



Solid development despite headwinds

Roadshow Presentation

Innovation and sustainability driving growth



Covestro key investment highlights

1

Above GDP volume growth

driven by innovation and sustainability trends, also embodied by non-financial targets

2

Leading and defensible global industry positions

as innovation and cost leader

3

More than half of sales generated by resilient businesses

as global leader in highly attractive niches

4

Positioned for profitable growth

through debottlenecking and world-scale investments as well as new €350m efficiency program

5

Attractive growth fuels solid cash generation

with use of cash focused on shareholder value

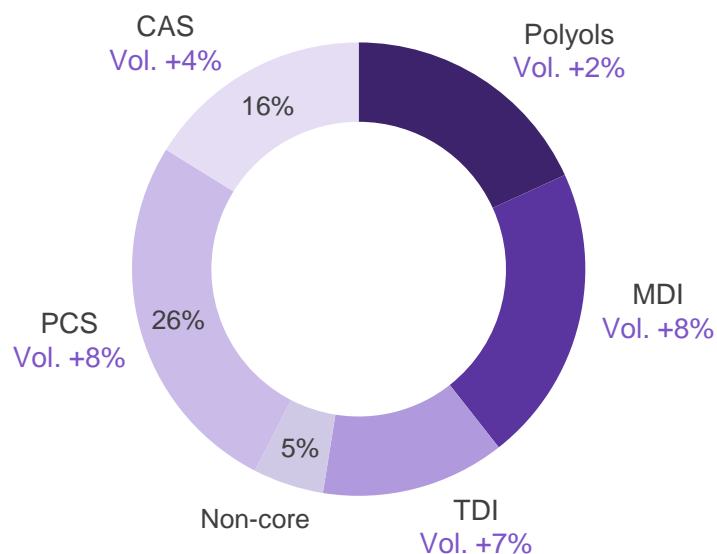
Global leader in high-tech material solutions



Covestro at a glance

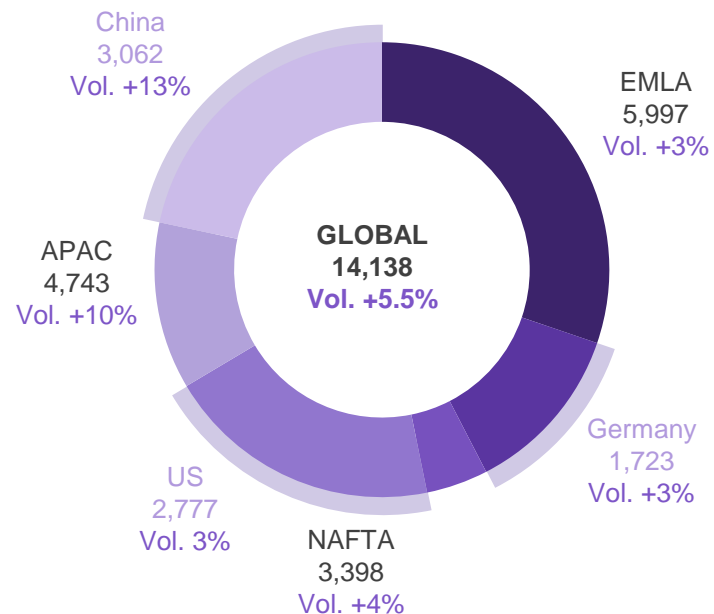
Sales split by segments

% of 2017 Group sales
Core volume growth, CAGR 2015-2017



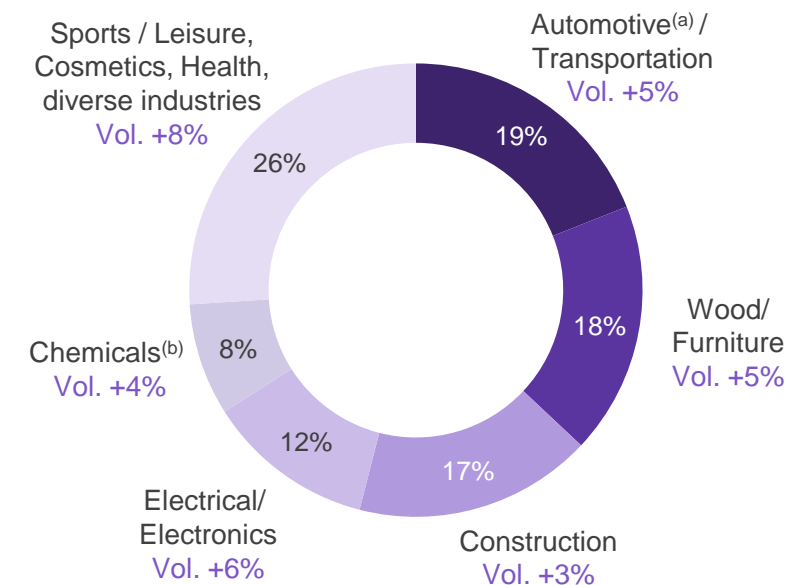
Sales split by regions

2017 Group sales in € million
Core volume growth in %, CAGR 2015-2017



Sales split by end-markets

% of 2017 Group sales
Core volume growth in %, CAGR 2015-2017



~5 million tons

PUR and PCS nameplate capacity

Employees: ~16,000 FTEs

Headquarters in Leverkusen, Germany

From €3.4bn EBITDA to €1.8bn FOCF

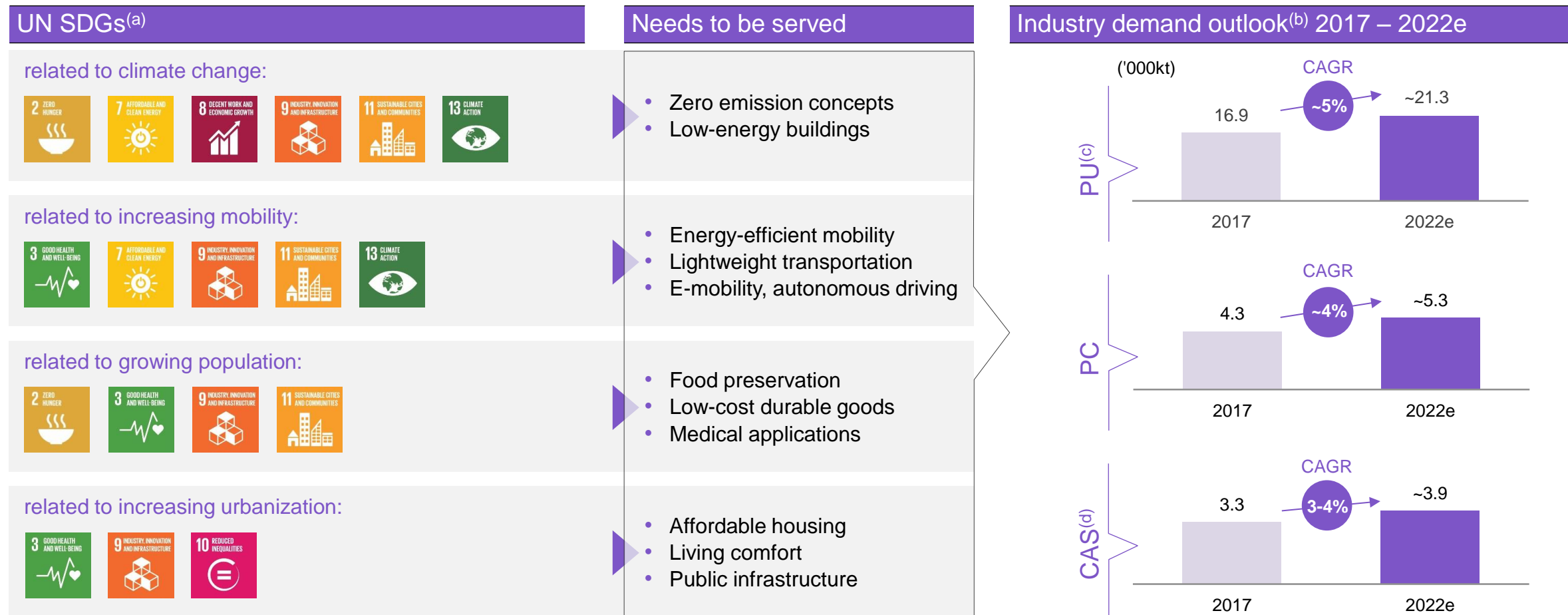
High cash conversion

Notes: Based on Covestro Annual Report 2017; EMLA = Europe, Middle East, Africa, Latin America; NAFTA = USA, Canada, Mexico; APAC = Asia, Pacific
Adjusted prior-year figures to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment as of January 1, 2018
(a) Automotive with core volume CAGR 2015-2017 of +7%, (b) Growth of core and non-core volumes

