



Raising the outlook

Financial Highlights
Q2 2018



Forward-looking statements

This presentation may contain forward-looking statements based on current assumptions and forecasts made by Covestro AG.

Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Covestro's public reports, which are available on the Covestro website at www.covestro.com.

The company assumes no liability whatsoever to update these forward-looking statements or to adjust them to future events or developments.

Q2 2018 Key Highlights



4.4%

Core volume
growth Y/Y

€364m

FOCF
+14% Y/Y

>€3.4bn

EBITDA guidance
FY 2018

€985m

EBITDA
+16% Y/Y

€3.07

EPS
+28% Y/Y

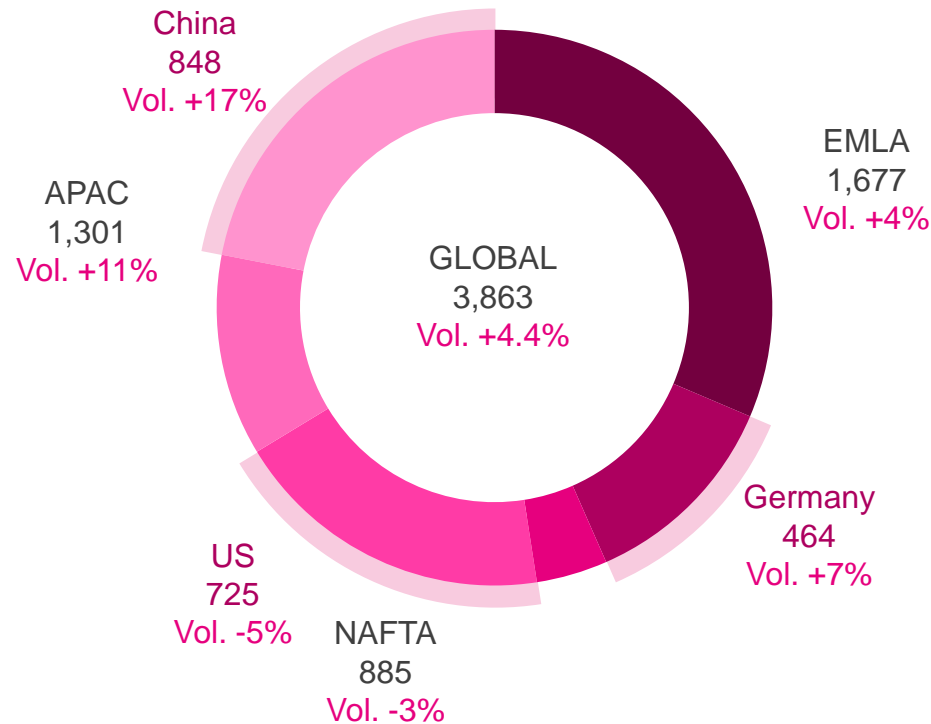
Above GDP growth

Q2 2018 – Sales and core volume growth per region



Split by regions

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



Highlights

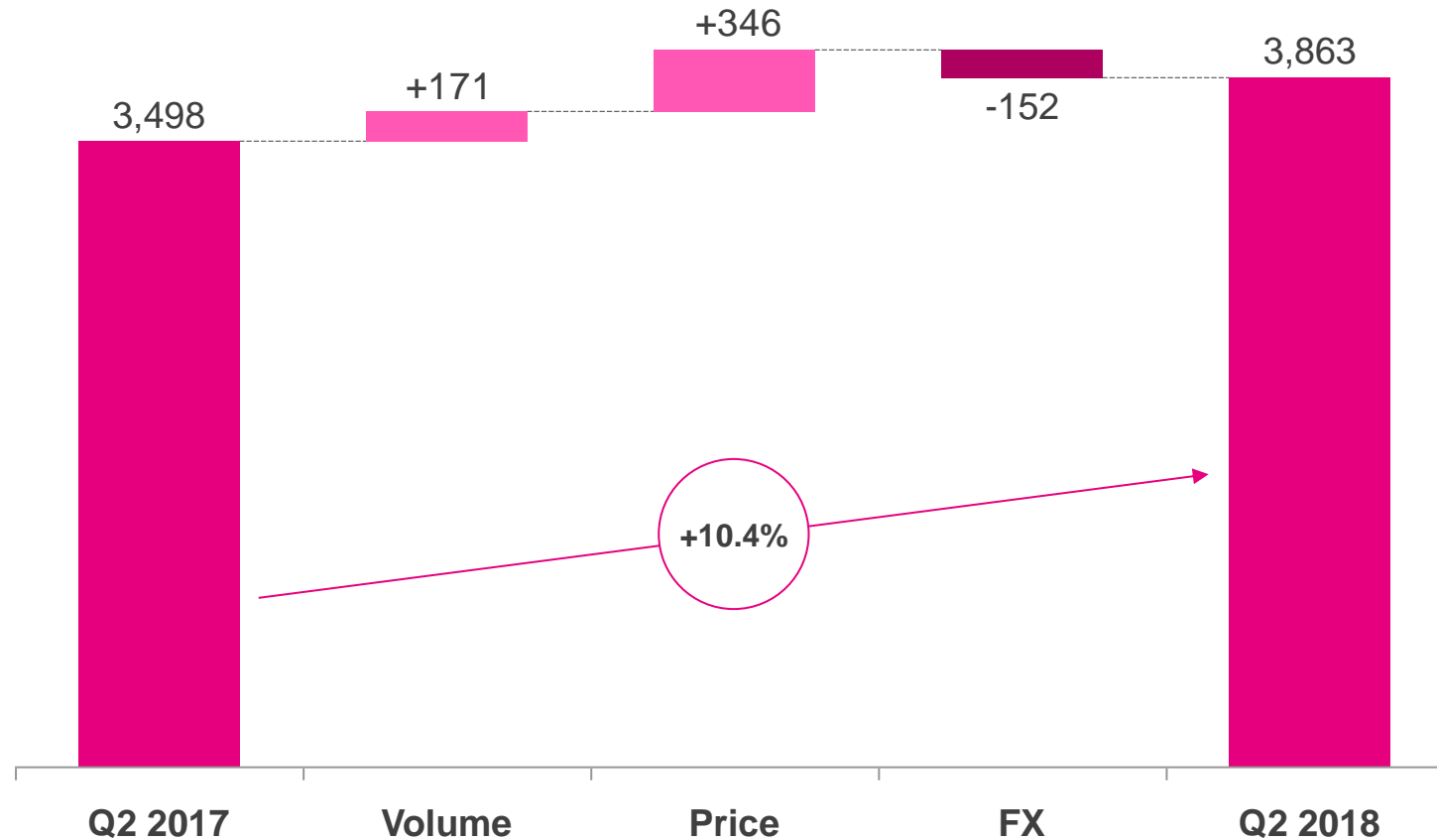
