmodur® eco based on biomass raw materials

Notes: (a) Based on year-end 2016 capacities as per Covestro estimates
(b) Corresponds to conversion costs

Unique global set-up for proximity to customers and markets

CAS global asset base

Selected customers

Development partners & Customers

- Active in selected countries or global asset base
- Require global marketing and technical service

Distributors

Important channel to markets

Comments

Production

- Three world-scale monomer production hubs in all key regions complemented by regional derivative plants
- Efficient production processes benefitting from low cost technology and integration

Technical centers

- Technical centers in all key regions ensure proximity to customers
- Superior technical support capabilities help to build long-term relationships

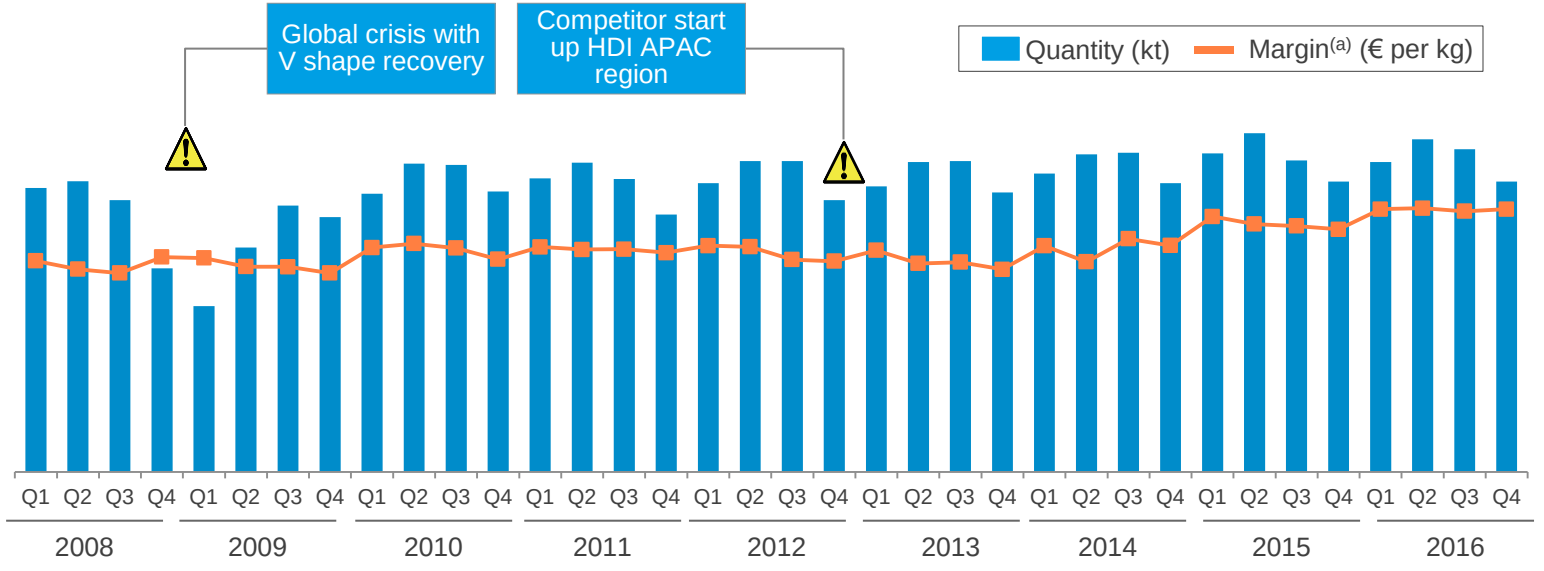
Specialties

- Specialty films, elastomers and other specialties facilities allow to capture high growth in adjacent applications
- Global footprint provides for leadership in a fragmented industry across regions

High margin resilience reflects specialty character

CAS financial performance

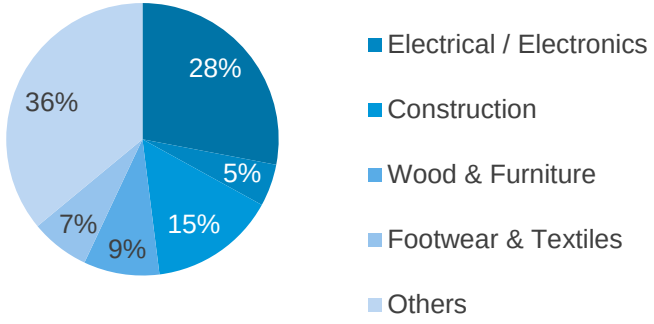
Resilient margin level in a volatile volume environment