Higher global GDP expectation leads to higher industry growth



Structural growth drivers



Non-financial ambition supports growth strategy

Covestro non-financial targets 2025



1 Our R&D project portfolio is aligned with UN Sustainable Development Goals



2 100% of suppliers compliant with our sustainability requirements



3 Reduce specific greenhouse gas emissions by 50% by 2025



4 Ten million people in underserved markets benefit from our business solutions










5 Getting the most out of carbon



Product innovation as long-term growth driver

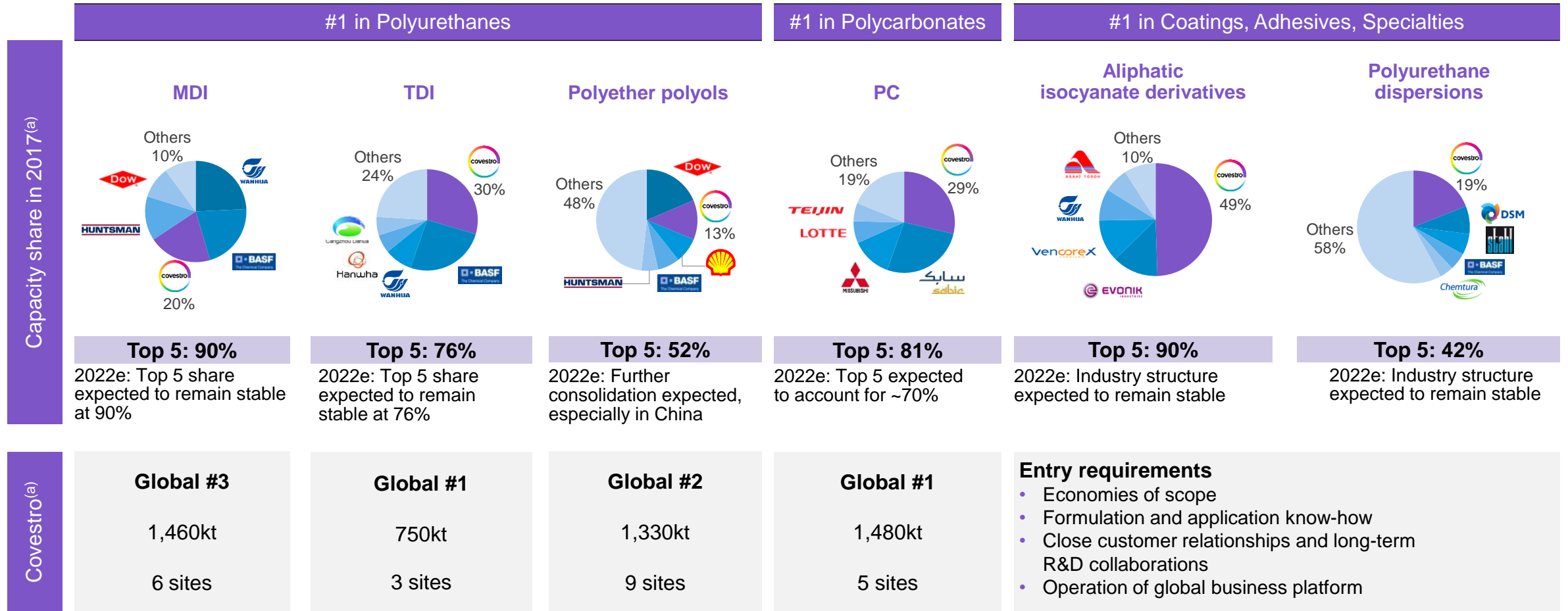


Addressing ever-changing customer needs for new material solutions

Need		Overall market	Relevant market	2015-2017	Covestro solutions
More durable and economical wind power plants		Energy consumption CAGR: ~3%	Offshore wind energy CAGR: ~19%	Covestro CAGR: 29%	Novel materials for wind power plants: PU resins for rotor blades, PU-based coatings, elastomers for sea cables
Energy- and cost-efficient buildings		Construction CAGR: ~2%	Polyurethane insulation CAGR: ~5%	Covestro CAGR: 3%	Raw materials for PU foam (rigid and in spray form) enabling highly efficient insulation
Reduction of high energy consumption of lighting		Luminaire CAGR: ~3%	Luminaire LED CAGR: ~12%	Covestro CAGR: 122%	Polycarbonates in LED lenses, light guides, heat sinks
Eco-friendly produced furniture		Coating ind. furniture CAGR: ~3%	Water-based ind. furniture CAGR: ~5%	Covestro CAGR: 10%	New bio-based hardener for water-based wood coatings
Sustainable and functional fashion		Textile coating CAGR: ~6%	Relevant textile coating CAGR: ~11%	Covestro CAGR: 7%	Waterborne, solvent-free materials for functionalized textiles in diverse applications
More and better cooling devices		Refrigerators CAGR: ~3%	Refrigeration insulation foam CAGR: ~8%	Covestro CAGR: 12%	Raw materials for particularly effective insulating foams: 40% smaller pores allow up to 10% better insulation
Reduced weight and increased comfort		Global car production CAGR: ~3%	Relevant car applications CAGR: ~5%	Covestro CAGR: 7%	Attractive alternatives to conventional materials: polymers to replace glass and metal

Global leader across its entire portfolio

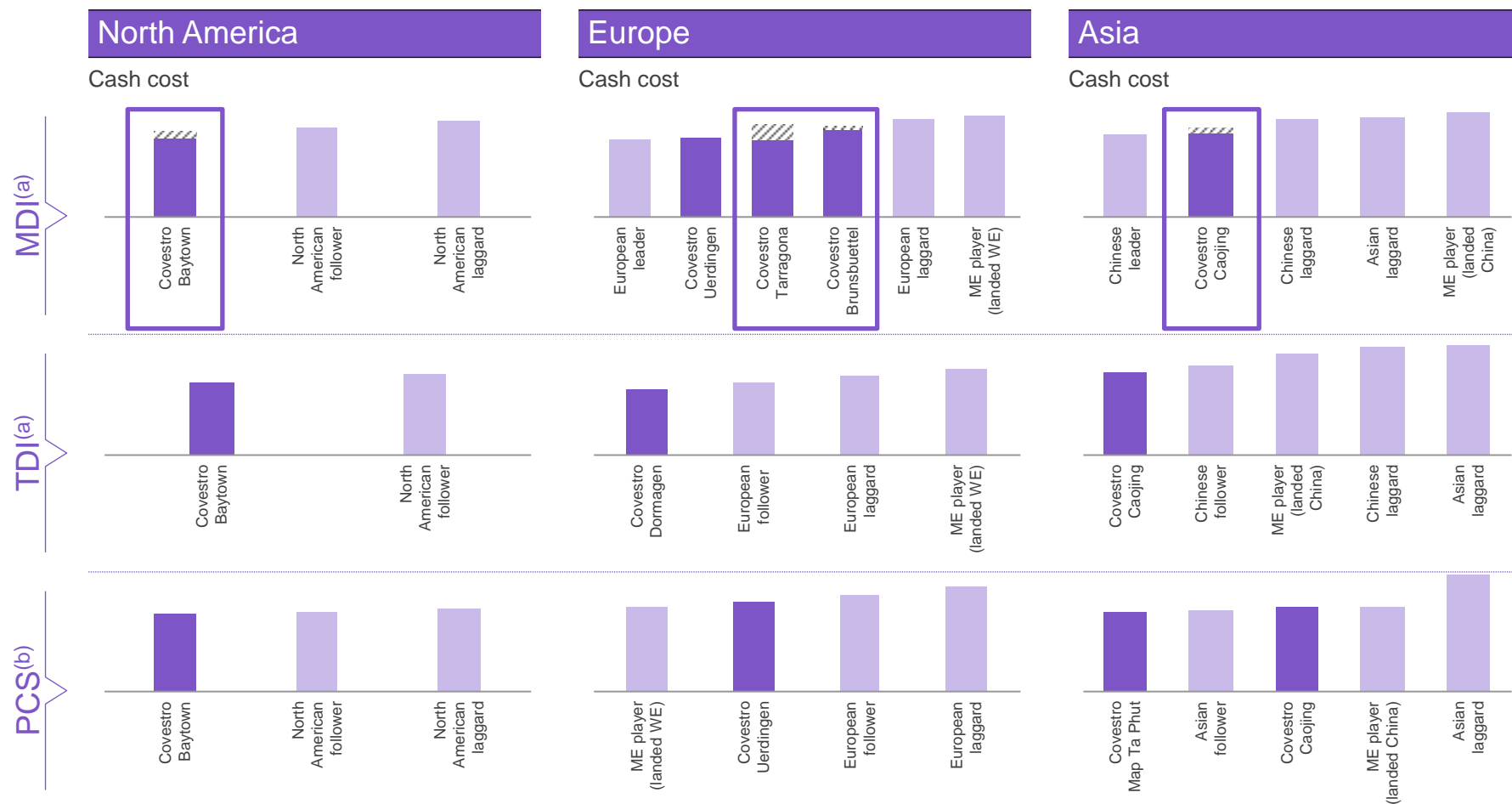
Production capacities and world-wide industry positions



Leading cost positions across business segments and regions



Cash cost positions



Highlights

- Covestro is one of the low-cost producers in MDI
- Capex for ongoing MDI expansion projects reflected by significant cash cost improvements
- MDI industry with relatively flat cost curves reflected by cash cost advantage of ~20% between the best and the average of least competitive 5 plants
- Covestro is the global cost leader in TDI and PCS
- Covestro cash cost advantage of ~50% in TDI and ~30% in PCS compared to the average of least competitive 5 plants

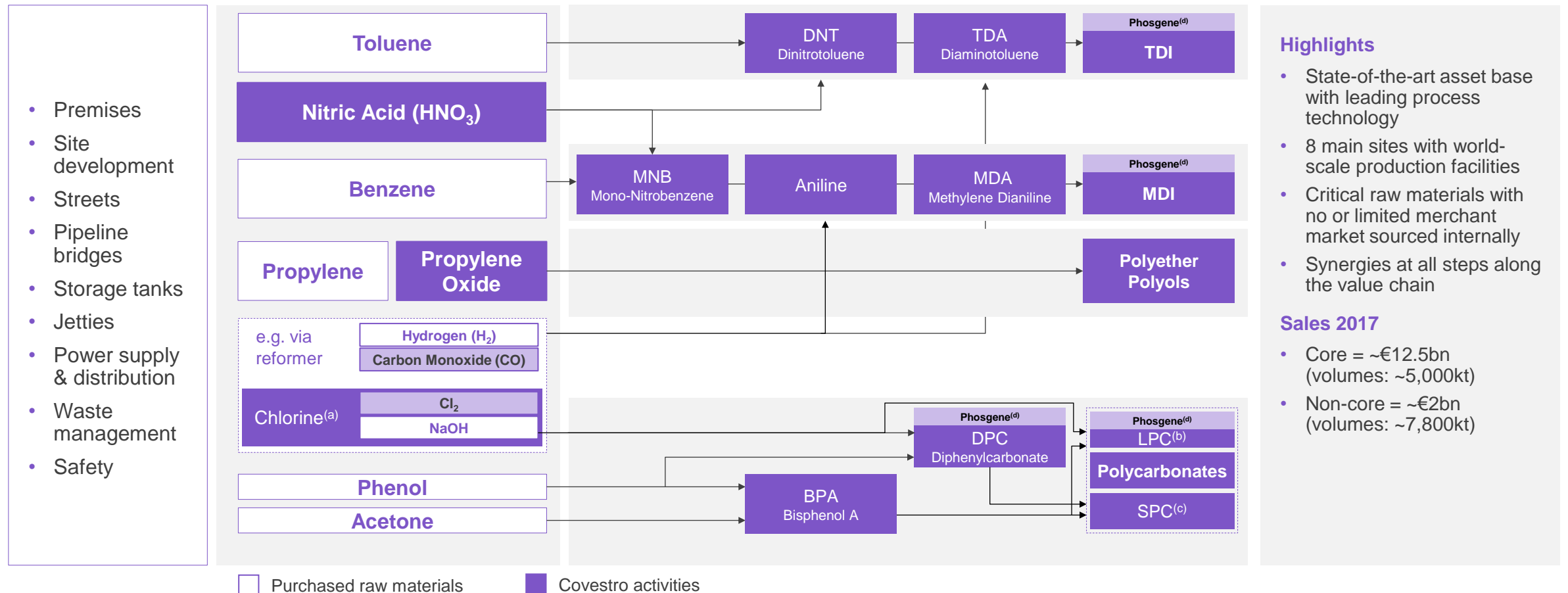
▨ Cash cost improvements based on investment projects

Synergies in scale, process technology and chemical know-how



One chemical backbone across all segments

► Infrastructure ► Raw Materials ► Core Units / Technology ► Final product



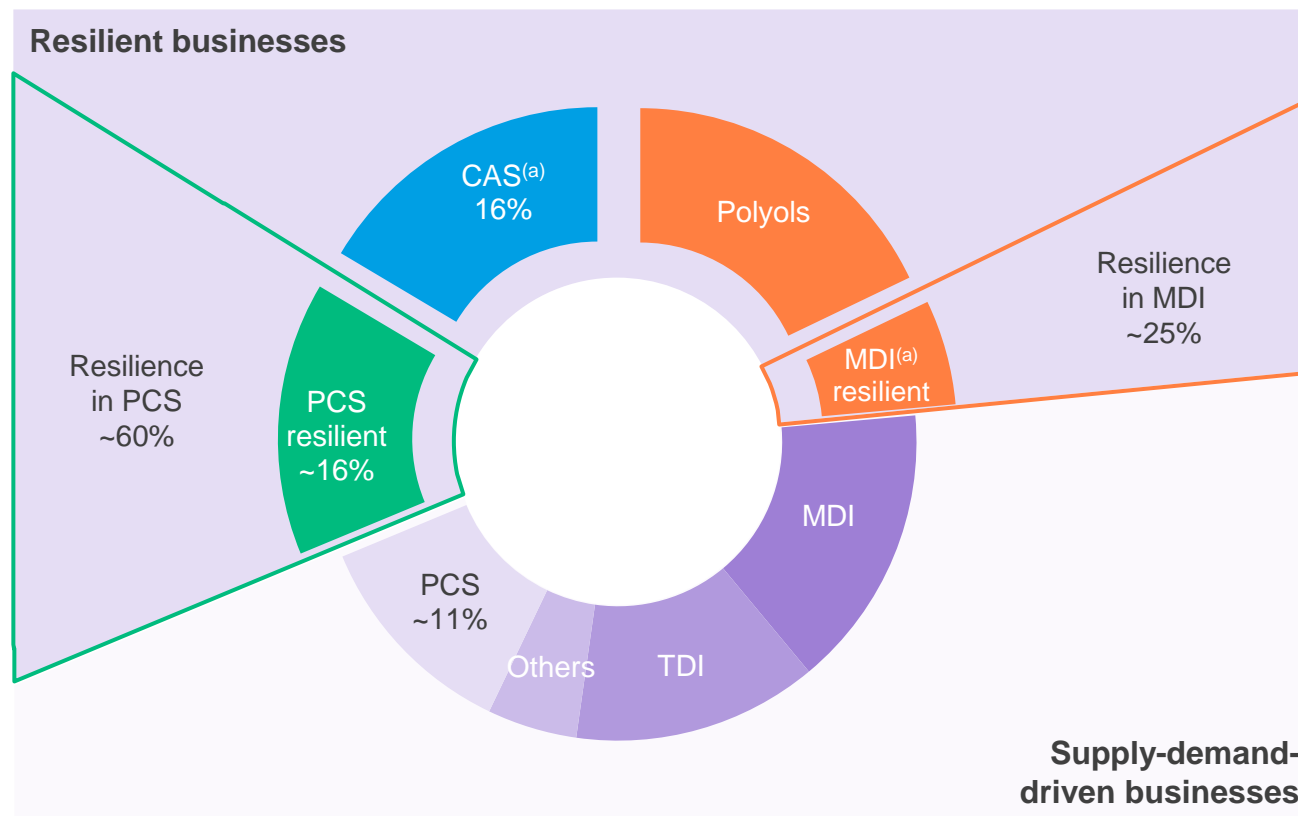
Over 50% of sales generated with resilient businesses