- Above GDP core volume growth of 4.4% driven by all segments
- APAC: double-digit growth in China, as well as in the Philippines, Thailand and Malaysia
- EMLA: double-digit growth in Spain; Germany driven by PUR and double-digit growth in PCS
- NAFTA: positive development in CAS and Mexico
- High single-digit growth in automotive, driven by APAC and EMLA
- Slight increase in construction, driven by EMLA and APAC
- Double-digit growth in medical and other industries

Dynamic volume development and strong pricing

Q2 2018 – Sales bridge



in € million



Highlights

Dynamic volume development

- Sales volume expansion (in €) by 4.9% Y/Y

Strong pricing

- Higher selling prices positively impacted sales by 9.9% Y/Y

Negative FX impact

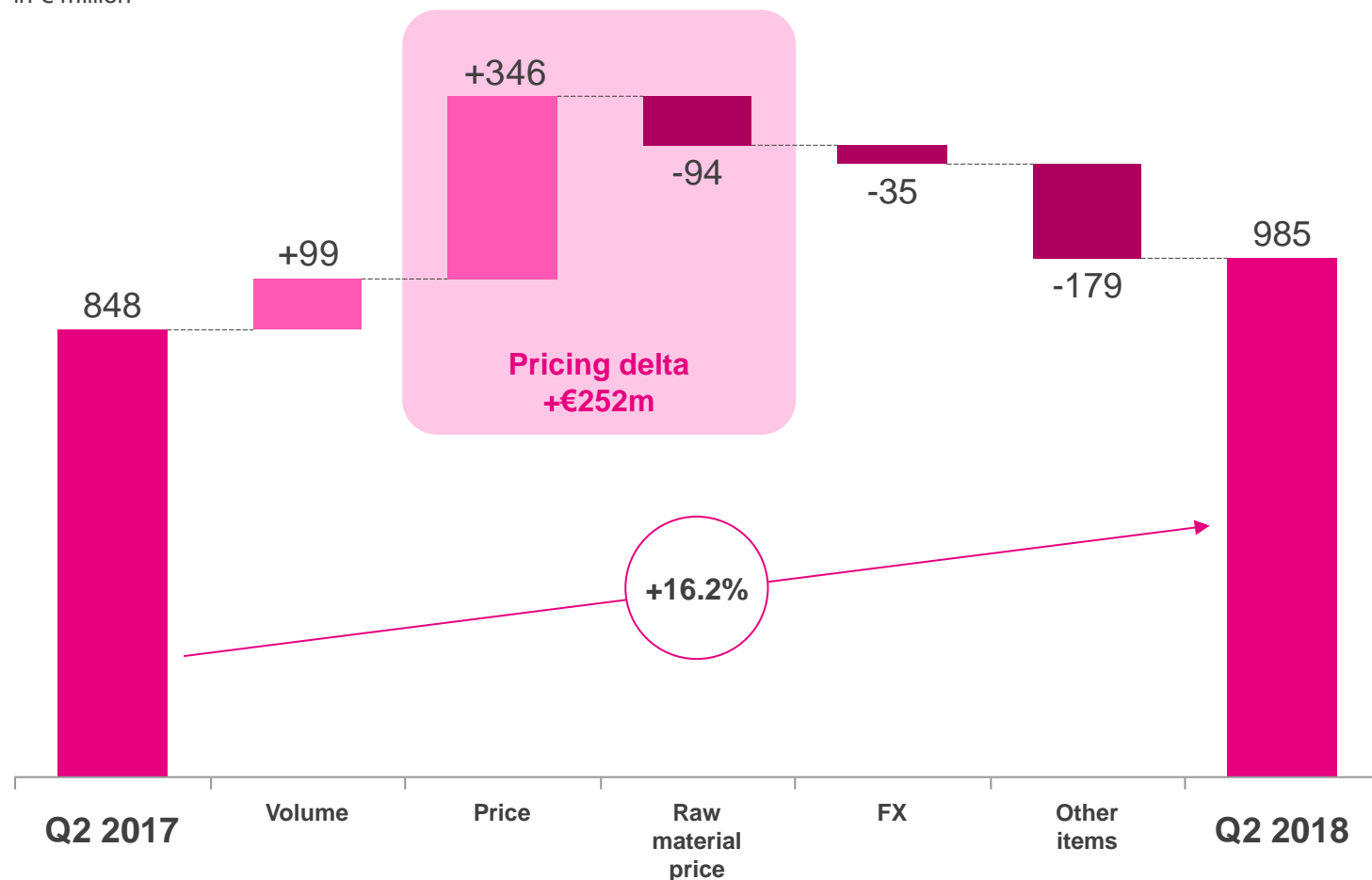
- FX burdened sales by 4.4% Y/Y mainly due to weaker USD, CNY and emerging market FX rates

