



Strong start into the year

Roadshow Presentation

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. Covestro assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Covestro Key Investment Highlights



Global leader in high-tech material solutions

- 1 Leading and defensible 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

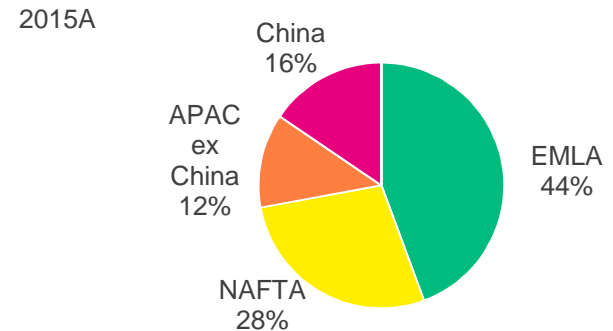
Covestro at a Glance



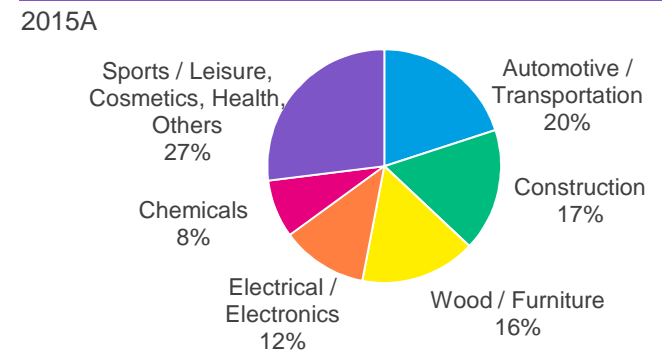
Inventor and leader in high-tech material solutions driven by global trends

- 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 4,800kt^(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 or limited merchant market sales
- Headquartered in Leverkusen, Germany, with c. 15,750 employees^(c) globally

Sales Split by Geography^(b)



Sales Split by End-market




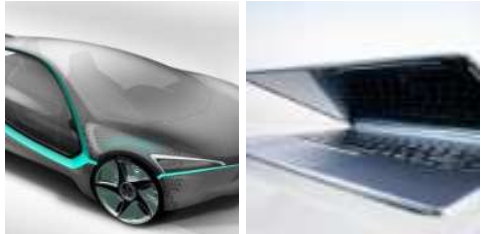

Key Covestro Financials:	Sales 2015A €12.1bn	Adj. EBITDA 2015A €1.6bn	Adj. EBITDA margin 2015A 13.6%

Notes: (a) Includes total nameplate capacity for PUR and PCS in 2015A, rounded to nearest 100kt
 (b) Based on Covestro Annual Report 2015A; EMLA = Europe, Middle East, Africa, Latin America (without Mexico); NAFTA = USA, Canada, Mexico; APAC = Asia, Pacific
 (c) Employees refers to full-time-equivalents (FTE), rounded to nearest 50

Covestro Business Units



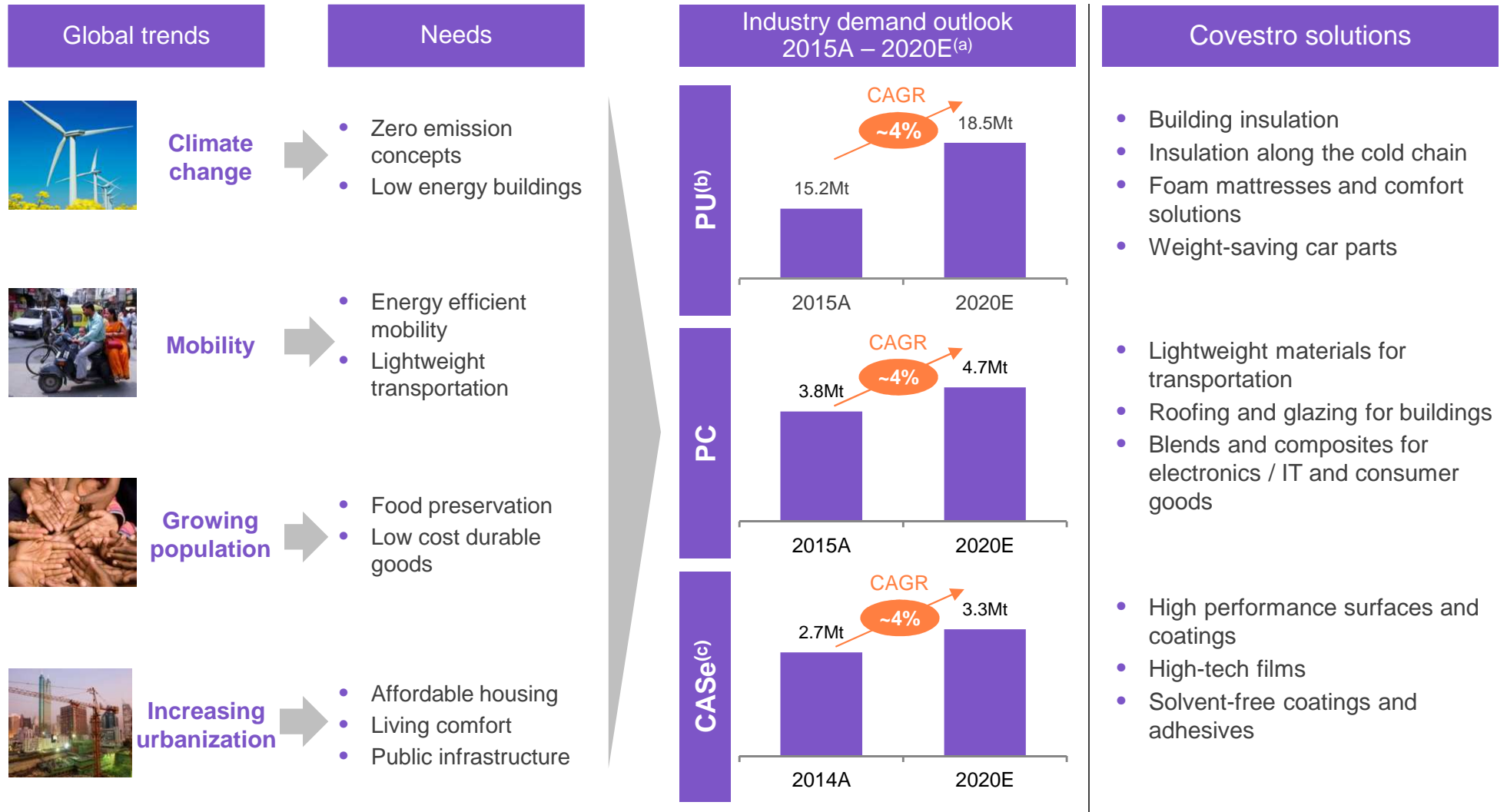
Three industry-leading, structurally attractive business units

Business Units	Polyurethanes (PUR)	Polycarbonates (PCS)	Coatings, Adhesives, Specialties (CAS)
Global Position ^(a)	<p>Global #1 (3,470kt)</p> <ul style="list-style-type: none"> MDI: #2 (1,420kt) TDI: #2 (720kt) Polyether polyols: #2 (1,330kt) 	<p>Joint Global #1 (1,280kt)</p> <ul style="list-style-type: none"> EMEA: #2 (540kt) NAFTA: #2 (230kt) APAC: #2 (510kt) 	<p>Global #1:</p> <ul style="list-style-type: none"> Aliphatic isocyanate derivatives Aromatic isocyanate derivatives Polyurethane dispersions
Sales 2015A	€6.1bn or 50% of Covestro	€3.2bn or 26% of Covestro	€2.1bn or 17% of Covestro
Adj. EBITDA Margin 2015A	10.2%	17.7%	23.5%
Key Applications	<p>Rigid foam:</p> <ul style="list-style-type: none"> Building insulation Cold chain Automotive parts <p>Flexible foam:</p> <ul style="list-style-type: none"> Furniture Bedding/mattresses 	<ul style="list-style-type: none"> Automotive parts IT and electrical equipment, electronics Construction (windows, roof structure) Consumer products, medical and other applications 	<ul style="list-style-type: none"> Surface coatings Adhesives and sealants Elastomers Specialty films
			

Notes: (a) Based on total nameplate capacity for PCS, MDI, TDI and Polyether polyols at year-end 2015A relative to competitors as per Covestro internal estimates; for PCS: joint global leader (SABIC is the other #1); based on entire polycarbonates nameplate capacity as per Covestro internal estimates; for CAS: based on total volume in 2015A relative to competitors as per Covestro internal estimates.