Product portfolio overview

Sales by segments

% of 2017 Group sales



Highlights

- **CAS** business is resilient in sales and earnings due to characteristics of niche ingredient chemicals
- Resilient portion of **PCS** business is driven by high-end industry applications e.g. automotive, electrical, healthcare
- **Polyols** business is resilient in sales and earnings as demonstrated over the last decade
- Resilient portion of **MDI** business consists of special grades for downstream products that require formulation know-how and customer interaction along the value chain

Stable margins driven by differentiated product portfolio



CAS at a glance

2,700+

Products based primarily on 6 monomers

5,000+

Customers in 10+ high-end industries

3.7%

Core volume CAGR in 2015-2017

€2.3bn

Sales 2017^(a)

€249m

FOCF 2017^(a)



Ingredients for **surface coatings**



Ingredients for **adhesives and sealants**



Ingredients for **specialties**

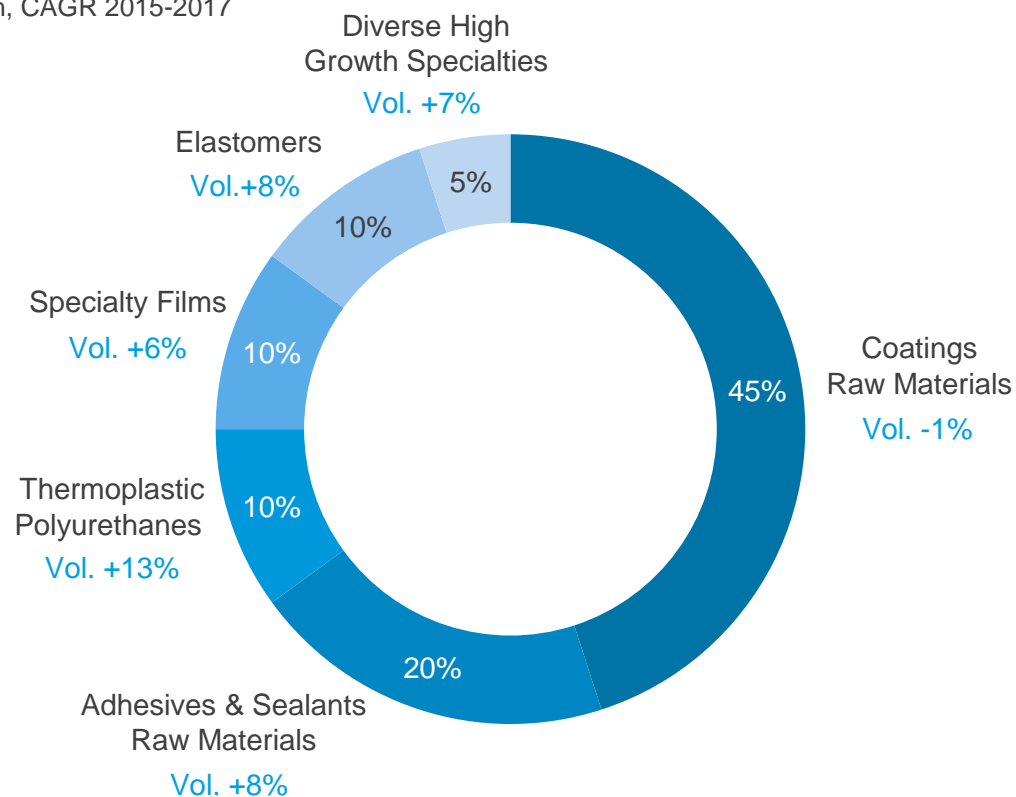
CAS demonstrated solid underlying growth of ~4% p.a.



High Growth Specialties businesses

CAS sales split by businesses

Covestro sales share FY 2017^(a), rounded
Core volume growth, CAGR 2015-2017



Highlights

- Adjusted core volume growth of 3.7% CAGR in 2015-2017^(a)
- Growth driven by all businesses except coatings raw materials
- High Growth Specialties businesses generate ~35% of sales: Thermoplastic Polyurethanes (TPU), Specialty Films and Elastomers
- Coatings raw materials businesses burdened by weak end markets like marine, oil and gas as well as refinishing

Strategic focus on increasing resilience

PCS at a glance



1,000

PC grades for
broadest offering



Mobility

e.g. exterior

#1

Producer and inventor
of PC globally^(a)

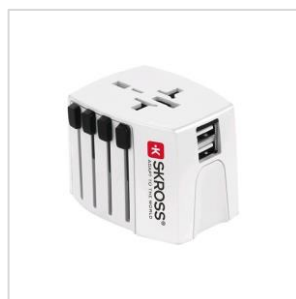


Electronics

e.g. robot housing

7.6%

Core volume
CAGR in 2015-2017



Consumer electronics

e.g. adapter

€3.7bn

Sales
2017



Electrical

e.g. LED street
lamp

€321m

FOCF
2017



Healthcare

e.g. drug delivery

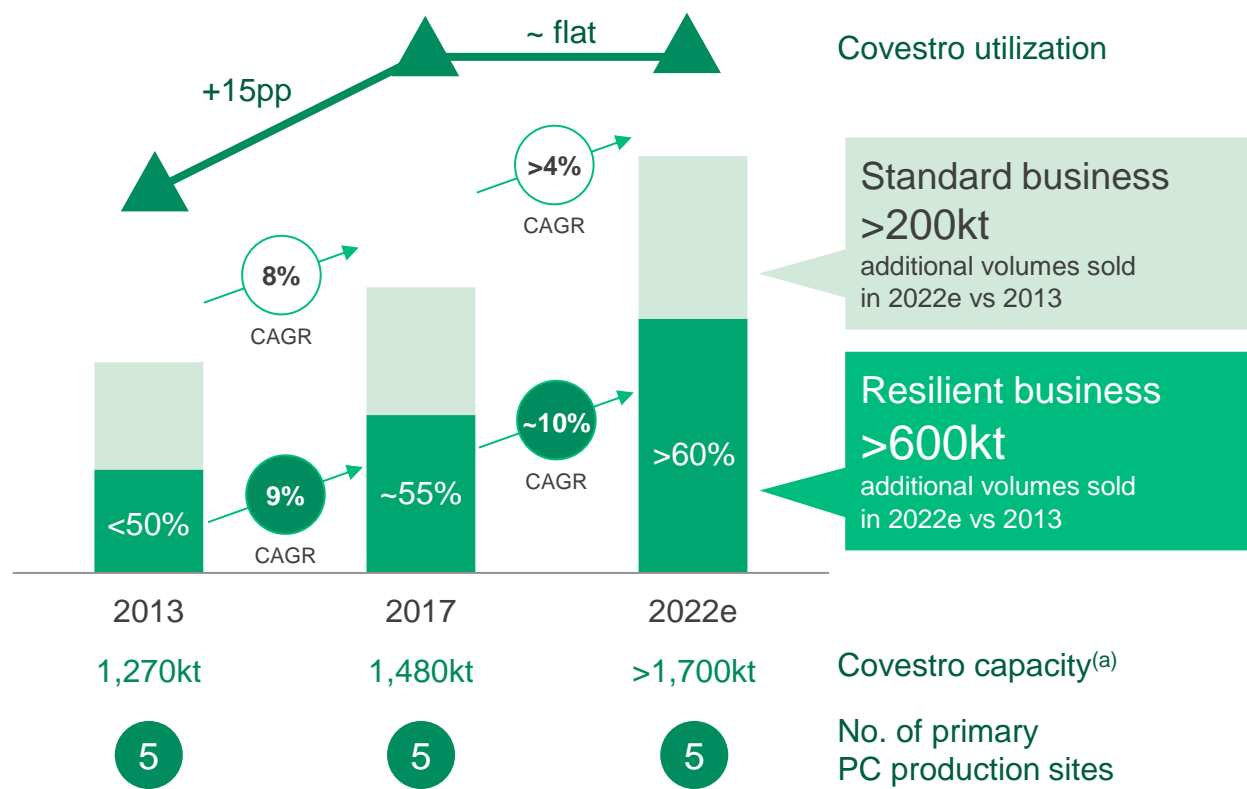
Growing share of resilient business to 65% long term

PCS product portfolio



Development of resilient portion of PCS volumes

Covestro sales volumes in kt



Covestro highlights

Product portfolio improvement

- Goal to increase resilient portion of PC volumes to 65% long term
- Capacity growth and increasing share of resilient business result in significantly higher volumes in differentiated, high-requirement applications
- Structural improvement of average contribution margin

Higher asset utilization

- Volume leverage through significant improvement of capacity utilization by ~15 percentage points
- Significantly higher output from unchanged number of primary production sites

Almost half of sales in resilient businesses



PUR at a glance

1,000

Polyols grades for differentiation



Cold chain
e.g. refrigerator

#1

Producer and inventor of PU globally^(a)



Construction
e.g. metal panel

5.3%

Core volume CAGR in 2015-2017



Cost leadership
e.g. process technology

€7.4bn

Sales 2017^(b)



Comfort
e.g. furniture upholstery

€1.1bn

FOCF 2017^(b)



