



# Positive momentum continues

## Q3 2015 Results



# Forward-looking statements

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# Q3 2015 – Key Highlights



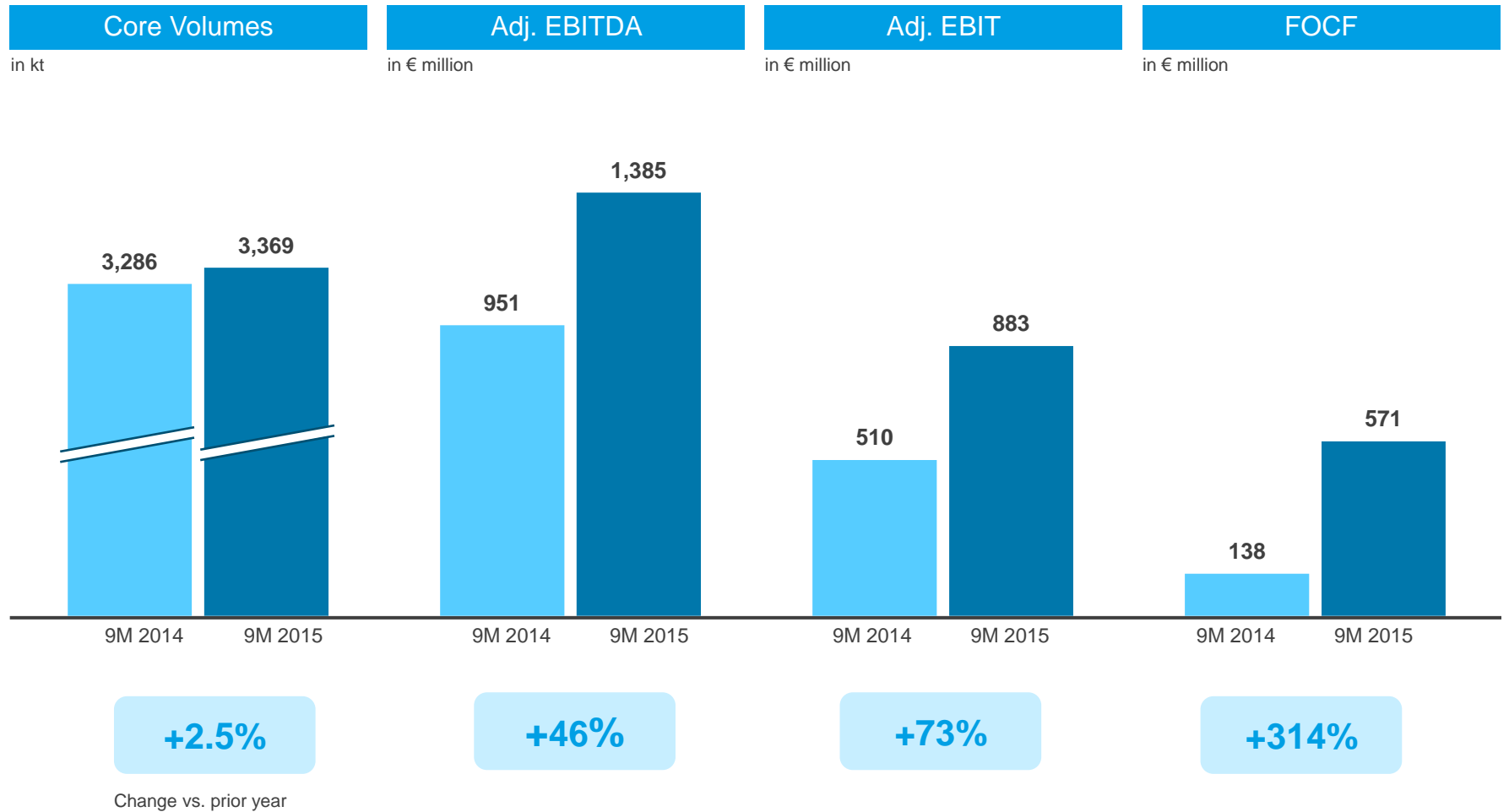
Positive momentum continues



# 9M 2015 Sales & Earnings



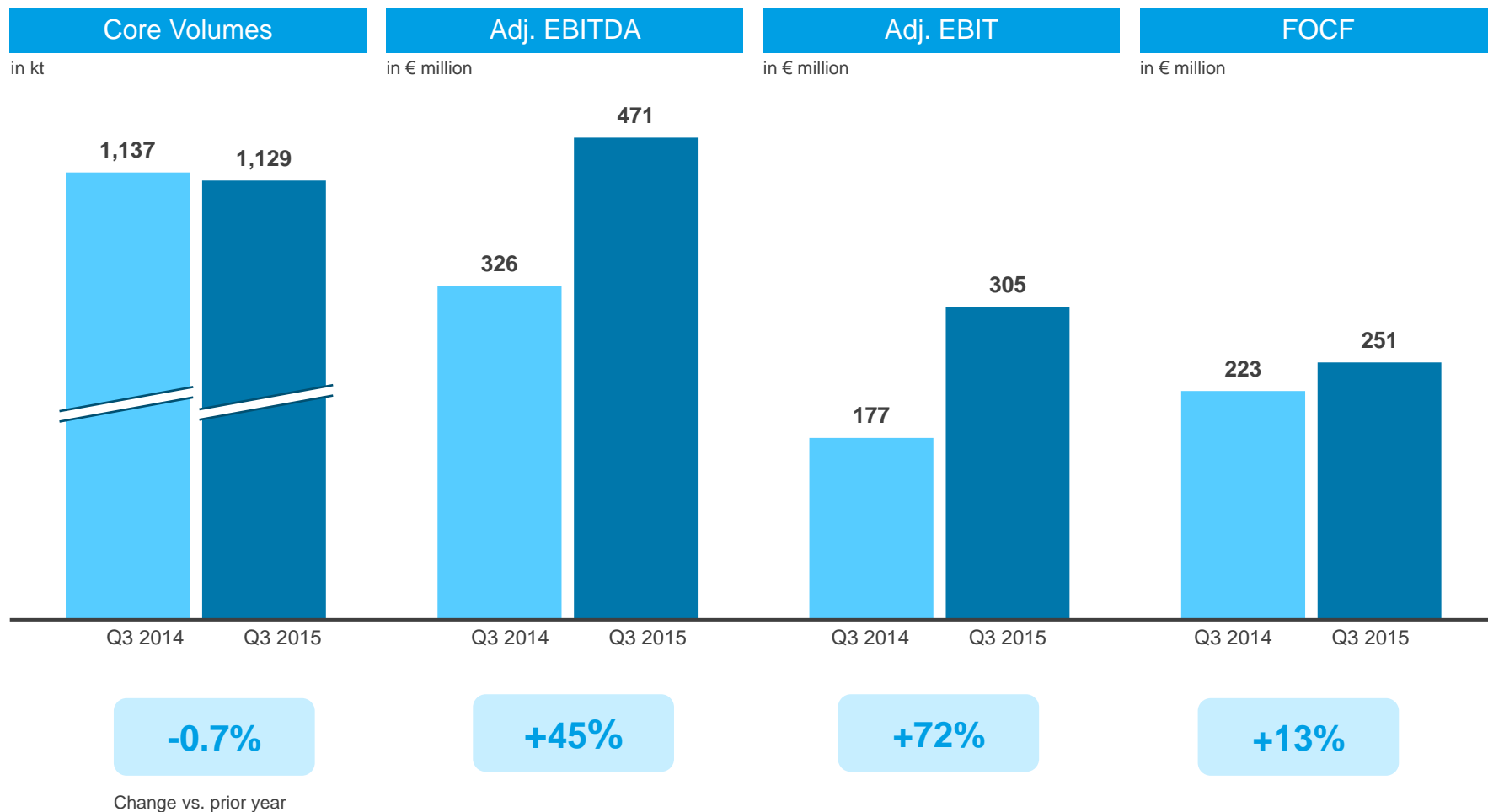
Solid volume growth and significant earnings improvement