Exposure to fundamental macro trends

Above GDP industry growth supported by global trends



Notes: (a) Assumes global GDP CAGR 2015A – 2020E of ~3%

(b) Comprises MDI, TDI and polyether polyols

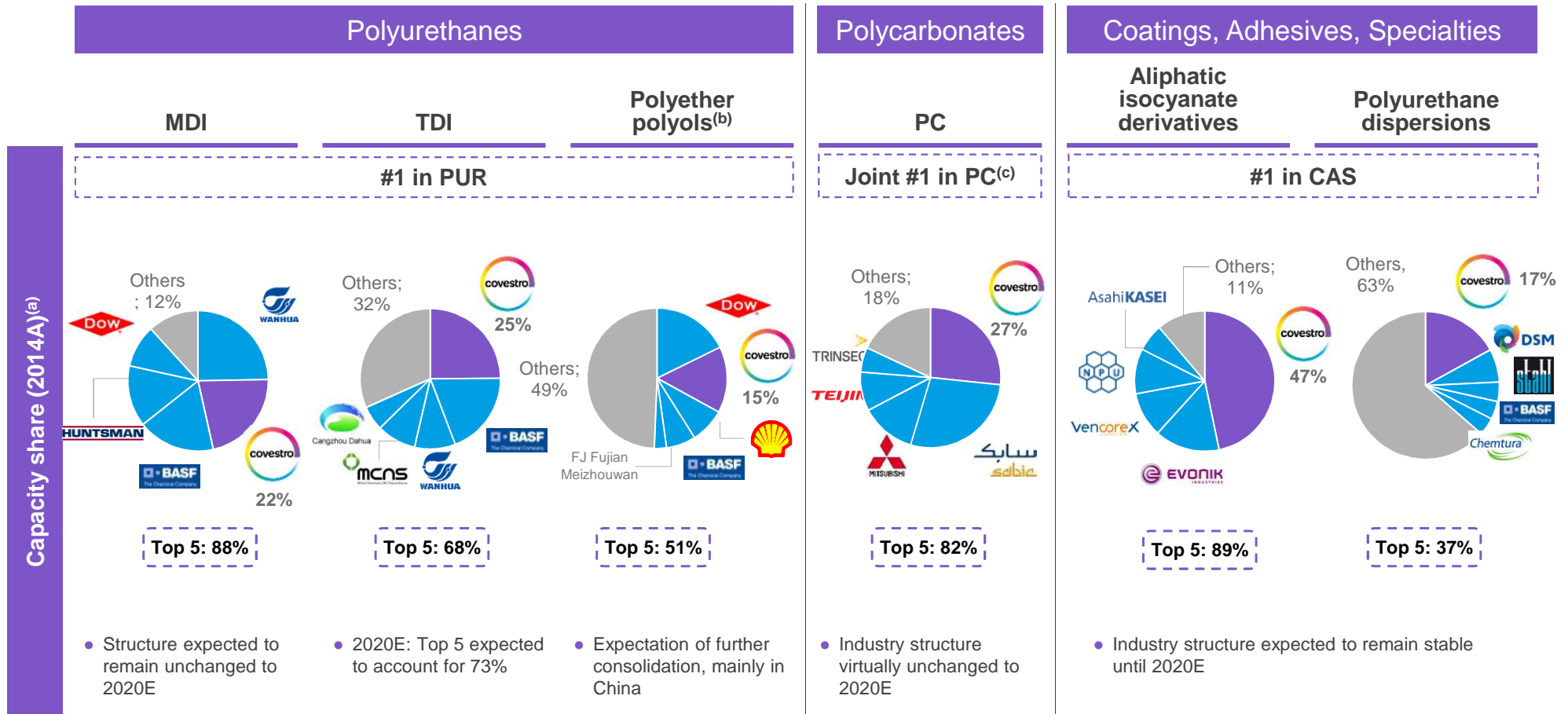
(c) Shows PU raw materials industry demand in coatings, adhesives and sealants

Source: Company information. CAsE market: Orr & Boss 2014A & Covestro internal estimates with annual growth of 4% for 2015A

Competitive Landscape



Covestro is a leader across its entire portfolio

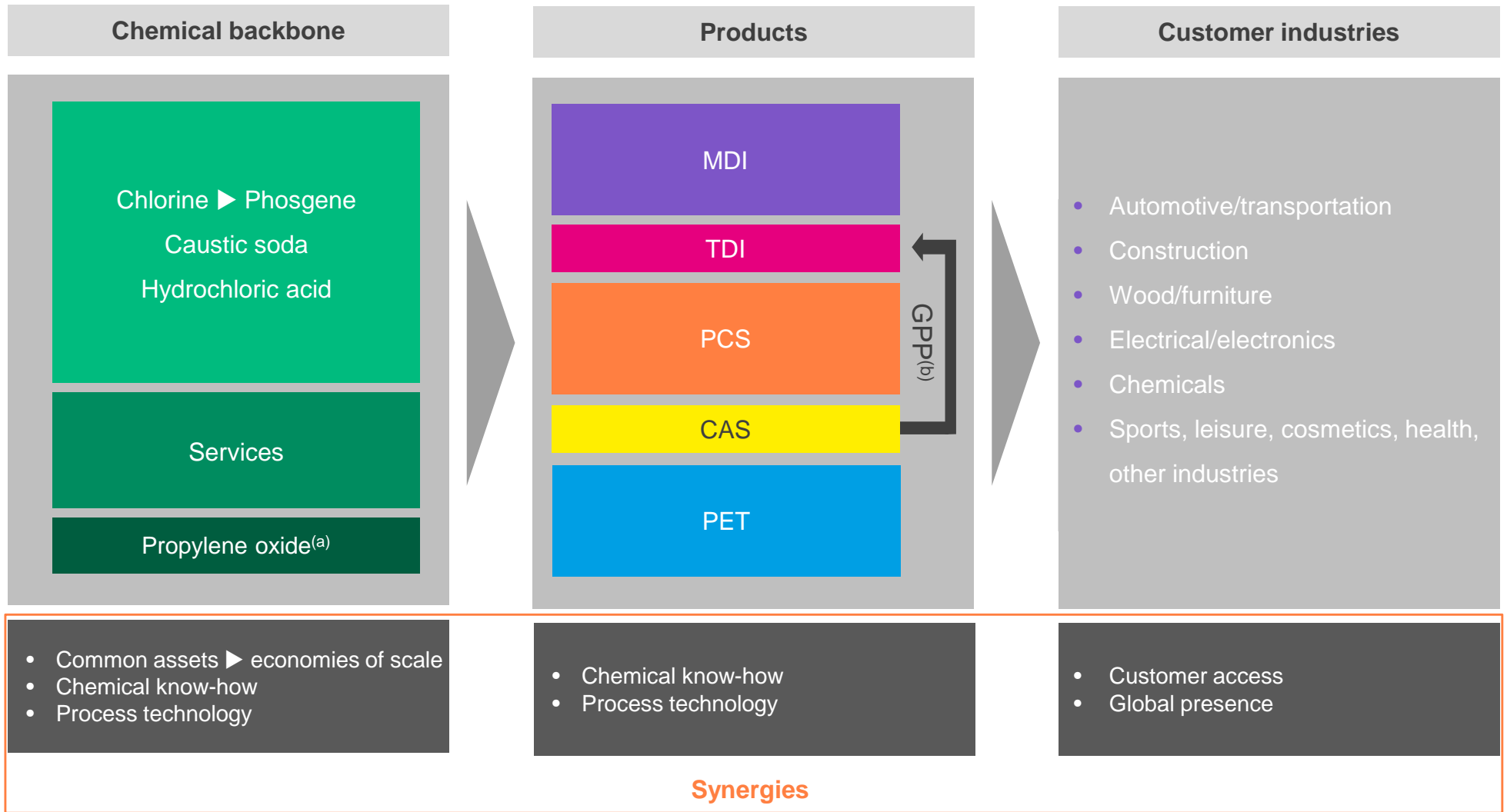


Notes: (a) Based on total nameplate capacity for MDI, TDI, Polyether polyols and PCS in 2014A relative to competitors as per Nexant industry analysis; based on total nameplate capacity for Aliphatic isocyanate derivatives and Polyurethane dispersions in 2014A relative to competitors as per Orr & Boss 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

