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7. **Coatings, Adhesives and Specialties (CAS)**  
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**Glossary**
Section 1 – Introduction
Transitioning into a stand-alone company

Independence unlocks further potential for capital and cost efficiencies

Separation from Bayer... …gives Covestro greater flexibility to independently pursue business goals

Strategic freedom to execute asset optimization initiatives

Focus on achieving business process and cost efficiencies

Strategic flexibility to develop business portfolio

Ability to access capital markets

Bayer 2014A\(^{(a)}\)
Sales €42.2bn

From Life Sciences Group to pure-play Chemicals

Note: \(a\) As per Bayer Annual Report 2014
Section 2 – Company Overview
Inventor and leader in high-tech material solutions

Covestro at a glance

- Leading global polymer producer in polyurethanes and its derivatives as well as polycarbonates
- Proven track record of process and product innovation, customer proximity as well as market-driven solutions
- State-of-the-art asset base with leading process technology and total production capacity of 4,700kt\(^{(a)}\) distributed across 8 world-scale production facilities in three main regions
- Backward-integration into chlorine, propylene oxide and other feedstock, aimed at sourcing critical raw materials internally with no / limited merchant market sales
- Headquartered in Leverkusen, Germany, with c. 16,700 employees\(^{(d)}\) globally

Key Covestro Financials\(^{(c)}\):

| €11.8bn Sales 2014A | €1.2bn Adj. EBITDA 2014A | 9.9% adj. EBITDA margin 2014A and 14.1% in Q1 2015A |

Notes:

- \(^{(a)}\) Includes total nameplate capacity for PUR and PCS in 2014A, rounded to nearest 100kt
- \(^{(b)}\) EMLA = Europe, Middle East, Africa, Latin America (without Mexico); NAFTA = USA, Canada, Mexico; APAC = Asia / Pacific
- \(^{(c)}\) Sales split by geography and financials for FY2014A based on Covestro Combined Financial Statements; sales split by end-market and adj. EBITDA margin in Q1 2015A based on Bayer AG’s MaterialScience segment financials as published by Bayer
- \(^{(d)}\) Employees refers to full-time-equivalents (FTE)
## Three industry-leading, structurally attractive business units

### Covestro business units

<table>
<thead>
<tr>
<th>Business Units</th>
<th>Polyurethanes (PUR)</th>
<th>Polycarbonates (PCS)</th>
<th>Coatings, Adhesives, Specialties (CAS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Position(a)</td>
<td>• Global #1:</td>
<td>• Joint Global #1:</td>
<td>• Global #1:</td>
</tr>
<tr>
<td></td>
<td>‒ MDI: #2 (1,475kt)</td>
<td>‒ EMEA: #2 (540kt)</td>
<td>‒ Aliphatic isocyanate derivatives</td>
</tr>
<tr>
<td></td>
<td>‒ TDI: #1 (660kt)</td>
<td>‒ NAFTA: #2 (230kt)</td>
<td>‒ Aromatic isocyanate derivatives</td>
</tr>
<tr>
<td></td>
<td>‒ Polyether polyols: #2 (1,280kt)</td>
<td>‒ APAC: #2 (510kt)</td>
<td>‒ Polyurethane dispersions</td>
</tr>
<tr>
<td>Sales 2014A(b)</td>
<td>€6.3bn or 53% of Covestro</td>
<td>€2.8bn or 24% of Covestro</td>
<td>€1.9bn or 16% of Covestro</td>
</tr>
<tr>
<td>Adj. EBITDA-Margin 2014A(b)</td>
<td>9.4%</td>
<td>5.7%</td>
<td>22.7%</td>
</tr>
<tr>
<td>Industry Growth (14A-20E CAGR)(c)</td>
<td>5.3%</td>
<td>4.6%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Key Applications</td>
<td>• Rigid foam:</td>
<td>• Automotive parts</td>
<td>• Surface coatings</td>
</tr>
<tr>
<td></td>
<td>‒ Building insulation</td>
<td>• IT and electrical equipment, electronics</td>
<td>• Adhesives and sealants</td>
</tr>
<tr>
<td></td>
<td>‒ Cold chain</td>
<td>• Construction (windows, roof structure)</td>
<td>• Elastomers</td>
</tr>
<tr>
<td></td>
<td>‒ Automotive parts</td>
<td>• Consumer products, medical and other applications</td>
<td>• Specialty films</td>
</tr>
<tr>
<td></td>
<td>• Flexible foam:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>‒ Furniture</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>‒ Bedding / mattresses</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: (a) For PUR: Based on total nameplate capacity for MDI, TDI and Polyether polyols in 2014A relative to competitors as per Nexant industry analysis as at July 2015; Polyether polyols capacity excluding 25kt capacity in Indonesia following facility closure in 2014A; for PCS: joint global leader (SABIC is the other #1); based on entire polycarbonates nameplate capacity as per Nexant industry analysis; for CAS: based on total volume in 2014A relative to competitors as per Orr & Boss analysis as at July 2015.
(b) Based on Covestro Combined Financial Statements for FY2014A; revenue shares based on total group sales, and therefore % of sales numbers on page do not add up to 100%.
(c) Based on industry demand as per Nexant estimates for PUR and PCS and as per Orr & Boss estimates for CAS as at July 2015.
Covestro integrated sites in all key regions provide advantages of scale and synergies.

Covestro takes advantage of integrated backbone chemistry and operates 8 interlinked world-scale plants in all 3 key regions.

- **Americas**
  - Baytown, USA

- **EMEA**
  - Antwerp, Belgium
  - Uerdingen, Germany
  - Dormagen, Germany
  - Leverkusen, Germany
  - Brunsbüttel, Germany

- **APAC**
  - Shanghai, China
  - Map Ta Phut, Thailand

Source: Company information
Focus on higher-value engineering polymers and active specialties

Covestro in the polymer spectrum

- Relatively consolidated industries with stable structures, largely unchanged over the last 5 years
- Active in higher-price engineering polymers
- Product differentiation from close customer interaction and solution development

### Polymer industry by nameplate production capacity (2014A)

<table>
<thead>
<tr>
<th>Polymer</th>
<th>Top 5 producers’ share</th>
<th>Average selling price (^{(b)})</th>
<th>Sales value (^{(c)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>PP</td>
<td>31%</td>
<td>1,661 US$/t</td>
<td>US$95.5bn</td>
</tr>
<tr>
<td>PS</td>
<td>35%</td>
<td>2,235 US$/t</td>
<td>US$23.1bn</td>
</tr>
<tr>
<td>ABS</td>
<td>52%</td>
<td>2,800 US$/t</td>
<td>US$20.3bn</td>
</tr>
<tr>
<td>PU</td>
<td>62%</td>
<td>2,573 US$/t</td>
<td>US$38.6bn</td>
</tr>
<tr>
<td>PC</td>
<td>82%</td>
<td>2,979 US$/t</td>
<td>US$11.2bn</td>
</tr>
</tbody>
</table>

Notes:
- \(^{(a)}\) Average selling price is based on 2014A published prices by ICIS in Europe; PU average selling price calculated by weighting prices for MDI, TDI and polyether polyols with the respective global demand
- \(^{(b)}\) Average selling price is based on 2014A published prices by ICIS in Europe; PU average selling price calculated by weighting prices for MDI, TDI and polyether polyols with the respective global demand
- \(^{(c)}\) Sales value defined as: global demand (t) x average selling price (US$/t)

Source: Nexant as at July 2015, Orr & Boss as at July 2015
Building upon 80 years of innovation and leadership

Covestro contributions to polymer industry

1935
Global polyurethanes & polycarbonates Industry Demand (kt)

1937
Otto Bayer discovers polyurethanes

1939
Hermann Schnell discovers polycarbonates

1944
Kuno Wagner invents crosslinking agents for lightfast Polyurethane coatings

1947
Bayer presents the first car made almost entirely from plastic

1953
MoltoPre® adopted by fashion industry

1954
Kuno Wagner invents crosslinking agents for lightfast Polyurethane coatings

1955
Hermann Schnell discovers polycarbonates

1956
Polyurethane rigid foam launched as insulation for cooling devices

1959
MoltoPre® adopted by fashion industry

1962
Polyurethane rigid foam launched as insulation for cooling devices

1964
First Makrolon® automobile headlamp

1967
First Bayblend® flame retardant grades for business machines

1970
NASA memory foam first released under the "Tempur" brand, establishing a major customer for Covestro’s Softcell

1972
Bayer presents the first car made almost entirely from plastic

1982
Special grade of Makrolon® used in optical storage media, First Makrolon® automobile headlamp

1985
2 component waterborne PU for parquet coating, wood coating and plastic coatings

1986
First Bayblend® flame retardant grades for business machines

1991
NASA memory foam first released under the "Tempur" brand, establishing a major customer for Covestro’s Softcell

1992
Insulation efficiency improved

1993
1935
First automotive glazing application for the Smart rear window

1995
Introduction of Makrolon® based films for high security documents

1996
First automotive glazing application for the Smart rear window

1999
Introduction of Makrolon® based films for high security documents

2001
Covestro integrated site built in Shanghai, China

2002
First automotive glazing application for the Smart rear window

2005
First automotive glazing application for the Smart rear window

2007
First automotive glazing application for the Smart rear window

2010
First automotive glazing application for the Smart rear window

2011
First automotive glazing application for the Smart rear window

2012
First automotive glazing application for the Smart rear window

2013
First automotive glazing application for the Smart rear window

2014
First automotive glazing application for the Smart rear window

2015
First automotive glazing application for the Smart rear window

Source: Bayer
Section 3 – Covestro Key Investment Highlights
Global leader in high-tech material solutions
Covestro Key Investment Highlights

1. Leading and defendable global industry positions
   based on focused portfolio

2. Favorable industry dynamics
   with robust above GDP growth prospects in a diverse range of end-markets

3. Positioned to deliver volume growth
   through well-invested, large-scale asset base with competitive cost position

4. Portfolio including high-value CAS business
   with attractive and historically resilient margin profile

5. Attractive cash flow growth outlook
   underpinned by disciplined cost management

Headed by experienced management with full commitment to value creation
Covestro is a leader across its entire portfolio and across regions

Global industry positions

<table>
<thead>
<tr>
<th>Polyurethanes</th>
<th>Polycarbonates</th>
<th>Coatings, Adhesives, Specialties</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDI</td>
<td>PC</td>
<td>Aliphatic isocyanate derivatives</td>
</tr>
<tr>
<td>TDI</td>
<td></td>
<td>Polyurethane dispersions</td>
</tr>
<tr>
<td>Polyether polyols</td>
<td>Joint #1(c)</td>
<td></td>
</tr>
<tr>
<td>Other Players</td>
<td>Other Players</td>
<td>Other Players</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#2 in PUR</td>
<td>#1 in CAS</td>
<td>#1 in Americas</td>
</tr>
</tbody>
</table>

Notes:
(a) Based on total nameplate capacity for MDI, TDI, Polyether polyols and PCS in 2014A relative to competitors as per Nexant industry analysis; based on total nameplate capacity for Aliphatic isocyanate derivatives and Polyurethane dispersions in 2014A relative to competitors as per Orr & Boss industry analysis
(b) Covestro Polyether polyols capacity excluding 25kt capacity in Indonesia as facility shut-down in 2014A
(c) Joint #1 position between Covestro and SABIC based on total nameplate capacity for PCS in 2014A relative to competitors as per Nexant industry analysis

Source: Nexant as at July 2015, Orr & Boss as at July 2015
## Distinct entry barriers limit threat of new entrants

### Industry structure

<table>
<thead>
<tr>
<th>Polyurethanes</th>
<th>Polycarbonates</th>
<th>Coatings, Adhesives, Specialties</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MDI</strong></td>
<td><strong>PC</strong></td>
<td><strong>Aliphatic isocyanate derivatives</strong></td>
</tr>
<tr>
<td><strong>TDI</strong></td>
<td></td>
<td><strong>Polyurethane dispersions</strong></td>
</tr>
<tr>
<td><strong>Polyether polyols</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Degree of Consolidation (2014A)</strong></th>
<th><strong>Top 5</strong></th>
<th><strong>Others</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MDI</strong></td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>TDI</strong></td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td><strong>Polyether polyols</strong></td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td><strong>PC</strong></td>
<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Aliphatic isocyanate derivatives</strong></td>
<td>89%</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Polyurethane dispersions</strong></td>
<td>37%</td>
<td>63%</td>
</tr>
</tbody>
</table>

- Structure expected to remain unchanged to 2020E
- 2020E: Top 5 expected to account for 73%
- Expectation of further consolidation, mainly in China
- Industry structure virtually unchanged to 2020E
- Industry structure expected to remain stable until 2020E

### Key Barriers to Entry

- 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

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Note: (a) Calculated based on share of nameplate capacity 2014A
Source: Nexant as at July 2015, Orr & Boss as at July 2015
Above GDP industry growth supported by global trends

Exposure to fundamental macro trends

**Global trends**

<table>
<thead>
<tr>
<th>Climate change</th>
<th>Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Zero emission concepts</td>
<td></td>
</tr>
<tr>
<td>- Low energy buildings</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mobility</th>
<th>Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Energy efficient mobility</td>
<td></td>
</tr>
<tr>
<td>- Lightweight transportation</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growing population</th>
<th>Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Food preservation</td>
<td></td>
</tr>
<tr>
<td>- Low cost durable goods</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increasing urbanization</th>
<th>Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Affordable housing</td>
<td></td>
</tr>
<tr>
<td>- Living comfort</td>
<td></td>
</tr>
<tr>
<td>- Public infrastructure</td>
<td></td>
</tr>
</tbody>
</table>

**Industry demand outlook 2014A – 2020E(a)**

- **PU(b)**
  - 2014A: 15,000 kt
  - 2020E: 20,480 kt
  - CAGR: 5.3%

- **PC**
  - 2014A: 3,750 kt
  - 2020E: 4,920 kt
  - CAGR: 4.6%

- **CASe(c)**
  - 2014A: 2,600 kt
  - 2020E: 3,550 kt
  - CAGR: 5.3%

**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 2014A – 2020E of 3.4% as per Nexant analysis
(b) Comprises MDI, TDI and polyether polyols
(c) Shows PU raw materials industry demand in coatings, adhesives and sealants
Source: Nexant as at July 2015, Orr & Boss as at July 2015
**Covestro expected to benefit from supportive market environment**

**Industry utilization and profitability outlook**

**Near-term benign cycle conditions**
- Stable outlook through 2017E
- Upturn potential in 2018E – 2020E
- Industry in tight range of >90% of utilization levels by 2018E\(^{(d)}\)

**Recovery after trough**
- Trough conditions expected in 2015E
- Recovery starting 2016E supported by announced competitor exits

**Near-term continued upturn**
- Trough conditions in 2013A; recovery begun
- Industry expected to continue recovering and remain in “tight” range of >80% utilization levels\(^{(d)}\)

Notes: (a) Global industry spread calculated by margin over raw material costs in Europe, US and China weighted respectively by demand in Europe, US and China. Qualitative statements based on Nexant data. (b) Industry demand divided by industry nameplate capacities as announced (as per Nexant estimates), not adjusted for actual/physical availability. (c) Management estimates additional capacity (not captured in the Nexant data) may come on-stream post-2018 if prevailing industry dynamics make it economically rational. These capacity estimates have been included in this analysis and represent the lower end of the range post-2018. (d) Based on historical supply / demand balances and projections to 2020E, tight conditions when MDI average operating rates are c. 90% and PC average operating rates are c. 80% as per Nexant.

Source: Nexant as at July 2015
 Positioned for volume growth through well-invested assets

Covestro asset base

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### Well-invested asset base

<table>
<thead>
<tr>
<th>Year</th>
<th>Total capex (€m)(a)</th>
<th>Total capex / sales (%)&lt;sup&gt;(a)&lt;/sup&gt;</th>
<th>Capacity (kt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005A</td>
<td>642</td>
<td>6.8%</td>
<td>4,695kt</td>
</tr>
<tr>
<td>2007A</td>
<td>889</td>
<td>8.5%</td>
<td>4,640kt</td>
</tr>
<tr>
<td>2014A</td>
<td>673</td>
<td>5.7%</td>
<td>+360kt</td>
</tr>
</tbody>
</table>

---

### Well-positioned for volume growth and operational leverage

- **Paid for & under construction capacity**
- **Covestro PUR & PCS nameplate capacity**

Notes: Financials prior to FY2012A based on Bayer AG’s MaterialScience segment financials as published by Bayer AG. Financials for FY2012A – 2014A based on Covestro Combined Financial Statements. (a) Total capex refers to additions to property, plant, equipment and intangible assets as per statement of changes in property, plant, equipment and intangible assets.

Source: Company information, Nexant as at July 2015
3. Backward and forward-integration supported by polyurethanes backbone

Covestro in the value chain

Integrated production model

**Feedstock**
- Phenol
- Acetone
- Chlorine
- Benzene / Toluene
- Propylene

**Base products**
- Polycarbonates
- Isocyanates
- Polyether polyols
- Monomers
- Amines
  - $H_{12}$ MDA
  - HDA
  - NDA
  - IPDA

**Specialties / derivatives**
- Systems
- Derivatives (2,300+)

**Customers / end-markets**
- Automotive / Transportation 22%
- Construction 19%
- Furniture / Wood 18%
- Electrical / Electronics 13%
- Chemicals 9%
- Sports / Leisure, Cosmetics, Health, Others 19%

Notes: (a) 2014A Covestro sales split by end-markets and applications based on Bayer AG’s MaterialScience segment financials as published by Bayer
(b) Including Covestro’s participation in joint ventures, subject to the finalization of certain separation related arrangements

Source: Company information
Competitive cost position supported by leading process technologies across the platform

Overview of key Covestro process technologies

- **Melt process for polycarbonates production**
  - Conversion cost advantage of c. 20% vs. competitors technologies
  - Raw material cost on par or better than competitive technologies

- **HDI / TDI gas-phase process**
  - 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

- **Sodium chloride electrolysis with ODC\(^{(b)}\)**
  - Consumes 30% less electricity vs. conventional processes
  - Significant economic and ecological benefits vs. conventional processes

- **Carbon dioxide as raw material for polyol production**
  - Make use of CO\(_2\) for the production of polyol
  - Highly ecofriendly and cost advantageous
  - Pioneering technology
  - Process proven in two year test phase
  - Expected to commercialize by 2016E

Notes: (a) The size of the plant for a given capacity is less as the reaction time for the gas-phase process is shorter than the conventional process and results in a significantly higher throughput
(b) ODC is oxygen depolarized cathode
Source: Company information
Focus on stable high margins in CAS business with defendable competitive advantages

CAS at a glance

Global leading supplier of high performance materials to the coatings / adhesives / specialties industries

- High value-add materials
- Priced on the basis of performance, high level of margin resilience
- Competition with other players based on performance, distinct entry barriers
- 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
Potential for upside in profitability and free cash generation

Covestro’s financial profile

- **Strong recent momentum**\(^{(b)}\)
  - positive YoY growth across both sales and adj. EBITDA in Q1
  - improvement in level of adj. EBITDA profitability
  - positive FOCF generation

- **Key building blocks in place to drive positive financial outlook**
  - more accommodative industry environment
  - increasing utilization of asset base
  - disciplined cost focus

- **New program underway to further optimize operational efficiency and enhance profitability**

- **Limited need for new asset investments support growth in free cash flow**

### Covestro’s financial profile

#### Net sales and growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>11,610</td>
</tr>
<tr>
<td>2013A</td>
<td>11,357</td>
</tr>
<tr>
<td>2014A</td>
<td>11,761</td>
</tr>
</tbody>
</table>

#### Adj. EBITDA and margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Adj. EBITDA (€m)</th>
<th>Adj. EBITDA Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>1,244 (15%)</td>
<td>10.7%</td>
</tr>
<tr>
<td>2013A</td>
<td>1,056 10%</td>
<td>9.3%</td>
</tr>
<tr>
<td>2014A</td>
<td>1,161 4%</td>
<td>9.9%</td>
</tr>
<tr>
<td>Q1 2014A</td>
<td>366 16%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Q1 2015A</td>
<td>424 14.1%</td>
<td>14.1%</td>
</tr>
</tbody>
</table>

#### FOCF and total capex\(^{(a)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>FOCF (€m)</th>
<th>Total capex (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>181 129%</td>
<td>98 (142)</td>
</tr>
<tr>
<td>2013A</td>
<td>415 (25%)</td>
<td>89 74</td>
</tr>
<tr>
<td>2014A</td>
<td>313 152%</td>
<td></td>
</tr>
</tbody>
</table>

### Notes:

- Financials for FY2012A – 2014A based on Covestro Combined Financial Statements; quarterly financials based on Bayer AG segment reporting
- Free operating cash flow (FOCF) is calculated by net operating cash flow less cash outflows for property, plant and equipment and intangible assets. Total capex refers to additions to property, plant, equipment and intangible assets as per statement of changes in property, plant, equipment and intangible assets
- Supported by positive currency effects

**Source:** Company information
Below mid-cycle profitability provides margin upside

EBITDA delivery

Covestro adj. EBITDA margin development (2005A – 2014A)

1. Peak margins driven by high utilization rates in PUR and PCS
2. Mid-cycle margins driven by solid PUR utilization rates. PCS margin decline driven by increasing APAC competition
3. Highly volatile margins driven by economic crisis and massive inventory movements (a)
4. Below mid-cycle margins due to low industry utilization rates driven by capacity overhang and ODS phase-out