# Q3 2015 Sales & Earnings



Significant earnings improvement despite flat volumes



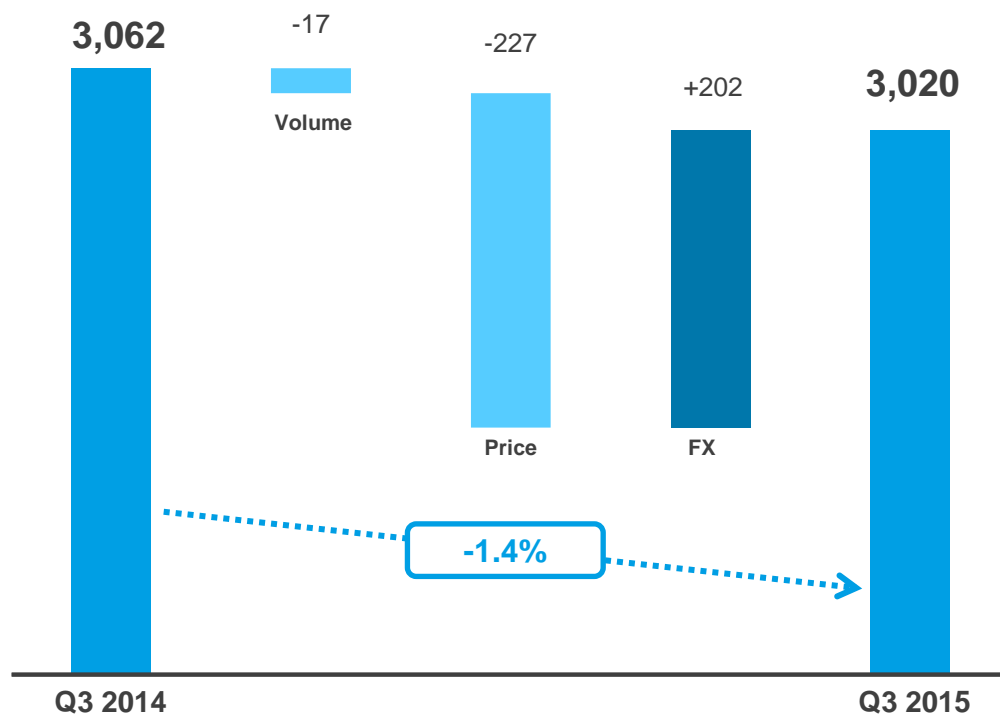
# Q3 2015 – Sales Bridge



Flat volumes in a challenging environment

## Sales Bridge

in € million



## Highlights

### Solid volume development

- In Q3 2015, slight decline mainly in the segment PUR
- In 9M 2015, growth of 3.0% Y/Y (€260m) with all three segments contributing