A common chemical backbone across all segments



Significant synergies in scale, process technology and chemical know-how



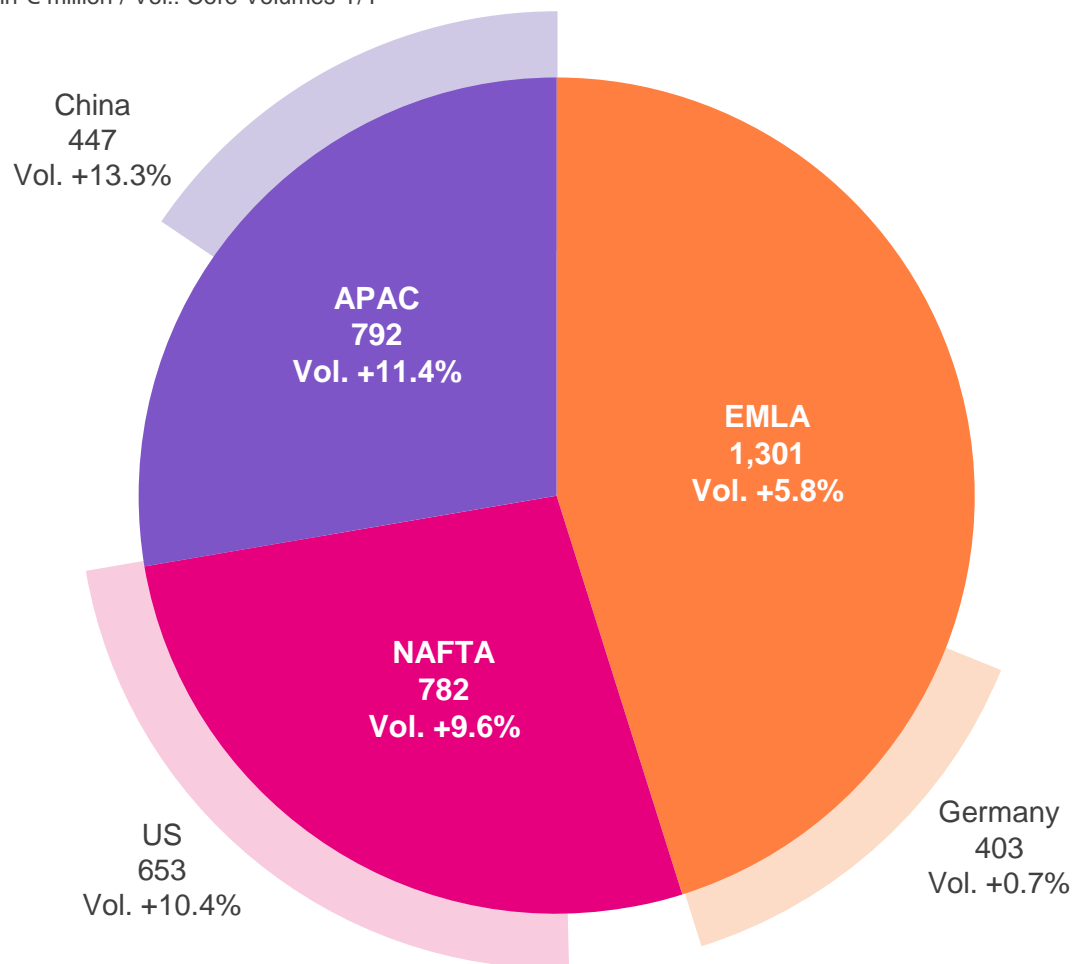
Q1 2016 – Sales per Region

Dynamic volume growth in all regions



Solid development in Q1 2016

in € million / Vol.: Core Volumes Y/Y



Highlights

EMLA

- Strong volume growth in Europe partly diminished by double-digit decline in Latin America
- Mild winter helped construction industry

APAC

- Double-digit volume growth in APAC and China driven by PUR and PCS
- Strong pick-up of demand after Chinese New Year

NAFTA

- Double-digit volume growth in PUR and PCS but declining volumes in CAS
- Low basis in PUR due to production problems in Q1 2015
- Mild winter helped construction industry

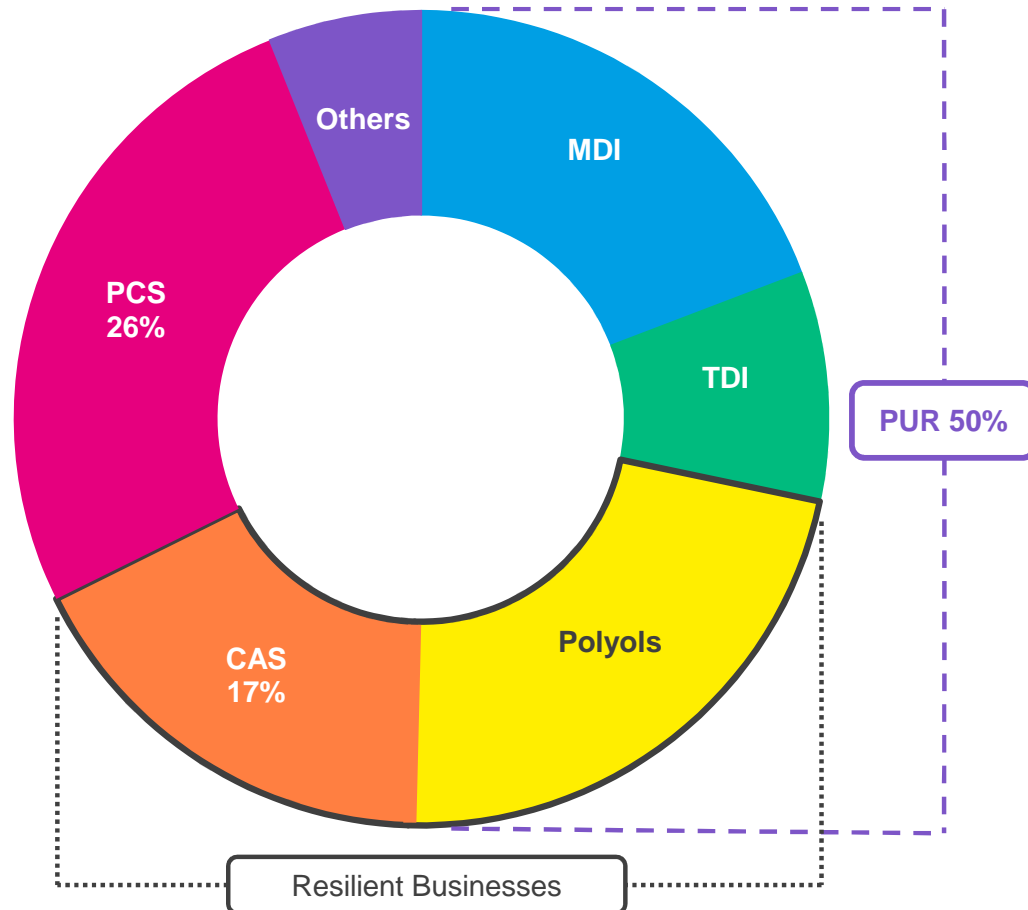
2015 – Sales by Segments



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

Bottom of the cycle margins

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

CAS at a Glance



Focus on stable high margins in CAS business with defendable competitive advantages

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



6+
Monomers

2,300+
Products

4,300+
Customers^(b)

#1
Producer of
aliphatic
isocyanates^(a)

€2.1bn
Sales 2015A

23.5%
Adj. EBITDA
margin
2015A

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

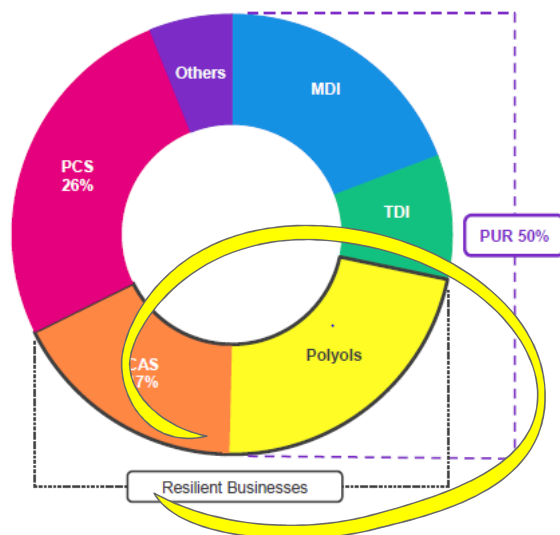
- High value-add materials ✓
- Priced on the basis of performance, high level of margin resilience ✓
- Competition with other players based on performance, distinct entry barriers ✓
- Small proportion of cost to end-customer ✓
- Low volumes and large number of niche-customized products sold ✓
- Products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

Polyols Industry Spreads



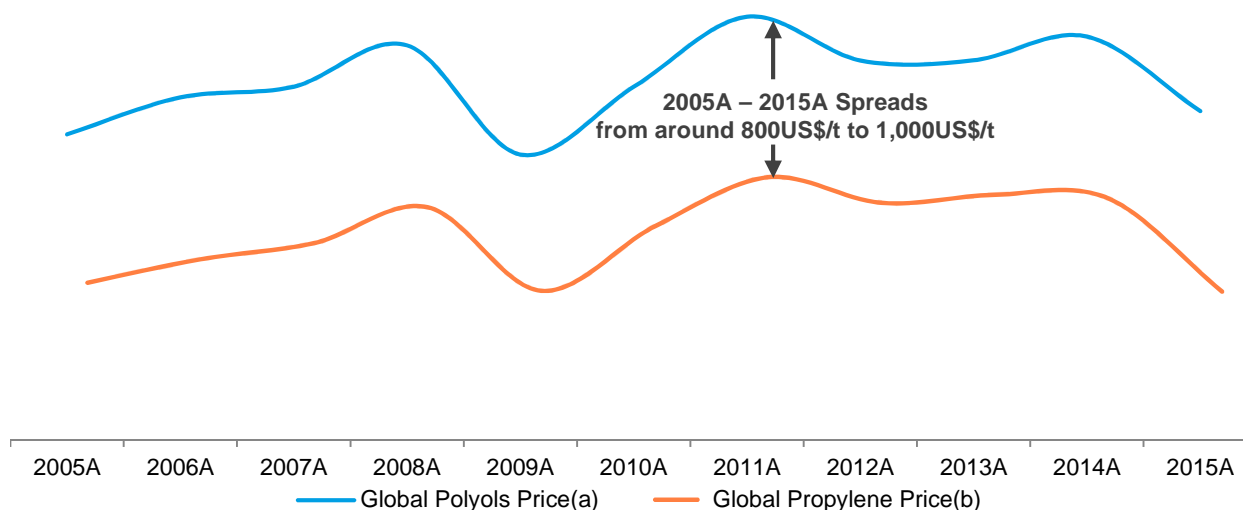
Polyether polyols demonstrate inherently stable margins

Resilience...