Automotive
e.g. instrument panel



Sustainability
e.g. CO₂-based polyether polyols

Polyether polyols demonstrate inherently stable margins

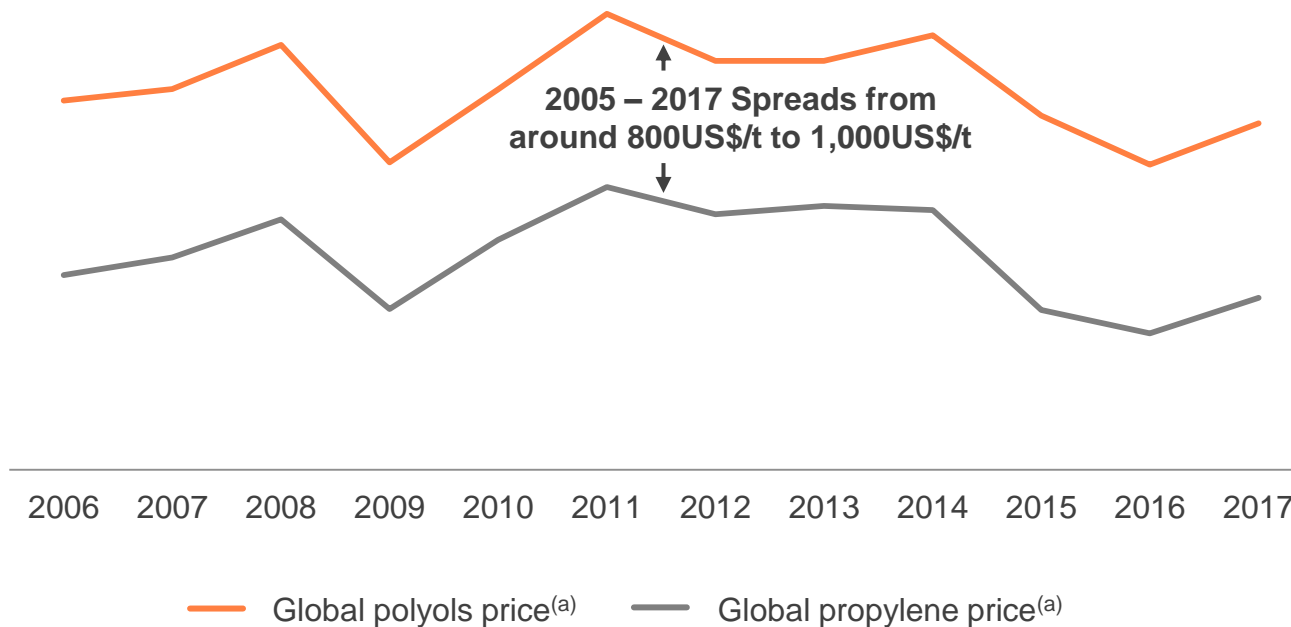
PUR resilient business



Spread development

Highlights

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



Resilient portion of MDI business accounts for ~25% of sales



PUR resilient business

Resilient MDI applications^(a)

Resilient share of MDI volumes has ~20% higher gross margin (2006-2017 average)

Joint sales of polyols and MDI

e.g. CASE^(b), automotive, construction, appliance

Specialty or downstream products

e.g. selected MDI grades (pre-polymers, blends, monomeric)

Formulations as market access requirement

e.g. automotive, appliances

Strong interaction with customers along value chain

joint projects for e.g. window frames, wind mills

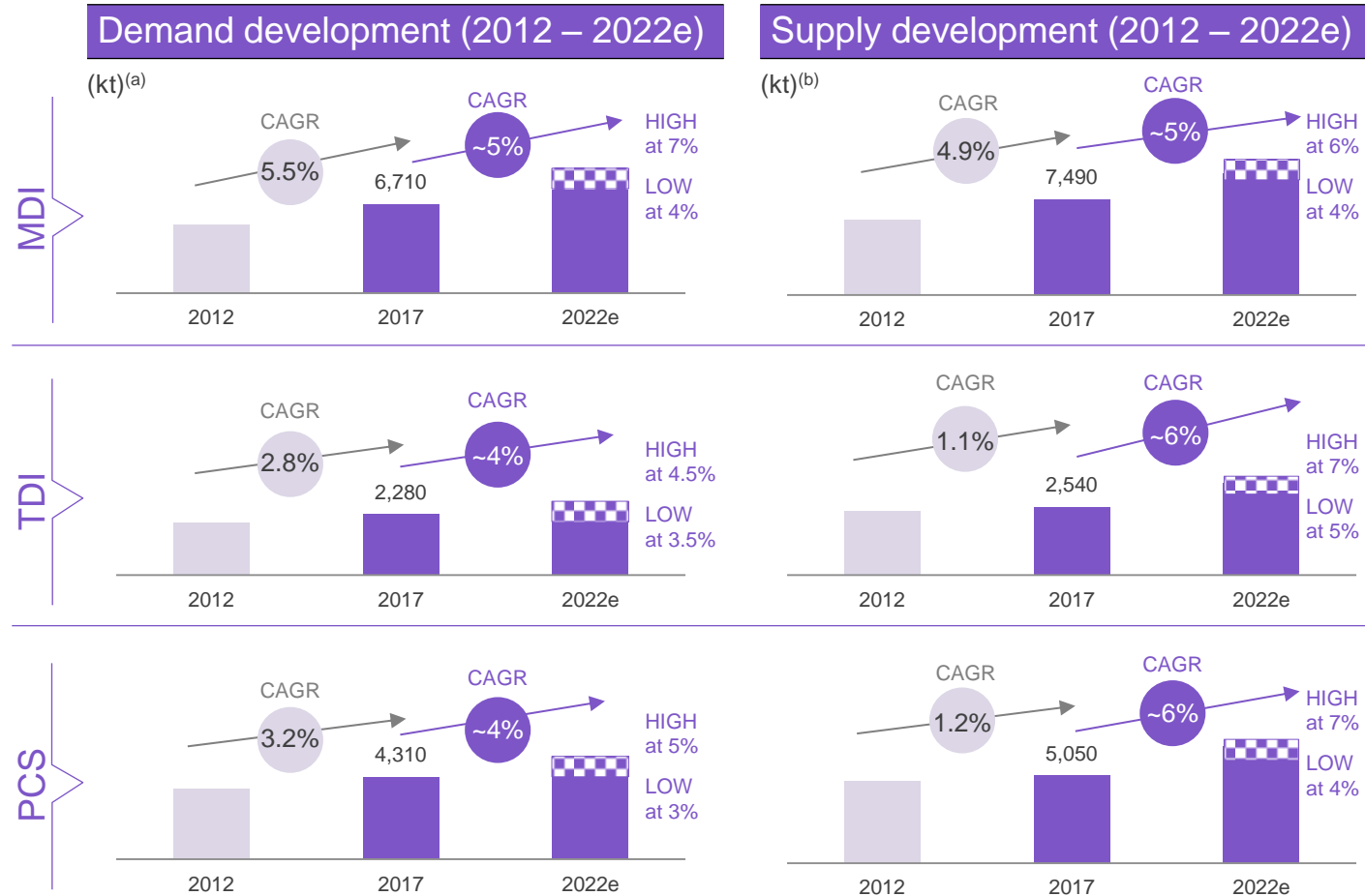
Large-scale innovation

- Focus on three large-scale innovation hubs in Pittsburgh, Leverkusen and Shanghai
 - Formulation know-how and tailor-made systems
 - Full scope of application development
 - Cost-efficient business structures
- Centralized systems hubs in Europe and North America benefit from economies of scale and cost-efficient feed from world-scale MDI and polyether polyols assets
- Systems business in Middle East and APAC handled by local system houses

Above GDP growth supports solid industry margin outlook



Historical industry development and outlook



Industry highlights

- Budgeted demand growth of ~5% may be conservative given strong demand trends
- Structurally sound demand for the foreseeable future, driven by solid GDP growth and substitution trend
- Major additions expected until 2022e: BASF, Covestro, Dow/Sadara, SLIC, Wanhua

- Industry expected to move to a balanced situation and margins expected to normalize by end of 2018e
- Major additions expected until 2022e: BASF, Dow/Sadara, Wanhua
- Possible industry consolidation in APAC

- Electric mobility and autonomous driving could accelerate demand growth above base case
- Capacity additions of new entrants announced for end of forecasting period with high uncertainties
- Major additions expected until 2022e: Covestro, Heng Yuan, Lotte, Luxi, Zhetie Dafeng, SABIC-Sinopec, Wanhua, ZPC

Notes: (a) Assumes global GDP CAGR 2017–2022e of ~3%
 (b) Based on historical and announced future nameplate capacities
 Source: Covestro estimates

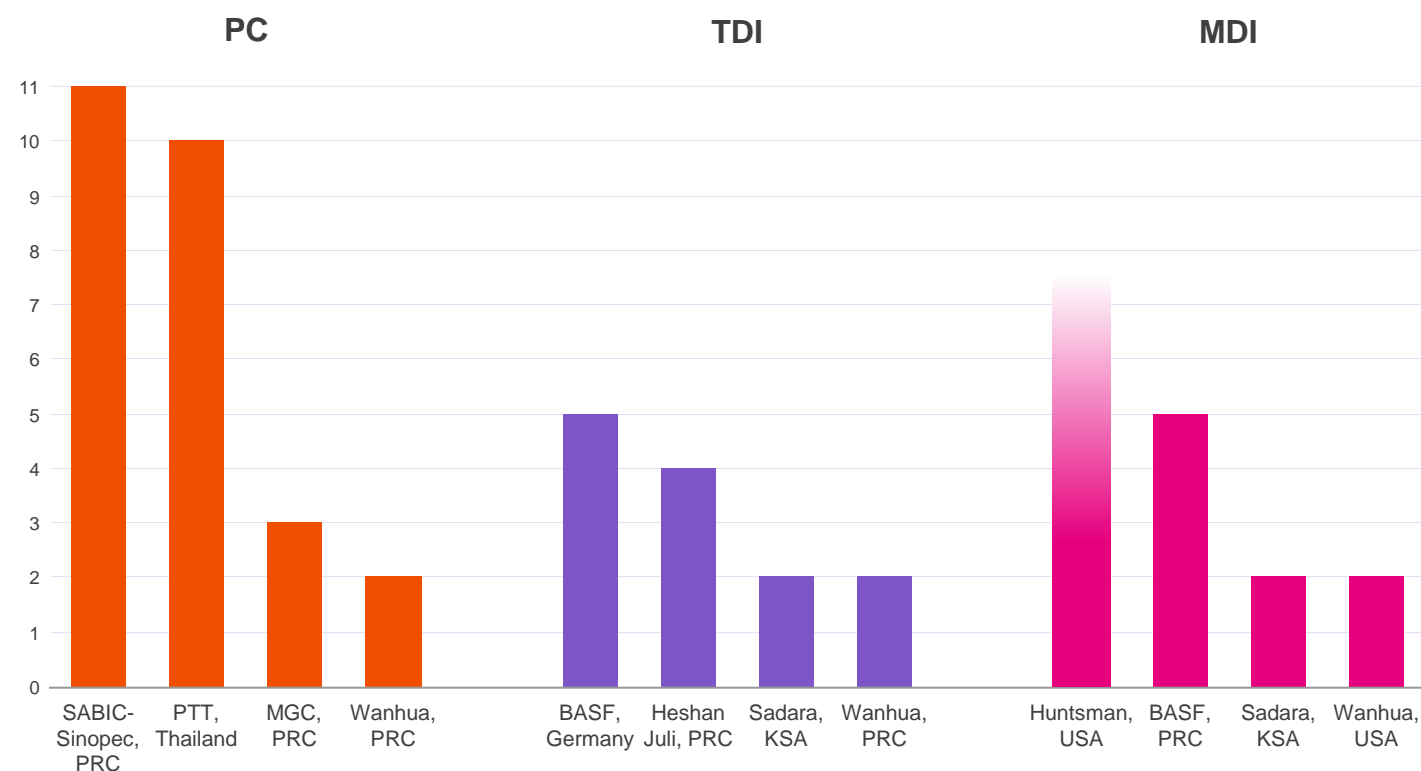
Industry constantly witnesses delays and cancellations



Examples of supply delays

Delays between initially announced start-up date and actual production start

in number of years



Highlights

- Long lead time for investments of up to a decade in PC, TDI and MDI makes delays the norm
- No off-the-shelf but individual plant designs prolong planning and construction process
- Highly sophisticated chemical processes requires long ramp-up times
- Long investment cycles increase chance of cancellations

