



Positioning for growth

Investor presentation
October 9, 2018

Positioning for growth



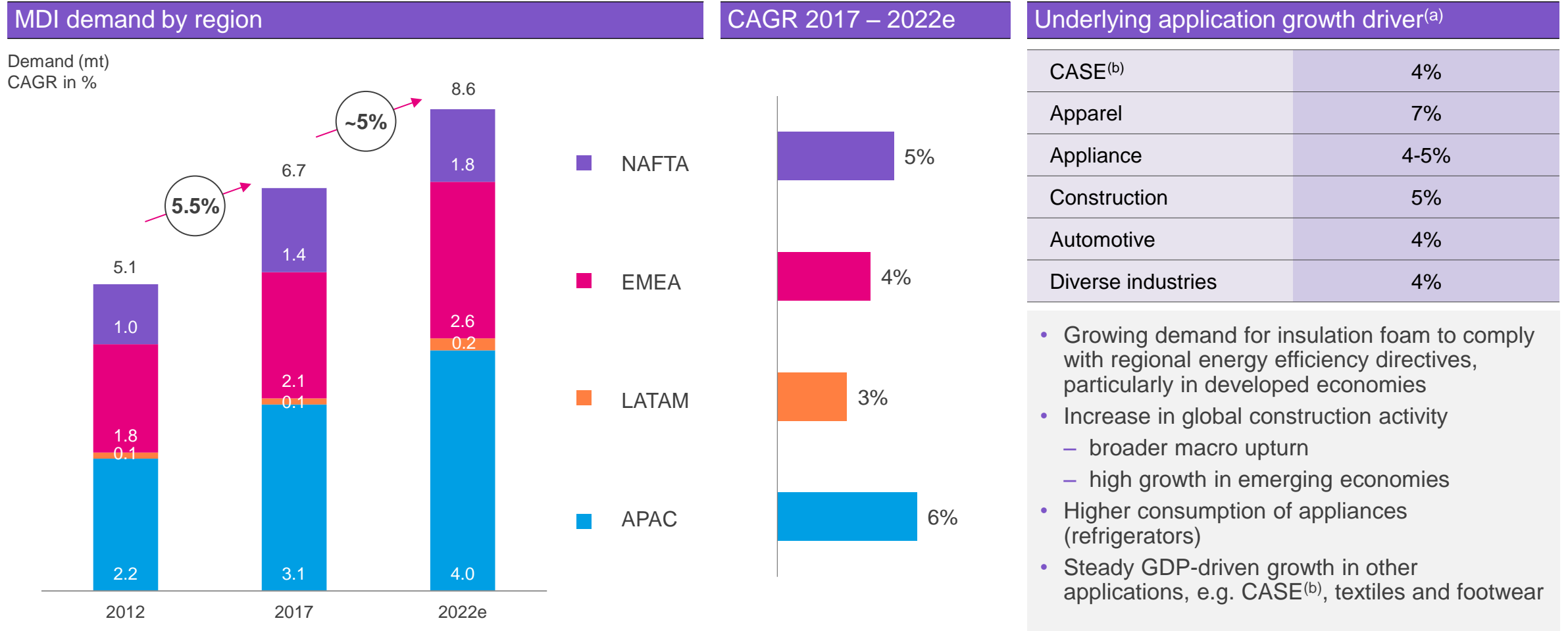
Investment highlights of new 500kt world-scale MDI plant in USA

- 1** Attractive MDI industry with above GDP growth requires new world-scale capacities
- 2** Satisfy global demand and accompany industry growth by increasing Covestro global MDI nameplate capacity of 1,470kt by 2018e to 2,230kt by 2024e
- 3** Extend leadership positions in the industry to become global #2 and USA #1 by 2024e^(a)
- 4** 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
- 5** Deliver attractive returns with mid-term debottlenecking and world-scale investment into long-running assets