High volume leverage and positive pricing delta



Q2 2018 – EBITDA bridge

in € million



Highlights

High positive volume leverage

- Broad-based in all three segments
- EBITDA volume leverage^(a) at 58%

Improving cash margin

- Positive pricing delta in all segments, mainly driven by PUR and PCS
- Selling prices increased significantly more than raw material prices

Other items

- Prior year benefited from one-time items of €74m
- Higher maintenance and logistics costs as well as diverse items

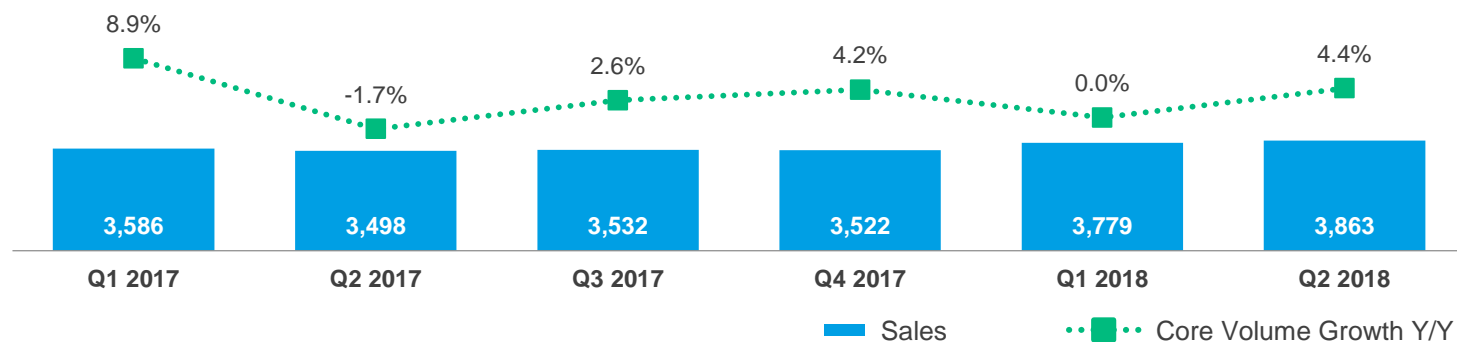
Covestro - continuing profitable growth

Q2 2018 – Group results



Sales and Core Volume Growth

in € million / changes Y/Y

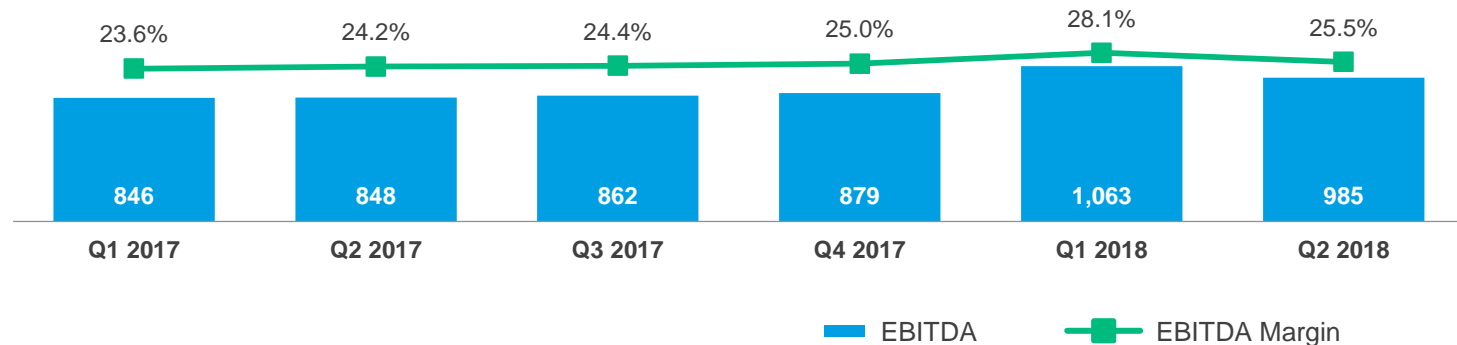


Highlights

- Above GDP core volume growth (in kt) of 4.4% Y/Y driven by all segments
