

**Annual Stockholders' Meeting
Tuesday, May 3, 2016,
Cologne**

Address by

Frank H. Lutz,

Chief Financial Officer of Covestro AG

(Please check against delivery)

(2016-706e)

Thank you, Patrick.

Ladies and gentlemen,

The first Annual Stockholders' Meeting is also a special day for a Chief Financial Officer. At the end of 2014, when my team and I drafted the first timetable for the legal independence of Covestro and its IPO, it was clear to us that a long series of firsts – IPO, rating, quarterly report, annual financial statements, annual report and bond issue – would be rounded off by the first Annual Stockholders' Meeting, and only then would we be an independent company at last.

So it gives me special pleasure to offer you a warm welcome here in Cologne for what – for the time being – will be the last of our firsts.

2015 was an eventful year for Covestro, as Patrick Thomas has just so impressively described. Despite all the major changes and firsts, we never took our eyes off our operating business.

I now want to briefly discuss the most important developments.

Core volume growth in 2015 was precisely in the target range. Let me tell you what this key indicator means and why it is so important to us.

Adjusted EBITDA – our earnings before financial result, taxes, depreciation and amortization before special items – was a particularly strong 41 percent up on the previous year.

Free operating cash flow, which reflects our internal financing capability, soared to EUR 964 million, a new record.

Last but not least, the company not only clearly earned its capital costs of 7.2 percent last year, it was also able to generate a significant return of 9.5 percent on the capital employed.

We now turn, ladies and gentlemen, to a detailed examination of our first fiscal year as an independent company.

The development of core volume growth is an important indicator of our success.

Core volume growth refers to the core products in our Polyurethanes, Polycarbonates and Coatings, Adhesives, Specialties segments. It represents the percentage change in externally sold volumes in kilotons relative to the previous year.

Unlike sales, the changes in this indicator are not influenced by raw material prices or currency effects. It is therefore more suitable than sales as a measure of our growth.

Our core volume growth for the year was 2.7 percent. The normally weaker fourth quarter posted above-average growth of 3.3 percent.

Adjusted EBITDA grew by 41.3 percent in 2015 to EUR 1.64 billion. Our margin also rose significantly, from 9.9 percent in the previous year to 13.6 percent. In a moment I shall look more closely at the sources of these improvements.

Our continuing creation of value is evident from our second key performance indicator: the return on capital employed, or ROCE for short. This is the ratio of adjusted earnings after taxes and before special items to the equity and debt capital used by the company.

We used ROCE to measure profitability for the first time in 2015. At 9.5 percent, it was substantially above our average cost of capital of 7.2 percent – the interest we pay on equity and debt capital, as it were.

The third key performance indicator is the free operating cash flow. The record figure of EUR 964 million I mentioned before is three times higher than the 2014 figure. More about this in a moment.

What I find most encouraging about our positive performance in 2015, ladies and gentlemen, is that every segment contributed. Polycarbonates performed best, posting core volume growth of 5.2 percent.

But Polyurethanes and Coatings, Adhesives, Specialties also posted solid gains, with growth of 1.8 percent and 2.7 percent, respectively.

We also have good reason to be satisfied with the segments' adjusted EBITDA: they all three contributed to our strong operating result.

Polycarbonates saw disproportionately strong earnings growth last year: earnings more than tripled. This was due to the favorable supply and demand situation, which enabled us to improve our margins.

Ladies and gentlemen,

I shall now go into more detail about the development of our EBITDA, and how the sharp increase of 41.3 percent came about.

On the one hand, we benefited from positive currency effects of around EUR 230 million. As a general rule, we do not take on any currency risk. The positive effect resulted from the translation of earnings denominated in other currencies into the euro, which was weak throughout 2015. Another factor was the significant increase in sales volumes, which contributed just under EUR 80 million.

But the most important factor in 2015 was our ability to benefit from lower raw material prices.

Although the prices we charged our customers were generally under pressure from low raw material prices, we were able to reduce our variable costs – also mainly raw material costs. This more than compensated for the losses of more than EUR 296 million euros resulting from price declines.

A number of other factors diminished earnings by some EUR 120 million – mainly the increase in short-term variable compensation resulting from the substantial improvement in business performance and the impairment losses on receivables.

However, this does not detract from the fact that we were able to significantly improve our operating result in 2015 despite falling prices.

One of the indicators Covestro uses to steer the company is free operating cash flow. This is the cash generated by operating activities less expenses for property, plant, equipment and intangible assets such as any patents that may have been acquired.

I have already mentioned the impressive record of EUR 964 million.

There were several contributory factors here:

The most important was that we succeeded in generating robust increases in earnings.

In addition, we improved our working capital, reducing current assets minus short-term liabilities and thus releasing cash that had previously been tied up.