...of polyether polyols business also confirmed in 2015

Global average price (US\$/t)



- Non integrated polyether polyols producers with limited competitiveness
- Single capacity addition with little influence on supply/demand dynamics
- Specific entry requirements for new players, e.g. capex and technology

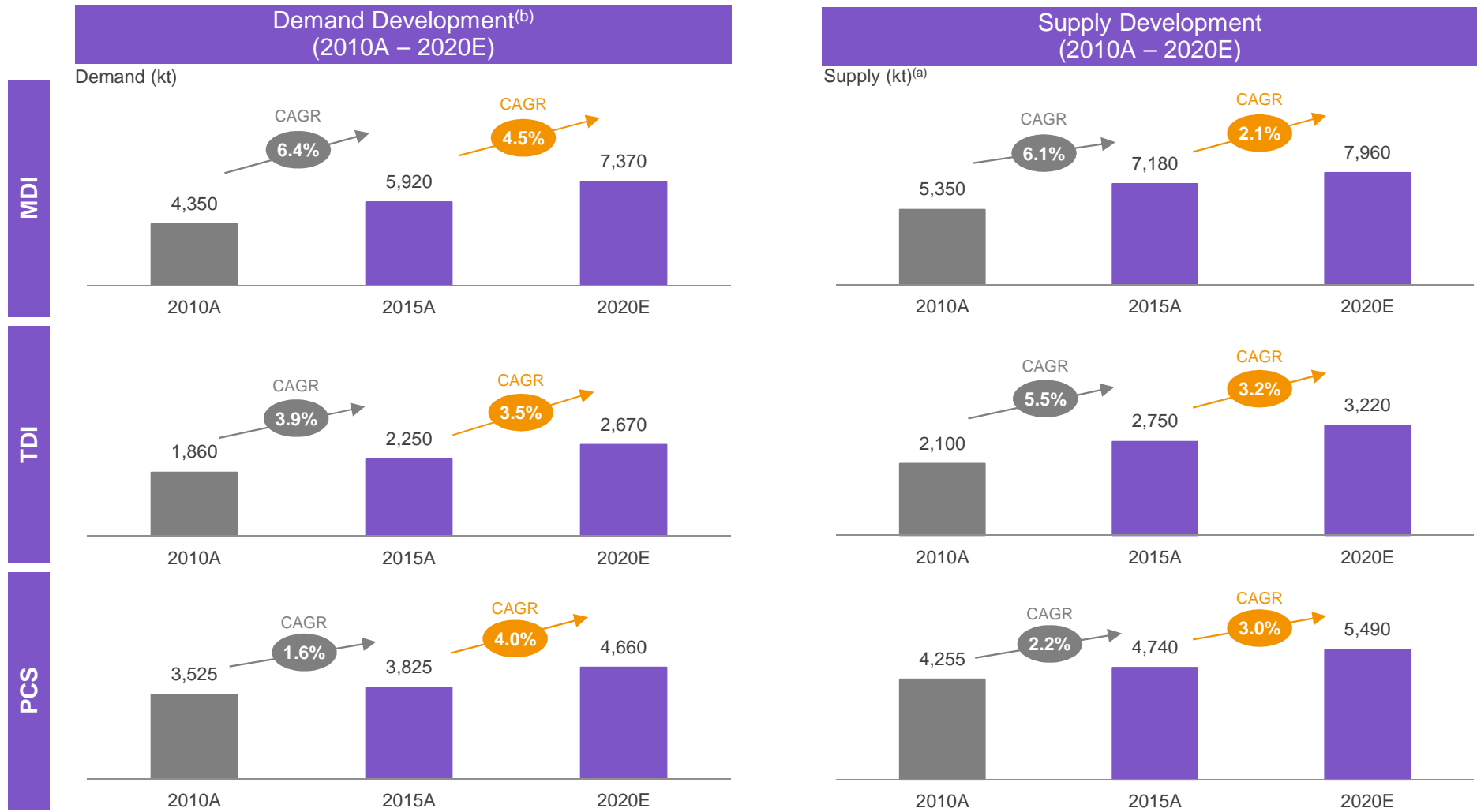
- Resilient industry margins over the last decade reflective of overall Covestro polyether polyols profitability
- Spreads not materially impacted by high volatility of propylene prices, particularly during the financial crisis
- Propylene oxide supply / demand dynamics create local pricing opportunities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

Notes: (a) The global average polyols price has been calculated based on the polyols 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 prices in Europe, US and China and weighting this average against the respective demand in those regions
 Source: Nexant and Covestro internal estimates

Industry historical development and outlook



Above GDP industry growth driving industry capacity utilization and supporting higher margins



Notes: (a) Based on historical and announced future nameplate capacities
 (b) Assumes global GDP CAGR 2015A – 2020E of ~3%

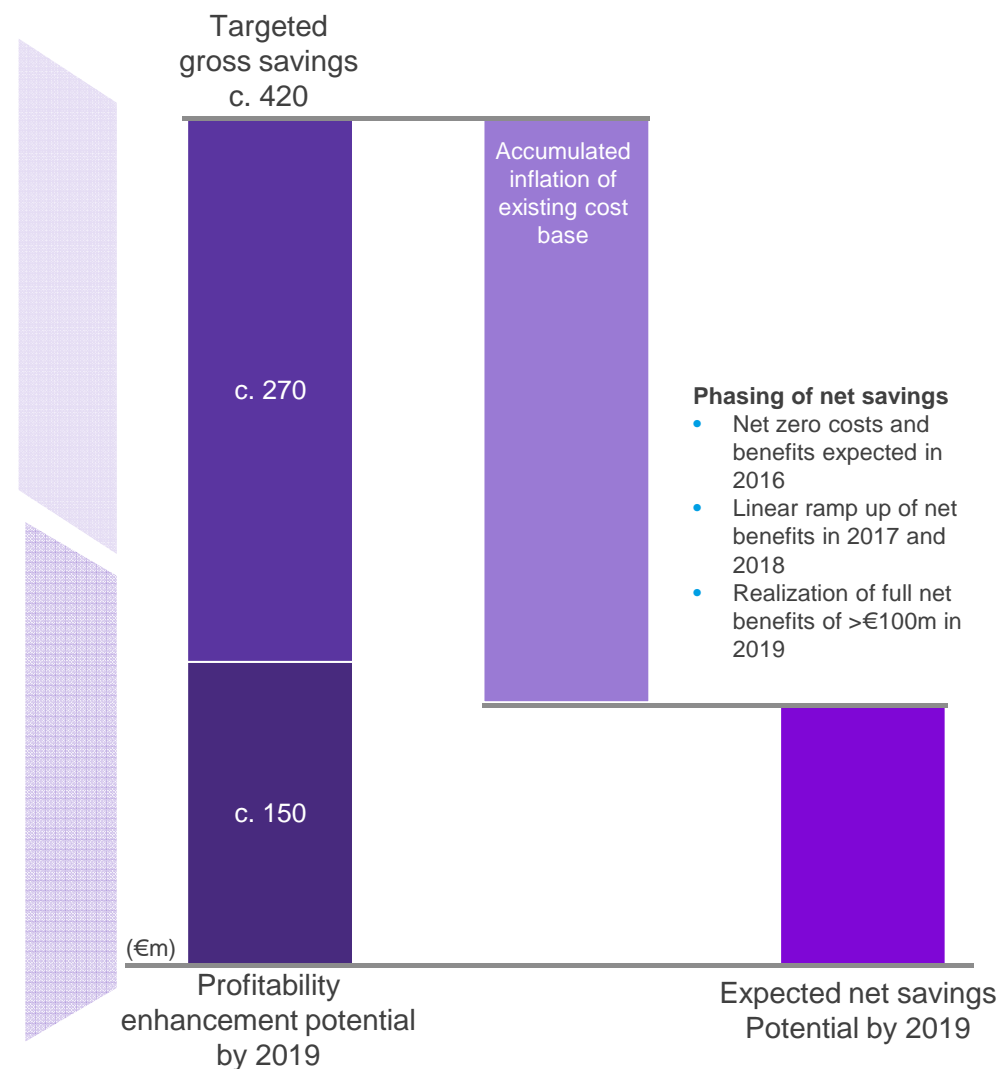
Source: Nexant & Covestro internal estimates

Structured profitability enhancement program on track



Net saving expected to start ramping up in 2017

Key Measures		Status	
Asset optimization plan	Fixed assets management cost improvements	<ul style="list-style-type: none"> Rolling out fixed asset management cost initiatives More efficient turnaround execution Further operational optimizations 	ongoing
	Asset restructuring / efficiency projects	<ul style="list-style-type: none"> Closure of Belford Roxo TDI EMEA restructuring Site consolidation: closure of S.Korea PC sheet production MDI EMEA restructuring: closure of TAR 	executed executed executed underway
	Continuous improvement	<ul style="list-style-type: none"> In manufacturing area 	ongoing
Cost improvement measures	Corporate overhead cost savings	<ul style="list-style-type: none"> Streamlining IT infrastructure and business model More tailor-made service function designs to replace current TSA^(a) with Bayer 	ongoing
	BU-level specific savings	<ul style="list-style-type: none"> Streamline sales force and back-office Focus on core areas and customers Consolidation within regional functions, product management and sales Maximize use of existing trade and distribution channels 	ongoing
	Continuous improvement	<ul style="list-style-type: none"> In non-manufacturing area 	ongoing