- Sales increased by 10.4% Y/Y driven by price (+9.9%) and volume (+4.9%)

EBITDA and Margin

in € million / margin in percent



Highlights

- EBITDA increased by 16.2% Y/Y driven by all segments
- EBITDA margin on continuously high level, excluding TDI fly-up contribution at c.22%
- Q2 2018 represents 14th consecutive quarter with Y/Y EBITDA increase

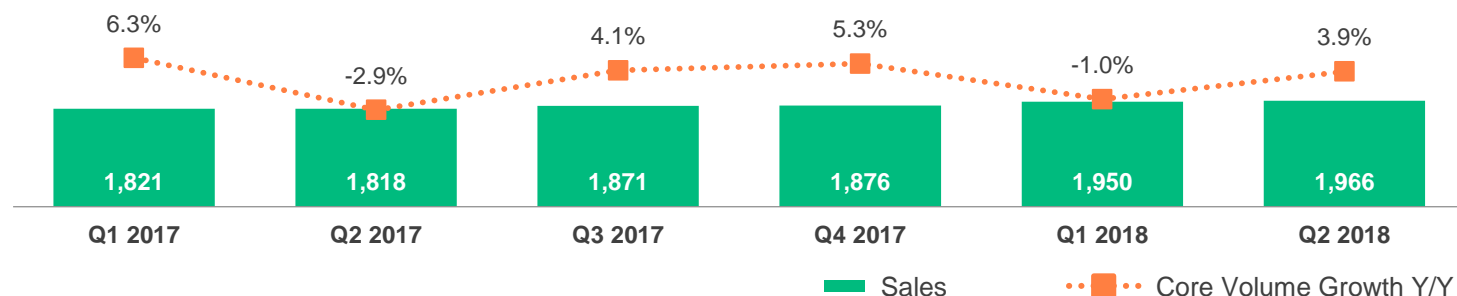
Polyurethanes – normalizing earnings

Q2 2018 – PUR segment results



Sales and Core Volume Growth

in € million / changes Y/Y

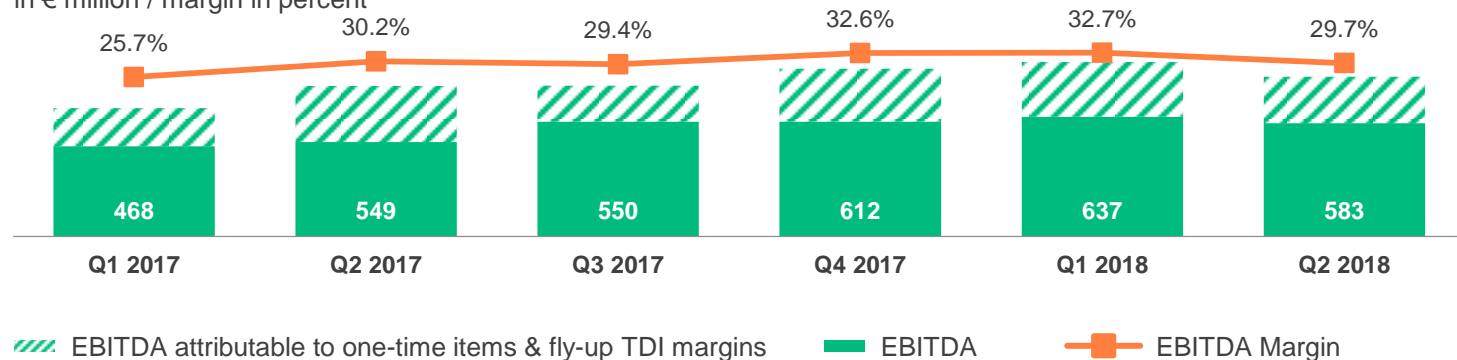


Highlights

- Solid core volume growth of 3.9% Y/Y driven by strong MDI, whereas TDI and polyols increased low single digit
- Sales increased by 8.1% Y/Y driven by price (+9.2%) and volume (+3.3%)
- Negative FX impact of 4.4% Y/Y