### Positive FX effect

- In 9M 2015, FX effects contributed 8.9% Y/Y (€777m)

### Price decline driven by lower raw material prices

- In Q3 2015, the index of Covestro's strategic raw materials prices decreased from 108 to 84 Y/Y (100 = Q1 2014)
- In 9M 2015, price effects burdened by 6.1% Y/Y (€535m)

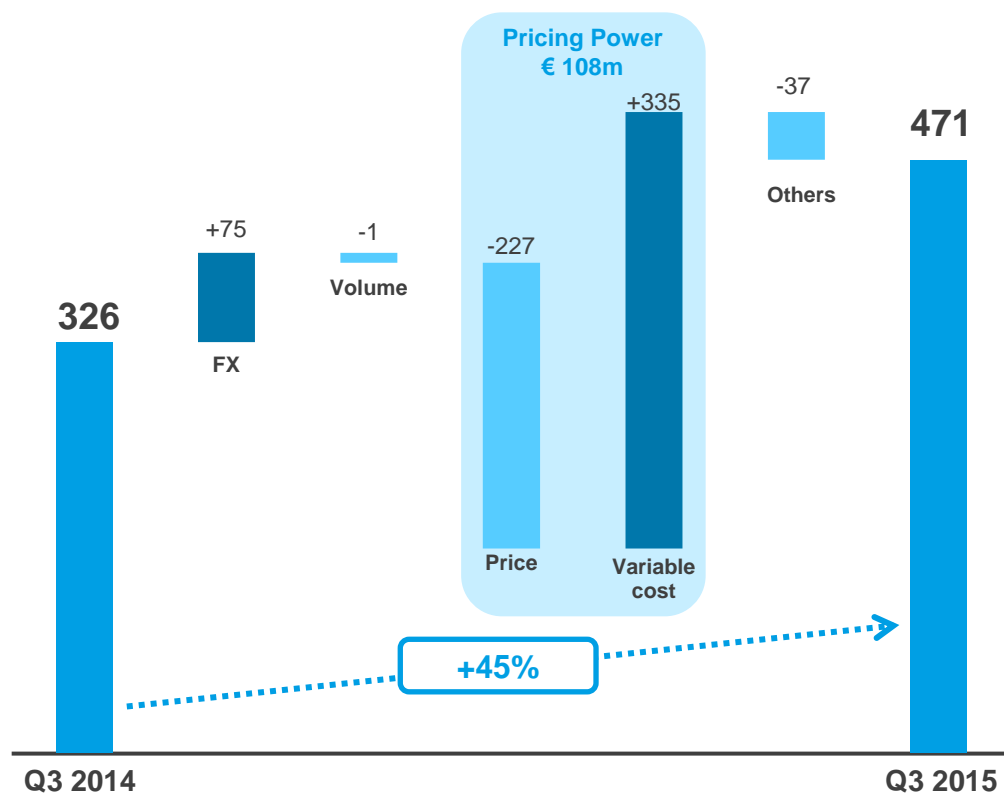
# Q3 2015 – Adj. EBITDA Bridge



Strong growth driven by tight supply

## Adj. EBITDA Bridge

in € million



## Highlights

### Stronger pricing power

- Tight supply in polycarbonates
- Polyols helped by tight styrene markets
- Limited pricing power in MDI
- Price reductions in TDI above raw material benefits