Cumulative EBITDA volume leverage of >€1bn in next 5 years



Core volume growth contribution to EBITDA

Core Volume Growth

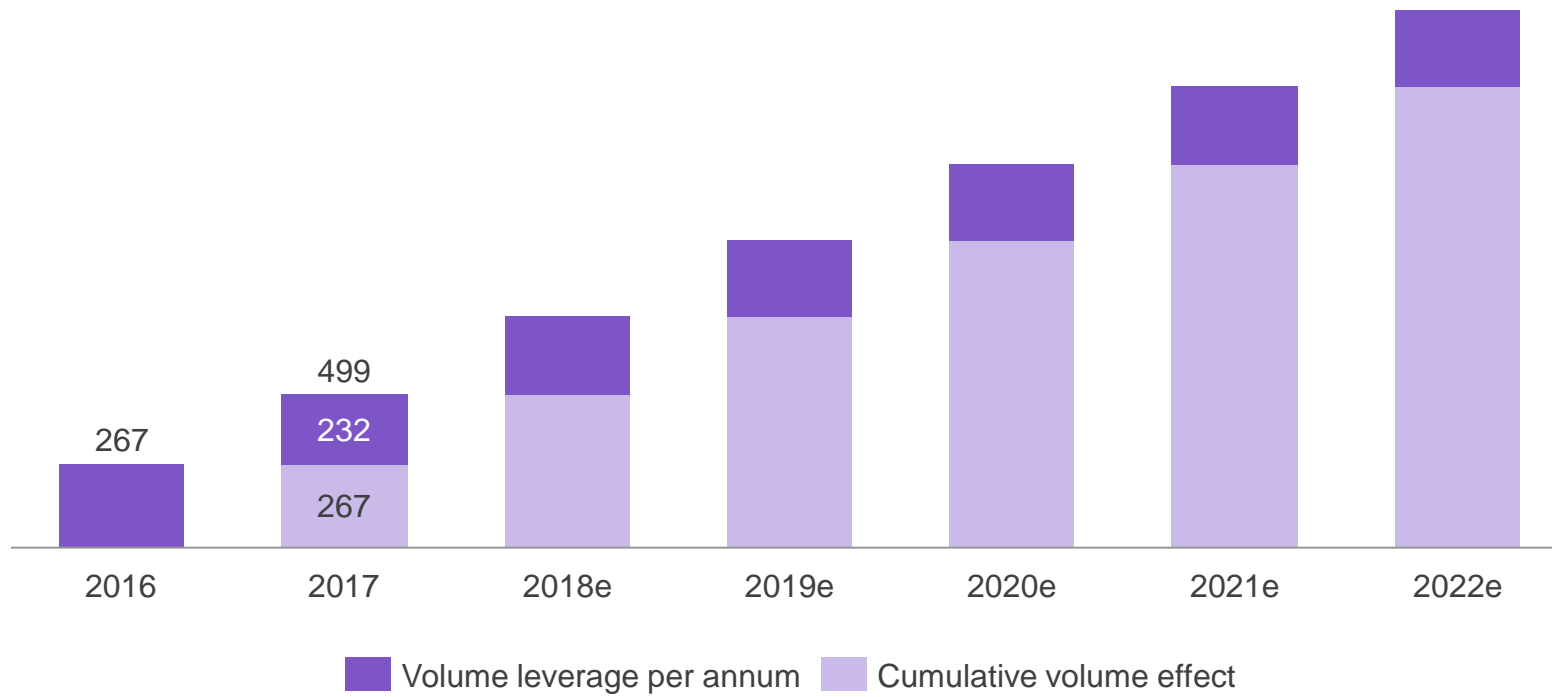
+7.5%

+3.4%

CAGR

~4%

EBITDA in € million



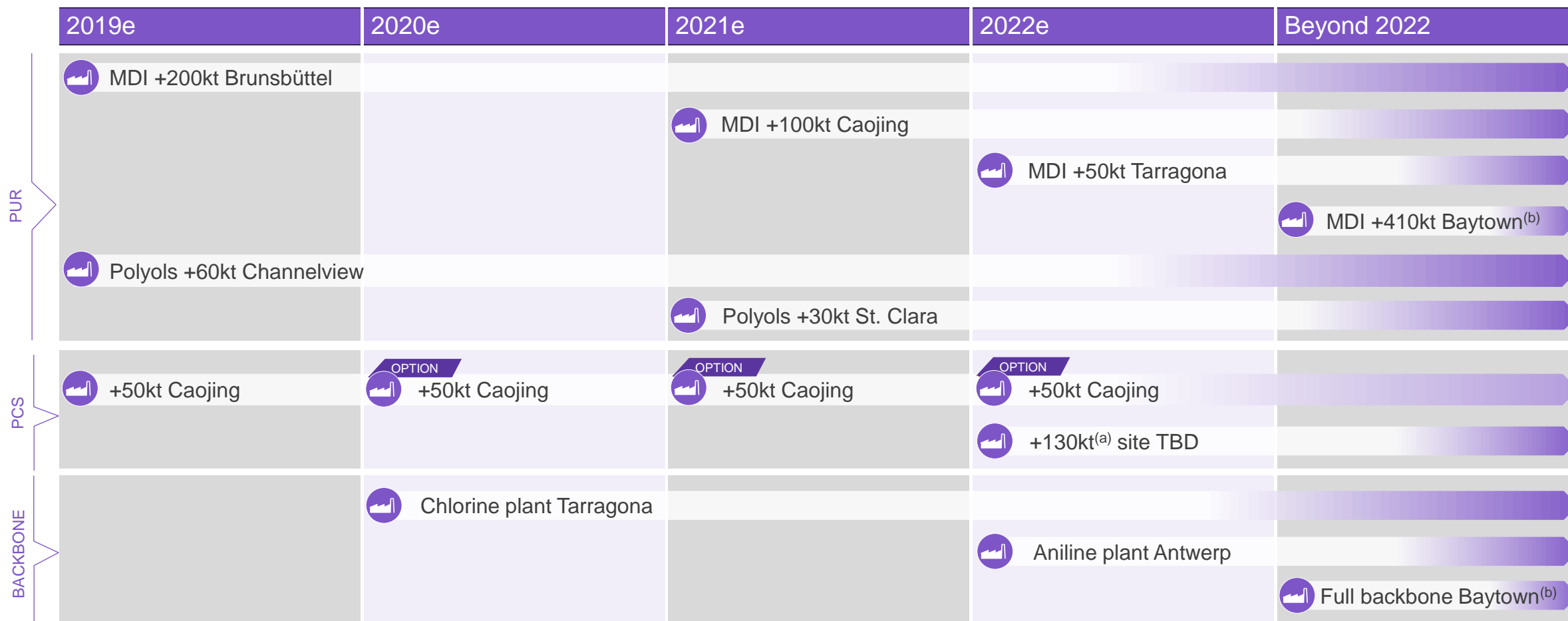
Highlights

- ~4% average core volume growth expected in next 5 years
- Expected €200-300m EBITDA contribution per year until 2022e, based on a normalized volume leverage
- In sum, more than €1bn of additional EBITDA expected in the next 5 years to stem from volume leverage only

Growth through debottlenecking projects and world-scale plant



Covestro planned capacity additions



Positioning for growth with new capacity additions



Investment highlights of long-term MDI capex program

- Attractive MDI industry with above GDP growth requires new world-scale capacities
- Satisfy global demand and accompany industry growth with MDI projects in Brunsbüttel, Caojing, Tarragona, Antwerp and Baytown
- Increase Covestro global MDI nameplate capacity of 1,470kt by 2018e to 2,230kt by 2024e
- Extend leadership positions in the industry to become global #2 and US #1 by 2024e^(a)
- Improve cash cost position worldwide for long-term competitiveness by investing in full chemical chain including precursors and operating world-scale units on existing sites
- Deliver attractive returns with mid-term debottlenecking and world-scale investment into long-running assets

Highlights of new US world-scale plant

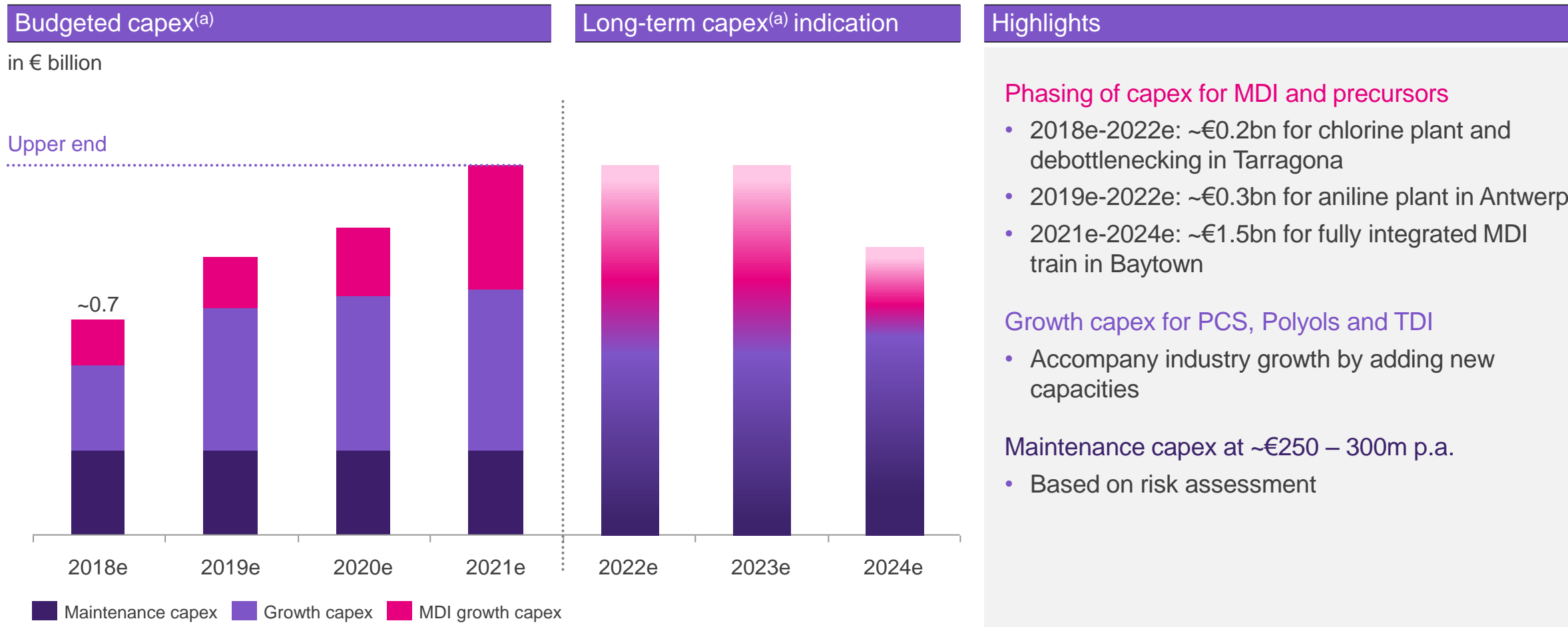
- Investment of around €1.5bn in new, highly efficient world-scale 500kt MDI plant on existing site
- Investment includes complete chemical backbone
- New plant to expand US capacity from currently 330kt p.a. to 740kt p.a. by 2024e
- Replacement of 90kt sub-scale plant, in operation since 1974, to extend leading cash cost position in NAFTA