EBITDA and Margin

in € million / margin in percent



Highlights

- EBITDA increased by 6.2% Y/Y due to positive pricing delta and volume leverage
- Underlying EBITDA margin excluding TDI fly-up contribution and one-time items expanded to c.23% vs. c.21% in Q2 2017

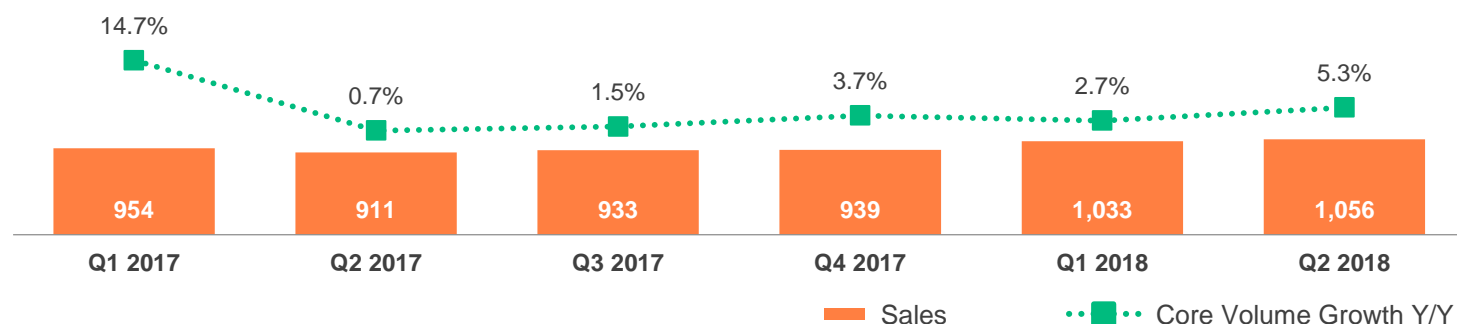
Polycarbonates – driven by price, volume and product mix



Q2 2018 – PCS segment results

Sales and Core Volume Growth

in € million / changes Y/Y

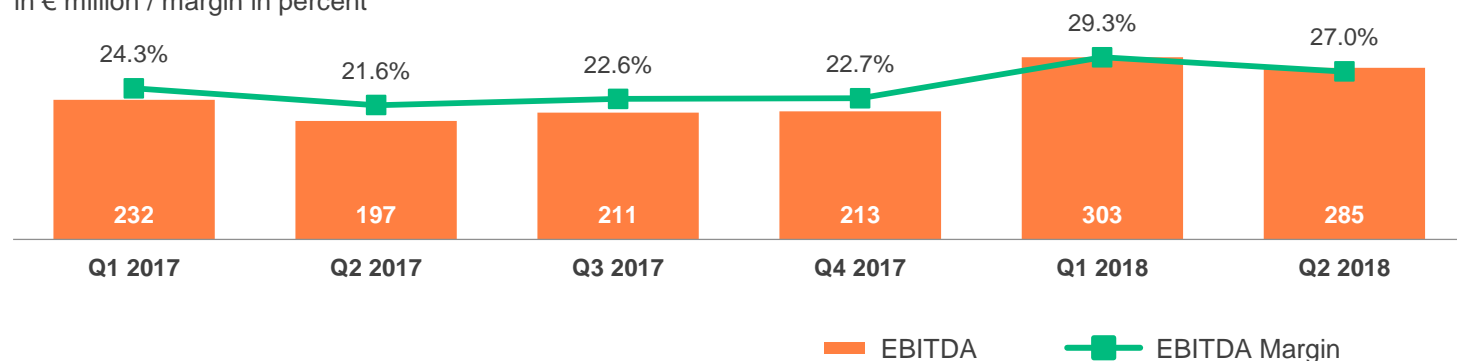


Highlights

- Solid core volume growth of 5.3% Y/Y driven by APAC and EMLA
- Sales increased by 15.9% Y/Y driven by price (+15.2%) and volume (+5.6%)
- Negative FX impact of 4.9% Y/Y

EBITDA and Margin

in € million / margin in percent



Highlights

- EBITDA increased by 44.7% Y/Y due to positive pricing delta and volume leverage
- EBITDA margin expanded to 27.0% vs. 21.6% in Q2 2017