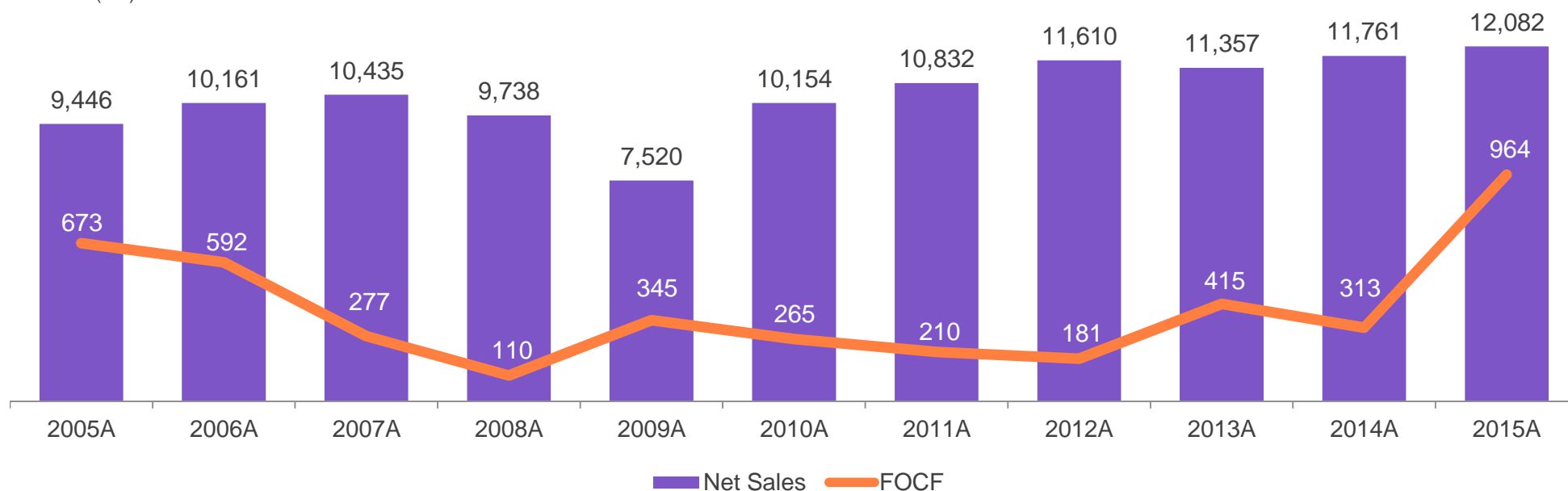
Record free operating cash flow in 2015



Track record of positive FOCF across the cycle

Covestro Net Sales vs. FOCF (2005A –2015A)

Net sales (€m)



- Accumulated more than €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

Use of cash reflects strong cash generation



Internal



- Capex (budget) below D&A in 2015A-2019E
- Goal to further reduce net debt
- Long-term preparation of next growth investments underway

Dividend policy



- Clear commitment to sustainable dividend growth – or at least stable dividend in difficult economic environment
- For stub year 2015, dividend of €0.70 paid
- Target dividend pay-out ratio of 30-50% based on Covestro Group IFRS net income in FY 2016
- Efficient capital structure and strong free cash flow allowing for sustainable dividend policy

Portfolio



- Disciplined & focused approach
- Bolt-on acquisition to boost R&D and business development
- Focus on high margin, differentiated business areas and continuous portfolio optimization

Covestro Strategy



Leverage industry leadership to capture growth in our industries and improve our asset and cost base

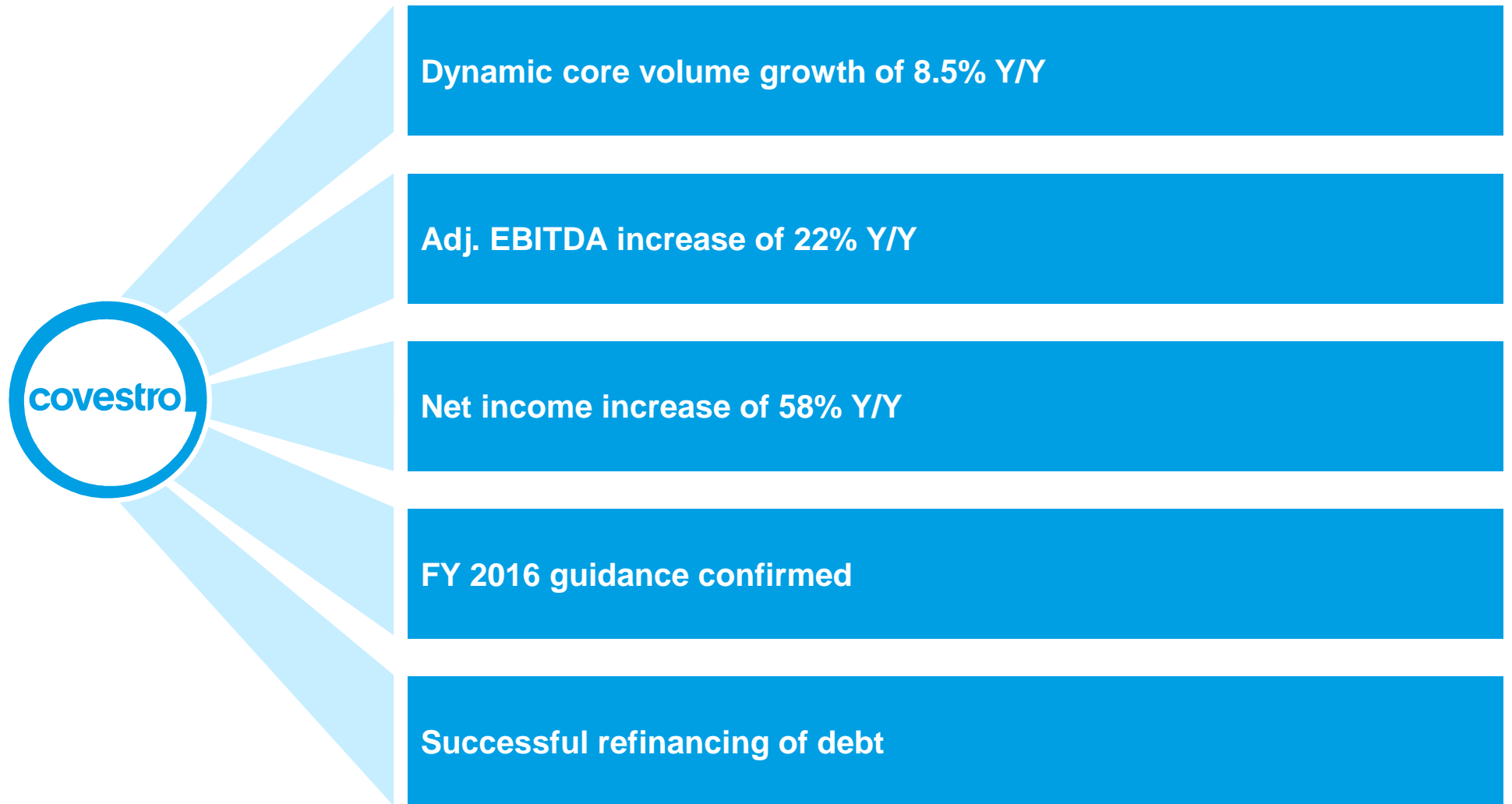
- 1 Capture market growth**
over the next years with existing world-scale assets
- 2 Optimize asset footprint**
through site consolidation, restructuring and efficiency projects
- 3 Improve cost position**
by 2019, align overall costs with best-in-class chemical industry benchmarks
- 4 Protect and build profitable competitive positions**
through focused R&D
- 5 Embed sustainability**
in every element of the strategy