### Weak € continued to support results

### Limited effects from lower volumes

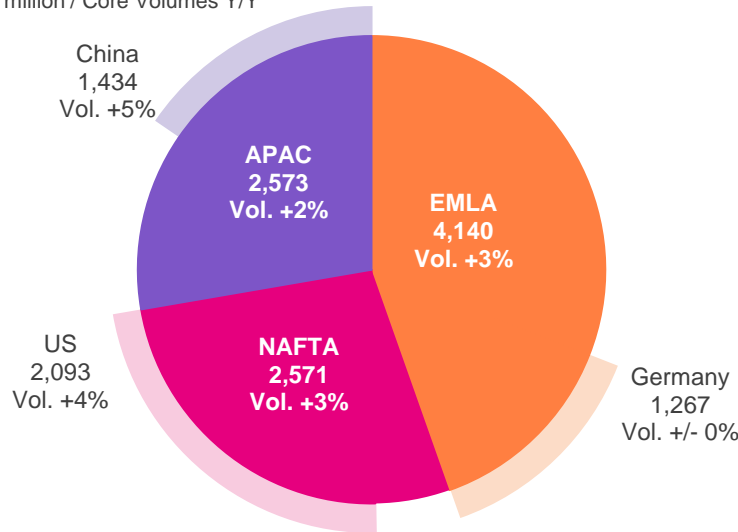
# 2015 – Sales per Region



China still on track and growth in mature markets accelerated

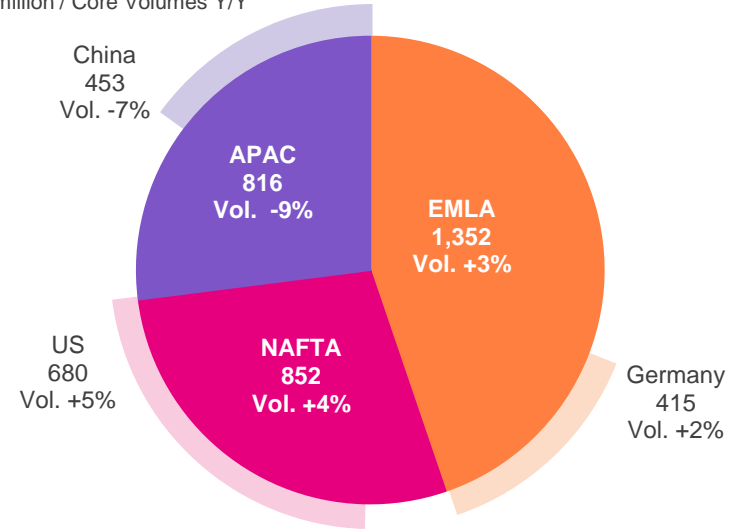
## Solid growth in 9M 2015

in € million / Core Volumes Y/Y



## De-stocking in Q3 2015

in € million / Core Volumes Y/Y



## 9M 2015 Highlights

- Core volume growth of 2.5% Y/Y
- China remains a high core volume growth market with 5% Y/Y
- Good core volume growth in the US with 4% Y/Y
- EMLA solid despite double-digit decline in South America

## Q3 2015 Highlights

- Core volumes down by 0.7% Y/Y
- APAC and China significantly down as customers adjusted growth expectations
- Growth accelerated in the US and Germany