(a) De-stocking (Q4 2008A to Q2 2009A and Q4 2011A) and re-stocking (Q3 2009A to Q3 2011A)
Source: Bayer AG Segment Reporting, Covestro Combined Financial Statements
Track record of positive free operating cash flows across the cycle

Cash flow delivery

- Total of c. €3.4bn in free operating cash flow since 2005A
- Free operating cash flow positive every year including 2008A – 2009A cycle trough
- Attractive outlook for cash flow driven by volume growth, higher asset utilization, focus on cost discipline and limited need for further growth capex

(a) Free operating cash flow (FOCF) is calculated by net operating cash flow less cash outflows for property, plant and equipment and intangible assets.
Source: Company information
Section 4 – Covestro Strategy for Future Growth
Leverage industry leadership to capture growth in our markets and improve asset / cost base

Covestro strategy

1. **Capture market growth**
   over the next 5 years with existing world-scale assets

2. **Optimize asset footprint**
   within 3 years through site consolidation, restructuring and efficiency projects

3. **Improve cost position**
   within 3 years and align overall costs with best-in-class chemical industry benchmarks

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

5. **Embed sustainability**
   in every element of the strategy
Multiple levers for EBITDA growth in the future
Building blocks for Covestro future profitability

Note: Chart not to scale
Focused R&D to build and protect profitable competitive positions

R&D strategy

- Product R&D primarily in close collaboration with external partners in adjacencies, guided by stringent stage-gate process
- Process R&D critical to maintain cost leadership position; strengthened by insourced BTS\(^{(a)}\) competence
- Bolt-on acquisitions to boost R&D and business development

Examples

1. **Product R&D:**
   - PDI
   - CO\(_2\) polyols
   - PCS composites

2. **Process R&D:**
   - IMPACT technology

3. **Examples:**
   - Automotive interior
   - Wind blades
   - LED lighting
   - Ophthalmic lenses

\(^{(a)}\) Bayer Technology Service
Embed sustainability in every element of the strategy to further drive profitability

Covestro sustainability along the value-chain

Global trends

R&D

More sustainable procurement addressing customer needs and profit improvement:

- People
- Planet
- Profit

R&D resources allocated based on benefits for:

- Best-in-class safety track record
- Cost efficiencies by energy efficient process

Occupational safety

<table>
<thead>
<tr>
<th>Year</th>
<th>RIR</th>
<th>Reduction by</th>
<th>LoPCIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005A</td>
<td>0.80</td>
<td>62%</td>
<td>1.11</td>
</tr>
<tr>
<td>2014A</td>
<td>0.30</td>
<td></td>
<td>0.78</td>
</tr>
</tbody>
</table>

Plant & process safety

<table>
<thead>
<tr>
<th>Year</th>
<th>LoPCIR</th>
<th>Reduction by</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013A</td>
<td>1.11</td>
<td>30%</td>
</tr>
<tr>
<td>2014A</td>
<td>0.78</td>
<td></td>
</tr>
</tbody>
</table>

Specific CO2e emissions

<table>
<thead>
<tr>
<th>Year</th>
<th>CO2e / t</th>
<th>Reduction by</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005A</td>
<td>0.69</td>
<td>39%</td>
</tr>
<tr>
<td>2014A</td>
<td>0.42</td>
<td></td>
</tr>
</tbody>
</table>

Specific energy consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>MWh PE / t</th>
<th>Reduction by</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005A</td>
<td>2.19</td>
<td>30%</td>
</tr>
<tr>
<td>2014A</td>
<td>1.55</td>
<td></td>
</tr>
</tbody>
</table>

Address customer needs for more sustainable solutions (e.g. lightweight, durable, bio-based)

Examples:

- CO2 Polyols
- INSQIN® (waterborne PU for synthetic materials)
- Desmodur® Eco (coating hardener)
- Baytherm® Microcell (insulation foam)
- Makrolon® (LED Lighting, Automotive)

Notes:

- (a) BDO refers to 1,4-butanediol
- (b) Number of incidents recordable after Occupational Safety & Health Administration (OSHA)-regularities per 200,000 hours worked
- (c) Number of LoPC (Loss of Primary Containment) incidents per 200,000 hours worked by operational employees
Section 5 – Polyurethanes (PUR)

MDI
TDI
Polyether polyols

Summary, Strategy & Financial Outlook
Inventor of and leader in polyurethanes

PUR at a glance

- Inventor and producer of polyurethane raw materials and systems mainly for rigid and flexible foams\(^{(a)}\)
- Broad portfolio spanning MDI and TDI (isocyanates) and Polyether polyols
- Competitive integration from feedstock to systems
- Global production platform comprising 21 facilities located in Americas, EMEA and APAC\(^{(b)}\)
- Total production capacity of c. 3,400kt and globally c. 4,800 PUR employees\(^{(c)}\)
- Largest business unit generating approximately half of Covestro sales and EBITDA

---

#1 Manufacturer of PU globally\(^{(d)}\)
€6.3bn Sales 2014A
11% avg. adj. EBITDA margin L3Y
53% of total Covestro sales in 2014A

Notes: All information based on 2014A unless otherwise stated, all financials based on Covestro Combined Financial Statements
(a) As well as integral foam, semi rigid foam, RIM, TPU and CASE applications
(b) Includes all MDI, TDI and Polyether polyols facilities that partially reside at one site; feedstock, TPU and systems houses are excluded
(c) Employees refers to full-time-equivalents (FTE)
(d) Based on total combined nameplate capacity for MDI, TDI and Polyether polyols in 2014A relative to competitors as per Nexant industry analysis as at July 2015; excludes 25kt Polyether polyols capacity in Indonesia following facility closure in 2014A

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Introduction to polyurethanes

**Polyurethanes**

- Highly versatile polymer
- Widely used for cushioning and insulating properties
- Broad range of applications across multiple end-markets and industries
- Typically formed from a reaction between two core components: an isocyanate (MDI and / or TDI) and a polyol

**Specific properties**
- Broad range of
  - density
  - hardness
  - elasticity
- High durability
- Low thermal conductivity
- Strong adhesion
- Highly flexible processability

**MDI**
- Based on benzene feedstock
- Key applications in rigid foam
  - Building insulation
    - space and energy efficient
    - flexible processing
  - Cold chain
    - affordable temperature preservation
  - Automotive parts
    - strong, durable and light
    - noise and heat insulation

**Polyols**
- Based on propylene feedstock
- Combined with MDI or TDI to generate polyurethanes
- Key source of differentiation and innovation
- Large volume standard grades and multiple special grades

**TDI**
- Based on toluene feedstock
- Key applications in flexible foam
  - Furniture
    - durable and supportive cushions
  - Automotive parts
    - padding for auto seating
  - Bedding
    - design and comfort driven mattress material

Note: MDI, TDI and polyether polyols are also used in CASE (Coatings, Adhesives, Sealants and Elastomers) applications
Polyurethanes provide sustainable solutions to global challenges leading to above GDP growth

Tailwind from macro trends

<table>
<thead>
<tr>
<th>Global PU industry(a)</th>
<th>Macro trend</th>
<th>Challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand (kt)</td>
<td></td>
<td>20,480kt</td>
</tr>
<tr>
<td>15,000kt</td>
<td></td>
<td>2014A 2020E</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growing population</td>
<td>The world’s population is expected to reach 9.6 billion by 2050</td>
</tr>
<tr>
<td>Urbanization</td>
<td>In 1990 there were 10 mega cities – in 2030 there will be 41</td>
</tr>
<tr>
<td>Increasing wealth</td>
<td>Size of global middle class will increase from 1.8 billion in 2009 to 3.2 billion by 2020</td>
</tr>
<tr>
<td>Climate change</td>
<td>Climate change is happening at an accelerated rate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Need</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food preservation</td>
<td>Efficiently insulated cold chain</td>
</tr>
<tr>
<td>Intelligent solutions</td>
<td>Intelligently insulated buildings</td>
</tr>
<tr>
<td>Affordable comfort</td>
<td>Comfort adapted to requirements and higher standards of living</td>
</tr>
<tr>
<td>Closing carbon cycle</td>
<td>CO₂ usage, recycling, thermal recovery</td>
</tr>
</tbody>
</table>

Note: (a) Global PU industry comprises combined MDI, TDI and polyether polyols industry demands as per Nexant as at July 2015
Source: UN, OECD, IPCC

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Covestro is one of two global leaders with full scope advantage as basis for innovation and growth

Industry structure and position

Competitive position of key PU players (2014A)

- Currently only two broad global polyurethanes suppliers: Covestro and BASF
- Wanhua and Dow (through Sadara) to complement product portfolio; however, lack of global and multi-regional scale compared to Covestro and BASF
- Polyol capabilities are key drivers of innovation and enable access to specific polyurethanes applications

Notes: (a) Change in Wanhua’s position as result of announced new nameplate capacity
(b) Dow’s position following the start-up of its Sadara JV from 2016E
(c) Refers to JV between Mitsui Chemicals & SKC Polyurethanes Inc.
(d) Excluding CASE

Source: Nexant as at July 2015
Differentiation achieved across the customer spectrum

Breadth of Covestro offering

**Standardized product buyers:**
**Narrow differentiation potential**

- Interchangeable standardized products with pricing following primarily commodity supply and demand dynamics
  - Covestro able to differentiate beyond standardized products through:
    - joint sales of polyol and isocyanate
    - specialty polyol and isocyanate grades
    - systems and their implementation as market access requirement

**Systems sales**

**Specialties / Solution buyers:**
**Broad differentiation**

- Covestro able to serve differentiated markets by:
  - systems solutions
  - production start-up and technical support
  - proximity to customers and customized blends in small quantities (partially via systems houses)

**Examples of applications**

- upholstery
- wood binders
- auto seating
- memory foam
- refrigerators
- metal panel
- window frames
- wind blades

Source: Company information
Distinct PU properties enable use in high-end thermoplastics for various applications

Example of customized systems solutions

**What are Thermoplastic Polyurethanes (TPU)?**
- High performance thermoplastic elastomer resin covering applications from hard plastics to soft elastomers / rubber
- Typically derived from mMDI (35%), polyester or polyether polyols (50%) and BDO (15%)\(^{(a)}\)
- Estimated global demand of c. 450kt\(^{(b)}\)

**What makes TPU so special?**
- PU chemistry with versatile plastic processing
- Broad portfolio (>400 products) of high performance plastics
- High mechanical resistance and comfortable haptics

**Covestro well-positioned to capitalize on TPU opportunity**
- Top 3 player with leading positions in all major regions
- Attractive internal synergies in chemistry, technology and end-markets
- <10% of Covestro MDI sales\(^{(c)}\) out of 6 global production facilities

---

Notes: (a) mMDI refers to monomeric diphenylmethane diisocyanate and BDO refers to 1,4-butanediol
(b) Based on management estimates
(c) Based on 2014A Covestro MDI sales

Source: Company information

---

With applications in

- **Textiles**
  - e.g. garments, breathable films, hotmelt adhesives
- **IT & Electronics**
  - e.g. smartphone case, wearables
- **Sports & Leisure**
  - e.g. footwear, ski boots & equipment
- **Agriculture**
  - e.g. animal ear tags
- **Automotive**
  - e.g. automobile interior and chassis
- **Industrial**
  - e.g. belts, castors, fire hoses
Backward-integration contributes to low cost position; forward-integration enhances customer proximity

Covestro value chain position

**Backward-integration into key feedstock**
- **Feedstock**
  - Toluene: widely available
  - Chlorine: no merchant market
  - Benzene: widely available
  - Propylene: limited merchant market

**Raw materials conversion**
- DNT
- TDA
- TDI
- #5 producer of chlorine worldwide\(^{(a)}\)
- Nitro-benzene / Aniline
- MDA
- MDI
- Sodium hydroxide (NaOH) / Hydrochloric acid (HCl)

**Forward-integration through application know-how**
- **Customized blends / systems**
  - TDI mostly delivered directly to end-customers
  - Delivered directly to end-customers
- **End-market / customer**
  - Sold to processors, manufacturers and OEMs
  - Either singly or jointly as systems
  - Key end-markets\(^{(b)}\):
    - Comfort / Furniture (c. 30%)
    - Construction (c. 25%)
    - Automotive (c. 15%)
    - Appliances (c. 10%)
    - Chemicals (c. 10%)
    - Others (c. 10%)
  - Additional sales from by-products

- **Polyether polyols**
- **Styrene monomer**
- **Polypropylene**
- **Contracts and JV with LyondellBasell**

**Notes:**
- Chart contains key feedstock only
- \(^{(a)}\) Based on 2014A nameplate capacity as per Nexant industry analysis as at July 2015
- \(^{(b)}\) Percentages based on Covestro sales split 2014A

Source: Company information unless otherwise specified
Balanced business with attractive growth invested for margin-improvements

PUR in numbers

Sales split by

<table>
<thead>
<tr>
<th>End-market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comfort / furniture</td>
<td>c.30%</td>
</tr>
<tr>
<td>Construction</td>
<td>c.25%</td>
</tr>
<tr>
<td>Automotive</td>
<td>c.15%</td>
</tr>
<tr>
<td>Appliances</td>
<td>c.10%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>c.10%</td>
</tr>
<tr>
<td>Others</td>
<td>c.10%</td>
</tr>
</tbody>
</table>

Strategic Business Entity (b)

<table>
<thead>
<tr>
<th>Strategic Business Entity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDI</td>
<td>c. 40%</td>
</tr>
<tr>
<td>TDI</td>
<td>c. 20%</td>
</tr>
<tr>
<td>Polyether polyols</td>
<td>c. 40%</td>
</tr>
</tbody>
</table>

Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>APAC</td>
<td>26%</td>
</tr>
<tr>
<td>NAFTA</td>
<td>29%</td>
</tr>
<tr>
<td>EMLA</td>
<td>45%</td>
</tr>
</tbody>
</table>

Notes: (a) Core volume refers to finished goods of MDI, TDI and Polyether polyols without intermediates (e.g. styrene, TDA, aniline, etc.) and sales to co-producers
(b) Composition of each Strategic Business Entity also includes other products, e.g. aniline in MDI, toluenediamine (“TDA”) in TDI and styrene in Polyether polyols
Source: Company information, Covestro Combined Financial Statements

Total sales: €6.3bn

- PUR asset base has been strengthened by >€1bn capex in 2012A – 2014A
- Decline in adj. EBITDA attributable to increased manufacturing costs of expanded asset base
- Flat gross margin and SG&A development
- Volume growth limited by full propylene oxide utilization and force majeures
Continuous sales growth primarily driven by volume increase

Net sales and growth

- Net sales primarily driven by volume growth following strong demand in key customer industries and increasing utilization of (expanded) MDI and TDI capacities in Shanghai
- From 2012A until 2014A, positive net sales volume effect (+9.0%) hampered by negative currency effect (-3.9%) and slightly weaker sales prices (-0.3%)
- Q1 2015A net sales growth driven by positive currency effects and volume increases partially offset by declining selling prices

Adjusted EBITDA and margin

- Declining adjusted EBITDA driven by higher raw material cost as well as higher manufacturing cost due to planned and unplanned outages and start-up cost for capacity expansions
- Declining adjusted EBITDA margin from 12.1% in 2012A to 9.4% in 2014A owing to increase in fixed manufacturing costs of expanded asset base

Source: Bayer AG Segment Reporting, Covestro Combined Financial Statements
Global PU leader with strong cash generation and earnings growth potential

PUR Key Investment Highlights

1. **#1 global producer of PU**
   with leading and defendable industry positions owing to distinct barriers to entry, broad customer base / access and polyether polyols-driven innovation capabilities\(^{(a)}\)

2. **Attractive industry outlook**
   underlined by robust structural growth and favorable supply / demand dynamics

3. **Well-invested assets as basis for top line driven profit growth**
   through expected higher utilization of recently expanded MDI capacity and restructuring potential in MDI and TDI

4. **Cost leadership in TDI and competitive cost position in MDI**
   driven by proprietary process technologies, integrated production model and leading scale assets

5. **Strong cash generation and earnings growth potential**
   supported by limited need for growth capex in mid-term, intense focus on cost discipline and resilient polyols financial profile

---

\(^{(a)}\) #1 industry position based on combined 2014A MDI, TDI and polyether polyols nameplate capacities as per Nexant industry analysis as at July 2015
Section 5 – Polyurethanes (PUR)

MDI

TDI

Polyether polyols

Summary, Strategy & Financial Outlook
Leading global player in c. 2x GDP growth industry

MDI at a glance

- **Top 2 positions in all key regions** make Covestro globally leading supplier of raw materials for MDI consuming industries

- Robust expectation of c. 2x GDP demand growth support stable industry utilization / margin outlook

- **Well-positioned to grow volumes** through increased utilization of fully invested Covestro asset base

- World-scale integrated production facilities support competitive cost position

- Proven track record of cost discipline; asset restructuring potential in Europe may deliver further efficiency upsides

- **Uplift in cash flow and margins** due to limited capital investment and operational leverage

Notes:
(a) Competitive positioning based on relative nameplate capacity 2014A using Nexant analysis; Covestro capacity includes 100% capacity from Nihama facility
(b) Includes Belford Roxo facility that will be closed in 2015E
(c) World-scale defined by Nexant as MDI facility with capacity of 400kt p.a.

Source: Company information, Nexant as at July 2015
Leading position across all regions in consolidated industry

MDI competitive landscape

MDI industry capacity share by region\(^{(a)}\)

<table>
<thead>
<tr>
<th>Region</th>
<th>Capacity ('000kt), 2014A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>1.4</td>
</tr>
<tr>
<td>EMEA</td>
<td>2.2</td>
</tr>
<tr>
<td>APAC</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Covestro position

- #2
- Covestro
- #1
- #2

Top MDI producers globally by capacity\(^{(a)}\)

<table>
<thead>
<tr>
<th>Producer</th>
<th>Capacity ('000kt), 2014A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wanhua</td>
<td>1.6</td>
</tr>
<tr>
<td>Covestro</td>
<td>1.5</td>
</tr>
<tr>
<td>BASF(^{(b)})</td>
<td>1.2</td>
</tr>
<tr>
<td>Huntsman(^{(b)})</td>
<td>0.9</td>
</tr>
<tr>
<td>Dow</td>
<td>0.7</td>
</tr>
<tr>
<td>Tosoh</td>
<td>0.4</td>
</tr>
<tr>
<td>MCNS(^{(d)})</td>
<td>0.3</td>
</tr>
<tr>
<td>Others(^{(b)(c)})</td>
<td>0.1</td>
</tr>
</tbody>
</table>

- Covestro is one of the largest producers of MDI globally; leading position in all major regions with double-digit capacity share
- High degree of consolidation; top 5 producers account for 88% of total worldwide capacity
- APAC marginally more fragmented vs. EMEA and Americas
- Key entry barriers: capital intensity, competitive process technology, global asset base to enable customer proximity

Notes:
(a) Based on nameplate capacity
(b) Capacity attributed to SLIC JV has been allocated 35% BASF, 35% Huntsman, 15% Shanghai Chlor-Alkali, 8% Shanghai Hua Yi and 7% Sinopec
(c) Others include Karoon (20kt) and remaining 30% of SLIC attributed to Chinese JV participants
(d) Refers to JV between Mitsui Chemicals & SKC Polyurethanes Inc.