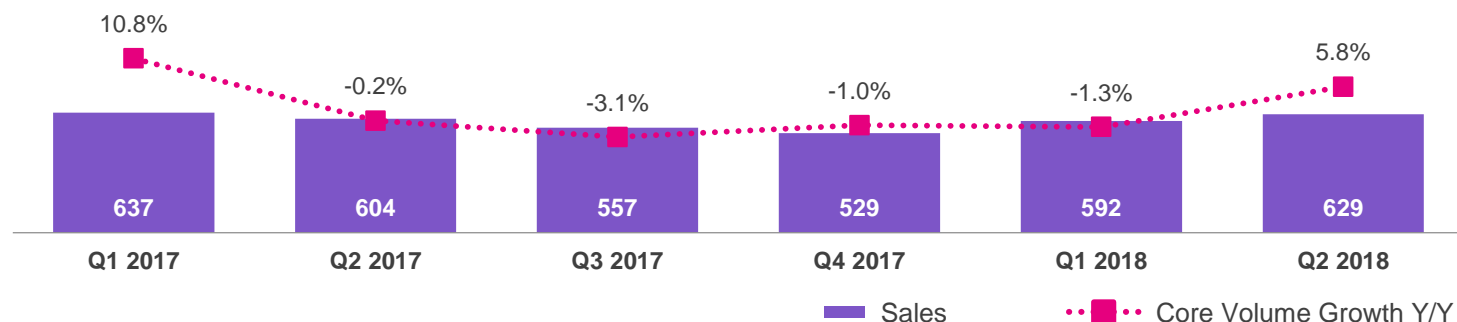
Coatings, Adhesives, Specialties – back to growth

Q2 2018 – CAS segment results



Sales and Core Volume Growth

in € million / changes Y/Y

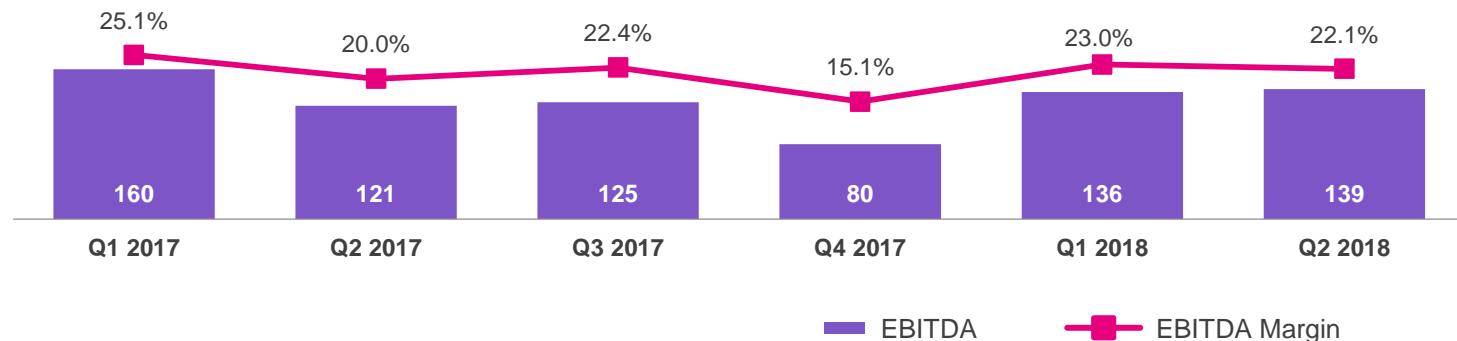


Highlights

- Strong core volume growth of 5.8% Y/Y with all regions contributing
- Sales increased by 4.1% Y/Y driven by volume (+6.3%) and price (+1.7%)
- Negative FX impact of 3.9% Y/Y

EBITDA and Margin

in € million / margin in percent



Highlights

- EBITDA increased by 14.9% Y/Y mainly due to positive volume leverage
- Price increases balanced out negative raw material impact
- EBITDA margin expanded to 22.1% vs. 20.0% in Q2 2017

Covestro strengthens its global film production



High-growth business – Specialty Films

- Industry growth expectation of 6-7% p.a. driven by product innovations
- Covestro as leading supplier in all key regions for PC- and TPU-films
- Around 10% of total CAS sales, with core volume growth of 6% CAGR 2015-2017
- Strong technology background in extruded films production, surface modification and coatings technology
- Leading innovation pipeline offering solutions to future industry trends
- Total investment of more than €100 million for capacity expansion at four sites between 2018 and 2020