Our investment costs were far lower than depreciation and amortization, as we had already made the capital expenditures required for our business in previous years.

All this clearly shows that Covestro is a financially strong and healthy company. Indeed, it has been for some time: We have increased our cash flow more than fivefold since 2012.

Covestro AG began operating on August 20, 2015. As the parent company and strategic management holding company of the Covestro Group, it now exercises key corporate functions. The responsibilities of Covestro AG include managing its subsidiaries and financing Group activities. The net income of EUR 181 million achieved by the company in the fiscal year ending December 31, 2015, which consisted mainly of investment income, provided the basis for the distributable earnings and thus the dividend payout for fiscal 2015.

In view of our business performance, ladies and gentlemen, which has been most encouraging overall, we also intend to honor the promise we made at the time of our initial public offering: We are generating earnings that enable us to pay a consistently attractive dividend.

Today, therefore, we are proposing to pay a dividend of EUR 0.70 per share for just three months – the period for which Covestro was listed on the stock exchange in 2015.

That is a dividend yield of 2.1 percent, based on the closing price of our stock on December 30, 2015. As I said, EUR 0.70 for three months. Where else can you get a return like that these days?

We intend to make a total dividend payout of EUR 142 million, which is at the top end of our guidance. However, we aim to ensure that you, our stockholders, participate appropriately in Covestro's success in the future by paying a stable or increasing dividend. We therefore plan to maintain a consistently attractive payout ratio of 30 to 50 percent of net income in the years ahead.

In Covestro's first year of independence, we have clearly shown that we have a successful business model, are growing profitably, and are creating real value for you, ladies and gentlemen. My fellow Board members and I therefore hope you will be our stockholders and investors for the long term.

Our share price performance is a good reason for you to stay with us: Our excellent operating performance is reflected in our share price, which is as pleasing to you as it is to me and my fellow Board members.

As of the reporting date on April 29, 2016, Covestro's share price had increased by 43.8 per cent over the issue price of EUR 24 on October 6, 2015.

We came through the lows on the equity markets at the start of the year, when turbulence on Chinese exchanges dragged down markets in Europe. And since then, as you can see, Covestro has recovered faster than the market.

It is especially gratifying that even when Bayer, our main stockholder, announced that it intended to sell more Covestro shares, our share price did not suffer to any extent worth mentioning. Other companies in comparable situations sometimes find that their shares come under pressure.

Another positive factor is that we have been a member of the MDAX index since December, putting us among the 80 largest listed companies in Germany. Since April, we have also been included in the STOXX Europe 600 index, which is further proof of the attractiveness of our shares.

Ladies and gentlemen, your investment in Covestro has certainly paid off.

Looking at the first quarter, I can tell you that your investment is still paying off. Covestro has continued its strong performance into the current fiscal year.

We have achieved strong core volume growth of 8.5 percent.

At the same time, we have also substantially increased our EBITDA to EUR 508 million. That's a gain of 29.3 percent over the prior-year quarter.

My fellow Board members and I are naturally very happy with this start to the year. But it is still too soon to claim that we shall be able to linearly maintain this positive performance.

The year is beginning on a high note, certainly – but there is still uncertainty in the market. The global economy is currently predicted to grow by 2.6 percent in 2016, which is rather slower than we recently expected. In addition, the markets remain volatile, and future development is very difficult to forecast.

Taking account of the potential risks and opportunities, we are confirming our guidance for the full year, ladies and gentlemen.

We continue to predict core volume growth for 2016 in the mid-single-digit percentage range.

However, Covestro not only intends to continue growing. We are also expecting significant cash inflows. We anticipate that free operating cash flow will be high and above the average of recent years.

Our expectations for ROCE indicate that we aim to continue creating value. We believe it will again exceed our cost of capital in 2016.

Ladies and gentlemen, you can see that your company remains on the right track.

This is due above all to the commitment of our employees around the world, without whom our successful IPO, our excellent performance in 2015 and the superb start to 2016, with the best quarterly earnings for ten years, would not have been possible. On behalf of my fellow Board members – and also, I am sure our stockholders – I would like to thank them very sincerely.

As I come to the end of my presentation, I would point out that the Board of Management has prepared an explanatory report on the takeover-relevant information contained in the management and group management reports pursuant to Articles 289 (4) and 315 (4) of the German Commercial Code, which we have also made generally available on the internet.

Further details can be found in the written report, which is available from the information stand at the entrance to the hall.

Many thanks for your attention. I hope you remain true to Covestro and that we see you again next year – at our second Annual Stockholders' Meeting!

Forward-Looking Statements

This release may contain forward-looking statements based on current assumptions and forecasts made by Covestro AG. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Covestro's public reports which are available on the Covestro website at www.covestro.com. Covestro assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.