Source: Nexant as at July 2015
1. Strong Covestro industry position supported by distinct entry requirements

MDI barriers to entry

<table>
<thead>
<tr>
<th>Global capacity by producer</th>
<th>Industry</th>
<th>Covestro position</th>
</tr>
</thead>
</table>
|                             | Capital intensity | • Considerable investment required to develop world-scale plants\(^{(a)}\)  
|                             |         | – US$1.2 – 1.3bn (+ / - 30%)  
|                             |         | – 3 – 4 years to full operation  
|                             | Process technology | • State-of-the-art technology along the process chain vital  
|                             | Feedstock integration | • Long-term supply contracts for precursors standard  
|                             |         | • Backward-integration as major value lever  
|                             | Technical capabilities and expertise | • Systems demanding greater knowledge and expertise  
|                             |         | • Permits required to handle hazardous feedstock, e.g. phosgene  
|                             | Proximity to markets | • Importance of proximity to markets  
|                             |         | • Global asset base critical to support ambitions of global customer base  
|                             |         | • Well-invested, large- to world-scale asset base  
|                             |         | • Economies of scale  
|                             |         | • Total capacity 1,475kt  
|                             |         | • Competitive process technology  
|                             |         | • Cost leader in NAFTA and advantageous position in Asia  
|                             |         | • Restructuring potential in EMLA  
|                             |         | • Favorable backward-integration and long-term contracts  
|                             |         | • Access to systems houses where required by industry  
|                             |         | • Superior expertise and know-how in application development and customer insight  
|                             |         | • Reputation cemented through 60+ years experience  
|                             |         | • Diverse, global footprint  
|                             |         | • Plants in all core regions  
|                             |         | • Ability to service all key areas of demand  

Note: (a) World-scale defined by Nexant as MDI facility with capacity of 400kt p.a.  
Source: Nexant as at July 2015
## MDI industry demand

### MDI demand by region

<table>
<thead>
<tr>
<th></th>
<th>APAC</th>
<th>LATAM</th>
<th>EMEA</th>
<th>NAFTA</th>
<th>CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010A</td>
<td>0.8</td>
<td>1.6</td>
<td>0.1</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>2014A</td>
<td>1.1</td>
<td>1.8</td>
<td>0.2</td>
<td>2.6</td>
<td>+4.4%</td>
</tr>
<tr>
<td>2020E</td>
<td>2.4</td>
<td>3.9</td>
<td>0.2</td>
<td>5.7</td>
<td>+7.2%</td>
</tr>
<tr>
<td></td>
<td>5.8%</td>
<td>7.1%</td>
<td>5.8%</td>
<td>8.0</td>
<td></td>
</tr>
</tbody>
</table>

### CAGR 2014A – 2020E

- Construction: 6.7%
- Appliances: 6.7%
- CASE (b): 4.5%
- Others (c): 4.7%

### Underlying application growth driver

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

---

Notes: (a) Figures represent per annum growth between 2014A and 2020E
(b) CASE refers to coatings, adhesives, sealants and elastomers
(c) Others include applications such as flexible foams and polyurethane elastomer used in for example synthetic coated textiles and shoe soles

Source: Nexant as at July 2015
Demand growth outpaces forecasted supply additions

MDI industry demand and supply

MDI net capacity expansion vs. demand growth

Supply / demand (kt)

<table>
<thead>
<tr>
<th>Year</th>
<th>Supply</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014A</td>
<td>6,640</td>
<td>5,710</td>
</tr>
<tr>
<td>2015E</td>
<td>7,130</td>
<td>6,040</td>
</tr>
<tr>
<td>2020E</td>
<td>8,430</td>
<td>7,990</td>
</tr>
</tbody>
</table>

MDI capacity development by region 2014A – 2020E

Capacity (kt)

- +1,790kt, +4.1%
- +2,280kt, +5.8%

Notes:
(a) Based on historical global nameplate capacity for 2014A and announced future nameplate capacity additions as at July 2015 based on Nexant analysis
(b) Closure of 55kt p.a. Belford Roxo facility in Brazil
(c) Refers to Shanghai Lianheng Isocyanate JV (BASF 35%, Huntsman 35%, Shanghai Chlor-Alkali 15%, Shanghai Hua Yi 8% and Sinopec 7%)
(d) Refers to JV between Mitsui Chemicals & SKC Polyurethanes Inc.
(e) For Covestro EMLA restructuring potential see page 53

Source: Nexant as at July 2015
2 Stable utilization and margins expected

MDI industry utilization rates vs. spreads outlook

MDI spread over raw materials, MDI industry supply / demand and utilization

- MDI spreads historically correlated to industry utilization rates
- Spreads expected to remain relatively stable, supported by benign supply / demand dynamics
- Potential upside should industry utilization rates materially exceed 90%

Notes:
(a) Based on historical and announced future nameplate capacity as at July 2015 based on Nexant analysis
(b) Global average margin calculated based on margin over raw materials in Europe, US and China and weighting this average against demand in those regions. Qualitative statements based on Nexant data
(c) Industry demand divided by industry nameplate capacities as announced (as per Nexant estimates), not adjusted for actual / physical availability
(d) Management estimates additional capacity (not captured in the Nexant data) may come online post-2018E if prevailing industry dynamics make it economically rational. These capacity estimates have been included in this analysis and represent the lower end of the range post-2018E

Source: Nexant as at July 2015
Higher utilization of well-invested asset base expected to lead to profitability expansion

Covestro utilization rate outlook

Notes: (a) Industry demand divided by industry nameplate capacities as announced (as per Nexant estimates), not adjusted for actual / physical availability
(b) Management estimates additional capacity (not captured in the Nexant data) may come online post-2018E if prevailing industry dynamics make it economically rational. These capacity estimates have been included in this analysis; management estimation for industry utilization

Source: Nexant as at July 2015
Well-positioned production network to supply customer demand globally

Covestro MDI operations

- **Baytown, TX, USA**
  - Nameplate capacity: 320kt
  - Start of production: 1974
  - Continuous investments into increased reliability

- **Pittsburgh, PA, USA**
  - Nameplate capacity: 170kt
  - Start of production: 1971
  - 1992 shutdown of TDI

- **Tarragona, Spain**
  - Nameplate capacity: 170kt
  - Start of production: 1964
  - 1992 shutdown of TDI

- **Euerdingen, Germany**
  - Nameplate capacity: 200kt
  - Start of production: 2006
  - Capacity expansion to 460kt p.a. in 2014

- **Brunsbüttel, Germany**
  - Nameplate capacity: 200kt
  - Start of production: 1988
  - Economic expansion to 400kt p.a. possible based on existing TDI infrastructure and precursors

- **Shanghai, China**
  - Nameplate capacity: 55kt
  - Start of production: 1983
  - Operations to be discontinued from July 2015

- **Belford Roxo, Brazil**
  - Nameplate capacity: 320kt
  - Start of production: 1974
  - Continuous investments into increased reliability

- **Amagasaki, 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

- **Niihama, Japan**
  - Nameplate capacity: 460kt(a)
  - Start of production: 2006
  - Capacity expansion to 460kt p.a. in 2014

Notes: All nameplate capacities based on 2014A
(a) Status 2014A. Facility still in ramp-up phase with targeted capacity of 500kt p.a.; potential investments to reach this capacity only to be performed if backed by additional demand
Source: Company Information
4 Leading cost position in US and China; efficiency potential in Europe

MDI regional industry cost curve

North America

MDI Cash Cost\(^{(a)}\)

- Covestro Baytown
- North American Leader
- North American Laggard

Western Europe

MDI Cash Cost\(^{(a)}\)

- Western European Leader
- Covestro Uerdingen
- Covestro Brunsbüttel
- Covestro Tarragona
- West European Laggard

Asia

MDI Cash Cost\(^{(a)}\)

- Chinese Leader
- Covestro Shanghai
- Chinese Laggard
- Other North East Asian Leader

A Covestro cost leadership through backward-integration

B Western European leader with larger MDI and precursor capacity

C Uerdingen more cost efficient relative to other Covestro facilities in Europe due to level of backward-integration and economies of scale

D Chinese leader with larger backward-integration and different energy source

E Shanghai 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, utility costs, direct fixed costs and allocated fixed costs at specific level of utilization based on Nexant estimates.

Source: Nexant as at July 2015
5 Competitive cost position through continuous efficiency improvements

Covestro asset efficiency

Track record of improving cost position in MDI

Global average MDI cash costs driven by structural and technology improvements without benzene\(^{(a)}\)
Indexed to 2005A

- Shutdown in New Martinsville
- Investment in Shanghai
- De-bottleneckings
- Restructuring Japan
- Infrastructure costs Japan
- Belford Roxo exit
- EMLA restructuring potential

Infrastructure costs in Niihama, Japan
- Adjustment of site infrastructure costs

Closure of Belford Roxo, Brazil
- Decision announced on 3\(^{rd}\) March 2015, operations to be discontinued from July 2015
- Decision driven by relative cost competitiveness vs. other production sites
- Brazil to be served through imports post-closure of the site

EMLA restructuring potential
- Possible re-usage of idle TDI infrastructure and precursors in Brunsbüttel enable economic doubling of MDI capacity by 200kt p.a.
- Considered to be implemented without a material net capacity expansion of Covestro globally

Note: (a) Covestro global average MDI production cash costs without benzene at uniform currency, labor and energy / feedstock prices based on management information
Source: Company information
Section 5 – Polyurethanes (PUR)

MDI

TDI

Polyether polyols

Summary, Strategy & Financial Outlook
Global leader in long-term growth industry

TDI at a glance

- **#1 producer of raw materials for TDI consuming industries globally** with leading positions in all major regions

- **Demand growth above GDP** driven by all key end-markets and regions, particularly in APAC

- **Anticipated recovery in industry operating rates / margins** post-2015 trough

- **Superior cost position** through backward-integration, proprietary gas-phase technology and world-scale, integrated asset base

- **Cost savings and increased cash flows** out of ongoing restructuring of European asset base

- **Growth into recently expanded world-scale asset base** and recovery of margins expected to deliver uplift in financials

Notes: (a) Competitive positioning based on relative nameplate capacity 2014A using Nexant analysis
(b) World-scale defined by Nexant as TDI facility with capacity of 300kt p.a.
(c) Total capacity will be 770kt post-end of asset restructuring with 3 production facilities globally by end of 2015E, assuming full ramp-up of the new Dormagen facility to 300kt
Source: Company information, Nexant as at July 2015
1. Covestro is #1 producer globally with leading positions across all regions

TDI competitive landscape

**TDI industry capacity share by region**

- **Americas**
  - Covestro: 0.41 (46%)
  - Other players: 0.28 (54%)
- **EMEA**
  - Covestro: 0.68 (72%)
  - Other players: 0.12 (28%)
- **APAC**
  - Covestro: 1.56 (84%)
  - Other players: 0.12 (16%)

**Remaining c. 340kt comprised of c. 10 small (largely Asian) entities with capacity <70kt each**

- Covestro is leading producer of TDI globally; #1 or #2 position in all core regions
- Covestro and BASF hold c. 50% of total capacity; remainder more fragmented and composed primarily of smaller producers in APAC
- Intense price competition affecting short-term profitability in APAC
- Key entry barriers: capital intensity, competitive process technology, global asset base to enable customer proximity

**Top TDI producers globally by capacity**

- Covestro: 0.66
- BASF: 0.56
- Wanhua: 0.25
- MCNS: 0.24
- Cangzhou Dahua: 0.15
- KPX Chemical: 0.15
- Vencorex: 0.12
- Baiyin Yinguang: 0.10
- Yantai Juli: 0.08
- Others: 0.34

Note: (a) Based on nameplate capacity
(b) Refers to JV between Mitsui Chemicals & SKC Polyurethanes Inc.
Source: Nexant as at July 2015
Strong Covestro position safeguarded by distinct entry requirements plus state-of-the-art GPP technology

TDI barriers to entry

Global capacity by producer

<table>
<thead>
<tr>
<th>Year</th>
<th>Top 5</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005A</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>2014A</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>2020E</td>
<td>73%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Industry

- World-scale plant\(^{(a)}\) requires:
  - >US$1bn investment in full train
  - 3 – 4 years to full operations
- Benefits from economies of scale

Covestro position

- 3 large- to world-scale production facilities and total capacity of 770kt post completion of asset restructuring by the end of 2015\(^{(b)}\)
- State-of-the-art gas-phase phosgenation (GPP) technology leading to global cost leadership\(^{(c)}\)
  - highly cost efficient and eco-friendly

Capital intensity

- Advanced technology along the process chain critical
- Limited options for licensing

Process technology

- Supply contracts as standard option
- Backward-integration advantageous

Feedstock integration

- Permits required to handle hazardous feedstock, e.g. phosgene
- Track record and suitable infrastructure important

Technical capabilities and expertise

- Benefits for established global players
- Required to service large-scale multinationals with diverse operations

Proximity to markets

- World class expertise and know-how in customer-centric application development
- Proven reputation with 60+ years experience
- Impeccable safety record

Notes:
- \(^{(a)}\) World-scale defined by Nexant as TDI facility with capacity of 300kt p.a.
- \(^{(b)}\) Assumes full ramp-up of Dormagen facility to 300kt
- \(^{(c)}\) Covestro global cost leadership position as per Nexant analysis

Source: Nexant as at July 2015
Growth above GDP driven by all key end-markets and regions, particularly in Asia

TDI industry demand

TDI demand by region

<table>
<thead>
<tr>
<th>Region</th>
<th>Demand ('000 kt)</th>
<th>2010A</th>
<th>2014A</th>
<th>2020E</th>
</tr>
</thead>
<tbody>
<tr>
<td>APAC</td>
<td></td>
<td>1.9</td>
<td>0.3</td>
<td>0.7</td>
</tr>
<tr>
<td>LATAM</td>
<td></td>
<td>0.6</td>
<td>0.7</td>
<td>0.1</td>
</tr>
<tr>
<td>EMEA</td>
<td></td>
<td>0.1</td>
<td>1.1</td>
<td>1.5</td>
</tr>
<tr>
<td>NAFTA</td>
<td></td>
<td>0.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAGR (%)</td>
<td></td>
<td>4.9%</td>
<td>4.8%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

CAGR 2014A–2020E

- Automotive: 4.6%
- Bedding: 4.9%
- Furniture: 4.7%
- CASE(b): 4.9%

Underlying application growth driver(a)

- Solid growth across all major end-uses
- Higher consumption of mattresses and furniture by emerging middle class in developing regions
- Ongoing recovery of global automotive industry with rising car production and increased demand for new cars, particularly in Asia, due to strong economic growth
- Favorable substitution trends in CASE(b) owing to relative advantages vs. competing materials

Notes: (a) Figures represent per annum growth between 2014A and 2020E
(b) Coatings, adhesives, sealants and elastomers
Source: Nexant as at July 2015
Limited net capacity additions post-2015 below expected demand growth

TDI industry demand and supply

TDI net capacity expansion vs. demand growth

Supply / demand (kt)

Supply

- 740kt
- 4.8%
- 3,350

Demand

- 700kt
- 4.0%
- 2,920

Notes:
(a) Based on historical global nameplate capacity for 2014A and announced future nameplate capacity additions as at July 2015 based on Nexant analysis
(b) Refers to JV between Mitsui Chemicals & SKC Polyurethanes Inc.
(c) New Dormagen facility (inaugurated in December 2014) with capacity of 300kt assuming full ramp-up offset by reduction in capacity owing to (i) shutdown of old Dormagen facility in 2014A and (ii) shutdown of Brunsbüttel facility in 2015E

Source: Nexant as at July 2015
Improving industry utilization rates post-2015 support recovery of industry margins

Industry utilization rates vs. spreads

- Short-term pressure on industry margins in 2015E owing to wave of new capacity resulting in trough conditions
- Improvement from 2016E onwards, consistent with higher utilization rates
  - however, margin recovery may be volatile based on levels of competition and plant availabilities
- Possible upside from potential capacity exits / delays as near-term pressure weighs on higher cost producers

Notes: (a) Based on historical global nameplate capacity for 2014A and announced future nameplate capacity additions as at July 2015 based on Nexant analysis
(b) Global average margin calculated based on margin over raw materials in Europe, US and China and weighting this average against respective demand in those regions. Qualitative statements based on Nexant data
(c) Industry demand divided by industry nameplate capacities as announced (as per Nexant estimates), not adjusted for actual / physical availability
(d) Management estimates additional capacity (not captured in the Nexant data) may come online post-2018E if prevailing industry dynamics make it economically rational.

Source: Nexant as at July 2015
Ongoing European efficiency program to further enhance quality of existing world class assets

Covestro TDI operations

- **Leverkusen, Germany**
  - Nameplate capacity: 220kt
  - Start of production: 2000
  - Technology used: Liquid-Phase Phosgenation
  - Serves both US and non-US regions

- **Dormagen, Germany**(a)
  - Post-2015E nameplate capacity: 300kt**(a)**
  - 2014A nameplate capacity: 65kt (55kt from former facility)
  - Start of production: 2014**(b)**
  - Technology used: New state-of-the-art Gas-Phase plant
  - Cost leader resilient to new capacity additions in EMEA

- **Shanghai, China**
  - Nameplate capacity: 250kt
  - Start of production: 2011
  - Technology used: Features new Covestro Gas-Phase Phosgenation
  - Cost leader in APAC and well-positioned to capture strong demand in Asia

- **Brunsbüttel, Germany**(a)
  - Nameplate capacity: 125kt
  - Start of production: 1977
  - Technology used: Liquid-Phase Phosgenation
  - TDI production to shut down in 2015E

Notes:
- All nameplate capacities based on 2014A
- (a) Existing capacities at Dormagen (55kt in 2014A) and Brunsbüttel (125kt) facilities to be shut down by end of 2015E; Dormagen reflecting nameplate capacity of new facility. Dormagen facility currently in ramp-up phase to c. 250kt p.a. in 2015E / 2016E; additional investment in low double-digit €m-range may be required to secure a sustainable nameplate capacity of 300kt p.a.
- (b) Reflects date of inauguration for new facility which has replaced the former 90kt p.a. facility

Source: Company information
Combination of scale, integration and technology provides global cost leadership

TDI regional industry cost curve

A Chlorine and nitric acid integration supporting Covestro cost leadership
B Covestro cost advantage through superior process technology in terms of energy consumption and raw material yield
C Economies of scale and gas-phase technology in new Dormagen facility
D Raw material integration and advantages from gas-phase technology driving superior cost position for Covestro

Notes: (a) Cost of production based on total raw material costs less co-product credits, utility costs, direct fixed costs and allocated fixed costs at specific level of utilization based on Nexant estimates
(b) Facility expected to start operations in late 2015E as per Nexant assumption
Source: Nexant as at July 2015
Proprietary gas-phase production technology sets industry standards in efficiency and sustainability

TDI process technology

Innovative gas-phase technology for TDI

- TDA and phosgene heated
- Subsequently transferred in a gaseous form to the reaction
- Condensed to a liquid and distilled to yield purified TDI with recovered solvent and phosgene

How it works

Status

- First introduced in 2011A
- Shanghai facility first to implement gas-phase in full scale
- Applied in all Covestro facilities in regions with high energy costs (EMLA & APAC) from 2015E

Significant economic improvements

Cost indexed to 100

-80%
-60%
-40%

Solvent hold-up
Energy consumption
Phosgene hold-up

Conventional
Gas-phase technology

Key benefits of gas-phase technology for TDI

- Major source of competitive advantage and cost leadership position in TDI
- Lower energy consumption vs. liquid phase technology
- Shorter reaction time vs. conventional processes with significantly higher throughput
Restructuring of European assets expected to lead to significant cost savings

TDI operational improvements

<table>
<thead>
<tr>
<th>Location</th>
<th>Dormagen, Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>€400m(^{(a)})</td>
</tr>
<tr>
<td>Order year</td>
<td>December 2008</td>
</tr>
<tr>
<td>Construction</td>
<td>30 months (permit granted late 2012)</td>
</tr>
<tr>
<td>Capacity</td>
<td>300kt p.a.(^{(b)})</td>
</tr>
<tr>
<td>Start-up</td>
<td>December 2014</td>
</tr>
<tr>
<td>Technology</td>
<td>Gas-phase phosgenation technology</td>
</tr>
<tr>
<td>Other key facts</td>
<td>Replaces facilities in Dormagen and Brunsbüttel</td>
</tr>
<tr>
<td></td>
<td>Well-integrated into key raw materials</td>
</tr>
<tr>
<td></td>
<td>Lower energy requirement production process</td>
</tr>
<tr>
<td></td>
<td>Highly cost efficient</td>
</tr>
</tbody>
</table>

- Most modern gas-phase TDI facility in the world
- Variable cost savings due to lower steam consumption
- Fixed cost savings through consolidation of European platform
- Additional synergies through connectivity with other businesses in the value chain (e.g. chlor-alkali)
- Accelerates cost advantage in Europe vs. peers and reinforces global leadership position

Estimated cash cost savings for the Group in mid double-digit €m-range\(^{(c)}\)

Notes: (a) Including infrastructure and suppliers at the Chempark Dormagen. (b) Dormagen facility currently in ramp-up phase to c. 250kt p.a. in 2015E / 2016E; additional investment in low double-digit €m-range may be required to secure a sustainable nameplate capacity of 300kt p.a. (c) Once idle TDI infrastructure and precursors will be used for MDI expansion potential in Brunsbüttel.