Financial Highlights Q1 2016

Key Highlights

Strong start into the year



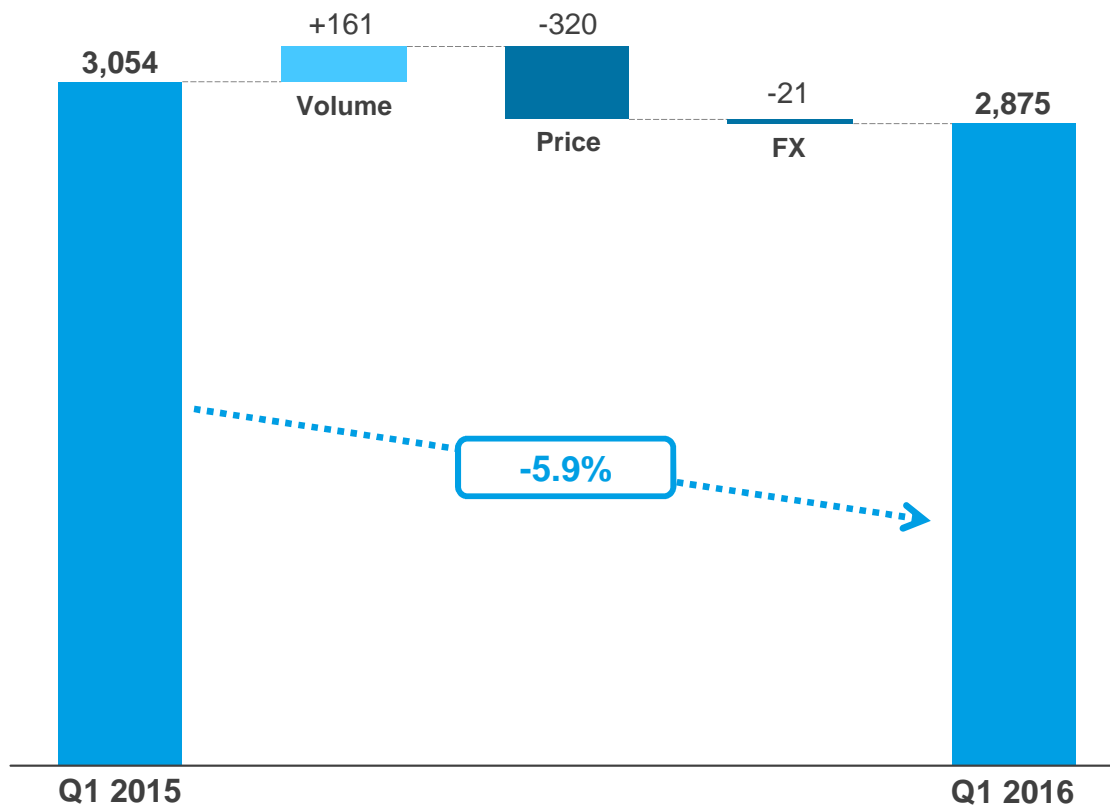
Q1 2016 – Sales Bridge



Dynamic volume growth

Sales Bridge

in € million



Highlights

Dynamic volume development

- Core volume growth (in kt) of 8.5% Y/Y
- Sales volumes (in €) expansion of 5.3% Y/Y diminished by stable by-product sales (non-core)

Price decline driven by lower raw material prices

- Lower selling prices negatively impacted sales by 10.5% Y/Y

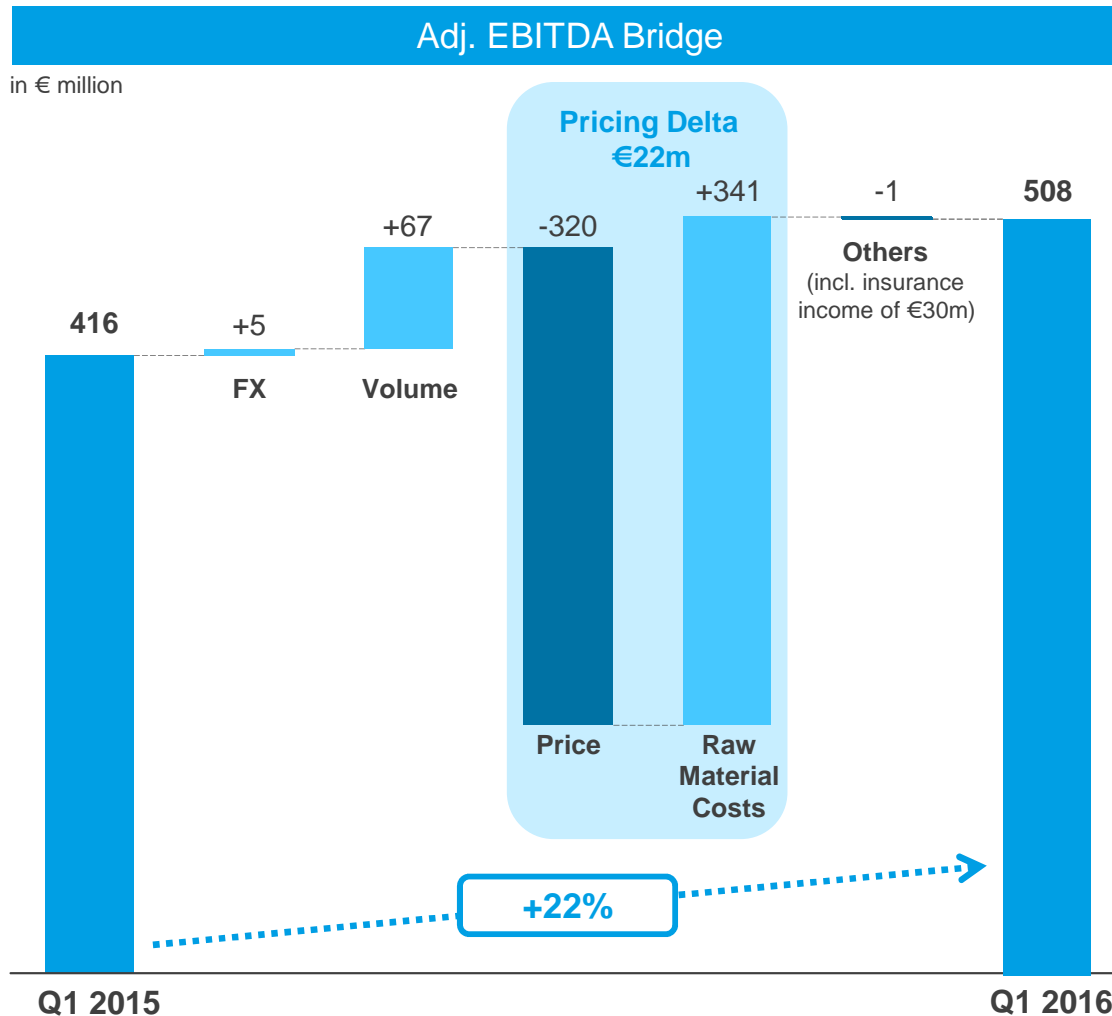
Limited FX effects

- FX effects burdened sales by 0.7% Y/Y mainly due to a weaker CNY, BRL and MXN

Q1 2016 – Adj. EBITDA Bridge



Positive volume leverage



Highlights

Positive volume leverage

- Driven by MDI, TDI and PC

Slightly improving cash margin

- Positive pricing power continued especially in PCS

Gain from insurance income

- Insurance income of €30m included in “Others”, which offset cost increases

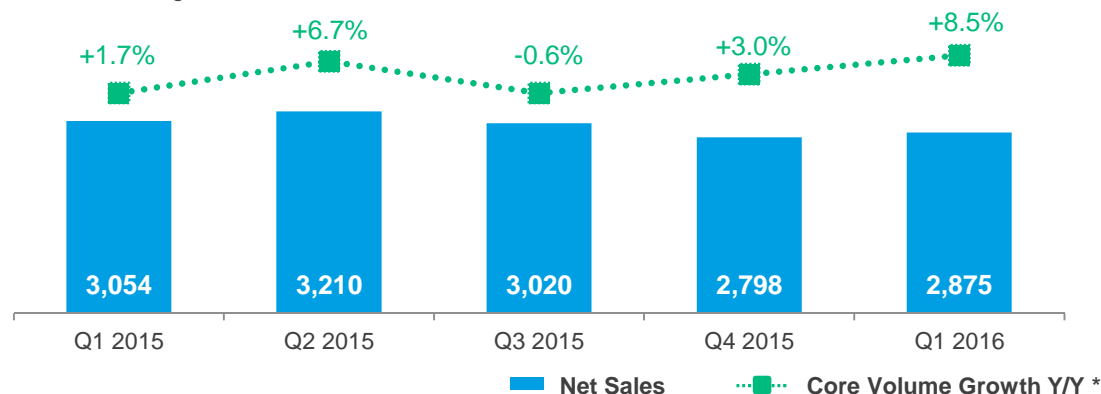
Q1 2016 – Group Results



Continued margin expansion

Net Sales and Core Volume Growth

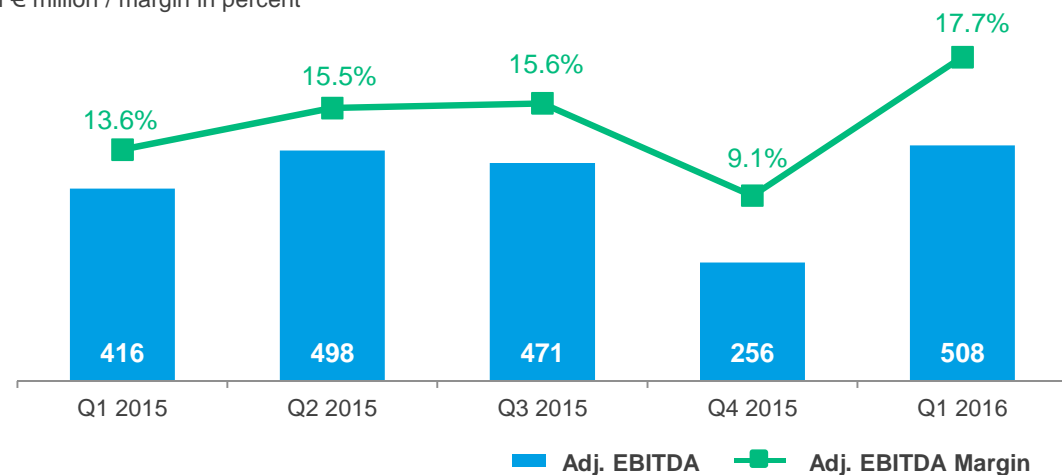
in € million / changes Y/Y



*) data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q1 2016 Highlights

- Dynamic core volume growth mainly driven by underlying demand improvements but also helped by low prior year basis, mild winter and competitor outages
- Sales decreased by 5.9% Y/Y mainly reflecting the lower raw material prices

Q1 2016 Highlights

- Adj. EBITDA margin significantly improved to 17.7% due to positive volume leverage and insurance settlement (adj. EBITDA margin of 16.6% excluding insurance income)
- Adj. EBITDA increased each quarter Y/Y in the last five quarters