Applications

TPU films

- Medical
- Construction



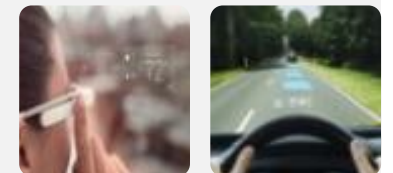
PC films

- Automotive
- Security



Holographic films

- Electronics
- Automotive



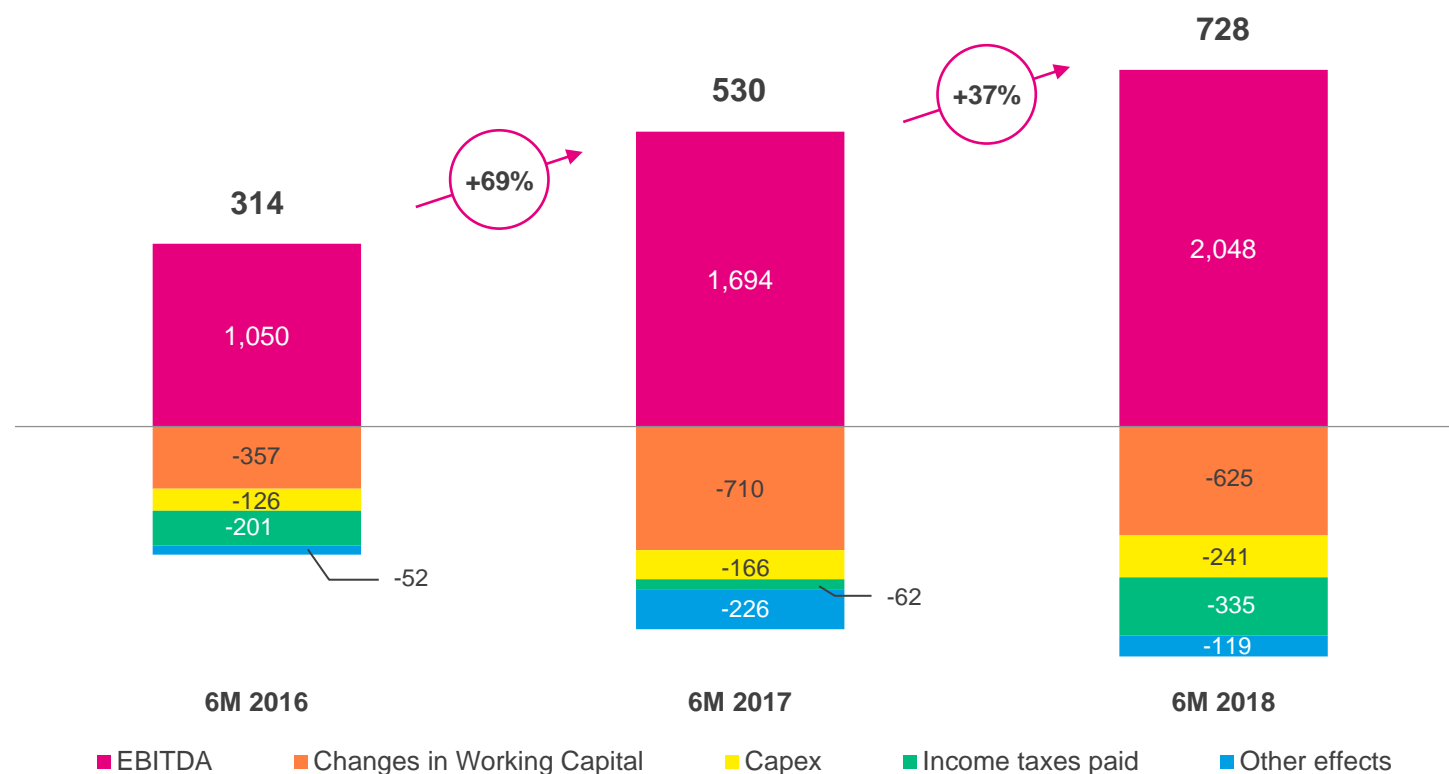
Strong FOCF generation

6M 2018 – Free Operating Cash Flow



FOCF components

in € million



Highlights

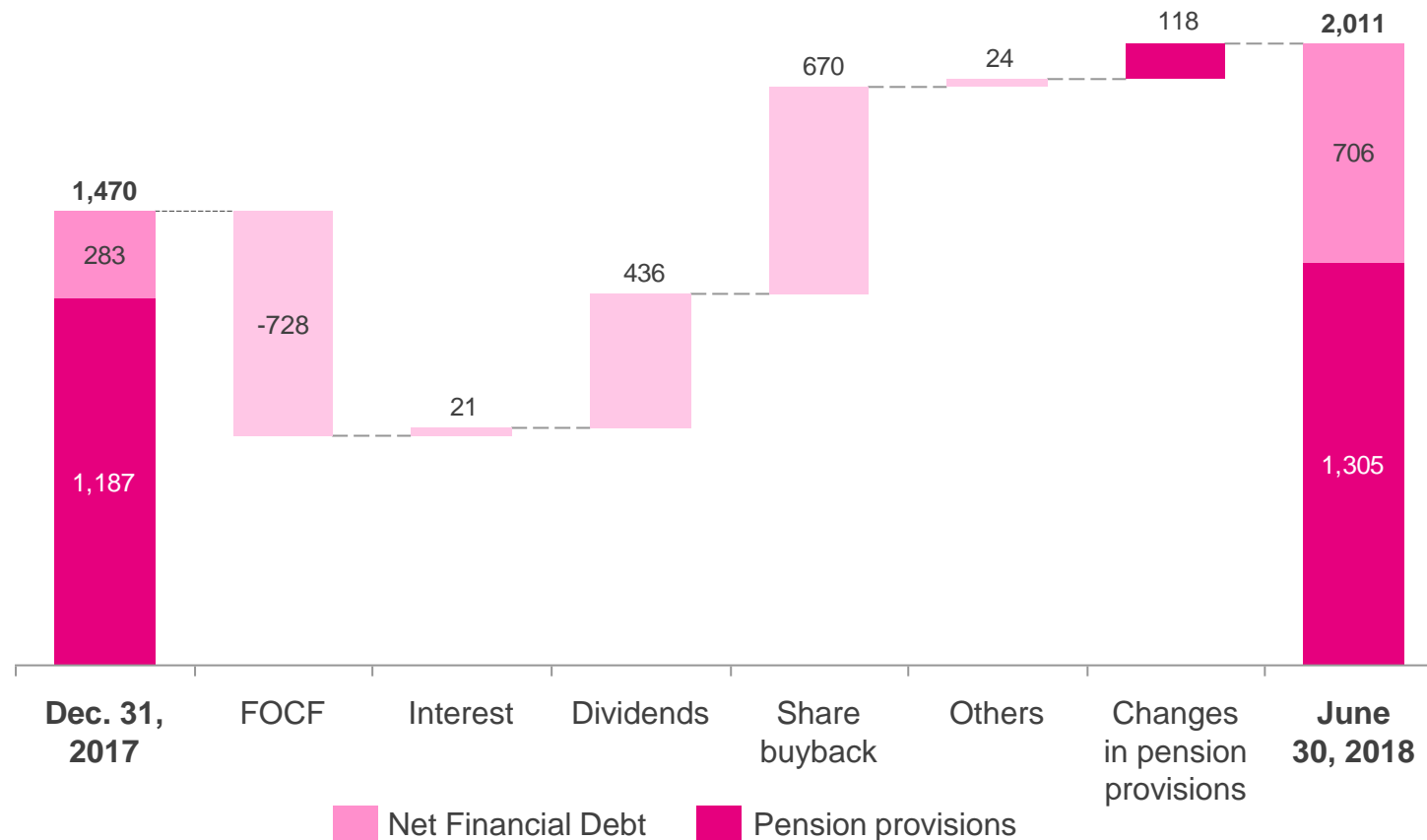
- FOCF follows EBITDA development: Cash conversion rate increased to 35.5% vs. 31.3% in 6M 2017
- Working capital to sales ratio^(a) at 19.1%, slightly above the targeted range of 15-17%
- Capex of €241m up Y/Y with focus on debottlenecking projects, on track for full year guidance
- Low cash tax rate of 20% below effective tax rate mainly due to phasing of tax payments
- Effective tax rate of 25.4% within the guided range

Above €1bn cash returned to shareholders

June 30th 2018 – Total net debt



in € million



Highlights

- Total net debt to EBITDA ratio^(a) slightly increased to 0.5x end of Q2 2018
- Increase of net financial debt by €423m mainly due to share buyback and dividend payout
- Repayment of a €500m bond out of cash in Q1 2018
- Pension provisions increased by €118m partly due to lower interest rates in Germany
- Equity ratio further improved to 50%

FY 2018 EBITDA guidance raised



Summary

	FY 2017	Guidance FY 2018
Core Volume Growth	+3.4%	Low- to mid-single-digit percentage increase Y/Y
FOCF	€1,843m	>€2bn
ROCE	33.4%	Around previous year's level (previously: approaching)