Source: Company information
Section 5 – Polyurethanes (PUR)

MDI
TDI

Polyether polyols

Summary, Strategy & Financial Outlook
Leading position in polyether polyols a key differentiator

Polyether polyols at a glance

- **Leading global supplier of polyether polyols** with focus on NAFTA and EMEA

- **Broad range of standardized products, specialities and technologies** offered by Covestro to customers

- **Sustainable cost position** through backward-integration into propylene oxide\(^{(a)}\) and best-in-class process technology in polyether polyols

- **Key source of differentiation and critical “enabler”** in terms of providing market access and driving product innovation in polyurethanes

- **Resilient profitability and cash generation** backed by stable historic and forecasted industry margins

Notes:

(a) Propylene oxide contracts intended to be transferred from Bayer AG to Covestro
(b) Competitive positioning based on relative nameplate capacity 2014A using Nexant analysis; excludes 25kt capacity in Indonesia following facility closure in 2014A
(c) Includes Belford Roxo facility that will be closed in 2015E

Source: Company information, Nexant as at July 2015
1. Covestro global #2 producer with strong positions in NAFTA and EMEA

Polyether polyols competitive landscape

- Polyether polyols landscape comprising 4 major players; Covestro is #2 producer globally with strong positions in NAFTA and EMEA
- APAC is highly fragmented with a large merchant propylene oxide market; 50+ small producers\(^{(b)}\) accounting for c. 15% share
- Higher margins and barriers to entry for the business model of propylene oxide backward-integrated polyols vs. stand-alone polyols business
- Key entry barriers: capital intensity, propylene oxide access, competitive polyols process technology; R&D and technical infrastructure

Notes: (a) Based on nameplate capacity; Covestro excludes 25kt capacity in Indonesia following facility closure in 2014A
(b) Producers with capacity <70kt p.a. each
Source: Nexant as at July 2015
Polyols enable access to entire customer base and provide platform to drive innovation

Role of polyether polyols in Covestro portfolio

Enabling access to whole PU customer base

Indicative share of Covestro MDI & TDI sales jointly with Polyether polyols

- Strong polyether polyols position in regions with highest ratio of joint sales of isocyanates and polyols (EMEA / NAFTA), providing:
  - broader application and customer base
  - access to niche applications with differentiation potential
  - reduced impact from changes in isocyanate industry supply / demand
- Highly fragmented polyether polyols industry in APAC

Foundation for innovation

- Key role in innovation and driving underlying properties of PU
- Essential chemistry needed to develop unique and harder to replicate solutions
- Innovation crucial to maintaining leading position in PU
- Enabling commercialization of product innovations such as Baytherm Microcell and viscoelastic foam

Note: (a) Based on 2014A management information; Nexant estimates that on a global basis over 80% of PU intermediates (MDI, TDI, polyether polyols) are sold individually rather than as part of a system or formulation
Source: Company information, Nexant as at July 2015
Competitive cost position through propylene oxide backward-integration with strong partner

Covestro JV with LyondellBasell

LyondellBasell agreements\(^{(a)}\)

- 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
- Producer cost economics vs. market price in a limited merchant market for propylene oxide
- US propylene oxide JV not exposed to propylene oxide co-product volatility (TBA / MTBE or styrene monomer)
- Covestro exposed to styrene monomer co-product volatility out of EMEA joint venture

Note: (a) Propylene oxide contracts intended to be transferred from Bayer AG to Covestro
Source: Company information

65
1. Distinct requirements to entry and Covestro competitive edge supporting sustainable position

Polyether polyols barriers to entry

<table>
<thead>
<tr>
<th>Industry structure</th>
<th>Industry</th>
<th>Covestro position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global capacity by producer (%)</td>
<td>• World-scale 300kt p.a. propylene oxide / polyether polyols plant requires sizable investment of up to US$0.8bn – 1.2bn (+ / - 30%)</td>
<td>• Operating global network of assets with main positions in NAFTA and Europe</td>
</tr>
<tr>
<td>Top 5 51%</td>
<td>• Integrated supply of propylene oxide for a propylene oxide / polyether polyols value chain</td>
<td>• Long-term supply ensures propylene oxide / polyether polyols value chain</td>
</tr>
<tr>
<td>Others 49%</td>
<td>• Access to technology through own innovation or licensing from mostly competitors</td>
<td>• Leading polyols technology position, licensor of IMPACT technology to major competitors</td>
</tr>
<tr>
<td>2014A</td>
<td>• World-scale operation for low cost position</td>
<td>• World-scale operations in Channelview, Antwerp and Dormagen</td>
</tr>
</tbody>
</table>

- Top 5 players account for 51% of global polyether polyols capacity
- With the exception of China the common business model is based on an integrated propylene oxide / polyether polyols value chain
- Consolidation expected to occur in Asia (mostly China)
- Excluding China, nearly all announced capacity projects are with involvement of top 5 players

Source: Nexant as at July 2015
Cost leadership through proprietary IMPACT technology and next generation polyols CO₂-based

Polyether polyols process technology development

IMPACT catalysts for efficient polyether polyol production

- Start-up in 2003A (Dormagen)
- Covestro able to run continuous production of polyether polyols through IMPACT technology
- Highly efficient catalyst
  - 10 tonnes sufficient to produce c. 400kt of polyether polyols
  - ecological and economic benefits
- Successfully out-licensed to major polyether polyols producers

Carbon dioxide as raw material for polyols production

- New technology to co-polymerize CO₂
- Overcomes key industry challenges and provides superior technology in core of polyurethanes
  - reduced carbon footprint
  - replaces petrochemicals
  - improves performance of end-products
- Potential to revolutionize industry
- Scope to start commercializing by 2016E
- Driver of polyether polyols growth in mid-term

Source: Company information
Polyether polyols and application know-how delivers growth

Product innovation in PUR

1. **Nano PU insulation foam**
   - Increase presence in PU insulation, i.e. building, construction and cold chain
   - Enhanced thermal performance as well as supporting CO₂-footprint improvement
   - Simplified building envelope design
   - Optimal space utilization due to minimal insulation thickness
   - Enabled by advanced polyols formulation design and new processing technology

2. **PU rigid foam with improved resistance to fire**
   - Introduction of new chemistry for enhanced flame retardancy in construction insulation
   - Starting with best-in-class PU fire performance
   - Breakthrough to non-combustibility leading to broader accessible market
   - Enabled by new polyols building blocks

3. **Wind blades**
   - Replacing Epoxy resins by PU resins in blades or large blade parts
   - Faster production cycle
   - Increased performance due to improved mechanical properties
   - PU system design leading to superior processing behavior and material properties

Pipeline of potential step-change innovations

Note: Examples shown above are not exhaustive
Source: Company information
PU-Solutions enable world’s first refurbished commercial building with “Energy plus” standard

Covestro “Building of the Future”

“Hannelore Kraft promotes Bottrop in Davos […]”

[…] she speaks at the “future of urban development“ forum about the Innovation City in Bottrop.

The ecological major rebuild of an existing district in cooperation of public, private and research have arisen the interest of the organizers.

Der Westen, 22nd January 2015

Hannelore Kraft
Premier of the State of North Rhine-Westphalia

Additional examples for sustainable construction with PU

Covestro offices in Greater Noida, India

Covestro conference center in Sao Paolo, Brazil

Highest-rated LEED(a) new construction project in the world

First building in Brazil to reach LEED(a) Platinum standard

Note: (a) LEED is Leadership in Energy & Environmental Design, a green building certification program awarded by the U.S. Green Building Council that recognizes best-in-class building strategies and practices
Source: Company information, Der Westen, Initiativkreis Ruhr
Polyether polyols – an inherently stable margin business

Polyols industry spreads

- 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 price has been calculated based on the polyols spot prices in Europe, US and China and weighting this average against the respective demand in those regions
(b) The global average propylene price has been calculated based on the propylene spot prices in Europe, US and China and weighting this average against the respective demand in those regions

Source: Nexant as at July 2015
Section 5 – Polyurethanes (PUR)
MDI
TDI
Polyether polyols

Summary, Strategy & Financial Outlook
### Innovative global PU leader with competitive asset base in a fundamental growth industry

**PUR summary**

<table>
<thead>
<tr>
<th>MDI</th>
<th>TDI</th>
<th>Polyether polyols</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Leading supplier of MDI globally</td>
<td>- #1 producer of TDI globally</td>
<td>- Leading supplier of polyether polyols with focus on NAFTA and EMEA</td>
</tr>
<tr>
<td>- Robust expectation of c. 2x GDP demand growth support stable industry utilization / margin outlook</td>
<td>- Demand growth above GDP</td>
<td>- Broad range of standardized products, specialties and technologies offered by Covestro to customers</td>
</tr>
<tr>
<td>- Covestro well-positioned for volume growth through increased utilization of fully invested asset base</td>
<td>- Anticipated recovery in industry operating rates and profitability expected post-2015 trough</td>
<td>- Sustainable cost position through backward-integration into propylene oxide and best-in-class process technology in polyether polyols</td>
</tr>
<tr>
<td>- World-scale integrated production facilities support competitive cost position</td>
<td>- Superior cost position through proprietary gas-phase technology and world-scale, integrated asset base</td>
<td>- Key source of differentiation and critical “enabler” in terms of providing market access and driving product innovation in polyurethanes</td>
</tr>
<tr>
<td>- Proven track record of cost discipline; announced closure of Belford Roxo and asset restructuring potential in Europe</td>
<td>- Cost savings and increased cash flows out of ongoing restructuring of European asset base</td>
<td>- Resilient profitability and cash generation underpinned by stable industry margins</td>
</tr>
<tr>
<td>- Uplift in cash flow and margins due to limited capital investment and operational leverage</td>
<td>- Growth into recently expanded world-scale asset base and recovery of margins expected to deliver uplift in financials</td>
<td></td>
</tr>
</tbody>
</table>

---

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Leverage well-invested asset base and practice disciplined cost control to drive bottom line

PUR business strategy

<table>
<thead>
<tr>
<th>Key pillars of PUR strategy</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capture market growth</strong></td>
<td><strong>Grow into asset base with an optimized product portfolio:</strong></td>
</tr>
<tr>
<td></td>
<td>• Leverage broad and global portfolio position and innovation capabilities</td>
</tr>
<tr>
<td></td>
<td>• Grow with core industries and strategic accounts</td>
</tr>
<tr>
<td></td>
<td>• Explore potential partnering options for efficiency and growth</td>
</tr>
<tr>
<td><strong>Optimize asset footprint</strong></td>
<td><strong>Deliver on cost efficient and reliable asset base:</strong></td>
</tr>
<tr>
<td></td>
<td>• Complete TDI asset consolidation in EMLA</td>
</tr>
<tr>
<td></td>
<td>• Restructure EMLA MDI asset base</td>
</tr>
<tr>
<td></td>
<td>• Focus capex on sustain measures</td>
</tr>
<tr>
<td><strong>Improve cost position</strong></td>
<td><strong>Establish Fit-For-Purpose operations:</strong></td>
</tr>
<tr>
<td></td>
<td>• Cost management through lean operating model</td>
</tr>
<tr>
<td></td>
<td>• Projects leading to concentrated footprint in core regions</td>
</tr>
<tr>
<td></td>
<td>• Effectiveness and efficiency improvements in innovation</td>
</tr>
</tbody>
</table>

covestro.com
Growth driven by higher MDI volumes and operating leverage

Financial outlook for PUR

<table>
<thead>
<tr>
<th>Financial metric</th>
<th>MDI drivers</th>
<th>TDI drivers</th>
<th>Polyether polyols drivers</th>
<th>Outlook (a)</th>
</tr>
</thead>
</table>
| Volumes          | • Higher utilization of recently expanded asset base  
                  • Continuous growth based on sustainable macro trends | • New Dormagen facility contributing to higher overall net capacity  
                  • Consistently high Covestro utilization post decline in 2015E | • Marginal volume increase  
                  • Limited growth due to fully utilized propylene oxide contract | |
| EBITDA           | • Industry utilization rates to remain in 85 – 90% corridor, supporting a stable industry spread environment  
                  • Strong operational leverage  
                  • Restructuring, e.g. closure of high cost Belford Roxo operation  
                  • Continued cost discipline | • Near-term price / margin pressure driven by APAC  
                  • Gradual recovery of industry operating rate from 2016E onwards  
                  • Finalization of EMLA asset optimization, i.e. shift to lower cost GPP in Dormagen  
                  • Continued cost discipline | • Stable outlook, supported by proven resilience of industry spreads  
                  • High margin stability  
                  • Ongoing cost optimization | |
| Capex            | • Well-invested asset base limiting need for future growth capex in the planning period  
                  • Focus on sustain capex | | |

Note: (a) Outlook arrows are based on comparison to 2014A performance for each metric. The Group’s ability to grow its sales volumes and Adjusted EBITDA will also be driven by the impact of decelerating economic growth in China.

Source: Company information
Section 6 – Polycarbonates (PCS)
Global leading producer of polycarbonates serving key growth end-markets

PCS at a glance

- Joint global leader in polycarbonates together with SABIC and expected to become #1 in Asia in 2016E / 2017E\(^{(a)}\)
- Inventor of polycarbonates chemistry
- Offers products and solutions for a wide range of applications comprising automotive, IT, electronics, architectural glazing, industrial lighting, medical technology as well as eyewear
- Optimally integrated production processes along the value chain
- Global platform with 5 production sites, 5 R&D centers, 7 compounding centers with business unit headquarters in China
- Total current primary production capacity of c. 1,300kt and globally c. 3,600 PCS employees\(^{(e)}\)
- Current trough industry margin with upward trajectory as a result of increasing industry utilization rates\(^{(a)}\)

Joint #1 Producer of PC globally\(^{(b)}\)

€2.8bn Sales 2014\(^{(c)}\)

5.7% Adj. EBITDA margin 2014\(^{(c)}\)

24% of Total Covestro sales 2014\(^{(d)}\)

Notes: (a) As per Nexant industry analysis as at July 2015
(b) Together with SABIC, based on entire polycarbonates nameplate capacity as per Nexant industry analysis
(c) Based on Covestro Combined Financial Statements FY2014A
Source: Company Information, Nexant as at July 2015
(d) Based on total group sales as per Covestro Combined Financial Statements for FY2014A
(e) Employees refers to full-time-equivalents (FTE)
Polycarbonates (PC)

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
- IT equipment
- Housing for mobile devices & consumer electronics
- Chargers
- Switchbox and other electrical systems
- Diffusion panel of LCD monitors
- LED parts
- Windows
- Conservatories
- Roof structures
- Partition walls
- Medical devices
- Robotics
- Personal safety (helmets, headgear, eyewear)
- Packaging (water bottles, pitchers)

Source: Nexant, Company Information
Phenol / Acetone:
- Easy to transport
- Dedicated production lines for phenol, by-product acetone
- Long and highly liquid merchant market

Chlorine / CO:
- Preferably on site due to safety, transport logistics and economies of scale
- Used by other consumers on site (i.e. isocyanates) and thus ability to leverage economies of scale and balance demand fluctuation
- No merchant market

Notes: (a) Interfacial process
(b) Melt process
Source: Company Information
Polycarbonates industry recovering from a trough

Recent developments in the polycarbonates industry

- Polycarbonates demand growth in 2010A-2014A negatively impacted by weaker economic growth and significant decline in optical media demand
- Significant capacity additions, especially in 2012A, coming mainly from:
  - Saudi Kayan in the Middle East (more than 250kt)
  - Asian players (Samsung, Mitsubishi)
- This supply / demand imbalance led to decline in industry utilization rates and margins
- With 2013A as the trough, polycarbonates industry is set to recover:
  - Higher GDP growth as Europe recovers
  - Lower dependency on optical media as an application for polycarbonates
  - Announced capacity additions lower than demand growth

Historical polycarbonates industry dynamics

<table>
<thead>
<tr>
<th></th>
<th>2010A-2014A CAGR</th>
<th>Absolute change (kt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polycarbonates demand growth</td>
<td>+1.6%</td>
<td>+230</td>
</tr>
<tr>
<td>Polycarbonates demand growth (excl. optical media)</td>
<td>+3.5%</td>
<td>+420</td>
</tr>
<tr>
<td>Polycarbonates supply growth</td>
<td>+3.1%</td>
<td>+560</td>
</tr>
<tr>
<td>Global real GDP growth</td>
<td>+2.7%</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(a) Supply based on nameplate capacity as per Nexant analysis
(b) Global average margin calculated based on margin over raw materials in Europe, US and China and weighting this average against respective demand in those regions. Qualitative statements based on Nexant analysis as at July 2015
(c) Capacity forecasts include all publicly announced capacity additions as at July 2015, given uncertainties around timing and capacity.
Strong growth and margin recovery in 2014 driven by higher industry utilization

PCS historical financial performance

- Lower net sales in 2013A driven by lower volumes and price pressure due to new industry capacities in Asia. Improved market environment on the back of increased demand in 2014A led to volume growth in automotive, electronics and construction industries in all regions.

- From 2012A to 2014A, positive net sales volume effect (+5.5%) offset by negative sales price (-3.2%) as well as negative currency effect of (-2.3%).

- Q1 2015A strong net sales growth driven by higher volumes based on continuously improved market environment following higher demand, fully offsetting lower selling prices.

- Decline in adj. EBITDA affected by price pressure following a lower industry utilization and increasing raw material cost partially offset by volume growth in 2014A on the back of improved market environment.

- Recovery in adj. EBITDA margin from 3.6% to 5.7% in 2014A mainly driven by volume increases, while lower selling prices followed lower raw material prices.
### Strong future demand supported by tailwind from fundamental macro trends

**Key macro trends in polycarbonates**

<table>
<thead>
<tr>
<th>Global Trends</th>
<th>Needs</th>
<th>Polycarbonates Solutions</th>
</tr>
</thead>
</table>
| **Mobility**                         | - Size reduction  
- Dimensional stability  
- Mechanical performance  
- Ignition resistance in electronic devices | ✓ Polycarbonates are able to address all these requirements and are suitable for smaller devices |
| **Increasing prosperity and population** | - New concepts and products needed in order to improve living conditions, urban architecture, mobility and the food supply | ✓ Lightweight, stable and transparent polycarbonate sheets used in building sector  
✓ Suitable for home appliances |
| **Scarce resources**                 | - Need for increased resource and fuel efficiency | ✓ Weight reduction and fuel saving in the automotive industry  
✓ Energy-saving LED lighting systems |
| **Safety and security**              | - Higher emphasis on personal safety (e.g. helmet requirements)  
- Higher safety and security requirements in electronic and medical devices | ✓ Polycarbonates have required safety characteristics: lightweight, contact safety, transparency and strength |
Well positioned to capture global demand growth, leading to attractive financial outlook

PCS Key Investment Highlights

1. **Leading player in an increasingly attractive industry**
   with above GDP growth driven by broad application range that favors large-scale global players

2. **Favorable supply / demand outlook**
   with increasing industry utilization rates supporting higher industry margins

3. **Well-invested own global asset base**
   with competitive cost position in all key regions

4. **Best-in-class market access to a broad customer base**
   due to globally proven market reputation of product and application development

5. **Attractive financial upside potential**
   supported by favorable industry development, start-up of own new capacity, broad market access, and customer-driven innovation
Macro trends support above GDP demand growth across diverse customer industries and regions

Polycarbonates industry demand

Polycarbonates by application (’000kt)

CAGR 2014A – 2020E

Accelerated growth 2014A-2020E

Underlying drivers

- Continuous upgrade, substitution and new application development; selected examples:
  - Upgrade to “smart” electronics and new device class, e.g. smartphones / TV
  - New revolutionary technologies, e.g. wearable computing and sensors, service robots
  - Penetration of LED luminaires
  - Upgrade of automotive interior and exterior
  - Medical device applications, e.g. disposable surgical instruments and as glass substitutes

Note: (a) Global real GDP growth
Source: Nexant as at July 2015
Top 2 players with stable industry positions

Competitive environment of polycarbonates industry

Global capacity by producer

Total Capacity 2005A: 3,290kt

Total Capacity 2014A: 4,815kt

Total Capacity 2020E: 5,380kt

Industry

- Required to serve customers with global operations
- Economies from being “one stop shop” supplier

Covestro position

- Product and application development capabilities in all key regions
- Diverse product offering with ability to serve across the full spectrum of applications

Notes:
(a) Defined as a plant consisting of single lines with capacities of 100kt or more each
(b) Capacity forecasts include all publicly announced capacity additions as of July 2015 based on Nexant analysis
(c) Includes capacities as per Nexant analysis from Mitsubishi Gas Chemicals (MGC), Mitsubishi Chemical Company (MCC), Thai Polycarbonate (JV), Samyang Kasei (JV)
(d) Includes capacities from MCC, MGC (incl. Shanghai), Thai Polycarbonate (JV), Samyang Kasei (JV), Sinopec Mitsubishi Chemical Polycarbonate

Source: Nexant as at July 2015, Company Information
Expected demand to outgrow industry capacity development

Polycarbonates industry supply

Polycarbonates net capacity additions\(^{(a)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capacity (kt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014A</td>
<td>4,815</td>
</tr>
<tr>
<td>2015E</td>
<td>30</td>
</tr>
<tr>
<td>2016E</td>
<td>85</td>
</tr>
<tr>
<td>2017E</td>
<td>90</td>
</tr>
<tr>
<td>2018E</td>
<td>165</td>
</tr>
<tr>
<td>2019E</td>
<td>195</td>
</tr>
<tr>
<td>2020E</td>
<td>5,380</td>
</tr>
</tbody>
</table>

Polycarbonates net capacity development by region\(^{(a)}\)

- **Demand growth (kt / % CAGR)**
- **Supply growth (kt / % CAGR)**
- **Capacity additions**
- **Capacity reduction**

Notes:
- (a) Capacity forecasts include all publicly announced capacity additions as at July 2015 based on Nexant analysis
- (b) Exited end of 2014A
- Source: Nexant at July 2015
Increasing utilization rates expected to drive positive margin development

Polycarbonates industry utilization outlook

- Polycarbonates spreads historically correlated to industry utilization rates
- Spreads expected to recover strongly from recent trough levels over the medium term
- Based on historical supply / demand balance trends, utilization rates >80% in polycarbonates would suggest improved industry spreads
- Wanhua expected to launch domestic facility in China, however, no clear indication around timing and capacity

Notes: (a) Capacity forecasts include all publicly announced capacity additions as at July 2015 based on Nexant analysis; Wanhua capacity addition not included given uncertainties around timing and capacity
(b) Global industry spreads calculated as polycarbonate margin over raw material costs in Europe, US and China weighted resp. by polycarbonate demand in Europe, US and China
(c) Management estimates additional capacity (not captured in the Nexant data) may come online post-2017E if prevailing industry dynamics make it economically rational; Wanhua capacity addition reflected in management estimates

Source: Nexant as at July 2015
Positioning and access to customers is key
PCS global asset footprint and world-scale plants\(^{(a)}\) in all key regions

<table>
<thead>
<tr>
<th>Primary production plants</th>
<th>Compounding plants</th>
<th>Sheet plants</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Production of polycarbonate resin for either external sales or internal feedstock for compounding and sheet plants</td>
<td>• Refinement of polycarbonate resin with color and / or other additives (e.g. ABS)</td>
<td>• Production and sales of solid sheet in all regions and multi-wall sheet in EMEA and APAC</td>
</tr>
<tr>
<td>• Capacities by site: Baytown (230kt), Antwerp (240kt), Map Ta Phut (310kt), Uerdingen (300kt), Shanghai (200kt, additional 200kt coming online in 2016 / 2017)</td>
<td>• Color matching, technical service and small-scale production capabilities</td>
<td>• Main applications: Roofing systems, machine housing, signage, and luggage</td>
</tr>
</tbody>
</table>