Investment into organic growth to deliver attractive returns



Covestro Group capex^(a) development 2018e–2024e

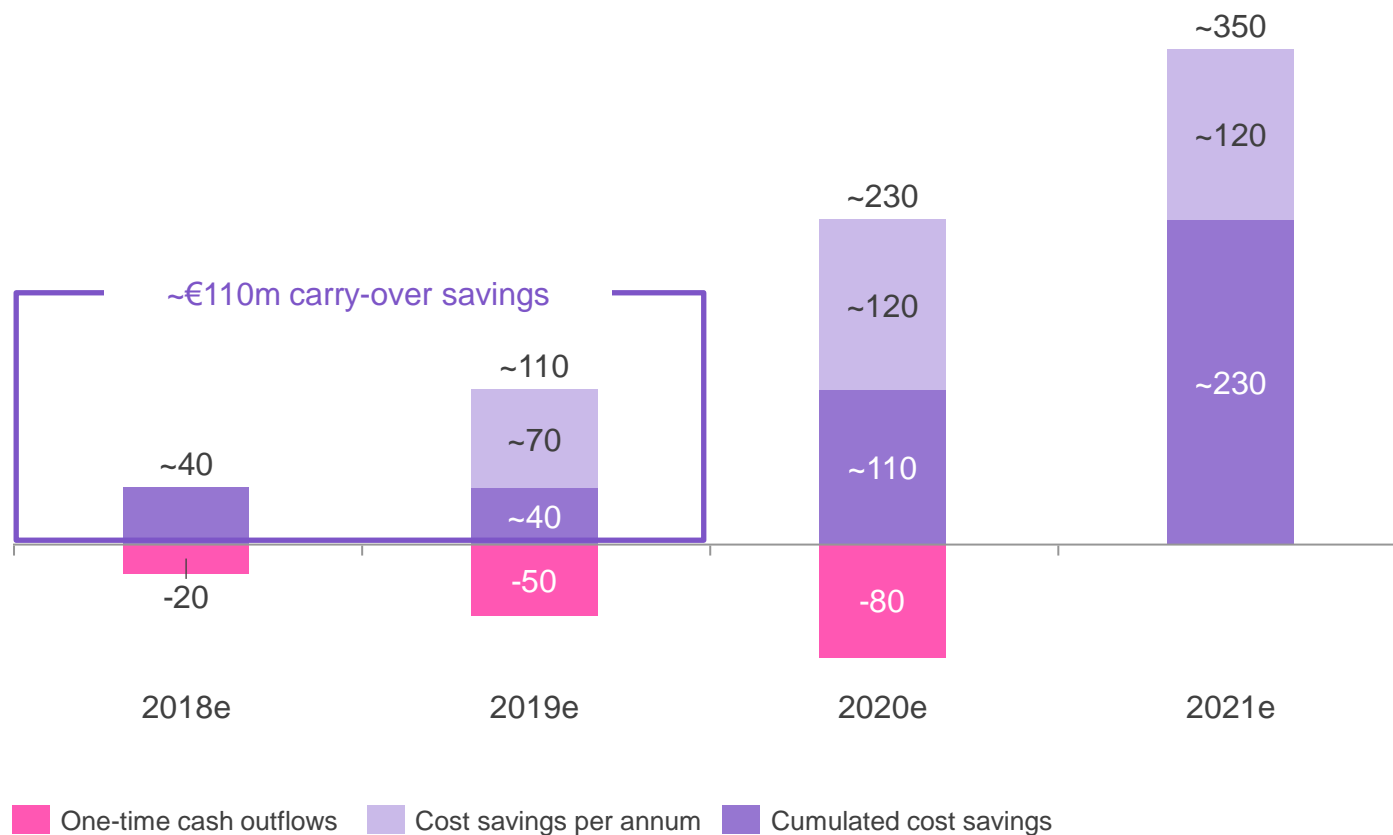


Continued efficiency focus: “Perspective” complements “PEP”



Expected cumulated savings and one-time cash outflows

in € million



Highlights

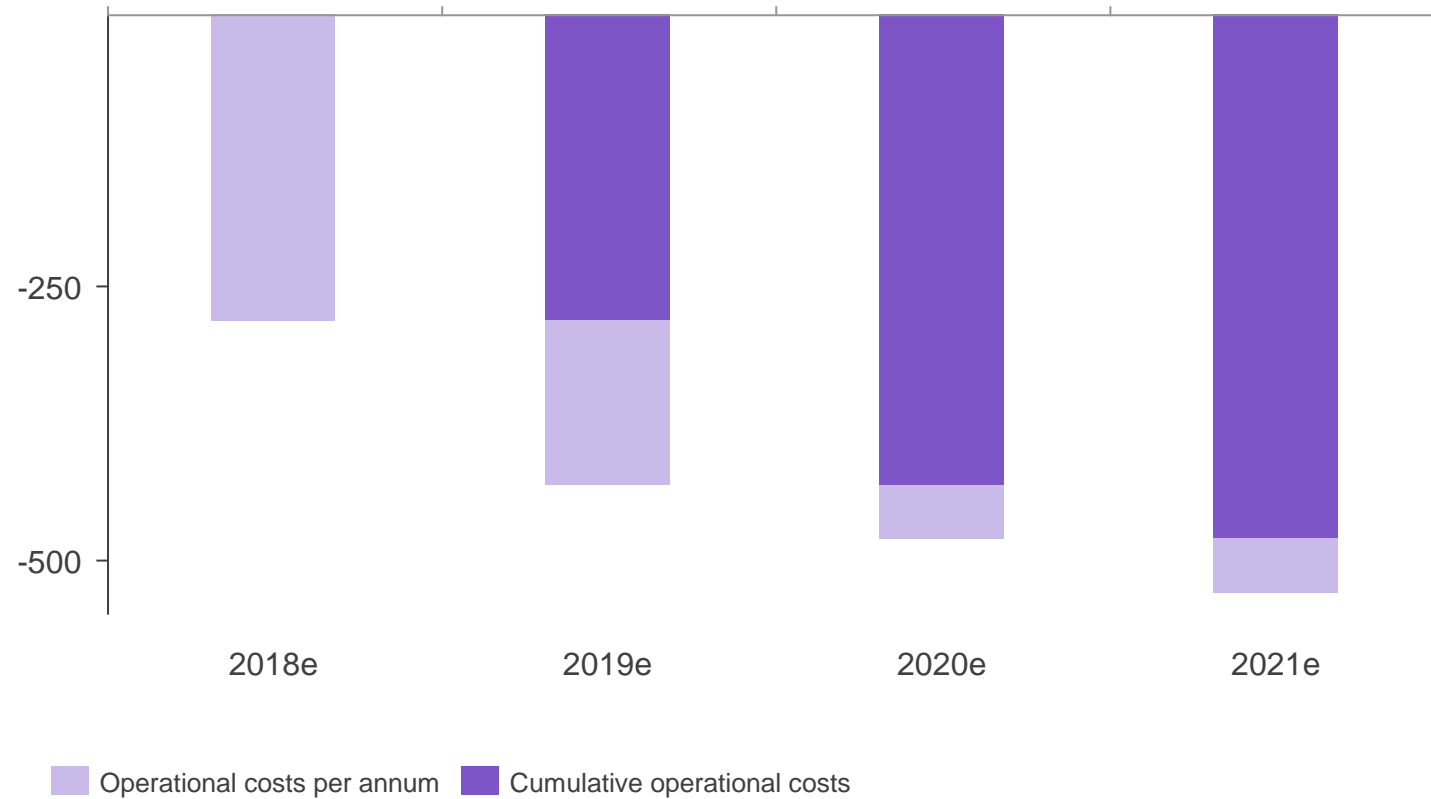
- Cumulated savings of around €350m planned until end of 2021e
- Implemented “PEP” program expected to deliver carry-over savings of ~€110m by 2019e
- New “Perspective” program expected to deliver additional savings of ~€240m by 2021e
- Reduction of ~900 FTEs globally, to be carried out by way of socially acceptable solutions

Counterbalancing capex-driven cost increases



Cumulative additional operational costs, net of savings from efficiency programs

in € million

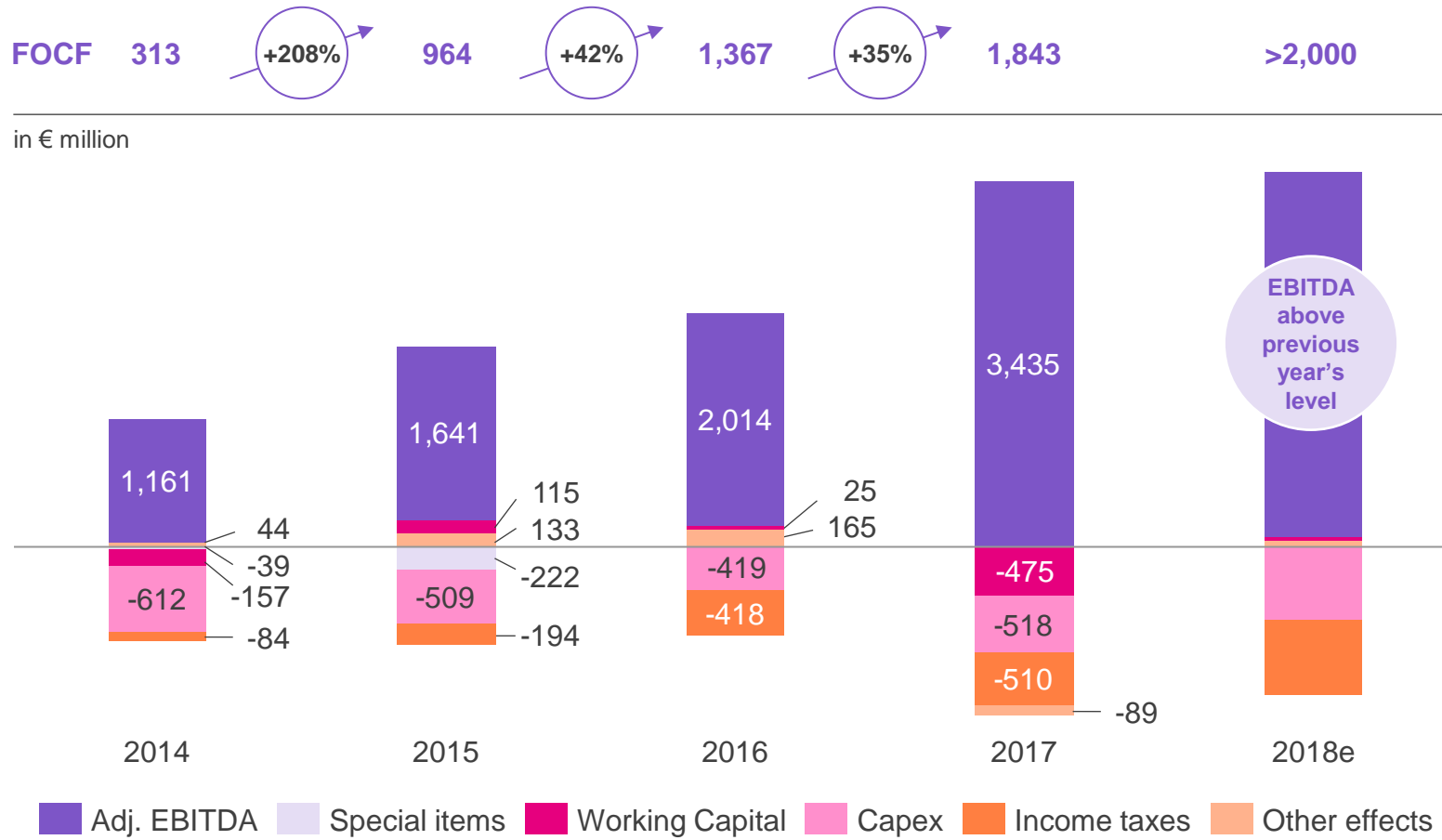


Highlights

- Long-term growth strategy triggers higher operational costs mainly in production and technology (e.g. engineering expertise)
- Additionally, inflation-related costs have to be counterbalanced (e.g. salary increases)
- Savings from “Perspective” to limit annual additional operational cost increases
- Illustration of net effect shown in “Other items” of the Covestro EBITDA bridge, excluding one-time items