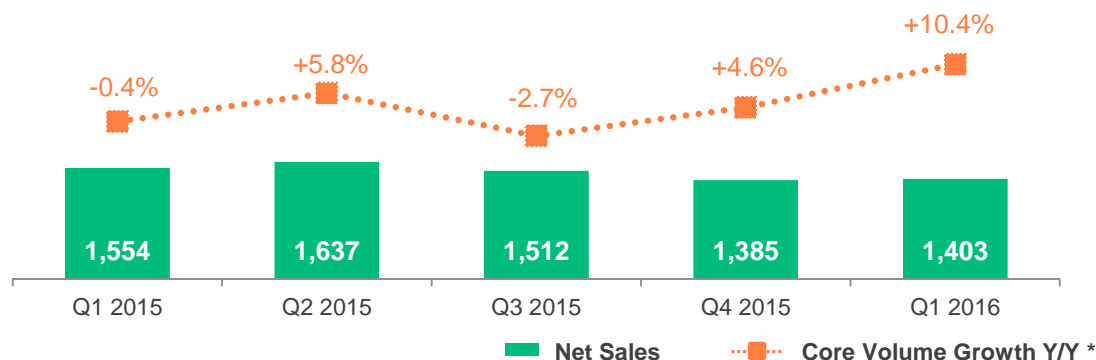
Q1 2016 – Results of PUR Segment



Polyurethanes – Solid development

Net Sales and Core Volume Growth

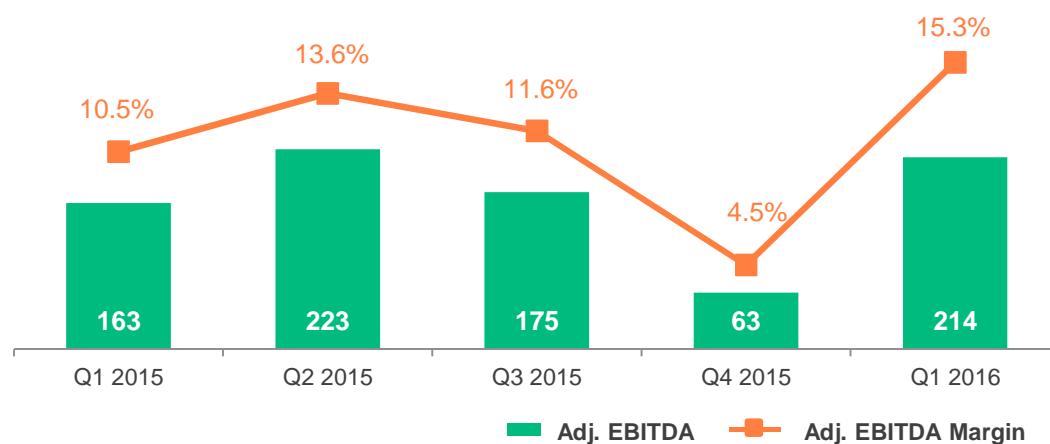
in € million / changes Y/Y



*) data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q1 2016 Highlights

- Core volume growth of 10.4% Y/Y mainly driven by TDI and MDI, whereas Polyols increased only low-single digit
- Selling prices declined by 15.7% Y/Y

Q1 2016 Highlights

- Adj. EBITDA excluding the insurance income of €30m increased by 13% Y/Y with a margin of 13.1%
- Underlying earnings improvement was mainly driven by the positive volume leverage

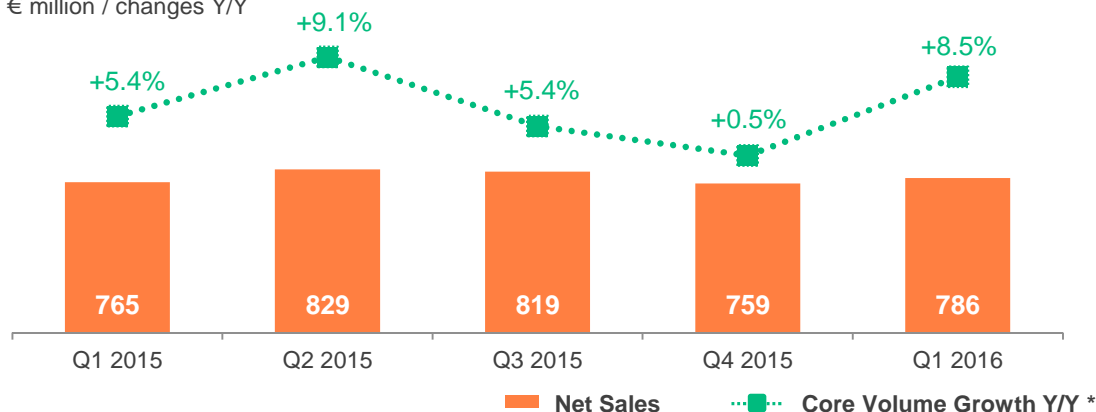
Q1 2016 – Results of PCS Segment



Polycarbonates – Strong results

Net Sales and Core Volume Growth

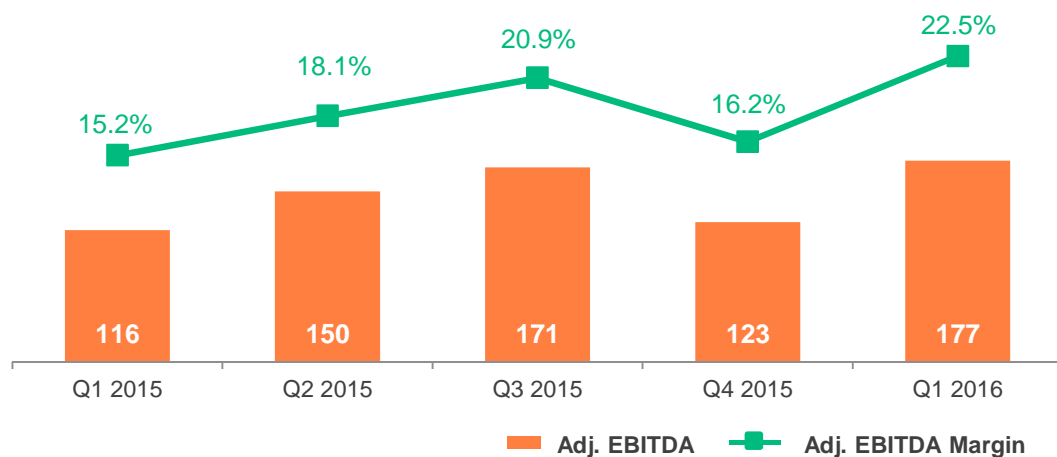
in € million / changes Y/Y



*) data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q1 2016 Highlights

- Globally dynamic demand from automotive and construction; solid growth in electrical, especially in APAC; on purpose lower volumes in optical media
- Selling prices declined by 5.4% Y/Y

Q1 2016 Highlights

- Dynamically increasing margin despite seasonally low quarter (Chinese New Year)
- Continuing favorable supply-demand balance

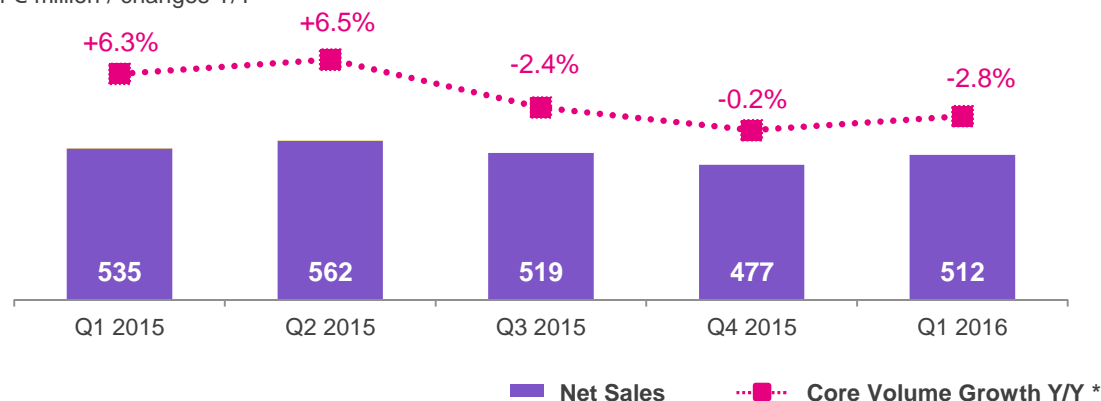
Q1 2016 – Results of CAS Segment



Coatings, Adhesives, Specialties – Record margin

Net Sales and Core Volume Growth

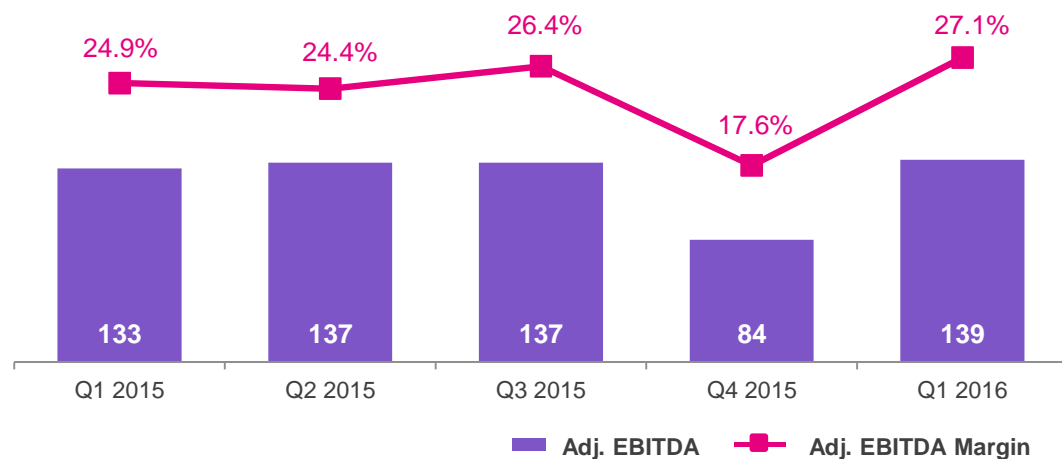
in € million / changes Y/Y



*) data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q1 2016 Highlights

- Phase out of trading product burdened core volume growth; underlying business of CAS delivered a low single-digit growth
- Relative growth was burdened by a high prior year basis
- Selling prices decreased slightly