Additional financial expectations	FY 2017	Guidance FY 2018
EBITDA FY	€3,435m	Above previous year's level (previously: around)
EBITDA Q3	Q3 2017: €862m	Around Q3 2017
D&A	€627m	€620-640m (previously: €600-620m)
Financial result	€-150m	€-100 to -120m
Effective tax rate	24.1%	25-27%
Capex	€518m	€650-700m

Attractive growth fuels solid cash generation



Strategic highlights

1

Attractive volume growth
above global GDP

2

Strong earnings growth
driven by volume leverage and positive pricing delta

3

Continued strong cash generation
along with increasing capex

4

High cash return to shareholders
with an ongoing share buyback program

5

New guidance for FY 2018 EBITDA above previous year's level
after FOCF guidance upgrade at CMD in June 2018

Upcoming IR events



Find more information on investor.covestro.com

Broker conferences

- August 28, 2018 Commerzbank, Sector Conference, Frankfurt
- September 12, 2018 Credit Suisse, 31st Annual Basic Materials Conference, New York
- September 24-25, 2018 Berenberg & Goldman Sachs, 7th German Corporate Conference, Munich,
- September 26, 2018 Baader Bank, Investment Conference 2018, Munich
- September 27, 2018 JP Morgan, Milan Investor Forum, Milan
- October 2, 2018 Kepler Cheuvreux, One-stop shop, Copenhagen

Reporting dates

- October 25, 2018 Q3 2018 Interim Statement
- February 25, 2019 Annual Report 2018
- April 29, 2019 Q1 2019 Interim Statement

Annual General Meeting

- April 12, 2019 Annual General Meeting, Bonn