Note: (a) Defined as a plant consisting of single lines with capacities of 100kt or more each
Source: Company information
State-of-the-art production site securing leading position in largest growth region

Covestro production site in Shanghai, China

**Capacity**
- Currently 200kt with additional 200kt coming on-stream in 2016E / 2017E

**Start-up**
- 2006A: phase 1
- 2016E / 2017E: phase 2
- Majority of capex on the project to be spent by end 2015E

**Differentiating facts**
- **Economies of scale**: Currently the only world-scale PC plant (100kt per single line or more) in China
- **Benefit from raw material integration**: Fully integrated into BPA and partially into chlorine
- **Process technology advantage**
  - Benefit from lower cost melt technology, compared to interfacial technology
  - Solvent free product for key industries

**Expansion in Shanghai**
Sufficient to support demand growth without new world-scale plant until 2020E in APAC\(^{(a)}\)

**Supply / Demand in APAC (kt)**

<table>
<thead>
<tr>
<th></th>
<th>2010A</th>
<th>2014A</th>
<th>2020E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covestro</td>
<td>1650</td>
<td>1925</td>
<td>2,130</td>
</tr>
<tr>
<td>Other</td>
<td>480</td>
<td>510</td>
<td>2,435</td>
</tr>
<tr>
<td>Suppliers</td>
<td>710</td>
<td>3,070</td>
<td>2,935</td>
</tr>
<tr>
<td>Demand</td>
<td>2,180</td>
<td>2,350</td>
<td>3,230</td>
</tr>
</tbody>
</table>

**Covestro is lowest cost polycarbonates producer in Asia\(^{(b),(c)}\)**

**Polycarbonates Cash Cost**

- Covestro
- China
- Covestro Map Ta Phut
- China Laggard
- SEA
- SEA Laggard

Notes: (a) Capacity forecasts include all publicly announced capacity additions as at July 2015 based on Nexant analysis; includes Covestro capacities in Thailand of 310kt in 2014A and 2020E
(b) Excluding potential transportation / delivery costs as per Nexant analysis
(c) As per Nexant analysis: Cost of production indexed and benchmarked to the leader plant in APAC; the competitor and laggard plants are representative of the cost position of a producer with the most (or least) favorable production characteristics vs. Covestro. Although the competitor and laggard plants are not intended to represent specific plants, they represent characteristics of the producers in the region

Source: Nexant as at July 2015, Company information
4 Broad access to customer applications and regions allows for optimized risk distribution and asset utilization

Covestro market access

<table>
<thead>
<tr>
<th>Competitive position of Covestro&lt;sup&gt;(a)&lt;/sup&gt;</th>
<th>Advantages of broad play</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Broad range</strong></td>
<td>• Reduced exposure to cyclicality of single customer industries</td>
</tr>
<tr>
<td><strong>Narrow range</strong></td>
<td>• Access to high growth end-markets</td>
</tr>
<tr>
<td><strong>Breadth of applications spectrum</strong></td>
<td>• Optimized risk distribution</td>
</tr>
<tr>
<td><strong>Geographic reach / footprint</strong></td>
<td>• Optimized asset utilization</td>
</tr>
<tr>
<td><strong>Local footprint</strong></td>
<td>• Greater technical specification requirement</td>
</tr>
<tr>
<td><strong>Global footprint</strong></td>
<td>• Comprehensive technical service is key</td>
</tr>
</tbody>
</table>

PCS sales split by end-markets

<table>
<thead>
<tr>
<th>2014A</th>
<th>2014A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others 22%</td>
<td>Automotive/Transportation 31%</td>
</tr>
<tr>
<td>Construction 17%</td>
<td>Electrical/Electronics 29%</td>
</tr>
</tbody>
</table>

PCS sales split by region

<table>
<thead>
<tr>
<th>2014A</th>
<th>2014A</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAFT 23%</td>
<td>APAC 40%</td>
</tr>
<tr>
<td>EMLA 37%</td>
<td></td>
</tr>
</tbody>
</table>

Notes: (a) Positioning based on management estimates; bubble size based on Nexant analysis
(b) Teijin is exiting its Singapore plant with 20kt capacity reduction in 2013A, 40kt in 2014A, and a further decline of 150kt expected to come in 2016E
Source: Nexant as at July 2015, Company Information

Sources: (a) Positioning based on management estimates; bubble size based on Nexant analysis
(b) Teijin is exiting its Singapore plant with 20kt capacity reduction in 2013A, 40kt in 2014A, and a further decline of 150kt expected to come in 2016E
Source: Nexant as at July 2015, Company Information
Material, application, and production know-how ensure leading market access and development

PCS innovation case study

Customer product development

Customer requirements

Material & concept development

New application technologies

Scale up & customer production

**Customer needs**

- Premium Automotive Interior
- Door Trim Strip with Backlight
- Part Manufacturing Process
- Commercial Production

**Premium Automotive Interior**

- Distinctive automotive interior design

**Door Trim Strip with Backlight**

- Specialized material solutions

**Part Manufacturing Process**

- Optimized manufacturing process

**Commercial Production**

- Global competitive offerings

**Covestro solution**

- Premium interior solutions with unique product & technology portfolio (e.g. high / low-gloss surfaces, lifestyle colors, wood, metal and textile surface decoration and structured surfaces)
- Support across the whole value chain from material development over new application technologies to integrated manufacturing
- Innovative polycarbonate grades, e.g. for transparent and translucent ambient lighting
- New designs for lifestyle colors, surface decoration and soft touch and feel
- DCDS\(^{(a)}\): one-step manufacturing process
- Combination of unique expertise in thermoplastics and polyurethane technologies
- Reduction of cost and complexity
- First choice development partner for leading OEM, Tier-1 and Tier-2 component suppliers, as well as for design houses
- Cutting-edge material and process innovation at value based cost
- Global footprint

Note: \( (a) \) DirectCoating / DirectSkinning: Cost efficient one-step process used to manufacture premium parts with tailor-made surface properties (e.g. hard, soft, foamed, textured); reduces volatile organic chemical emissions by avoiding solvents in coating process

*Source: Company Information*
Recent acquisition is critical step to building a leading position in automotive and IT industries

Polycarbonate composites

<table>
<thead>
<tr>
<th>What customers have been looking for</th>
<th>What Covestro aspires to provide</th>
</tr>
</thead>
<tbody>
<tr>
<td>High performance material to support broad application requirement</td>
<td>Important material for high-end IT, automotive, and consumer products applications (a)</td>
</tr>
<tr>
<td>Affordable process substitutes of metal</td>
<td>Efficient production process to provide easy-to-use material solution</td>
</tr>
<tr>
<td>Energy saving solution</td>
<td>Lightweight materials, e.g. 1/5 of the weight of stainless steel</td>
</tr>
</tbody>
</table>

**Current status**

- Acquired Thermoplast Composite GmbH (TCG) to have proprietary access to superior production technology
- Working together with leading brands and tiers component suppliers towards new product and application launch in market

Note: (a) IT and automotive applications include high-end IT housing for mobile devices (e.g. notebooks, tablets, phones), automotive body (e.g. engine cover, roof, trunk lid) and structural parts
PCS margins linked to industry utilization rates

PCS EBITDA trajectory

- PCS adj. EBITDA margin historically correlated to industry utilization rates
- Adj. EBITDA expected to recover strongly from recent trough levels over the short- and medium-term
  - Further supported by improved asset utilization and ongoing disciplined cost optimization

Notes: 
(a) Based on Nexant analysis
(b) Management estimates additional capacity (not captured in the Nexant data) may come online post-2017E if prevailing industry dynamics make it economically rational; Wanhua capacity addition reflected in management estimates
Source: Nexant as at July 2015, Company Information
Utilize superior market access and technology leadership for profitable growth

PCS business strategy

Key pillars of PCS strategy

<table>
<thead>
<tr>
<th>Capture market growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen technology leadership</td>
</tr>
<tr>
<td>Improve cost position</td>
</tr>
</tbody>
</table>

Implementation

- Leverage broad access to applications and geographies to drive growth
- Strengthen collaboration with global leaders in customer industries through strategic account management
- Improve customer supply through intended swap arrangements, mitigating regional and / or time supply imbalances
- Build on application and product development capabilities to grow in high technical specification segments
- Establish polycarbonate composites technology in the IT and automotive markets
- Further develop process technology as basis for production cost leadership
- Finalize investment in lowest cost production in China
- Increase sales channel and R&D efficiency
- Streamline PCS sheet production site network
Prepared for strong recovery in financial profile and cash flow generation

PCS financial outlook

<table>
<thead>
<tr>
<th>Financial metric</th>
<th>Business plan drivers</th>
<th>Outlook&lt;sup&gt;(a)&lt;/sup&gt;</th>
</tr>
</thead>
</table>
| **Volumes**      | • Above GDP demand growth driven by automotive, electrical and electronics, and construction  
                    • Covestro volumes expected to outpace demand growth  
                    • Ramp-up of new capacity in China  
                    • Increasing focus on higher technical specification applications  
                    • Outlet for additional capacity to be supported by opportunistic swap and co-producer sales and a broad play |  
|                  |                                                                                                                                                                                                                        | ↑                    |
| **EBITDA**       | • Expected recovery in industry utilization rates supporting higher industry margins  
                    • Focus on diversified applications / segments  
                    • Covestro utilization rates to recover in line with industry, driving improved asset utilization and hence operating leverage  
                    • Ongoing disciplined cost optimization |  
|                  |                                                                                                                                                                                                                        | ↑                    |
| **Capex**        | • Well-invested asset base with limited need for additional growth capex in the planning period  
                    • Majority of growth capex on Shanghai expansion spent by end 2015E |  
|                  |                                                                                                                                                                                                                        | ↓                    |

Note: <sup>(a)</sup> Outlook arrows are based on comparison to 2014A performance for each metric

Source: Company information
Section 7 – Coatings, Adhesives and Specialties (CAS)
Niche enablers business focused on the high-end of the value chain

CAS at a glance

- Global leading supplier of high performance materials to the coatings and adhesives industry and other specialties (films, elastomers, 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

Notes: (a) Based on total aliphatic isocyanates volume in 2014A relative to competitors as per Orr & Boss analysis as at July 2015
(b) Based on Covestro Combined Financial Statements FY2014A
(c) Includes direct customers only
Solving multi-dimensional, complex problems in a diverse and fragmented application landscape

Industry challenge

### Coatings, Adhesives, Sealants and Specialties

- Protect – Bond – Seal – Decorate – Functionize surfaces

Provide potential for wide variety of solutions depending upon specific situation

Addressed by different chemistries

<table>
<thead>
<tr>
<th>Substrate</th>
<th>Environment</th>
<th>Industry specifics</th>
<th>Application method</th>
<th>Curing</th>
<th>Chemistries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concrete</td>
<td>Abrasive</td>
<td>Automotive</td>
<td>Brush</td>
<td>Air-dry</td>
<td>Isocyanate</td>
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<tr>
<td>Glass</td>
<td>Alternating</td>
<td>Aviation</td>
<td>Curtain</td>
<td>Electro beam</td>
<td>TPU&lt;sup&gt;(b)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Metal</td>
<td>Cold</td>
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<td>Dip</td>
<td>IR dry</td>
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<td>Roll</td>
<td>Oven-dry</td>
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<tr>
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<td>Exterior</td>
<td>Food</td>
<td>Spray</td>
<td>UV curing</td>
<td>Acrylics</td>
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<tr>
<td>Wood</td>
<td>Hot</td>
<td>Footwear</td>
<td></td>
<td></td>
<td>Alkyds</td>
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<tr>
<td>Hair</td>
<td>Humid</td>
<td>Furniture</td>
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<td>Polyester</td>
</tr>
<tr>
<td>Skin</td>
<td>Interior</td>
<td>IT</td>
<td></td>
<td></td>
<td>Hybrids</td>
</tr>
<tr>
<td></td>
<td>Resistant</td>
<td>Infrastructure</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Marine</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Packaging</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rail</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### CAS Products

Notes: (a) Polyurethane dispersions
(b) Thermoplastic polyurethane
Focused on selected high-value part of PU resins industry

CAS product lines

ISOCYANATE DERIVATIVES + POLYOLS = POLYURETHANE RESINS

covestro.com

Notes: (a) Coatings, adhesives and sealants
(b) Excluding decorative coatings
(c) Volumes rounded to nearest 100kt
(d) Polyurethane dispersions
Source: Orr & Boss as at July 2015
Managing complexity in a capex-light industry
2,300+ products derived from 6+ monomers

Raw Materials / Amines
4+

Monomers
6+

Total CAS Products
2,300+

Customers
4,300+

Industries
10+

- Automotive
- Construction
- Wood & furniture
- Electronic
- Packaging
- Footwear
- Medical
- Textile
- Cosmetics
- Security

Note: (a) Including STP, PAC dispersions, PAS, PES, PC diols, polychloroprene rubber
Source: Company information
Competitive advantages from ability to serve profitable niches in diverse end-markets

**CASe**(a) application portfolio diversity

- **Construction**
  - Other Industries: 7%
  - Construction: 45%
  - Automotive & Transportation: 33%
  - Sealants: 38%
  - Others: 26%
- **Decorative**
  - 0.2%
- **Do it yourself**
  - 0.1%
- **Professional painters**
  - 0.2%
- **Industrial**
  - 15%
  - Coil: 3%
  - Industrial Plastics: 48%
- **Waterproofing**
  - 25%
- **Architectural**
  - 75%
- **Corrosion Protection**
  - 21%
- **Construction Concrete**
  - 49%
- **Wood & Furniture**
  - 55%
- **Other Industries**
  - 7%
- **Total CASe**(a) Resins
  - Demand: 13,100kt

**Notes:**
(a) Coatings, adhesives and sealants
(b) Including polyols, excl. decorative coatings; rounded to the nearest 100kt
Source: Orr & Boss as at July 2015
Diverse end-markets are served through only 4 key product groups

CAS product portfolio

**CAS sales breakdown**

- **By End-Market**
  - Automotive/Transportation: 30%
  - Others: 38%
  - Electrical & Electronic: 4%
  - Construction: 15%
  - Wood & Furniture: 13%

- **By Geography**
  - EMLA (Europe, Middle East, Africa, Latin America): 54%
  - APAC: 26%
  - NAFTA: 20%

**Overview of CAS products**

(b) CAS also sells monomers in the merchant market and non-isocyanate related coatings and adhesives (e.g. polychloroprene)

(c) Run as a virtual standalone business within CAS, higher growth and margin, include adjacent technology / chemistry / application

**Description**

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

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

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

- **Specialties**
  - Polyurethane and polycarbonate-based specialty films, hot cast elastomers and other specialties (e.g. textile, cosmetics and medical)

**Notes:**
(a) Europe, Middle East, Africa and Latin America
(b) CAS also sells monomers in the merchant market and non-isocyanate related coatings and adhesives (e.g. polychloroprene)
(c) Run as a virtual standalone business within CAS, higher growth and margin, include adjacent technology / chemistry / application

**Source:** Company information

**Revenue:** €1.9bn
Global industry leader with high and resilient profitability

CAS Key Investment Highlights

1. **High-end solution provider to intrinsically complex customer industries**
   unlocking above-average growth potential

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 barriers to entry

4. **Strong financial profile due to high margin resilience and low capex requirements**
   represent solid platform for future business expansion
PU-based materials expected to outgrow industry based on unique characteristics

**CASe\(^{(a)}\) industry growth**

**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

**Polyurethane products are growing above average across selected key end-markets**

Notes: (a) Coatings, adhesives and sealants
(b) Formulated products include only industrial coatings
(c) Across all end-markets as per Orr & Boss analysis
Source: Orr & Boss as at July 2015
1 PU-based products’ performance allow premium pricing

Focus on higher value-added applications

**CAS products: critical to customers but small portion of final product price**

- **Automotive coating**: ≤0.5%
- **Sport shoes adhesives**: ≤0.1%
- **Kitchen**: ≤0.1%
- **Flexible packaging**: ≤0.05%
- **Laptop casing**: ≤0.05%

CAS raw materials as a % of final product price

Note: (a) Coatings, adhesives and sealants
Source: Orr & Boss as at July 2015, Company information for raw materials as a % of final product price
Long-term relationships with each link of the value chain

CAS forward marketing

CAS delivers tailored solutions (illustrative: textile coating industry)

Development partners account for almost half of CAS revenue

<table>
<thead>
<tr>
<th>Customer Type</th>
<th>Share in Revenue</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development partners</td>
<td>High</td>
<td>• Innovation champions in their industries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Drive innovation together with CAS</td>
</tr>
<tr>
<td>Global key accounts</td>
<td>High</td>
<td>• Market leaders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Limited scope to be innovation partners</td>
</tr>
<tr>
<td>Distributors</td>
<td>Low</td>
<td>• Limited joint development</td>
</tr>
</tbody>
</table>

Quote from 2014 H&M Conscious Actions Sustainability Report(a)

- “[…] We have been working for the past few years with several partners to find the required innovation
- In 2014, we tested two new products made with a new water-based PU that Bayer Material Science developed in close collaboration with us. The results were very promising
- Moving forward, our goal is to scale up the use of waterbased PU materials to over ten products, including bags and shoes
- This will guide us in setting future goals and milestones towards a full phaseout of solvent-based PU”

Note: (a) http://sustainability.hm.com/en/sustainability.html
Source: Company information
Global site set-up provides proximity to end-markets and customers

CAS global asset base

### Selected customers
- Wörgag
- Votteler
- Hemmelrath
- Mankiewicz
- Nippon paint
- Red spot
- Kansai Paint

### Development partners
- Active in selected countries

### Global key accounts
- Axalta
- PPG
- BASF
- Sherwin-Williams
- Henkel
- AkzoNobel
- H.B. Fuller

- Global asset base
- Require global marketing and technical service

### Distributors
- CSC Jäklechemie
- Quimidroga
- WhitChem
- M.F. Cachat

- Important channel to markets

### 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
Strong track record of product innovation leads to continued competitive differentiation

CAS innovation strategy

History of robust product innovations

- 1960A
- 2015E

Innovation expenditure and revenue from new products

- Innovation spend
- Split of revenue by launch date
- 2014A, %
- Products launch < 5Y (~20%)
- Product Innovation (~90%)
- Process Innovation (~10%)

- Revenue: €1.9bn

CAS innovation strategy

1. Expand CAS application base in coatings and adhesives e.g. by bio-based raw materials and developing new crosslinking methods using PU chemistry

2. Maintain and grow core business

3. Expand into adjacent markets beyond CAS core applications (coatings and adhesives) e.g. in ophthalmic lenses, digital printing, composites and further grow specialties businesses
Recent successful launches underscore innovation leadership in isocyanate derivatives industry

Selected CAS innovation projects

1. Desmodur® eco – PDI: bio-based PU-crosslinker
   - Pentamethylene diisocyanate (PDI) contains 70% renewable carbon\(^{(a)}\) derived from non-fossil based inputs, and is not in direct competition with the food chain
   - Its raw material can be produced in an efficient way from biomass
   - This crosslinker is produced by the most energy efficient technology: gas-phase technology in existing assets
   - PDI can potentially be used in all applications that use HDI
   - Current status: initiated market introduction
   - Start year: 2015

2. BLULOGIQ – New thermolatent hardener
   - Might enable temperature reduction of the coatings process from 140 to below 100°C, 15% energy saving and up to 10% less CO\(_2\) emission
   - Game changing technology development requires support by various stakeholders along the value chain
   - Patented technology
   - Current status: initiated market introduction
   - Start year: 2015

3. INSQIN® Waterborne PU
   - INSQIN® Waterborne PU for synthetic materials and other coated fabrics
   - Enabling apparel & footwear design and manufacturing innovation with an entirely new level of material sustainability
   - New process raises worker safety, eliminates pollution risk and reduces water / energy consumption by 95% and 50%, respectively
   - CAS works in projects directly with brand owners and integrates value-chain stakeholders
   - Start year: 2014

Note: \(^{(a)}\) PDI contains 71.43% renewable carbon according to ASTM-D6866 standard
Source: Company information
Holding global leadership positions across entire portfolio

CAS competitive positions

Competitive global landscape in derivative products

- Aliphatic isocyanate derivatives
  - CAS is the inventor of aliphatic isocyanate derivatives for the CASe industry, and the global leader with 47% 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
- Aromatic isocyanate derivatives
  - 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
- Polyurethane dispersions
  - CAS is also the leading player in the PUD industry
  - 5 other global players account for 22% share
  - Remaining industry is fragmented with smaller regional players that compete in the low-cost, commodity-type products where CAS does not compete

Specialties

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

Highlights

- CAS is the inventor of aliphatic isocyanate derivatives for the CASe(b) industry, and the global leader with 47% 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 22% 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 c. 60% share
### Critical success factors underpin CAS strong position