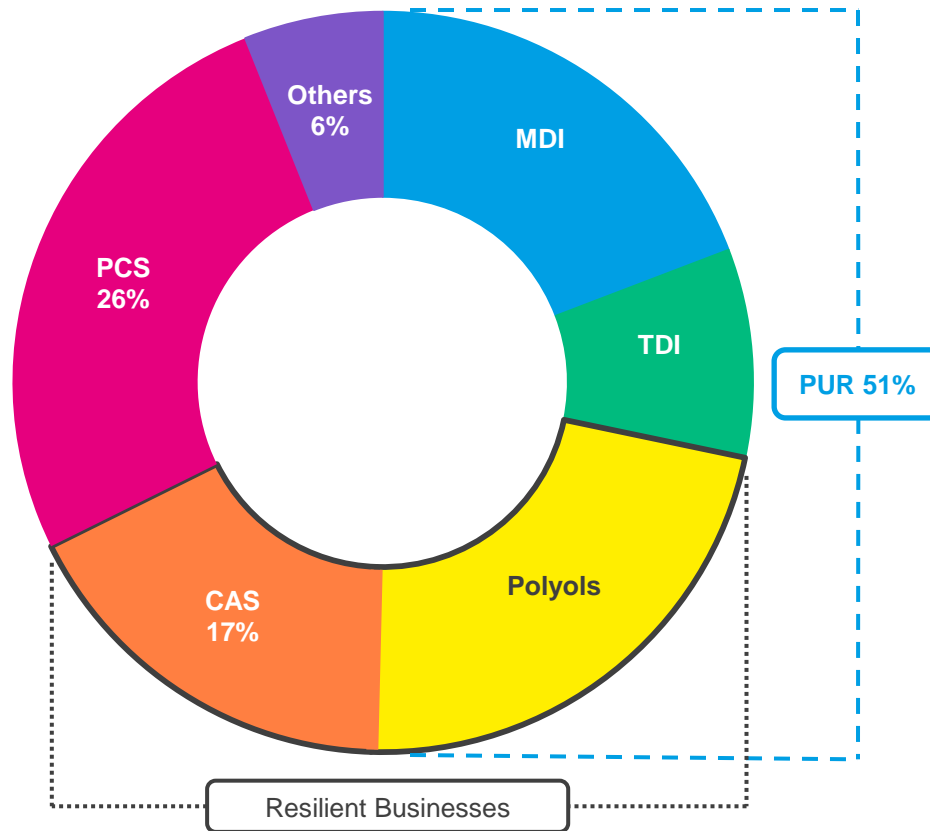
# 9M 2015 – Sales by Segments



Significant proportion generated with resilient businesses

## Sales by Segments

% of Group Sales



## Highlights

### Resilient businesses

- CAS: proven low volatility
- Polyols: structurally low volatility

### Above mid-cycle margins

- PCS: but still significantly below historical peak margins

### Below mid-cycle margins

- MDI: challenged by new capacities in the industry

### Approaching bottom of the cycle margins

- TDI: global industry overcapacities but Covestro with leading cost position

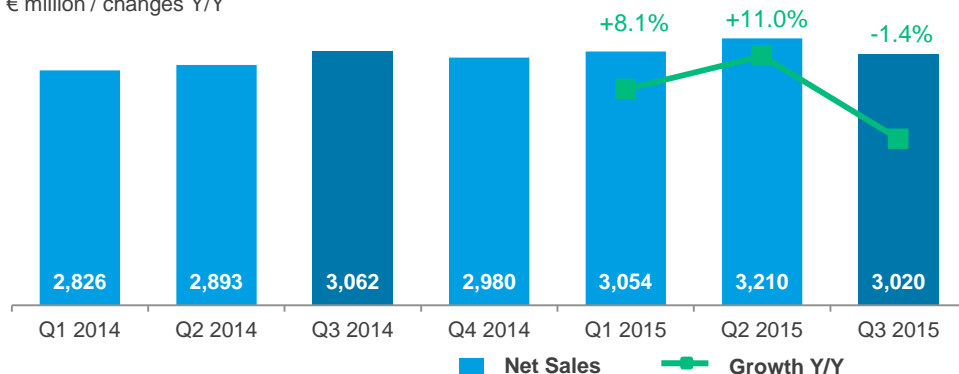
# Group Results



## Defending higher margin level

### Net Sales and Growth

in € million / changes Y/Y

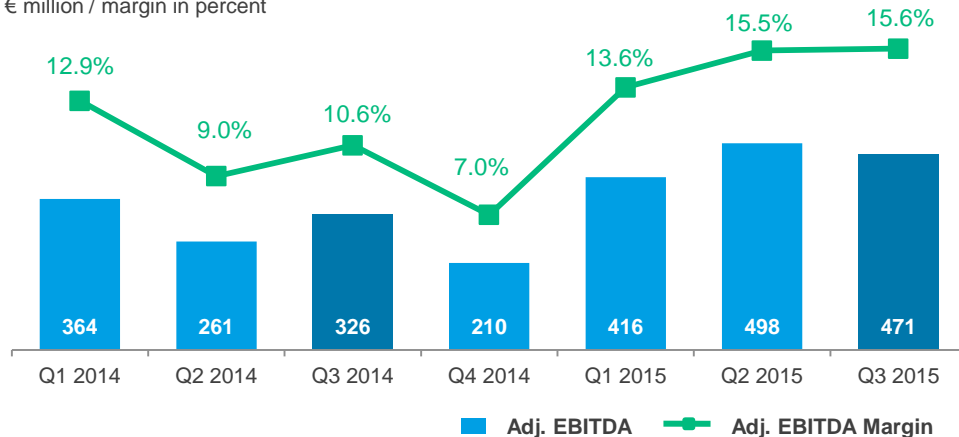


### Q3 2015 Highlights

- Core volumes (kt) down 0.7% Y/Y
- Sales effects Y/Y: volumes -0.6%, prices -7.4%, FX +6.6%
- EBITDA margin stable Q/Q despite lower sales
- Polycarbonates once again the main driver for the very positive Y/Y development

### Adjusted EBITDA and Margin

in € million / margin in percent



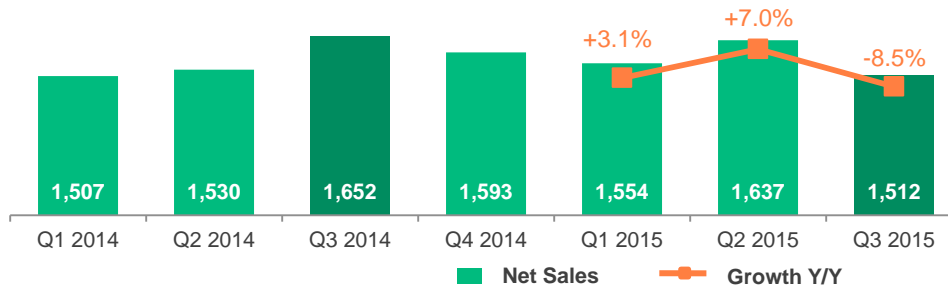
# Results of PUR Segment



## Polyurethanes – Volatile development

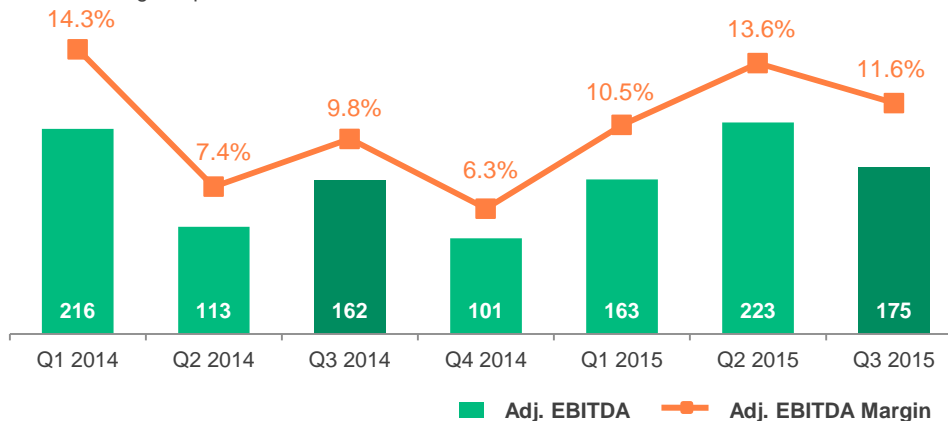
### Net Sales and Growth

in € million / changes Y/Y



### Adjusted EBITDA and Margin

in € million / margin in percent



### Q3 2015 Highlights

- Core volumes (kt) down 2.8% Y/Y
- Sales effects Y/Y: volumes -2.2%, prices -12.1%, FX +5.8%