FOCF target of more than €2bn for FY 2018

Development of FOCF components



Highlights

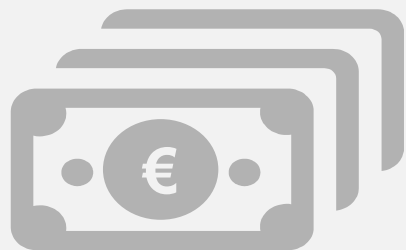
- Target of more than €5bn cumulative FOCF in 2017-2019e
- Sustainably high EBITDA to FOCF conversion rate
- Working capital to sales ratio in the target range of 15-17%, with limited expected impact on FY 2018e
- Capex of €650m to €700m up Y/Y in order to secure production reliability
- Cash tax rate expected slightly below estimated P&L tax rate of 25-27% for FY 2018e

Decisions based on best value for shareholders



Use of free cash

Dividend policy



- Progressive dividend policy: increase or keep at least stable
- FY 2017 dividend of €2.20 per share, 63% above prior year
- Total payout amount of €436m in Q2 2018 for FY 2017

Return to shareholders



- Share buyback for up to €1.5bn^(a) in execution, with completion targeted by mid 2019
- Since Q4 2017, ~14m shares bought back for a total amount of €1.1bn^(b)
- Policy to return excess cash either as share buyback or special dividend

Portfolio



- Disciplined and focused approach
- Acquisitions with focus on high margin and differentiated business areas
- Ongoing portfolio optimization including evaluation of potential disposals



Financial Highlights

Q3 2018

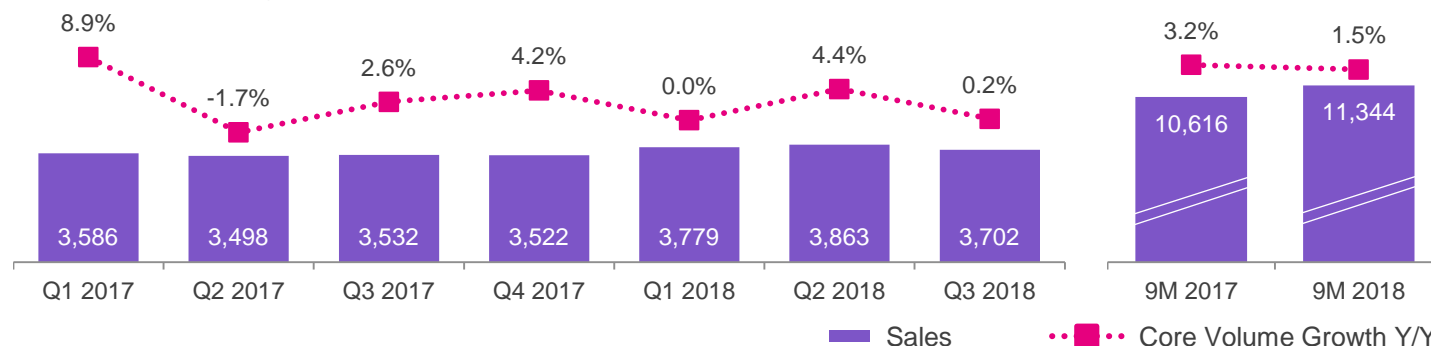
Covestro – solid results despite headwinds

Group results – Q3 2018 Highlights



Sales and Core Volume Growth

in € million / changes Y/Y

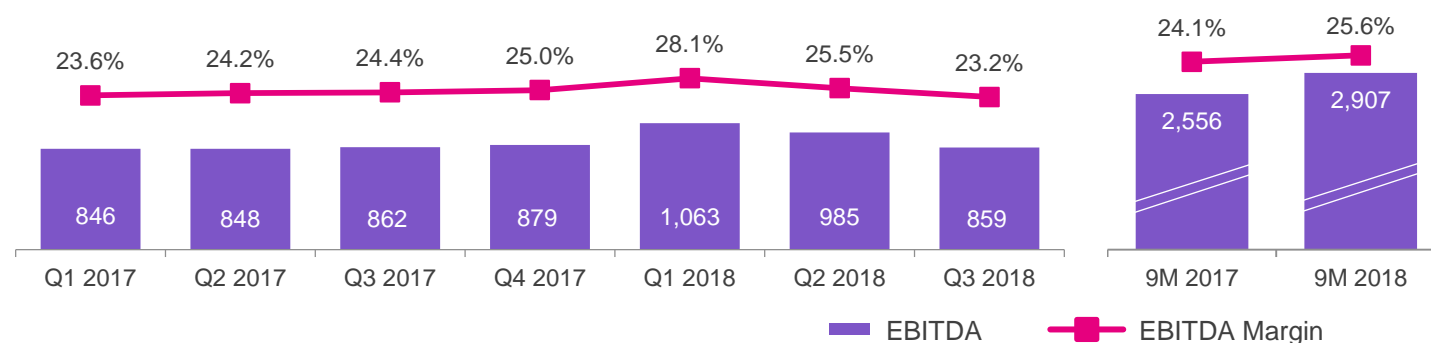


Highlights

- Stable core volumes in Q3 2018 due to constrained product availability
- Sales in Q3 2018 increased by +4.8% Y/Y driven by price (+3.1%) and volume (+3.0%)

EBITDA and Margin

in € million / margin in percent



Highlights

- Stable EBITDA in Q3 2018 despite negative pricing delta in PUR
- EBITDA margin on continuously high level, excluding one-time items and TDI fly-up contribution at c.19% vs. c.21% in Q3 2017

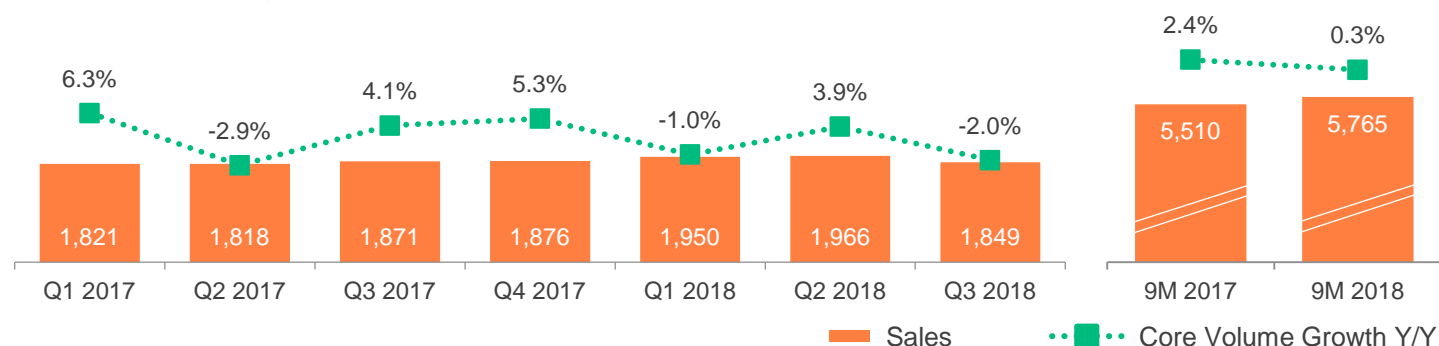
Polyurethanes – normalizing earnings

PUR segment results – Q3 2018 Highlights



Sales and Core Volume Growth

in € million / changes Y/Y

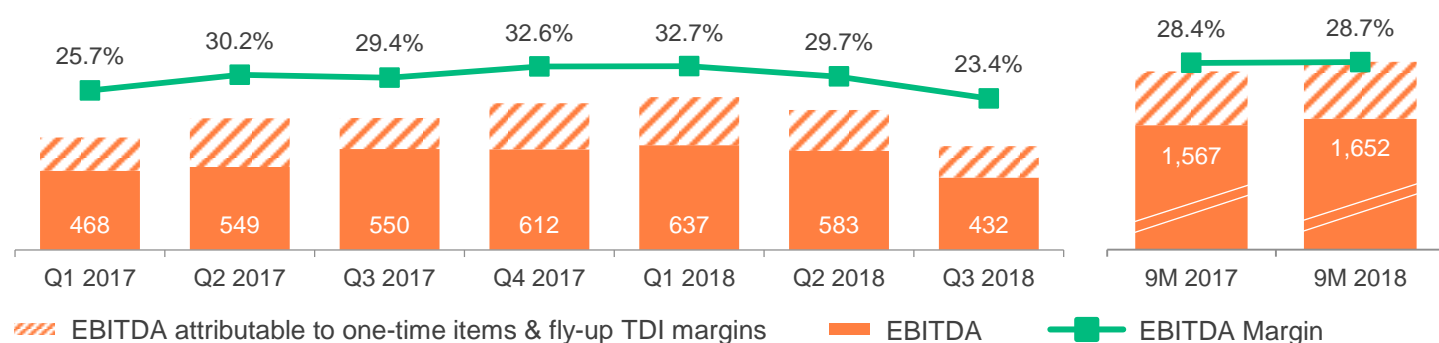


Highlights

- Decline in core volumes by -2.0% Y/Y, driven by constrained product availability in Polyols and MDI
- Slight sales decrease by -1.2% Y/Y driven by price (-0.5%) and FX impact (-0.8%)
- Stable sales volume (+0.1%) Y/Y

EBITDA and Margin

in € million / margin in percent



Highlights

- EBITDA decreased by -21.5% Y/Y due to negative pricing delta and outage-related expenses
- Underlying EBITDA margin excluding TDI fly-up contribution at c.16% vs. c.22% in Q3 2017

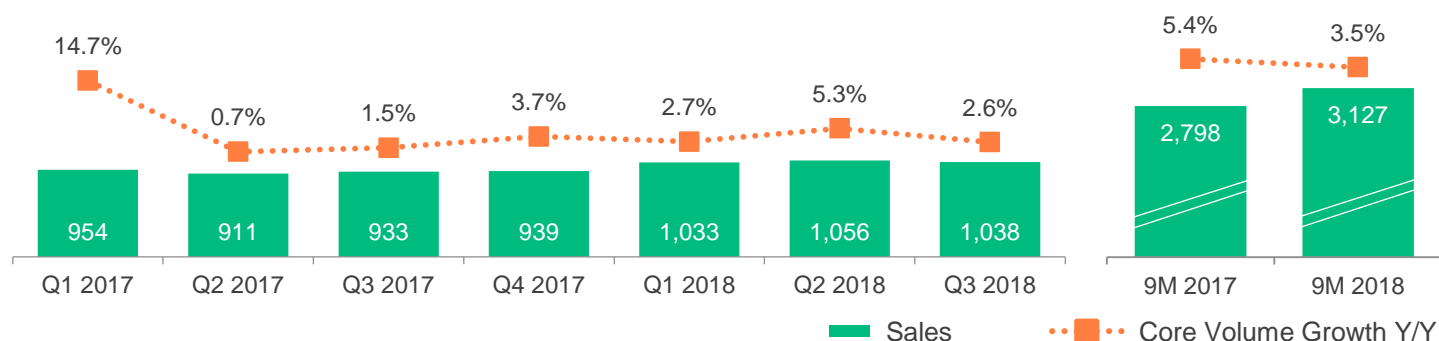
Polycarbonates – driven by price, volume and product mix