#### Barriers to entry for derivative products

<table>
<thead>
<tr>
<th>Barriers to entry in derivatives</th>
<th>CAS position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economies of scope</strong></td>
<td>▪ More than 2,300 products supplied to over 4,300 customers</td>
</tr>
<tr>
<td>▪ Diversity of end-markets and products offered</td>
<td></td>
</tr>
<tr>
<td>▪ Niche applications with customized solutions</td>
<td></td>
</tr>
<tr>
<td><strong>Formulation know-how and technical expertise</strong></td>
<td>▪ Focus on high value-add products</td>
</tr>
<tr>
<td>▪ Expertise required to address customers needs with specific formulations</td>
<td></td>
</tr>
<tr>
<td><strong>Long-term customer relationships</strong></td>
<td>▪ Complementary product offering</td>
</tr>
<tr>
<td>▪ Long-term relationships with customers are key</td>
<td></td>
</tr>
<tr>
<td><strong>R&amp;D, market-driven innovation</strong></td>
<td>▪ Inventor of isocyanate derivative chemistry</td>
</tr>
<tr>
<td>▪ Innovation and R&amp;D are important to continuously address customers’ needs</td>
<td></td>
</tr>
<tr>
<td><strong>Global platform</strong></td>
<td>▪ Unique formulation capabilities</td>
</tr>
<tr>
<td>▪ Global network to supply customers on a reliable basis</td>
<td></td>
</tr>
</tbody>
</table>

CAS has a strong international footprint with presence across all regions:
- 3 world-scale HDI plants
- 11 other production units
- 9 technical centers
Global leadership position supported by an attractive industry structure

CAS value chain position for isocyanate derivatives

- Raw materials broadly available, both internally and externally
- Distinct barriers to entry in isocyanate monomers and derivatives production
- CAS is #1 player
- Customers are fragmented, allowing pricing power to derivative producers
- End-markets are high-value applications

Raw Materials / Amines
- Invista
- Ascend
- Solvay
- BASF
- Shenma Industrial
- Evonik

Monomers / Isocyanate derivatives
- Vencorex
- Wanhua
- Evonik
- Asahi Kasei
- Nippon Polyurethane
- BASF

4,300+ Customers
- PPG
- Sherwin-Williams
- Axalta
- H.B. Fuller
- AkzoNobel
- Sika
- BASF
- Henkel
- RPM
- Valspar

Over 10 Industries
- Volkswagen
- Volvo
- BMW
- Toyota
- Mercedes-Benz
- H&M
- Zara
- Adidas
- Nike
- Airbus
- IKEA
- Nolte Küchen
- IKEA
- Nestle
- P&G

CAS Products
Global aliphatic monomer capacities

HDI, IPDI, H₁₂MDI

- 57% in every aliphatic monomer
- 43%

PDI⁽ᵇ⁾

- 10% Isocyanate technology launched by CAS
- 90%

Barriers to entry in monomers

Engineering capability to build monomer plant
- Financial resources and know-how required to build world-scale isocyanate monomer plants
- CAS operates 3 world-scale HDI plants across NAFTA, EMEA, APAC at integrated CAS sites

Economies of scale
- Cost efficiency achieved by enjoying global manufacturing footprint
- CAS is the global 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 and has been one of the pioneers in its industrial use

Technology and cost leadership
- Technology know-how and capabilities to produce isocyanates
- Proprietary gas-phase technology
- On average 30%⁽ᵃ⁾ 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

CAS position

Notes: (a) Company information, corresponds to conversion costs
(b) Based on 2016E capacity announced by Bayer and competitors
Source: Orr & Boss as at July 2015, Company information for PDI capacity and corresponding capacity share
High margin resilience over time demonstrates specialty nature of business

CAS financial performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Value-add to customers and diversified application profile secures stable margins</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Global crisis with V shape recovery</td>
</tr>
<tr>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>2011</td>
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<tr>
<td>2012</td>
<td></td>
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<tr>
<td>2013</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
</tr>
</tbody>
</table>

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

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

Through the cycle production and profitability overview
Growing portfolio-adjusted revenues and EBITDA margin

CAS historical financial performance

From 2012A until 2014A, net sales primarily driven by positive volume effect (+4.9%) offset by negative sales price (-1.6%) as well as negative currency effect of (-2.9%) and negative portfolio effect (-3.2%)

Demonstrated volume growth in 2012A-2014A is below CAS long-term growth trajectory

2013A net sales lower due to divestments and new competitor capacity in HDI in APAC

In 2014A, sales increase resulted from higher volumes in all regions, fully offsetting further divestments

Q1 2015A strong sales growth driven by volume growth and positive currency effects

Adj. EBITDA increase supported by volume growth and raw material price development

Adj. EBITDA margin increase from 18.3% in 2012A to 22.7% in 2014A despite new entrants driven by:
- selected portfolio optimizations
- increased revenue from new innovations
- favorable raw material price impact

Notes: (a) Financials for FY2012A – 2014A based on Covestro Combined Financial Statements, quarterly financials based on Bayer AG's MaterialScience segment financials as published by Bayer AG
(b) Growth rate adjusted for currency and portfolio effects
Source: Bayer AG Segment Reporting, Covestro Combined Financial Statements
Building on strengths to further grow the bottom line

CAS business strategy

<table>
<thead>
<tr>
<th>Key pillars of CAS strategy</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secure high returns in growing core segments</td>
<td>● Continuously provide high-end solutions based on market-driven innovation capability and customer proximity</td>
</tr>
<tr>
<td></td>
<td>● Fine-tune existing isocyanate derivatives and derivatives of novel isocyanate building blocks to preserve our differentiated core business</td>
</tr>
<tr>
<td>Accelerate growth with specialties</td>
<td>● Evaluate opportunities to expedite earnings growth</td>
</tr>
<tr>
<td>Secure leading positions by selective investments</td>
<td>● Leverage core technical expertise and formulation know-how to address customer needs in existing adjacencies and new applications</td>
</tr>
<tr>
<td></td>
<td>● Evaluate partnering opportunities along the value-chain</td>
</tr>
<tr>
<td></td>
<td>● Expand HDI production in Shanghai by 2016E</td>
</tr>
<tr>
<td></td>
<td>● Selectively grow global PUD and specialties capacities</td>
</tr>
<tr>
<td></td>
<td>● Utilize / modify existing assets to scale up production of novel isocyanates</td>
</tr>
</tbody>
</table>
## Delivering sustainable, strong cash flows to Covestro

### CAS financial outlook

<table>
<thead>
<tr>
<th>Financial metric</th>
<th>Business plan drivers</th>
<th>Outlook(^{(a)})</th>
<th>Impact on cash flow</th>
</tr>
</thead>
</table>
| Sales            | • Driven by above GDP growth end-markets  
                  • Substitution of other chemistries through continued innovation at CAS  
                  • Increased quality requirements for coatings / adhesives in APAC  |                    |                     |
| EBITDA margin    | • Historically stable adj. EBITDA margin supports stable margin outlook  
                  • Leading production cost position  
                  • Continued focus on higher value segments and innovations  |                    |                     |
| Capex            | • Recently initiated HDI capacity expansion (production platform backbone) in Shanghai  
                  • Capex level to revert to normalized historical levels in 2016E improving cash conversion potential  
                  • Continued minor capex requirement for additional derivative and specialties capacity  |                    |                     |

Note: (a) Outlook arrows are based on comparison to 2014A performance for each metric
Source: Company information
Section 8 – Financials
Covestro live and stand-alone on 1\textsuperscript{st} September 2015

Organizational overview

<table>
<thead>
<tr>
<th>Business Units</th>
<th>PUR</th>
<th>PCS</th>
<th>CAS</th>
<th>Others / Consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Business Entities</td>
<td>MDI</td>
<td>PC and PC-blends</td>
<td>BMI</td>
<td></td>
</tr>
<tr>
<td>TDI</td>
<td></td>
<td>RES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Polyether polyols</td>
<td></td>
<td>SF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales 2014A €11,761m</td>
<td>€6,282m</td>
<td>€2,822m</td>
<td>€1,928m</td>
<td>€729m</td>
</tr>
<tr>
<td>Adj. EBITDA 2014A €1,161m</td>
<td>€592m</td>
<td>€160m</td>
<td>€437m</td>
<td>€(28)m</td>
</tr>
</tbody>
</table>

Source: Covestro Combined Financial Statements
Basis of financial preparation

- IPO financials based on 2012A – 2014A audited\(^{(a)}\) Combined Financial Statements for Covestro
- Group accounts prepared in accordance with IFRS for the years 2012A, 2013A and 2014A
- Covestro Combined Financial Statements for IPO, to a limited extent, deviate from historical Bayer Group Segment Reporting figures for Covestro based on certain carve-out adjustments
- Accounts reflect 3 operating segments, Polyurethanes (PUR), Polycarbonates (PCS) and Coatings, Adhesives and Specialties (CAS), as well as Others / Consolidation
- For Q1 2014A / 2015A financials, Bayer Group Segment Reporting figures are used in this presentation
- Unaudited Covestro Combined Financial Statements for H1 2015 to be provided to syndicate analysts on 17\(^{th}\) August 2015
- Financial year-end December

Note: \(^{(a)}\) To be audited by 17\(^{th}\) August 2015
Limited carve-out adjustments compared to historical Bayer AG Segment Reporting

Covestro Combined Financial Statements

### Net sales and growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Bayer AG Segment Reporting</th>
<th>Combined Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>11,491</td>
<td>11,610</td>
</tr>
<tr>
<td>2013A</td>
<td>11,357</td>
<td>11,651</td>
</tr>
<tr>
<td>2014A</td>
<td>11,761</td>
<td>11,761</td>
</tr>
</tbody>
</table>

Growth: 3.7% (2012A), 3.6% (2013A), (2.2)% (2014A)

### Adj. EBITDA and margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Bayer AG Segment Reporting</th>
<th>Combined Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>1,263</td>
<td>1,244</td>
</tr>
<tr>
<td>2013A</td>
<td>1,056</td>
<td>1,072</td>
</tr>
<tr>
<td>2014A</td>
<td>1,161</td>
<td>1,187</td>
</tr>
</tbody>
</table>

Margin: 11.0% (2012A), 10.7% (2013A), 9.5% (2014A)

### Comments

- Limited deviations from publicly available Bayer Segment Reporting financials on Covestro
- Main carve-out adjustments relate to several accounting items with positive as well as negative effects:
  - Reclassification of internal (Bayer Group sales) to external sales
  - Allocation of additional holding costs which historically have not been charged to Covestro segment in Bayer Segment Reporting
  - Changes in combination / consolidation scope
  - Minor other accounting adjustments

Source: Bayer AG Segment Reporting, Covestro Combined Financial Statements
Independent setup of Covestro without major additional costs and with mid-term savings potential

Carve-out from Bayer Group

<table>
<thead>
<tr>
<th>Services provided by Bayer pre carve-out</th>
<th>Replacement during carve-out</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service provider</strong></td>
<td><strong>Termination of several intra-group service agreements and corporate center allocations (‘Konzernumlage’)</strong></td>
</tr>
<tr>
<td><strong>Bayer AG</strong></td>
<td><strong>Reduction from 120 legal entities globally to c. 70 own Covestro legal entities, thereby reducing complexity and streamlining group structure significantly</strong></td>
</tr>
<tr>
<td><strong>Bayer Business Services (BBS)</strong></td>
<td><strong>Transfer of c. 1,800(b) historically Covestro dedicated employees(c) from Bayer Group service companies to Covestro</strong></td>
</tr>
<tr>
<td><strong>Bayer Group Platform (BGP)</strong></td>
<td><strong>Hiring of c. 500(b) additional employees(c) at Covestro of which c. 100(b) for Corporate and Global Functions (mainly HR, Controlling, Accounting, Finance, IT, Procurement) and c. 400(b) to build-up country organizations</strong></td>
</tr>
<tr>
<td><strong>Bayer Technology Services (BTS)</strong></td>
<td><strong>Transitional Service Agreements (‘TSA’) with Bayer Group (max. period of 3 years at current pricing model) relating to IT, accounting and technology services</strong></td>
</tr>
<tr>
<td><strong>Currenta(a)</strong></td>
<td><strong>Currenta services remain in place</strong></td>
</tr>
<tr>
<td></td>
<td><strong>No change in cost / service charge triggered by Covestro IPO</strong></td>
</tr>
</tbody>
</table>

- **Corporate services**
- **Agency business services**
- **Administrative services**
- **Information technology and management**
- **Services / solutions for business processes**
- **Technology development**
- **Project management and engineering**
- **Operations support and safety**
- **Chempark operations in Leverkusen, Dormagen and Uerdingen**
- **Energy, utilities, environmental, security services**
- **Management, analytics, training and development**

Notes:
- (a) Owned by Bayer AG (60%) and Lanxess AG (40%)
- (b) Estimated as of 30th June 2015
- (c) Employees refers to full-time-equivalents
Covestro positioned to deliver margin expansion and cash flow growth

Key financial highlights

1. **Solid historical financial performance**
   - Solid core volume (kt) growth over the period 2012A – 2014A (+2.3% CAGR) driven by PUR and PCS core volumes and impacted by divestments of lower margin CAS non-core activities
   - Historical track record of positive FOCF across the cycle, despite c. €7bn total capex\(^{(a)}\) spent in the last 10 years for state-of-the-art production facilities and technology
   - Strong recent momentum with significant net sales, adjusted EBITDA and FOCF growth in 2015E
   - Q1 2015A performance well ahead of prior years’ results underpinning recent momentum
   - Focus on continuous improvement embedded in Covestro’s company culture

2. **Cash generation and profitable growth**
   - Positioned to deliver margin expansion and attractive cash flow growth through volume driven operational leverage
   - Limited need for new asset investments in the planning period supporting growth in FOCF in the mid- to long-term
   - Independence supports accountability and focus on operational efficiency, profitability and returns
   - Disciplined profitability focus to further optimize operational efficiency and enhance profitability supported by a structured program
   - Management will focus on specific key performance indicators: Core volume growth\(^{(b)}\), ROCE\(^{(c)}\)-WACC and FOCF
   - Well-positioned to achieve returns above cost of capital as well as a positive value contribution

3. **Attractive dividend policy**
   - Clear and attractive dividend policy
   - Covestro envisages a dividend pay-out ratio of c. 30 – 50% based on Covestro Group IFRS net income
   - In addition to the target pay-out ratio, Covestro will focus on dividend continuity in €-terms

4. **Robust financial profile**
   - Targeting healthy balance sheet with financing structure allowing for investment grade rating

---

Notes:
(a) Total capex refers to additions to property, plant, equipment and intangible assets as per statement of changes in property, plant, equipment and intangible assets
(b) Core volumes are the focus of business operations and are defined as all PUR, PCS and CAS volumes not initiated by opportunistic business opportunities through sales of e.g. raw materials and intermediates (such as styrene and caustic soda)
(c) Return on Capital Employed (ROCE) is defined as net operating profit after taxes (EBIT minus effective taxes) divided by the average capital employed. Capital employed comprises all interest-bearing capital required to run the operating business, i.e. fixed assets, intangible assets and working capital, less capital that is available free of interest
Solid historical financial performance
2012A-2014A historical financial performance

**Performance 2012A-2014A**

- Net sales primarily driven by volume growth utilizing available capacities, in particular in APAC, following demand growth. Moderate selling price reductions and negative currency effects partially offsetting volume growth.

- Adj. EBITDA impacted by increase in raw material costs not being compensated by price given supply / demand conditions and volume developments on the back of capacity expansions in all segments impacting industry utilization rates.

- FOCF positive in every year with proven ability to adapt to earnings volatility through short-term measures.

- FOCF over the last years affected by capex and fluctuations in net working capital driven by scheduled plant turnarounds.

- Well-invested asset base with historically substantial levels of total capex\(^{(b)}\) (on average approx. c. €670m p.a. in total capex\(^{(b)}\) over the last 10 years).

---

**Notes:** Financials for FY2012A – 2014A based on Covestro Combined Financial Statements
(a) Free operating cash flow (FOCF) is calculated as net operating cash flow less cash outflows for additions to property, plant, equipment and intangible assets
(b) Total capex refers to additions to property, plant, equipment and intangible assets as per statement of changes in property, plant, equipment and intangible assets
Source: Covestro Combined Financial Statements
Core volumes are the focus of business operations and are defined as all PUR, PCS and CAS volumes not initiated by opportunistic business opportunities through sales of e.g. raw materials and intermediates (such as styrene and caustic soda).

Flat core volume (kt) development in 2013A (-0.2%) negatively impacted by CAS core volume effects following several divestments in 2013A (global powder polyester resins business, liquid polyester business, Desmolux resins business).

Solid core volume (kt) growth in 2014A of (+4.8%) especially driven by PUR (TDI) and PCS volumes.

Higher net sales volume effects (in €) relate to the fact that core volume (kt) growth primarily triggered by higher priced products.

Note: Volumes (kt) based on externally sold volumes.
1 Strong recent momentum illustrating profitability potential

Q1 2015A financial performance

- Significant net sales increase in Q1 2015A driven by positive currency effects and volume growth partially offset by lower selling prices
- PUR net sales volumes slightly increased, PCS net sales volumes grew significantly mainly driven by greater demand especially in the automotive industry and CAS showed solid net sales volume growth in APAC and NAFTA
- Lower selling prices at PUR and PCS followed a decrease in raw material prices. CAS showed stable selling prices
- Core volume (kt) growth (+1.7%) primarily driven by PCS and CAS
- Q1 2015A adj. EBITDA significantly ahead of respective quarters in 2012A / 2013A
- Adj. EBITDA in Q1 2015A mainly impacted by lower raw material cost which compensated declining selling prices, given favorable supply / demand conditions as well as increasing other manufacturing costs
- Q1 2015A adj. EBITDA additionally supported by positive currency effects of approximately €50m
- Q1 2015A adj. EBITDA affected by negative balance of operational one-time effects versus 2014A (-€14m)
# Improving performance in functional cost supporting profitability

## Profit and loss statement

<table>
<thead>
<tr>
<th>Key P&amp;L items</th>
<th>2012A</th>
<th>2013A</th>
<th>2014A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>11,610</td>
<td>11,357</td>
<td>11,761</td>
</tr>
<tr>
<td>% <strong>growth</strong></td>
<td>n/a</td>
<td>(2.2)%</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>Cost of goods sold</strong></td>
<td>(9,306)</td>
<td>(9,390)</td>
<td>(9,609)</td>
</tr>
<tr>
<td>% of <strong>sales</strong></td>
<td>80.2%</td>
<td>82.7%</td>
<td>81.7%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>2,304</td>
<td>1,967</td>
<td>2,152</td>
</tr>
<tr>
<td>% <strong>margin</strong></td>
<td>19.8%</td>
<td>17.3%</td>
<td>18.3%</td>
</tr>
<tr>
<td><strong>Selling expenses</strong></td>
<td>(1,120)</td>
<td>(1,094)</td>
<td>(1,097)</td>
</tr>
<tr>
<td>% of <strong>sales</strong></td>
<td>9.6%</td>
<td>9.6%</td>
<td>9.3%</td>
</tr>
<tr>
<td><strong>Research and development expenses</strong></td>
<td>(255)</td>
<td>(243)</td>
<td>(212)</td>
</tr>
<tr>
<td>% of <strong>sales</strong></td>
<td>2.2%</td>
<td>2.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td><strong>General administration expenses</strong></td>
<td>(351)</td>
<td>(322)</td>
<td>(343)</td>
</tr>
<tr>
<td>% of <strong>sales</strong></td>
<td>3.0%</td>
<td>2.8%</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>Other operating income / (expense)</strong></td>
<td>(36)</td>
<td>83</td>
<td>17</td>
</tr>
<tr>
<td>% of <strong>sales</strong></td>
<td>0.3%</td>
<td>0.7%</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>542</td>
<td>391</td>
<td>517</td>
</tr>
<tr>
<td>% <strong>margin</strong></td>
<td>4.7%</td>
<td>3.4%</td>
<td>4.4%</td>
</tr>
<tr>
<td><strong>D&amp;A</strong></td>
<td>669</td>
<td>693</td>
<td>605</td>
</tr>
<tr>
<td>% of <strong>sales</strong></td>
<td>5.8%</td>
<td>6.1%</td>
<td>5.1%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,211</td>
<td>1,084</td>
<td>1,122</td>
</tr>
<tr>
<td>% <strong>margin</strong></td>
<td>10.4%</td>
<td>9.5%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Add back of special items</td>
<td>33</td>
<td>(28)</td>
<td>39</td>
</tr>
<tr>
<td>% of <strong>sales</strong></td>
<td>0.3%</td>
<td>(0.2)%</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Adj. EBITDA</strong></td>
<td>1,244</td>
<td>1,056</td>
<td>1,161</td>
</tr>
<tr>
<td>% <strong>margin</strong></td>
<td>10.7%</td>
<td>9.3%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

## Highlights

- **Overall, decline of functional costs driven by continuous improvement measures:**
  - **Selling expenses**: volume driven cost increase for freight and warehousing compensated by strict cost discipline and efficiency improvement initiatives in marketing costs
  - **R&D expenses**: reassessment of R&D strategy leading to focus on core areas while discontinuing non-strategic activities. In addition streamlining of R&D process leading to further efficiencies
  - **General administration expenses**: G&A cost managed to remain stable over period by multiple small continuous improvement measures

- **Other operating income / (expense) in 2013A driven by CAS divestments of global powder polyester resins business, liquid polyester business and Desmolux product line**

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Note: Financials for FY2012A – 2014A based on Covestro Combined Financial Statements
Source: Covestro Combined Financial Statements
Cost of goods sold driven by increases in raw material cost, capacity expansions and volume growth

Changes in raw material costs / prices generally passed on to customers depending on supply / demand situation of the industry and overall industry utilization rates.

COGS in 2013A increased driven by raw material price increases partially offset by currency effects.

COGS as percentage of sales in 2013A increased as sales prices did not fully compensate the raw material price development driven by supply / demand situation.

COGS in 2014A driven by volume growth which is partially compensated by lower raw material prices and currency developments.