#### MDI:

- Volumes flat despite weak development in Asia
- Earnings flat Y/Y but down Q/Q

#### TDI:

- Volumes down driven by de-stocking in Asia
- Earnings down Y/Y and Q/Q due to global overcapacities

#### Polyols:

- Volumes down due to competitive pressure in Asia and Europe
- Earnings above mid-cycle levels due to strong contribution from styrene

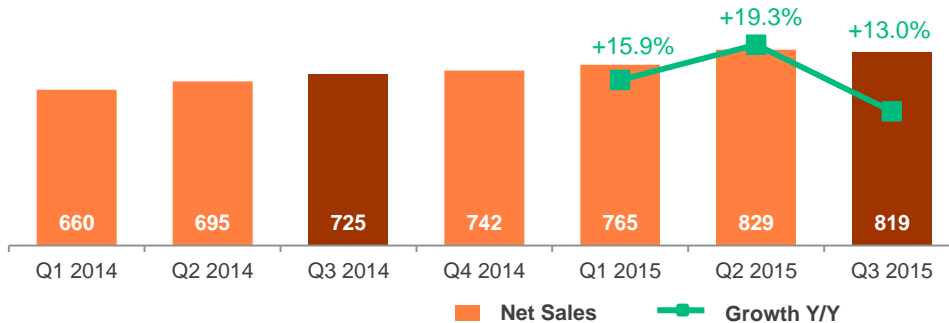
# Results of PCS Segment



## Polycarbonates – Positive momentum continues

### Net Sales and Growth

in € million / changes Y/Y

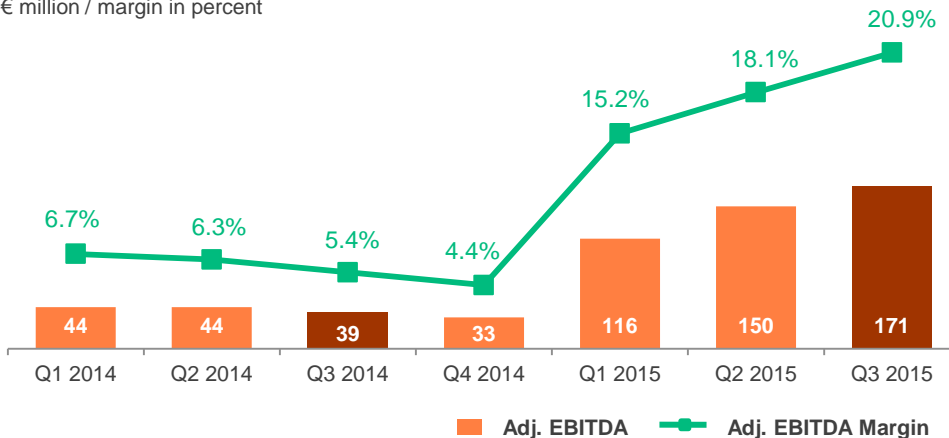


### Q3 2015 Highlights

- Core volumes (kt) up 5.5% Y/Y
- Sales effects Y/Y: volumes +4.1%, prices -0.8%, FX +9.7%
- Strong volume growth in Europe and US, both regions strong in automotive and construction, APAC down due to lower optical media and BPA sales
- Significant margin increases Y/Y and Q/Q on the back of almost stable sales prices (EMLA up, NAFTA and APAC down) while raw material costs dropped significantly