- Value-add to customers and diversified application profile secures stable margins
- Gross margin driven by high value portfolio as well as low cost technology

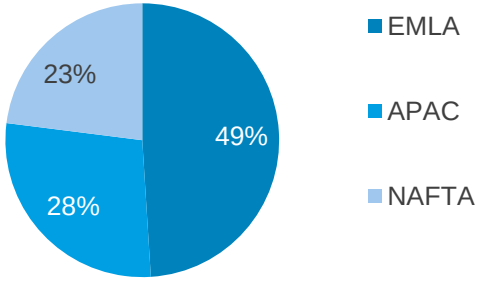
CAS sales split by end-markets

Covestro 2016



CAS sales split by regions

Covestro 2016

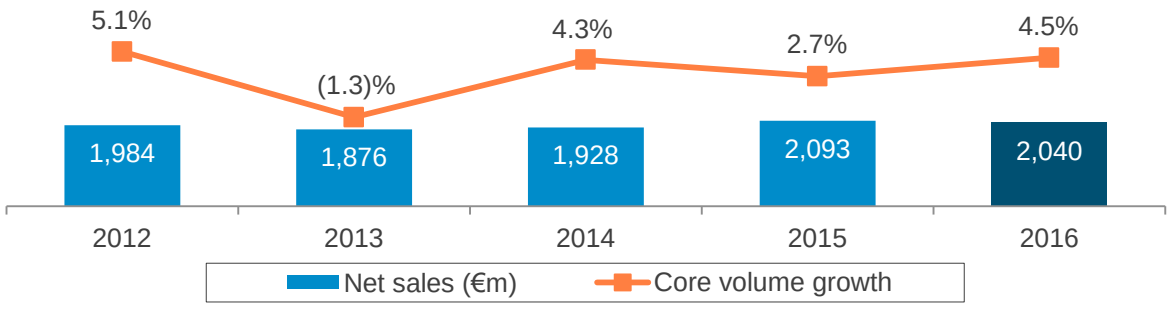


Note: (a) Defined as net sales proceeds less variable product costs per kg

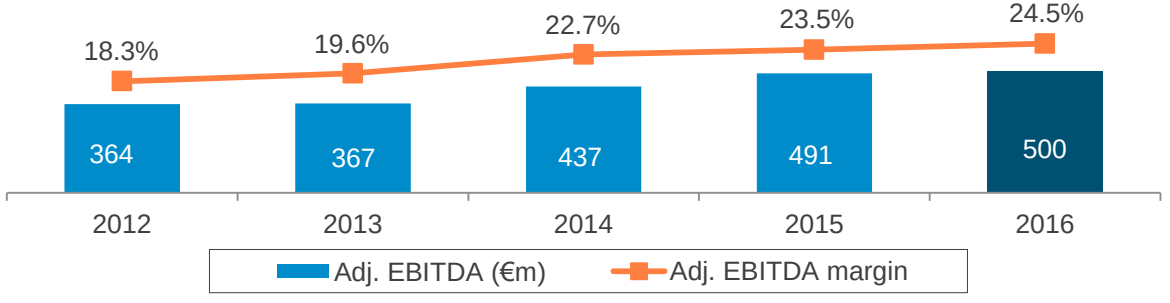
Growing portfolio-adjusted revenues and EBITDA margin

CAS historical financial performance

Net sales and core volume growth



Adj. EBITDA and margin



Highlights

- After very strong growth in 2012, CAS experienced market entry of a new competitor in a major product line
- In the following years CAS performed with a CAGR of 3.6%
- Due to divestment of trading products, core volume growth at -0.3% for 2016. Without divestment, growth would have been at 4.5%

- 2012-2014: Margin improvement mainly driven by disposal of low-margin business
- 2015-2016: Margin increase mainly driven by product mix improvements and lower raw material costs

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