PCS segment results – Q3 2018 Highlights

Sales and Core Volume Growth

in € million / changes Y/Y

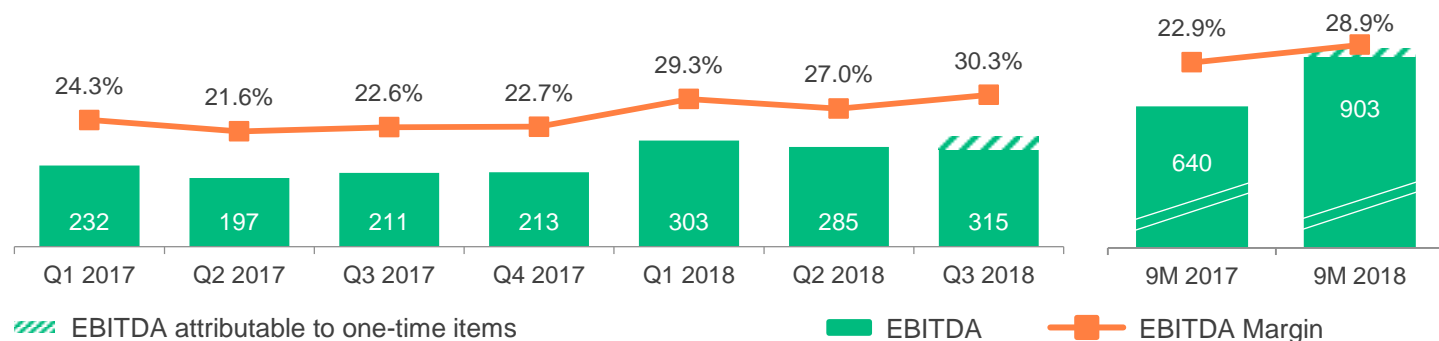


Highlights

- Solid core volume growth of +2.6% Y/Y driven by APAC and EMLA
- Sales increased by +11.3% Y/Y driven by price (+9.6%) and volume (+5.1%)
- Negative portfolio (-2.8%) and FX (-0.6%) impact Y/Y

EBITDA and Margin

in € million / margin in percent



Highlights

- EBITDA increased by +49.3% Y/Y due to positive pricing delta and volume leverage
- One-time item of €36m: book gain from disposal of US sheets business
- Underlying EBITDA margin excluding one-time items expanded to c.27% vs. c.23% in Q3 2017

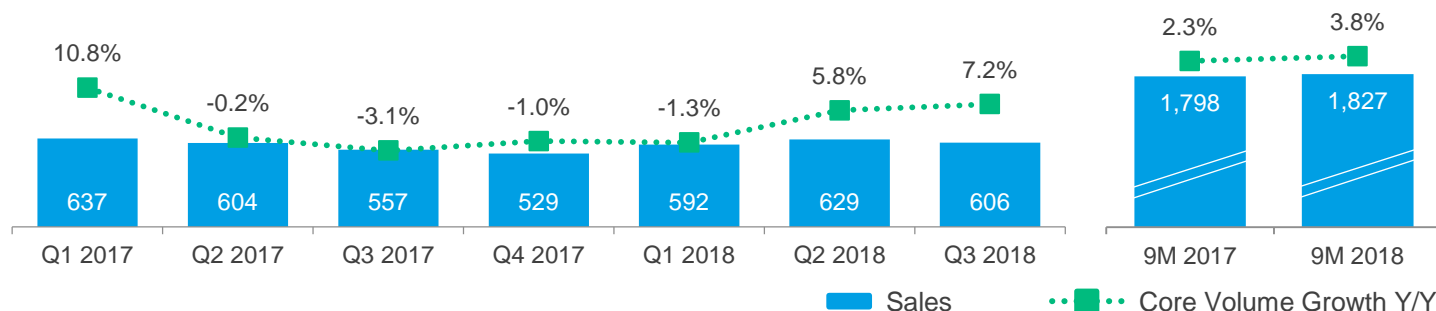
Coatings, Adhesives, Specialties – strong growth



CAS segment results – Q3 2018 Highlights

Sales and Core Volume Growth

in € million / changes Y/Y

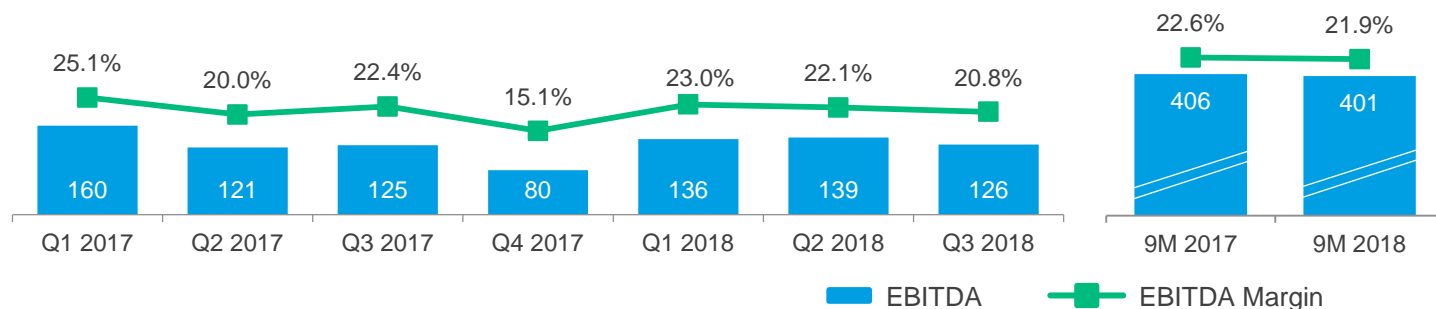


Highlights

- Strong core volume growth of +7.2% Y/Y with all regions contributing
- Sales increased by +8.8% Y/Y driven by volume (+9.7%) and price (-0.5%)
- Negative FX (-0.4%) impact Y/Y

EBITDA and Margin

in € million / margin in percent



Highlights

- Slight EBITDA increase of +0.8% Y/Y mainly due to positive volume leverage
- EBITDA margin decline to 20.8% due to cost increases

Strong volume leverage, small negative pricing delta



Q3 2018 – EBITDA bridge

in € million



Highlights

Strong positive volume leverage

- Broad-based in all three segments
- EBITDA volume leverage^(a) at 63%

Slightly declining cash margin

- Selling prices decreased more than raw material prices in PUR
- Positive pricing delta in PCS

Other items

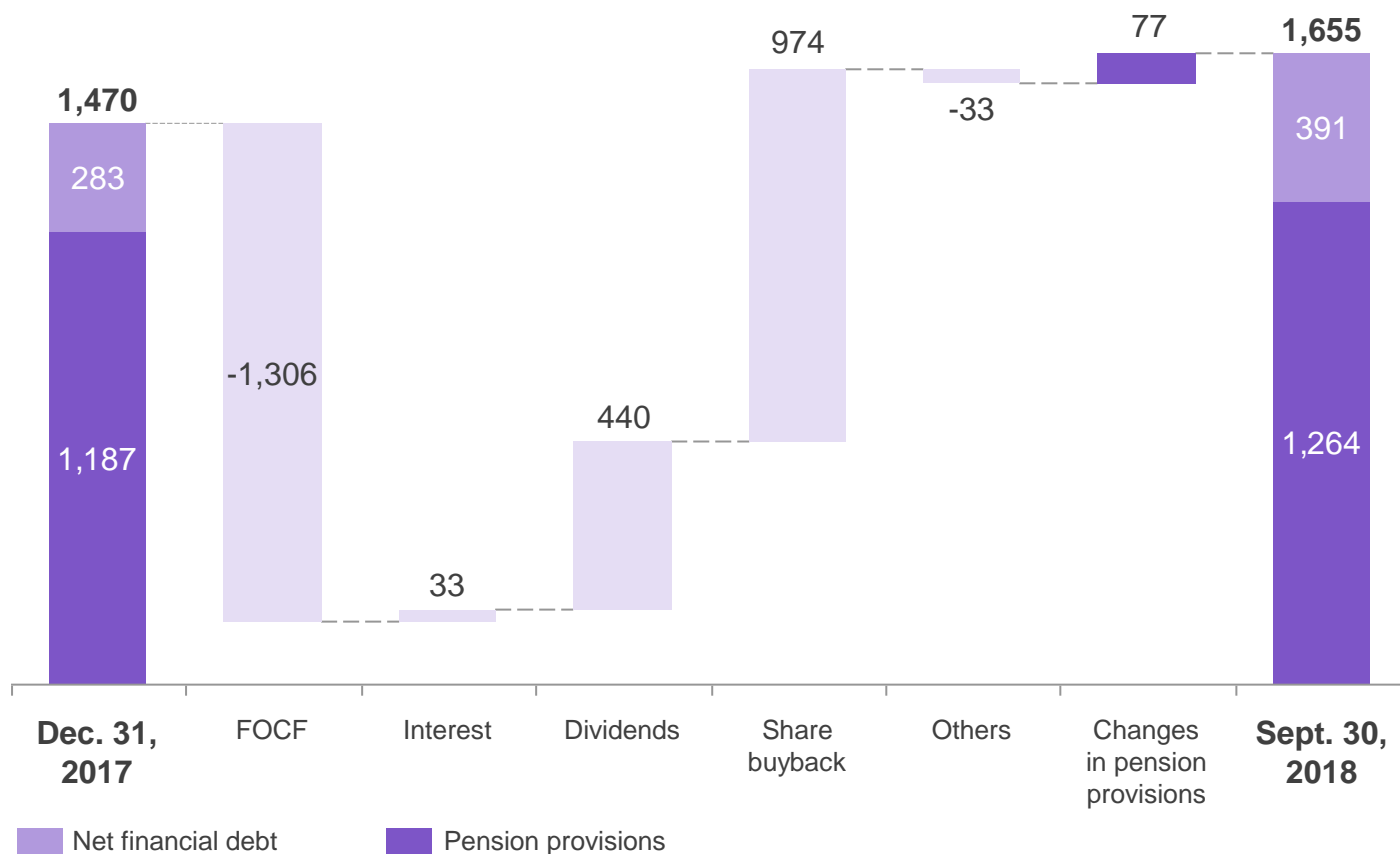
- One-time item of €36m: book gain from disposal of US polycarbonates sheets business
- Higher maintenance and logistics costs as well as outage-related expenses

More than €1.4bn cash returned to shareholders

September 30th 2018 – Total net debt



in € million



Highlights

- Total net debt to EBITDA ratio^(a) unchanged at 0.4x end of Q3 2018 vs. end of 2017
- Slight increase of net financial debt by €108m mainly due to share buyback and dividend payout
- €1.5bn share buyback program: ~14m shares bought back for a total amount of €1.1bn by end of Q3 2018
- Pension provisions increased by €77m mainly due to negative return on plan assets
- Equity ratio further improved to 51%

Confirmation of FY 2018 EBITDA guidance

Increasingly challenging economic conditions



	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
Additional financial expectations	FY 2017	Guidance FY 2018
EBITDA FY	€3,435m	Above previous year's level
D&A	€627m	€620-640m
Financial result	€-150m	€-100 to -120m
P&L (effective) tax rate	24.1%	25–27%
Capex	€518m	€650-700m

Upcoming IR events



Find more information on investor.covestro.com

Broker conferences

- November 13, 2018 UBS European Conference, London
- November 14, 2018 Morgan Stanley, Global Chemicals and Agriculture Conference, Boston
- November 20, 2018 Kepler Cheuvreux, One Stop Shop, Geneva
- November 28, 2018 Exane BNP Paribas, SRI Forum, Paris
- November 29, 2018 Société Générale, The Premium Review, Paris
- December 4, 2018 Credit Suisse, Chemicals and Agriculture Conference, London
- December 4, 2018 Berenberg, European Conference, London
- December 5, 2018 Bank of America Merrill Lynch, Global Agriculture and Chemicals Conference, London

Reporting dates

- February 25, 2019 Annual Report 2018
- April 29, 2019 Q1 2019 Interim Statement
- July 24, 2019 Half-Year Financial Report 2019

Highlights

- April 12, 2019 Annual General Meeting, Bonn



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