### Adjusted EBITDA and Margin

in € million / margin in percent



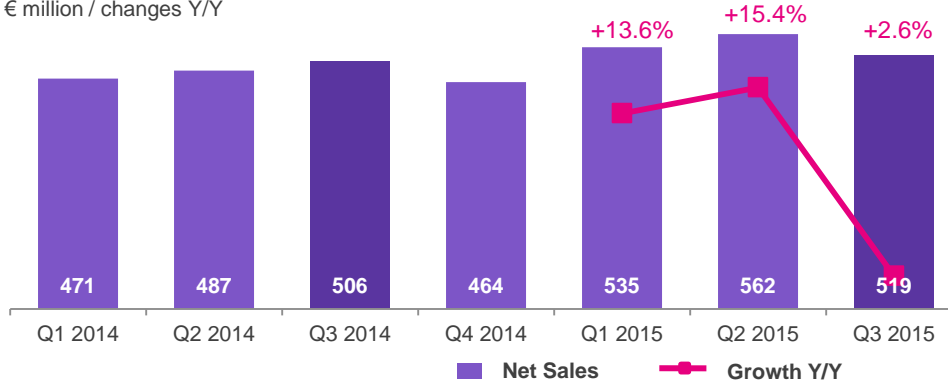
# Results of CAS Segment



## Coatings, Adhesives, Specialties – Record margin

### Net Sales and Growth

in € million / changes Y/Y

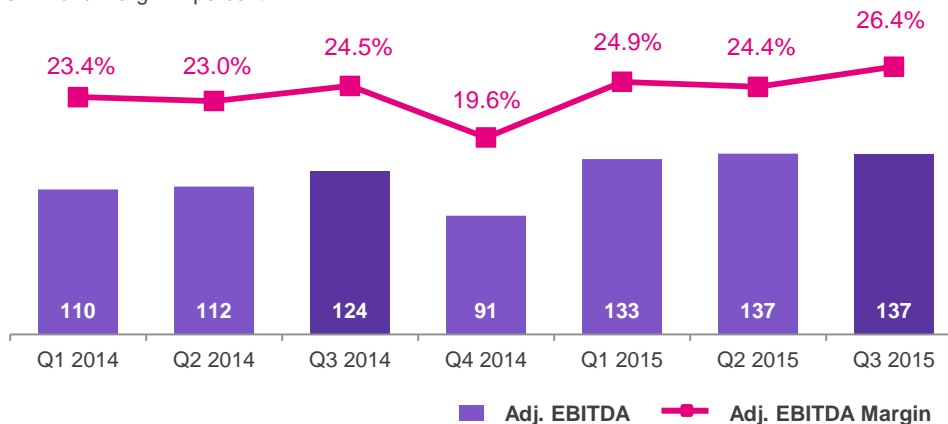


### Q3 2015 Highlights

- Core volumes (kt) down 2.3% Y/Y
- Sales effects Y/Y: volumes -2.5%, prices -1.4%, FX +6.5%
- Volume decline mainly driven by de-stocking in Asia, EMLA flat and NAFTA slightly up
- Slightly lower selling prices were more than compensated by lower raw material prices
- Adj. EBITDA margin at record level of 26.4%

### Adjusted EBITDA and Margin

in € million / margin in percent



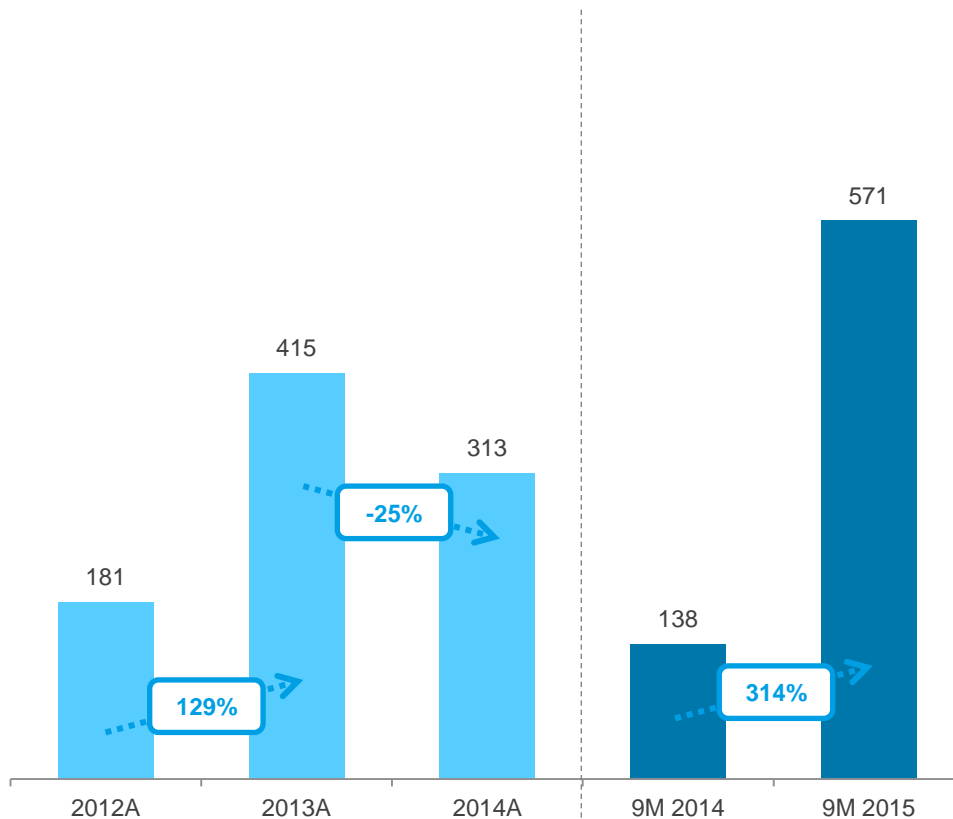
# 9M 2015 – Free Operating Cash Flow



On track for a record FOCF

## Free Operating Cash Flow

in € million



## 9M 2015 Highlights

### Strong performance in 9M 2015

- Driven by strong EBITDA
- Working capital increased mainly due to planned maintenance shut down in China
- Capex of €352m significantly below D&A of €527m