COGS as percentage of sales in 2014A declined driven by strong volume growth and greater fixed cost coverage.
Key raw materials secured through long-term contracts

Raw material exposure

### Major raw material split (2014A)

- Benzene
- Phenol
- Propylene
- Toluene
- Acetone
- HDA
- Others

### Comments

- Crude oil defines floor price for majority of raw materials used, additional charges on crude oil price depend on the specific supply / demand dynamics in relevant raw material market segments.
- Key raw materials mostly secured through contracts with purchasing prices typically fixed on a monthly basis.
- Contracts include defined volumes and in some exceptional cases take-or-pay obligations (e.g. carbon monoxide and chlorine).
  - Phenol supply secured through longer-term contracts based on combination of cost plus and / or market prices in a structurally liquid market.
  - Other Aromatics (benzene / toluene) secured through shorter-term contracts and spot purchases. Purchasing prices are fixed on a monthly basis.
  - The Group primarily secures its supply of propylene oxide through its joint ventures with LyondellBasell. Co-product styrene out of Rotterdam JV directly sold to the market as non-core sales.
- Chlorine, carbon monoxide and hydrogen (if no own production facility is available) sourced from on-site partners (at cost plus) or externally via long-term contracts.
- Energy sourcing secured by long-term contracts covering access to crucial assets on-site or over-the-fence (steam generation, supply grids) while fuels are sourced close to the market, however, respective costs are not included in raw material expenses but in manufacturing costs.
- ‘Others’ contains more than 300 raw materials with each less than 3% of total raw material costs.

Total raw material exposure €5,612m (a)

Notes: Financials for FY2012A – 2014A based on Covestro Combined Financial Statements
(a) Total raw material exposure refers to actual raw material cost expense occurred in the P&L
Source: Covestro Combined Financial Statements
Covestro benefitting from recent depreciation of Euro against major currencies

Currency exposure

<table>
<thead>
<tr>
<th>Sales by region (2014A)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAFTA 26%</td>
<td>• According to Bayer practice c. 50% of anticipated and 100% of booked transactional currency exposure has been hedged</td>
</tr>
<tr>
<td>EMLA 46%</td>
<td>• Covestro will hedge 100% of its booked foreign currency exposure (transactional currency exposure), as of 1st September 2015 anticipated transactional currency exposure will no longer be hedged</td>
</tr>
<tr>
<td>APAC 28%</td>
<td>• The positive currency development for Covestro in Q1 2015A relates primarily to translational currency effects</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NAFTA 24%</td>
<td>EUR 43%</td>
</tr>
<tr>
<td>EMLA 36%</td>
<td>USD 24%</td>
</tr>
<tr>
<td>APAC 40%</td>
<td>CNY 12%</td>
</tr>
<tr>
<td></td>
<td>HKD 9%</td>
</tr>
<tr>
<td></td>
<td>Others 12%</td>
</tr>
</tbody>
</table>

Notes: Financials for FY2012A – 2014A based on Covestro Combined Financial Statements
(a) Excluding reconciliations
(b) Defined as percentage of sales based on functional (reporting) currency of Covestro legal entities
Source: Covestro Combined Financial Statements
### Historical financial performance including minimal special items

#### Overview of historical special items

<table>
<thead>
<tr>
<th>EBITDA impact of special items</th>
<th>2012A</th>
<th>2013A</th>
<th>2014A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PUR</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring</td>
<td>(24)</td>
<td>(4)</td>
<td>(9)</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>7</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>PCS</strong></td>
<td>–</td>
<td>(4)</td>
<td>(28)</td>
</tr>
<tr>
<td>Restructuring</td>
<td>(3)</td>
<td>(4)</td>
<td>(28)</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>CAS</strong></td>
<td>(9)</td>
<td>37</td>
<td>(1)</td>
</tr>
<tr>
<td>Restructuring</td>
<td>(11)</td>
<td>(5)</td>
<td>(1)</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>2</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Divestments</td>
<td>–</td>
<td>42</td>
<td>–</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>–</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Total special items</td>
<td>(33)</td>
<td>28</td>
<td>(39)</td>
</tr>
<tr>
<td>% of sales</td>
<td>(0.3)%</td>
<td>0.2%</td>
<td>(0.3)%</td>
</tr>
</tbody>
</table>

#### Comments

- **Mainly related to severance payments in 2012A due to closure of two production lines of spray foam business in the US and headcount reduction at PUR in Germany**
- **Plan adjustment in other post employment benefits in the US led to a gain in 2012A**
- **Mainly related to severance payments in 2014A due to divestments and closures (e.g. closure of PCS sheets business in Darmstadt, Germany)**
- **Divestment of Covestro’s global powder polyester resins business led to a book gain in 2013A**
### Historical cash flow influenced by operating performance and growth investments

#### Cash flow statement

<table>
<thead>
<tr>
<th>Key free cash flow items</th>
<th>2012A (€m)</th>
<th>2013A (€m)</th>
<th>2014A (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>542</td>
<td>391</td>
<td>517</td>
</tr>
<tr>
<td>Depreciation, amortization and impairment</td>
<td>669</td>
<td>693</td>
<td>605</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,211</td>
<td>1,084</td>
<td>1,122</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(135)</td>
<td>(85)</td>
<td>(84)</td>
</tr>
<tr>
<td>Change in pension provisions</td>
<td>(51)</td>
<td>(16)</td>
<td>(23)</td>
</tr>
<tr>
<td>(Gains) / losses on retirements of noncurrent assets</td>
<td>(19)</td>
<td>(42)</td>
<td>1</td>
</tr>
<tr>
<td><strong>Gross cash flow</strong></td>
<td><strong>1,006</strong></td>
<td><strong>941</strong></td>
<td><strong>1,016</strong></td>
</tr>
<tr>
<td>Decrease / (Increase) in inventories</td>
<td>(317)</td>
<td>179</td>
<td>(164)</td>
</tr>
<tr>
<td>Decrease / (Increase) in trade accounts receivable</td>
<td>(20)</td>
<td>17</td>
<td>(110)</td>
</tr>
<tr>
<td>(Decrease) / Increase in trade accounts payable</td>
<td>189</td>
<td>(78)</td>
<td>117</td>
</tr>
<tr>
<td>Changes in other working capital, other non-cash items</td>
<td>(44)</td>
<td>(61)</td>
<td>66</td>
</tr>
<tr>
<td><strong>Net operating cash flow</strong></td>
<td><strong>814</strong></td>
<td><strong>998</strong></td>
<td><strong>925</strong></td>
</tr>
<tr>
<td>Cash relevant capex&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>(633)</td>
<td>(583)</td>
<td>(612)</td>
</tr>
<tr>
<td>% of sales</td>
<td>5.5%</td>
<td>5.1%</td>
<td>5.2%</td>
</tr>
<tr>
<td>FOCF</td>
<td>181</td>
<td>415</td>
<td>313</td>
</tr>
<tr>
<td>% growth</td>
<td>129.3%</td>
<td>(24.6)%</td>
<td></td>
</tr>
</tbody>
</table>

#### Comments

- **FOCF** affected by investments in asset base as well as changes in net working capital
- Inventories mainly driven by scheduled PUR / PCS plant turnarounds in Shanghai and Baytown in 2012A / 2013A and build-up of safety stocks in finished goods due to external raw material curtailments in 2014A
- Trade accounts payable movements closely linked to build-up of inventory levels
- Trade accounts receivable increase in 2014A as a result of increased sales volumes
- Changes in other working capital in 2014A resulting from increase in short-term incentive (bonus) provisions
- Capex levels affected by single large projects such as building / ramp-up of plant in Shanghai (PCS, CAS and MDI) and TDI Dormagen
- In 2013A, D&A charges affected by one-time effects such as divestments and site closures (e.g. several measures within CAS and PUR Systems house South China)
- D&A in 2012A / 2013A above capex as propylene oxide JV with LyondellBasell in EMEA was partially consolidated as of 2013A (restated for 2012A) and has been depreciated over 10 years only (until end of 2013A)

---

<sup>(a)</sup> Cash relevant capex refers to cash outflows for additions to property, plant, equipment and intangible assets

**Source:** Covestro Combined Financial Statements
Well-managed working capital with upside potential

Working capital development

**DOH**\(^{(a)}\), **DSO**\(^{(b)}\) and **DPO**\(^{(c)}\)

<table>
<thead>
<tr>
<th></th>
<th>2012A</th>
<th>2013A</th>
<th>2014A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DOH</strong>(^{(a)})</td>
<td>72</td>
<td>62</td>
<td>71</td>
</tr>
<tr>
<td><strong>DSO</strong>(^{(b)})</td>
<td>44</td>
<td>43</td>
<td>48</td>
</tr>
<tr>
<td><strong>DPO</strong>(^{(c)})</td>
<td>(53)</td>
<td>(51)</td>
<td>(57)</td>
</tr>
</tbody>
</table>

**Net working capital**

<table>
<thead>
<tr>
<th></th>
<th>2012A</th>
<th>2013A</th>
<th>2014A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inventories</strong></td>
<td>1,915</td>
<td>1,650</td>
<td>1,943</td>
</tr>
<tr>
<td><strong>Trade accounts receivable</strong></td>
<td>1,428</td>
<td>1,363</td>
<td>1,561</td>
</tr>
<tr>
<td><strong>Trade accounts payable</strong></td>
<td>1,865</td>
<td>1,616</td>
<td>1,904</td>
</tr>
<tr>
<td><strong>% of sales</strong></td>
<td>16.5%</td>
<td>14.5%</td>
<td>16.5%</td>
</tr>
</tbody>
</table>

**Notes:** Financials for FY2012A – 2014A based on Covestro Combined Financial Statements. Net working capital defined as inventories plus trade accounts receivable less trade accounts payable

\( (a) \) Days inventory on hand  \( (b) \) Days sales outstanding  \( (c) \) Days payables outstanding

Source: Covestro Combined Financial Statements

**Comments**

- Net working capital averaged €1.8bn in the period 2012A-2014A, representing 15% – 17% of net sales
- Net working capital is monitored at segment level based on monthly KPIs (DOH\(^{(a)}\), DSO\(^{(b)}\), DPO\(^{(c)}\))
- Seasonality from summer and Christmas / Chinese New Year periods
- Movements are mainly driven by changes in inventories and trade accounts payable related to the scheduled plant turnarounds in PUR and PCS
- Increased trade accounts receivable in 2014A driven by increased sales volumes especially in November and December as well as positive currency effects. Inventory levels increased due to build-up of safety stocks in finished goods given external raw material curtailments and currency effects
- Current net working capital levels leave potential for further improvements
Limited need for additional capital investment in the planning period

Historical capex investments

Total capex\(^{(a)}\) spent since 2005 of c. €7bn of which c. €4bn growth capex

- Total capex\(^{(a)}\) spend of c. €7bn in last 10 years
- Well-invested, high quality asset base
- Majority of capex required to fund current / planned expansions already spent
- Benefits to be captured in mid- to long-term
- Limited need for further investments into new Covestro capacity in the planning period

---


\(^{(a)}\) Total capex refers to additions to property, plant, equipment and intangible assets as per statement of changes in property, plant, equipment and intangible assets.

Source: Bayer AG Segment Reporting, Covestro Combined Financial Statements.
Disciplined future investments in growth regions

Planned investments

### Planned 2015E – 2017E investment program

**Focused on growth regions**

- **APAC**: 60%
- **EMLA**: 36%
- **NAFTA**: 4%

- **Growth**: c. 30%
- **Efficiency**: c. 10%
- **Maintenance**: c. 60%

<table>
<thead>
<tr>
<th>Project</th>
<th>Business Unit</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCS expansion Shanghai</td>
<td>PCS</td>
<td>APAC</td>
</tr>
<tr>
<td>CAS HDI expansion Shanghai</td>
<td>CAS</td>
<td>APAC</td>
</tr>
<tr>
<td>CO₂ Polyol Pilot Plant Dormagen</td>
<td>PUR</td>
<td>EMLA</td>
</tr>
<tr>
<td>SF investments</td>
<td>CAS</td>
<td>EMLA / APAC</td>
</tr>
<tr>
<td>PC Composites</td>
<td>PCS</td>
<td>EMLA / APAC</td>
</tr>
</tbody>
</table>

**Investment criteria and process**

- **Value**
  - ROCE\(^{(a)}\)
  - NPV (Net Present Value)
  - POT (Pay-Off Time)

- **Strategy**
  - Strategy score: based on long-term business attractiveness and sustainability

- **Process**
  1. Definition of maximum available resources
  2. Definition of strategic priorities and financial expectations
  3. Prioritization of investment proposals:
     - Maintenance projects: risk assessment
     - Efficiency and growth projects: ROCE\(^{(a)}\), NPV, POT and strategy score
  4. Overall portfolio approval by Covestro board of management

- **M&A Strategy**
  - Bolt-on acquisitions to boost R&D and business development
  - Focus on high margin, differentiated business areas

---

Note: (a) Return on Capital Employed (ROCE) is defined as net operating profit after taxes (EBIT minus effective taxes) divided by the average capital employed. Capital employed comprises all interest-bearing capital required to run the operating business, i.e. fixed assets, intangible assets and working capital, less capital that is available free of interest.
Multiple levers for EBITDA growth in the future

Building blocks for Covestro future profitability

1. Ramp-up of world-scale asset base allows for volume expansion at largely flat fixed cost
   - Growth initiatives support outlet of additional volumes and drive top line growth

2. Fixed asset management cost improvement supports project execution and drives further optimization
   - Asset restructuring and efficiency projects accompanied by ongoing site consolidation

3. Overhead cost savings driven by service functions and IT infrastructure optimization
   - BU-level specific cost savings include streamlining sales forces, focus on core areas and consolidation across various business functions

Note: Chart not to scale
Capture market growth through well-managed ramp-up of world-scale assets

Capacity outlook and growth initiatives

**Covestro capacity outlook**
- Increased sales volume through higher utilization
- New capacities coming onstream; capex largely spent

**Covestro growth initiatives**
- Leverage existing customer proximity and market access to achieve growth
- Explore partnering options, including swap arrangements
- Grow in adjacencies and new applications

Ramp-up of world-scale asset base allows for volume expansion at largely flat fixed costs

Growth initiatives support outlet of additional volumes and drive top line growth

Note: (a) Total for PUR and PCS
2 Targeted gross savings of €420m well above expected inflation

Structured profitability program

<table>
<thead>
<tr>
<th>Key measures</th>
<th>Net savings potential by 2019E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset optimization plan</strong></td>
<td><strong>Inflation of existing cost base</strong></td>
</tr>
<tr>
<td><strong>Fixed assets management cost improvements</strong></td>
<td><strong>Targeted gross savings</strong> c. 420</td>
</tr>
<tr>
<td>● Rolling out fixed asset management cost initiatives</td>
<td></td>
</tr>
<tr>
<td>● More efficient turnaround execution</td>
<td></td>
</tr>
<tr>
<td>● Further operational optimizations</td>
<td></td>
</tr>
<tr>
<td><strong>Asset restructuring / efficiency projects</strong></td>
<td>c. 270</td>
</tr>
<tr>
<td>● Closure of Belford Roxo</td>
<td></td>
</tr>
<tr>
<td>● TDI EMEA restructuring</td>
<td></td>
</tr>
<tr>
<td>● Ongoing site consolidation</td>
<td></td>
</tr>
<tr>
<td>● MDI EMEA restructuring potential</td>
<td></td>
</tr>
<tr>
<td><strong>Continuous improvement</strong></td>
<td>c. 150</td>
</tr>
<tr>
<td>● In manufacturing area</td>
<td></td>
</tr>
<tr>
<td><strong>Corporate overhead cost savings</strong></td>
<td>Expected net savings potential by 2019</td>
</tr>
<tr>
<td>● Streamlining IT infrastructure and business model</td>
<td></td>
</tr>
<tr>
<td>● More tailor-made service function designs to replace current TSA (a) with Bayer</td>
<td></td>
</tr>
<tr>
<td><strong>Cost improvement measures</strong></td>
<td>Profitability enhancement potential by 2019</td>
</tr>
<tr>
<td><strong>BU-level specific savings</strong></td>
<td></td>
</tr>
<tr>
<td>● Streamline sales force and back-office</td>
<td></td>
</tr>
<tr>
<td>● Focus on core areas and customers</td>
<td></td>
</tr>
<tr>
<td>● Consolidation within regional functions, product management and sales</td>
<td></td>
</tr>
<tr>
<td>● Maximize use of existing trade and distribution channels</td>
<td></td>
</tr>
<tr>
<td><strong>Continuous improvement</strong></td>
<td></td>
</tr>
<tr>
<td>● In non-manufacturing area</td>
<td></td>
</tr>
</tbody>
</table>

Note: (a) Transitional Service Agreements
Performance culture led by clear performance indicators

Incentive programs and key performance indicators

- **Short-term incentive program** covering annual performance for all managerial positions based on 3 KPIs: 
  - Core volume growth\(^{(b)}\)
  - ROCE\(^{(c)} – WACC\)
  - Free Operating Cash Flow (FOCF)

- **Long-term incentive program** (with cash settlement) over a vesting period of 4 years measured by absolute (Covestro’s share price development) and relative (Dow Jones STOXX Europe 600 Chemicals) components.

- **Employee stock participation program** will be launched post IPO.

C. 5,000 employees\(^{(a)}\) (30% of Covestro employees\(^{(a)}\)) participating in Management Incentive Programs

---

Notes:

(a) Employees refers to full-time-equivalents

(b) Core volumes are the focus of business operations and are defined as all PUR, PCS and CAS volumes not initiated by opportunistic business opportunities through sales of e.g. raw materials and intermediates (such as styrene and caustic soda).

(c) Return on Capital Employed (ROCE) is defined as net operating profit after taxes (EBIT minus effective taxes) divided by the average capital employed. Capital employed comprises all interest-bearing capital required to run the operating business, i.e. fixed assets, intangible assets and working capital, less capital that is available free of interest.
Attractive and stable dividend policy

Dividend policy

- Efficient capital structure and strong free cash flow allowing for sustainable dividend policy
- Target dividend pay-out aimed to be largely in line with peers
- Covestro envisages a dividend pay-out ratio of c. 30 – 50% based on Covestro Group IFRS net income from 2016 onwards
- For FY 2015, Covestro envisages to propose a total dividend payment of around €100 – 150m at the AGM in 2016E given that IPO is expected for Q4 2015E
- Clear commitment to a sustainable dividend policy with focus on dividend continuity in €-terms
All primary IPO proceeds to repay Bayer intra-company debt

Offer Structure

Pre carve-out FY2014A

Post carve-out 1st September 2015 (Economic separation)

Post IPO

Mainly intra-company debt from Bayer

Additional carve-out debt and pension liabilities

Contribution into Covestro capital reserves by Bayer

IPO primary proceeds

Bayer intra-company debt repayment

Net financial debt including pensions

Target capital structure of net financial debt (incl. pension liabilities) / adj. EBITDA 2015E

Net financial debt

Pension liabilities
## Target financial profile post IPO allowing for investment grade credit rating

### Target capital structure

<table>
<thead>
<tr>
<th>Target leverage</th>
<th>Covestro pre-IPO primarily funded via intra-company loans (ICLs) from Bayer AG</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target post IPO capital structure: 2.5x – 3.0x 2015E adj. EBITDA (net financial debt including pension liabilities)</td>
</tr>
<tr>
<td></td>
<td>Primary IPO proceeds and contribution into capital reserve by Bayer AG designed to facilitate target leverage post IPO</td>
</tr>
<tr>
<td></td>
<td>Remaining ICLs to be refinanced via debt capital markets or loan package following the listing of Covestro</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funding security</th>
<th>Liquidity to be secured via 5Y Revolving Credit Facility and 3Y Term Loan Facility to be provided by banking consortium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Underwriting of loan agreement planned for time of Intention-to-Float</td>
</tr>
<tr>
<td></td>
<td>Syndication to a larger bank group will follow Intention-to-Float date with expected completion before listing</td>
</tr>
<tr>
<td></td>
<td>Loan agreement consists of two facilities:</td>
</tr>
<tr>
<td></td>
<td>– 5Y+1+1 Revolving Credit Facility (RCF) and Working Capital Facility (WCF)</td>
</tr>
<tr>
<td></td>
<td>– 3Y Term Loan Facility (TLF) as liquidity backup until debt capital markets take-out (via bonds) of remaining Bayer intra-company loans</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rating process</th>
<th>Target financial profile allowing for investment grade credit rating post IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>External rating to be confirmed by one major credit rating agency</td>
</tr>
</tbody>
</table>

Funding security

- Liquidity to be secured via 5Y Revolving Credit Facility and 3Y Term Loan Facility to be provided by banking consortium
- Underwriting of loan agreement planned for time of Intention-to-Float
- Syndication to a larger bank group will follow Intention-to-Float date with expected completion before listing
- Loan agreement consists of two facilities:
  - 5Y+1+1 Revolving Credit Facility (RCF) and Working Capital Facility (WCF)
  - 3Y Term Loan Facility (TLF) as liquidity backup until debt capital markets take-out (via bonds) of remaining Bayer intra-company loans

Rating process

- Target financial profile allowing for investment grade credit rating post IPO
- External rating to be confirmed by one major credit rating agency
## Medium-term financial outlook confirms Covestro’s growth momentum

### Financial outlook

<table>
<thead>
<tr>
<th>Profit and loss</th>
<th>2013A</th>
<th>2014A</th>
<th>Q1 2015A</th>
<th>2015E target(^{(c)})</th>
<th>Mid-term target(^{(c)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (growth)</td>
<td>11,357</td>
<td>11,761</td>
<td>3,014</td>
<td>(\text{growth} )</td>
<td>3.6%</td>
</tr>
<tr>
<td>Adj. EBITDA (margin)</td>
<td>1,056</td>
<td>1,161</td>
<td>424</td>
<td>(\text{margin} )</td>
<td>9.9%</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>29.8%</td>
<td>27.3%</td>
<td>n/a</td>
<td>(\text{rate} )</td>
<td>27.3%</td>
</tr>
<tr>
<td>Special items (EBITDA)</td>
<td>28</td>
<td>(39)</td>
<td>(21)</td>
<td>(\text{EBITDA} )</td>
<td>n/a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flow</th>
<th>2013A</th>
<th>2014A</th>
<th>Q1 2015A</th>
<th>2015E target(^{(c)})</th>
<th>Mid-term target(^{(c)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash relevant capex(^{(a)}) (% of sales)</td>
<td>583</td>
<td>612</td>
<td>89</td>
<td>(\text{capex} )</td>
<td>5.2%</td>
</tr>
<tr>
<td>NWC(^{(b)}) (% of sales)</td>
<td>1,650</td>
<td>1,943</td>
<td>n/a</td>
<td>(\text{NWC} )</td>
<td>16.5%</td>
</tr>
</tbody>
</table>

### Mid-term outlook

- Robust GDP+ growth driven by core volume growth (kt) and growth into asset base
- Continuous volume growth driving asset utilization and greater fixed cost coverage
- Focus on cost discipline and efficiency measures
- In line with Covestro’s international business mix
- Significant exceptional one-off items expected due to the IPO and restrukturings in 2015E
- Limited need for further growth capex in the mid-term
- In line with historical levels with some improvement potential

**Notes:** Financials for FY2013A – 2014A based on Covestro Combined Financial Statements. Quarterly financials based on Bayer AG’s MaterialScience segment financials as published by Bayer AG.