Q1 2016 Highlights

- Margin increase mainly driven by lower raw material costs and mix effects
- Phase out of trading product burdened absolute EBITDA but was slightly margin enhancing

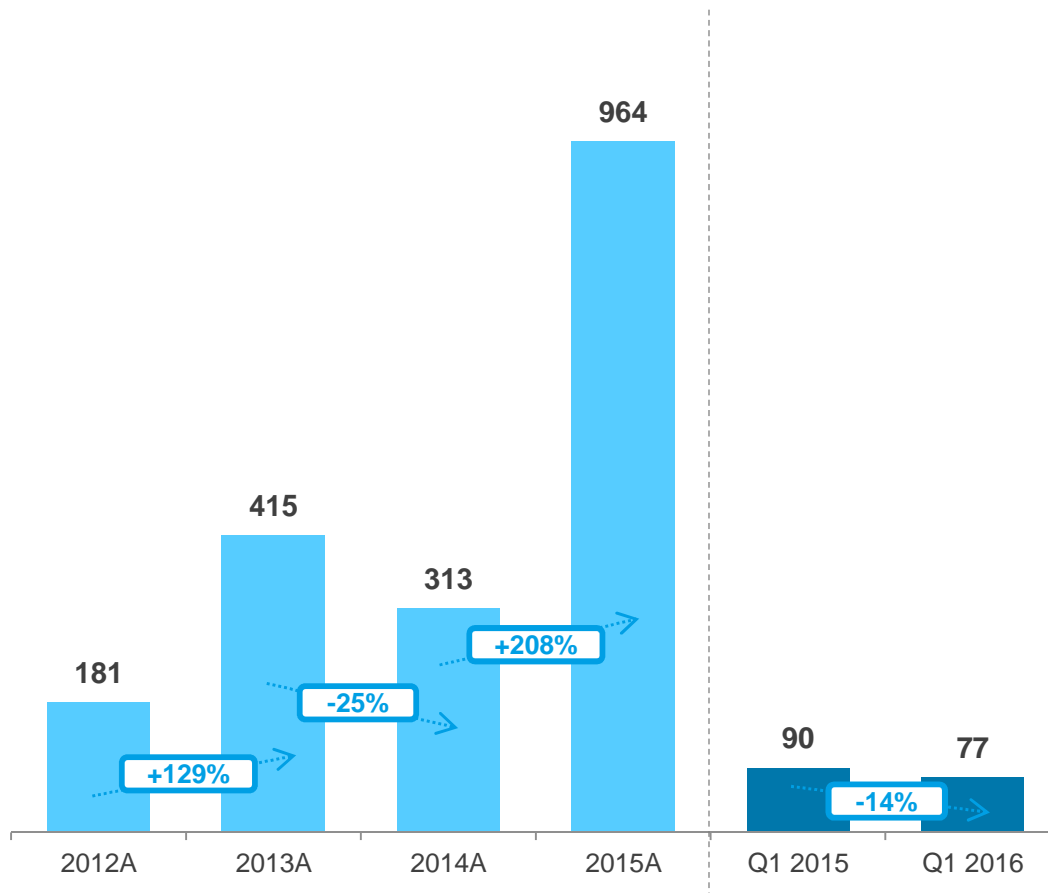
Q1 2016 – Free Operating Cash Flow



On track to deliver

Free Operating Cash Flow

in € million



Q1 2016 Highlights

Seasonally low FOCF

- Slightly declining FOCF due to higher working capital and cash out for income taxes
- Working capital to sales ratio showed usual seasonal increase to 17.8% (12-months rolling)
- Low capex of €47m due to phasing; in-line with budget

On track to deliver

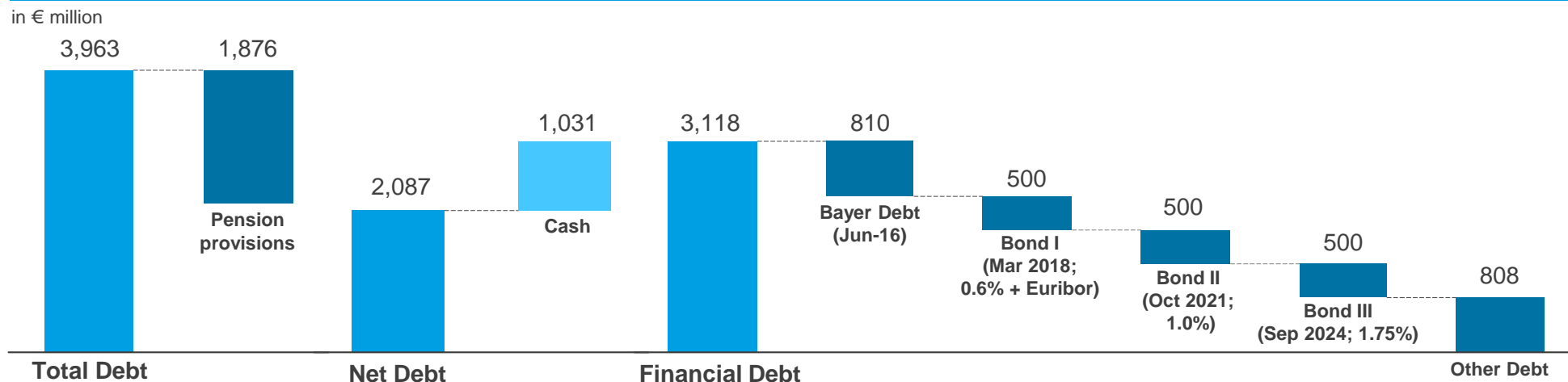
- Year-end working capital to sales ratio is expected to stay in the range of 15% to 17%
- Capex is expected to be on a similar level compared to 2015
- Overall, FOCF is expected to remain on a high level above the average of the last years

Q1 2016 – Financial Debt



Baa2 rating (Moody's) with stable outlook

Financial Debt Development



Highlights

Total debt slightly up compared to year-end 2015

- Pension provisions increased by €414m compared to year-end 2015 due to lower interest rates (German discount rate down from 2.6% to 1.9%); net debt decreased by €124m mainly due to the positive FOCF

Successful bond placing

- With the placement of three bonds we were able to significantly prolong our financial debt maturity

Unchanged ambitions for 2016: Further net debt reduction and increasing dividend

- Based on a dividend pay-out ratio of 30%-50% to net income

Guidance 2016

Committed to deliver



Sales and Earnings Forecast

	2015	Forecast
Core Volume Growth	+2.7%	Mid-single-digit increase
Free Operating Cash Flow	€964m	At high level, above the average of recent years
ROCE	+9.5%	Premium on cost of capital

Basic Assumptions

- Our guidance is based on current exchange rates
- We assume a similar macroeconomic environment as in 2015

Q1 2016 – Summary



Covestro fully on track

Strong organic growth in a focused portfolio
despite a challenging market environment

Solid earnings and cash flow generation
supported by a stable demand/supply balance and a focus on profitability

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

Attractive dividend policy
with a dividend pay-out ratio of 30-50%

Solid financial outlook
despite current limited visibility and high uncertainties

Upcoming IR Events



Find more information on investor.covestro.com

Reporting Dates

- **July 26, 2016:** Half-Year Financial Report 2016
- **October 25, 2016:** Q3 2016 Interim Report
- **February 20, 2017:** Annual Report 2016

Annual Dates

- **May 3, 2017:** Annual Stockholders' Meeting, Bonn

Broker Conferences

- **May 23, 2016:** Deutsche Bank, dbAccess Asia Conference 2016, Singapore
- **June 8-10, 2016:** Deutsche Bank, German, Swiss & Austrian Conference, Berlin
- **June 14-16, 2016:** Exane BNP CEO Conference, Paris
- **June 21, 2016:** Credit Suisse, Global Chemicals Conference, London
- **September 13-14, 2016:** UBS, Best of Germany Conference, New York
- **September 13-15, 2016:** Credit Suisse, Basic Material Conference, New York
- **September 19, 2016:** Berenberg & Goldman, German Corporate Conference, Munich
- **September 21, 2016:** Baader Bank, Baader Investment Conference, Munich