### Outlook 2015

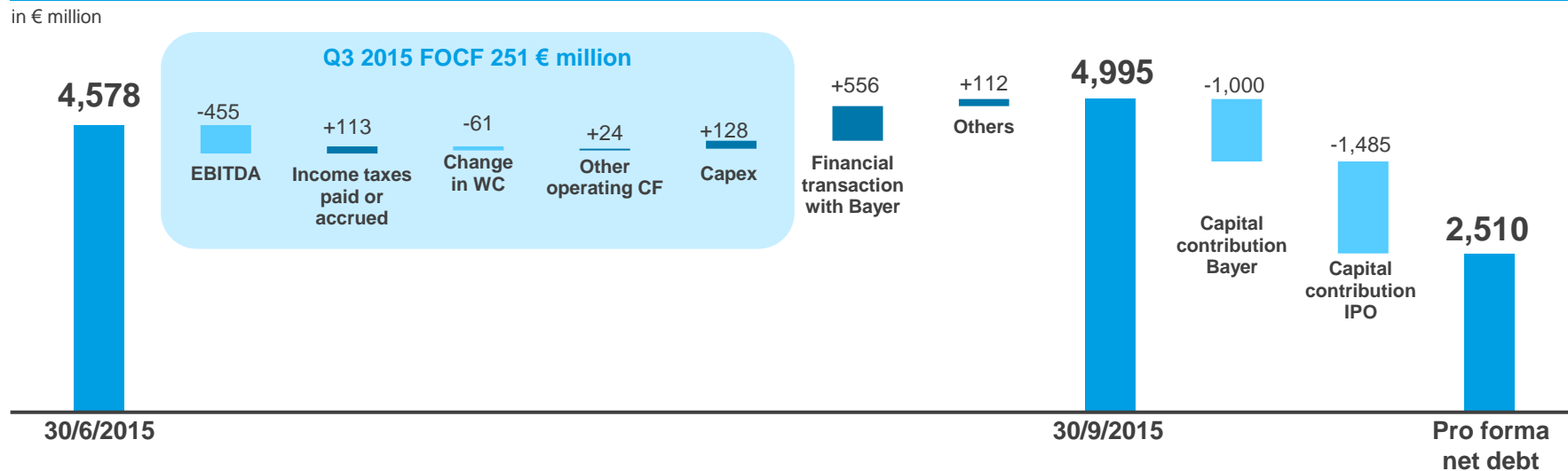
- Working capital expected to improve end of Q4 vs. end of Q3 2015
- 2015 Capex expected to peak in Q4
- Overall, strong FOCF expected to continue in Q4 2015

# 9M 2015 – Net Financial Debt



Baa2 rating (Moody's) with stable outlook

## Net Financial Debt Development



## Highlights

### Pro forma net debt (incl. pension) of c. €4bn

- Pro forma net debt €2.5bn (beginning of Oct 2015) plus pension provision of €1,562m (end of Q3 2015)

### Stable net debt assumed for year end 2015

- Strong FOCF assumed for Q4 2015
- One-off cash payments expected in Q4 2015

**We target to end up at the lower end of the range of 2.5x-3.0x net debt to adj. EBITDA for FY 2015**

# Guidance

On track to deliver



	FY 2014	Guidance FY 2015 vs. FY 2014	9M 2015
<b>Core Volume Growth*</b>			
Group*	4.8%	Low-single-digit increase Y/Y	2.5%
PUR*	3.9%	Slight increase Y/Y	0.8%
PCS*	9.0%	Mid-single-digit increase Y/Y	6.7%
CAS*	1.3%	Low-single-digit increase Y/Y	3.5%
<b>Adj. EBITDA</b>			
Group FY 2015	1,161	Significant increase Y/Y	1,385
Group Q4 2015 (basis Q4 2014)	210	Increase Y/Y	n/m
PUR	592	Increase Y/Y	561
PCS	160	At least triple Y/Y	437
CAS	437	Increase Y/Y	407
<b>Additional Indications</b>			
Adj. D&A	600	Slightly below €700m	502
Special items in EBITDA	-39	More than €-200m	-98
Special items in D&A	-5	Around minus €20-30m	-25
Tax rate	27.3%	Around 30% (slightly higher cash tax rate)	29.8%
Capex	612	Around €550m	352

\*Guidance for core volume growth compares growth expectations for 2015 vs. absolute volumes achieved in 2014



# Q3 2015 - Summary



Covestro fully on track

**Solid organic growth in a focused portfolio**  
despite a challenging market environment

**Strong earnings and cash flow generation**  
driven by a favorable demand/supply balance and supported by focus on profitability

**Robust financial profile**  
with an investment grade rating (Baa2 from Moody's)

**Attractive dividend policy**  
with a planned dividend payment of around €100-150m already for the stub year 2015

**Confirmed financial outlook**  
with Covestro performance fully on track for 2015E targets

# Upcoming IR Events



Find more information on [investor.covestro.com](http://investor.covestro.com)

## Roadshows

- **November 18, 2015:** Dublin
- **November 19, 2015:** Edinburgh
- **November 24-25, 2015:** Frankfurt

## Reporting Dates

- **February 23, 2016\*:** Q4 2015 Annual Report
- **April 25, 2016\*:** Q1 2016 Interim Report

\*Dates preliminary

## Broker Conferences

- **December 1-2, 2015:** BoAML European Chemical Conference, London
- **January 11-13, 2016:** Commerzbank, German Investment Seminar (GIS) 2016, New York
- **January 18-20, 2016:** Uni Credit & Kepler Cheuvreux, German Corporate Conference 2016, Frankfurt

## Annual Dates

- **May 3, 2016:** Annual Stockholders' Meeting
- **May 4, 2016:** Planned Dividend Payment Day