\(^{(a)}\) Cash relevant capex refers to cash outflows for additions to property, plant, equipment and intangible assets.

\(^{(b)}\) Net working capital is defined as inventories plus trade accounts receivable less trade accounts payable.

\(^{(c)}\) Targets referencing to 2014A financials. Targets with respect to Adjusted EBITDA relate to the Adjusted EBITDA margin.

Source: Bayer AG Segment Reporting, Covestro Combined Financial Statements
Section 9 – Update on H1 2015A Financials
H1 2015A performance fully on track for 2015E outlook

Key highlights H1 2015A

- Strong core volume (kt) growth of +4.3% y-o-y across all regions
- Net sales development of +9.5% y-o-y benefitting from solid volume expansion and positive currency effects
- Substantial increase in profitability with H1 2015A adjusted EBITDA margin of 14.6%
- Excellent FOCF development with >€300m FOCF in H1 2015A
- Covestro performance fully on-track for 2015E targets
- New Board membership announced
Strong recent momentum illustrating profitability potential

H1 2015A financial performance

- Significant net sales increase in H1 2015A driven by positive currency effects and volume growth in all regions, partially offset by lower selling prices owing to a decline in raw material prices, partially passed on to customers
- Robust demand in largely all key end-markets across regions, primarily in APAC and NAFTA
- H1 2015A adj. EBITDA impacted by lower raw material cost which more than compensated declining selling prices given favorable supply / demand conditions as well as volume growth (in particular in PCS, CAS and TDI) driven by demand growth leading to greater fixed cost coverage
- Improvement in supply / demand dynamics in PCS contributing to significant margin uplift
- H1 2015A adj. EBITDA to a large extent supported by positive currency effects of approximately €130m
- Increased FOCF compared to H1 2014A primarily based on stronger operating result

Notes: All financials based on Covestro Combined Financial Statements

(a) Free operating cash flow (FOCF) is calculated by net operating cash flow less cash outflows for property, plant and equipment and intangible assets

Source: Covestro Combined Financial Statements
Positive volume development across all regions

H1 2015A regional developments

Net sales by region

<table>
<thead>
<tr>
<th>(€m)</th>
<th>2012A</th>
<th>2013A</th>
<th>2014A</th>
<th>H1 2014A</th>
<th>H1 2015A</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMLA</td>
<td>3,166</td>
<td>3,062</td>
<td>3,254</td>
<td>5,719</td>
<td>6,264</td>
</tr>
<tr>
<td>NAFTA</td>
<td>2,851</td>
<td>2,831</td>
<td>3,022</td>
<td>1,489</td>
<td>1,765</td>
</tr>
<tr>
<td>APAC</td>
<td>5,593</td>
<td>5,464</td>
<td>5,485</td>
<td>2,786</td>
<td>2,780</td>
</tr>
</tbody>
</table>

EMLA: 44%  
NAFTA: 27%  
APAC: 28%  

Total: €6,264m

H1 2015A net sales by region (a)

Performance H1 2015A

- H1 2015A net sales development driven by double-digit growth rates in NAFTA (+19.0%) and APAC (+18.5%)
- H1 2015A net sales increase primarily based on positive currency effects (for APAC and NAFTA) as well as on volume growth across all regions, partially offset by lower selling prices owing to a decline in raw material prices
- While APAC to a larger extent consists of China (55% in 2014A), the overall contribution of China to net sales accounts for 15% only (in 2014A)
- China with strong H1 2015A core volume (kt) growth largely supported by all businesses
- The impact of the devaluation of the Yuan is mitigated by the fact that we have local production and sales

Note: All financials based on Covestro Combined Financial Statements  
(a) Due to rounding effects, sales split does not add up to 100%  
Source: Covestro Combined Financial Statements
Financial performance driven by positive core volume development

H1 2015A volume progression

- Core volumes are the focus of business operations and are defined as all PUR, PCS and CAS volumes not initiated by opportunistic business opportunities through sales of e.g. raw materials and intermediates (such as styrene and caustic soda).
- Core volume (kt) growth (+4.3%) primarily driven by PCS as well as CAS and to a lower extent by PUR.
- PCS core volumes with increasing momentum in H1 2015A across all regions driven by solid market growth.
- Higher net sales volume effects (in €) relate to the fact that core volume (kt) growth primarily triggered by higher priced products.

Note: Volumes (kt) based on externally sold volumes.
PUR – Continuous solid performance in challenging environment

PUR H1 2015A financial performance

**Net sales and growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (€m)</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>5,993</td>
<td></td>
</tr>
<tr>
<td>2013A</td>
<td>6,052</td>
<td>1.0%</td>
</tr>
<tr>
<td>2014A</td>
<td>6,282</td>
<td>3.8%</td>
</tr>
<tr>
<td>H1 2014A</td>
<td>3,037</td>
<td></td>
</tr>
<tr>
<td>H1 2015A</td>
<td>3,191</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

**Adjusted EBITDA and margin**

<table>
<thead>
<tr>
<th>Year</th>
<th>Adj. EBITDA (€m)</th>
<th>Adj. EBITDA margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>724</td>
<td>12.1%</td>
</tr>
<tr>
<td>2013A</td>
<td>639</td>
<td>10.6%</td>
</tr>
<tr>
<td>2014A</td>
<td>592</td>
<td>9.4%</td>
</tr>
<tr>
<td>H1 2014A</td>
<td>329</td>
<td>10.8%</td>
</tr>
<tr>
<td>H1 2015A</td>
<td>386</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

**Performance H1 2015A**

- H1 2015A net sales growth driven by positive currency effects (+9.6%) and volume increases (+4.1%), primarily in APAC and EMLA, partially offset by lower overall selling prices (-8.6%) mainly in TDI and MDI owing to a decline in raw material prices.
- All regions contributed to higher net sales volumes which were mainly attributable to solid core volume (kt) growth with strongest increase in TDI due to expanded capacities in Germany.
- Continued competitive pressure, especially in China, impacting overall MDI performance.
- Polyether polyols benefitted from solid core volume (kt) growth combined with positive margin development of the by-product styrene.
- H1 2015A adj. EBITDA primarily benefitted from positive currency effects as well as lower raw material cost which only partially had to be passed on to customers.

Note: All financials based on Covestro Combined Financial Statements
Source: Covestro Combined Financial Statements
PCS – Strong volumes growth and significant margin improvement in H1 2015A under favorable market situation

PCS H1 2015A financial performance

Net sales and growth

<table>
<thead>
<tr>
<th></th>
<th>2012A</th>
<th>2013A</th>
<th>2014A</th>
<th>H1 2014A</th>
<th>H1 2015A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (€m)</td>
<td>2,822</td>
<td>2,645</td>
<td>2,822</td>
<td>1,355</td>
<td>1,594</td>
</tr>
<tr>
<td>Growth %</td>
<td>(6.3)%</td>
<td></td>
<td>6.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Adjusted EBITDA and margin

<table>
<thead>
<tr>
<th></th>
<th>2012A</th>
<th>2013A</th>
<th>2014A</th>
<th>H1 2014A</th>
<th>H1 2015A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. EBITDA (€m)</td>
<td>185</td>
<td>94</td>
<td>160</td>
<td>88</td>
<td>266</td>
</tr>
<tr>
<td>Adj. EBITDA margin (%)</td>
<td>6.6%</td>
<td>3.6%</td>
<td>5.7%</td>
<td>6.5%</td>
<td>16.7%</td>
</tr>
</tbody>
</table>

Performance H1 2015A

- H1 2015A strong net sales growth driven by significantly higher volumes (+7.6%) in all regions and positive currency effects (+12.9%) partially offset by slightly lower selling prices (-2.9%)

- PCS net sales driven by temporarily short market supply and greater demand especially in the automotive / transport industries in all major regions

- H1 2015A adj. EBITDA significantly benefitting from lower raw material cost which more than compensated declining selling prices, given favorable supply / demand conditions in all major regions

- H1 2015A adj. EBITDA improvement to a large extent supported by positive currency effects and volume expansion leading to greater fixed cost coverage

Note: All financials based on Covestro Combined Financial Statements
Source: Covestro Combined Financial Statements
CAS – Growing portfolio-adjusted revenues and EBITDA margin

CAS H1 2015A financial performance

**Net sales and growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (€m)</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>1,984</td>
<td></td>
</tr>
<tr>
<td>2013A</td>
<td>1,876</td>
<td>(5.4)%</td>
</tr>
<tr>
<td>2014A</td>
<td>1,928</td>
<td>2.8%</td>
</tr>
<tr>
<td>H1 2014A</td>
<td>958</td>
<td>14.5%</td>
</tr>
<tr>
<td>H1 2015A</td>
<td>1,097</td>
<td></td>
</tr>
</tbody>
</table>

**Adjusted EBITDA and margin**

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted EBITDA (€m)</th>
<th>Adj. EBITDA margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>364</td>
<td>18.3%</td>
</tr>
<tr>
<td>2013A</td>
<td>367</td>
<td>19.6%</td>
</tr>
<tr>
<td>2014A</td>
<td>437</td>
<td>22.7%</td>
</tr>
<tr>
<td>H1 2014A</td>
<td>222</td>
<td>23.2%</td>
</tr>
<tr>
<td>H1 2015A</td>
<td>270</td>
<td>24.6%</td>
</tr>
</tbody>
</table>

**Performance H1 2015A**

- H1 2015A strong net sales growth driven by volume growth (+5.6%) and positive currency effects (+9.5%), partially offset by slightly lower selling prices (-0.6%) mainly in APAC
- Volume growth reflecting solid demand, especially in NAFTA and APAC regions
- Overall selling prices declined slightly driven by APAC, while NAFTA selling prices increased and EMLA selling prices remained stable
- H1 2015A adj. EBITDA increased on the back of larger volumes as well as lower raw material cost which only partially had to be passed on to customers

Note: All financials based on Covestro Combined Financial Statements
Source: Covestro Combined Financial Statements
Glossary
ABS refers to acrylonitrile butadiene styrene
Adj. refers to adjusted
AGM refers to Annual General Meeting
APAC refers to the Asia Pacific region
**Automotive OEM coatings** refers to all factory applied coatings for new automobiles, light trucks, vans and sport utility vehicles (SUVs). This category includes coatings applied by original equipment manufacturers for both plastic and metal substrates for interior, exterior and underbody applications. While the coating on the main body is applied at the factory of the vehicle manufacturer, oftentimes, independent parts manufacturers paint their components at their own facilities. This category encompasses electrodeposition and other primers, primer surfacers, colorcoats, basecoats and clearcoats. This category only includes coatings for new transportation equipment applied by original equipment manufacturers or their suppliers. Coatings for refinish, refurbishment, or aftermarket applications are excluded

**Automotive refinish** paints are used to repair and refurbish passenger vehicles and vans, sport utility vehicles (SUV), light trucks and commercial vehicles. Included in the “commercial vehicle” category are the refinish applications for conventional medium – heavy duty trucks and buses. It should be noted that automotive refinish paints are different from automotive OEM paints in that refinish paints are applied and dried usually at ambient or low temperature conditions and in non-production (non-factory) environments

BBS refers to Bayer Business Services
BDO refers to 1,4-butanedial, a solvent used to manufacture some types of plastic, elastic fibers and polyurethanes
BGP refers to Bayer Group Platform
BMI refers to base and modified isocyanates

BPA refers to bisphenol A, a raw material for the production of polycarbonates
BTS refers to Bayer Technology Services
CAGR refers to compound annual growth rate
Capex refers to capital expenditures
CAS refers to Covestro Coatings, Adhesives and Specialties business unit
CASE refers to coatings, adhesives and sealants
Cash relevant capex refers to cash outflows for additions to property, plant, equipment and intangible assets
Chlor-alkali refers to the electrolysis of sodium chloride which results in co-products of chlorine and caustic soda
CNY refers to Chinese Yuan Renminbi
CO₂ refers to carbon dioxide
CO refers to carbon monoxide
COGS refers to cost of goods sold
Construction sealants are those used for new construction and renovation of residential, commercial, and industrial properties. Also included are subcomponent fabrication applications such as countertops, prefabricated trusses, and curtain walls. Insulating glass, glazing and heavy construction applications (highways, airfields, bridges, tunnels, etc.) are also included

Core volumes refers to all PUR, PCS and CAS volumes not initiated by opportunistic business opportunities through sales of e.g. raw materials and intermediates
CPA CAGR refers to compound annual growth rate adjusted for currency and portfolio effects
D&A refers to depreciation and amortization
DCDS refers to DirectCoating / DirectSkinning, cost efficient one-step PCS processes used to manufacture premium parts with tailor-made surface properties

DOH refers to days inventory on hand

DPC refers to diphenyl carbonate, a raw material for the production of polycarbonates

DPO refers to days payables outstanding

DSO refers to days sales outstanding

EBITDA refers to earnings before interest, taxes, depreciation and amortization

EMLA refers to the Europe, Middle East and Latin America (without Mexico) region

Elastomers refer to hot cast elastomers

Epoxy resins refers to polyepoxides, a class of thermoset materials

EUR refers to Euro

FOCF refers to free operating cash flow

Footwear adhesives consists of adhesives used for soling / sole attaching, lasting, box toes and counters, as well as adhesives for other leather goods such as handbags, travel goods, purses, etc

FTE refers to employees who are full-time-equivalents

GDP refers to gross domestic product

GPP refers to gas-phase phosgenation technology to manufacture TDI. In this process TDA and phosgene are each heated to greater than 300ºC and then transferred in a gaseous form to the reaction via a specially designed nozzle. They are condensed to a liquid and distilled to yield purified TDI with recovered solvent and phosgene

$\text{H}_2\text{O}_{\text{MDI}}$ refers to hydrogenated MDI

HDA, $\text{H}_2\text{O}_{\text{MDA}}, \text{NDA}, \text{IPDA}$ refer to amines used as a raw materials in monomer production

HDI refers to hexamethylene diisocyanate

HKD refers to Hong Kong Dollar

ICIS refers to the Independent Chemical Information Service, the world's largest petrochemical market information provider

ICL refers to intra-company loans between Covestro and Bayer AG

IFRS refers to International Financial Reporting Standards

IMPACT refers to catalyst process technology for polyether polyols synthesis

Industrial furniture finishes are factory applied coatings used to finish furniture, cabinets, and fixtures. These finishes are used to both enhance the beauty of the wood as well as provide protection. Included in this segment are finishes for household furniture, office furniture, public building furniture, kitchen and bath cabinets, radio and television cabinets, interior paneling, exterior siding, trim board, moldings, shelving and case goods

Industry spread refers to margin over raw materials

Industry utilization refers to industry demand divided by industry nameplate capacities as announced (as per Nexant estimates), not adjusted for actual / physical availability

IPDI refers to isophorone diisocyanate

IPO refers to initial public offering

IR refers to infrared

IT refers to information technology

ITF refers to intention to float

JV refers to joint venture

KPI refers to key performance indicator

kt refers to thousand tons
LCD refers to liquid-crystal-displays
LED refers to light-emitting diode
LEED refers to Leadership in Energy & Environmental Design, a green building certification program awarded by the U.S. Green Building Council that recognizes best-in-class building strategies and practices
LoPCIR denotes number of LoPC (Loss of Primary Containment) incidents per 200,000 hours worked by operational employees
LPC refers to the interface process production of polycarbonates
MCNS refers to joint venture between Mitsui Chemicals (50%) and SKC Polyurethanes Inc. (50%)
MDA refers to 4,4'-Methylenedianiline which is primarily used to produce 4,4'-methyleneedianiline diisocyanate and other polymeric isocyanates
MDI refers to diphenylmethane diisocyanate
mMDI refers to monomeric diphenylmethane diisocyanate
mt refers to million tons
MTBE refers to methyl tert-butyl ether
MWh PE / t refers to the energy consumption in megawatt-hours per produced ton
M&A refers to mergers & acquisitions
NAFTA refers to the countries USA, Canada and Mexico
NASA refers to National Aeronautics and Space Administration
NCO pre-polymers refers to isocyanate-functional pre-polymers
NDI refers to naphthalene diisocyanate
NPV refers to net present value
NWC refers to net working capital which is calculated as inventories plus trade accounts receivable less trade accounts payable
ODC refers to oxygen depolarized cathode
ODS refers to Optical Data Storage
OEM refers to original equipment manufacturer
PAC refers to powdered activated carbon
Packaging Adhesives are those used for flexible packaging such as laminating adhesives and end seal adhesives
PAS refers to Polyaspartics (Amine-functional coreactants)
PC refers to polycarbonates
PCS refers to polycarbonates business unit
PDI refers to pentamethylene diisocyanate
PES refers to Polyester
Phosgenation refers to the process of treating amines with phosgene to produce isocyanates (MDI and TDI)
POT refers to pay-off time
PP refers to polypropylene
PS refers to polystyrene
PU refers to polyurethane
PUD refers to polyurethane dispersions
PUR refers to polyurethanes business unit
p.a. refers to per annum
P&L refers to profit and loss statement
Glossary (cont’d)

- **RCF** refers to revolving credit facility
- **RES** refers to resins
- **RIR** denotes number of incidents recordable after Occupational Safety & Health Administration (OSHA) regularities per 200,000 hours worked
- **ROCE** refers to return on capital employed
- **R&D** refers to research and development
- **Sadara** refers to joint venture between Dow Chemical (35%) and Saudi Aramco (65%)
- **SEA** refers to South East Asia
- **SF** refers to specialty films, which include thermoplastic polyurethanes films (TPU films) and polycarbonate films (PC films)
- **Site** refers to production locations where multiple facilities may partially reside
- **SLIC** refers to Shanghai Lianheng Isocyanate Joint Venture (BASF 35%, Huntsman 35%, Shanghai Chlor-Alkali 15%, Shanghai Yha Yi 8%, Sinopec 7%)
- **SPC** refers to the melt process production of polycarbonates
- **STP** refers to silane-terminated prepolymers
- **Sumika Bayer Urethane** refers to joint venture between Covestro (60%) and Sumitomo (40%)
- **Systems House** refers to locations where customized polyurethane solutions are delivered as complete, full blown units with research and development and technical services
- **TBA** refers to tertiary butyl alcohol
- **TCG** refers to Thermoplast Composite GmbH
- **t CO₂e / t** refers to the CO₂e emission in tons per produced ton
- **TDA** refers to toluenediamine
- **TDI** refers to toluene diisocyanate
- **Tier-1 suppliers** refer to the most important members of a supply chain, which directly supply original equipment manufacturers
- **Tier-2 suppliers** refer to the second layer of suppliers, which are serving Tier-1 suppliers
- **Tight industry** refers to when MDI and TDI average operating rates are c. 90% and polycarbonates average operating rates are c. 80%
- **TLF** refers to term loan facility
- **TMP** refers to trimethylolpropane
- **Total capex** refers to additions to property, plant, equipment and intangible assets as per statement of changes in property, plant, equipment and intangible assets
- **TPU** refers to thermoplastic polyurethanes
- **TSA** refers to transitional service agreements
- **USD** refers to US Dollar
- **UV** refers to ultraviolet
- **VOC** refers to volatile organic compounds
- **WACC** refers to weighted average cost of capital
- **WCF** refers to working capital facility
- **World-scale plant** refers to MDI facility with capacity of 400kt p.a.; TDI facility with capacity of 300kt p.a.; polylol polyols facility with capacity of 300kt p.a.; polycarbonates facility consisting of single lines with capacities of 100kt p.a. or more
- **XDI** refers to xylylene diisocyanate
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