Diverse end-markets in all regions support robust growth



Global MDI industry demand

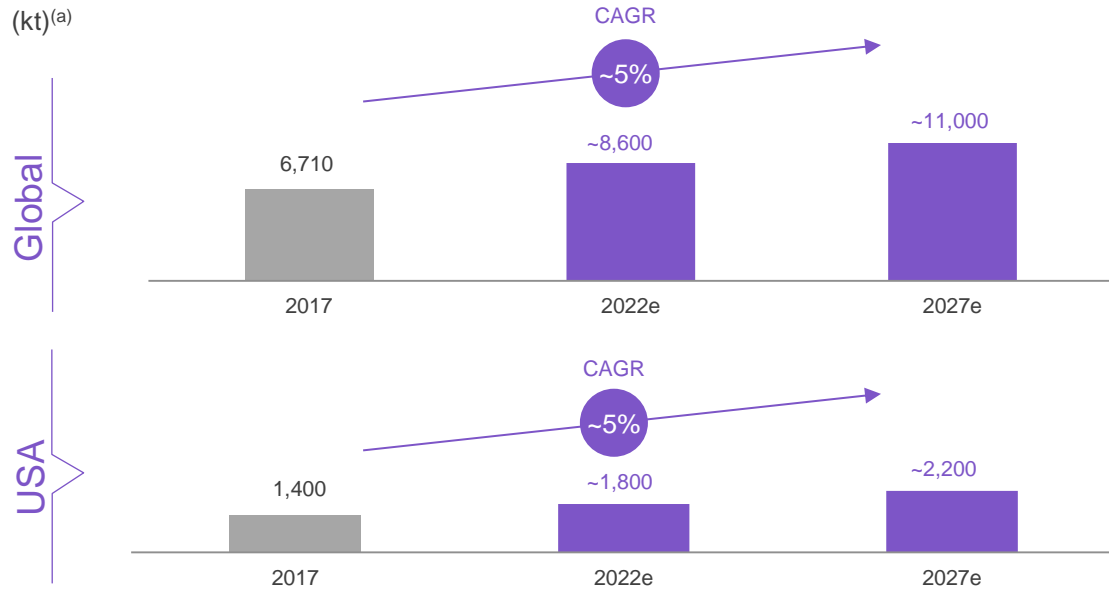


Demand growth to outpace forecasted supply additions

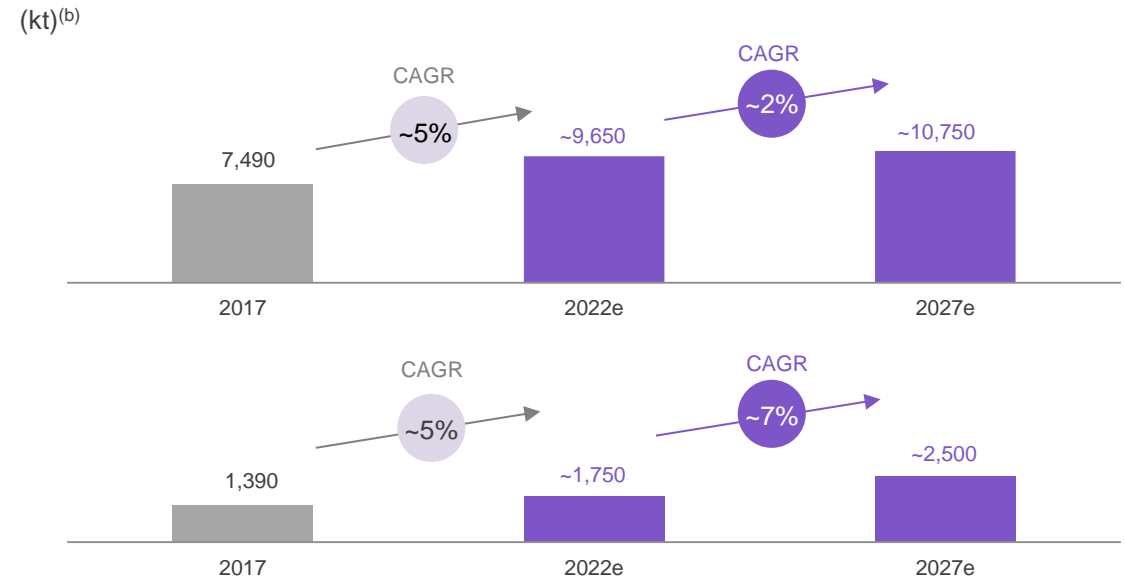


MDI industry demand and supply

MDI demand development (2017 – 2027e)



MDI supply development (2017 – 2027e)



- Structurally sound demand for the foreseeable future, driven by solid GDP growth and substitution trends
- Budgeted demand growth of ~5% rather conservative in historic growth context and given strong demand trends

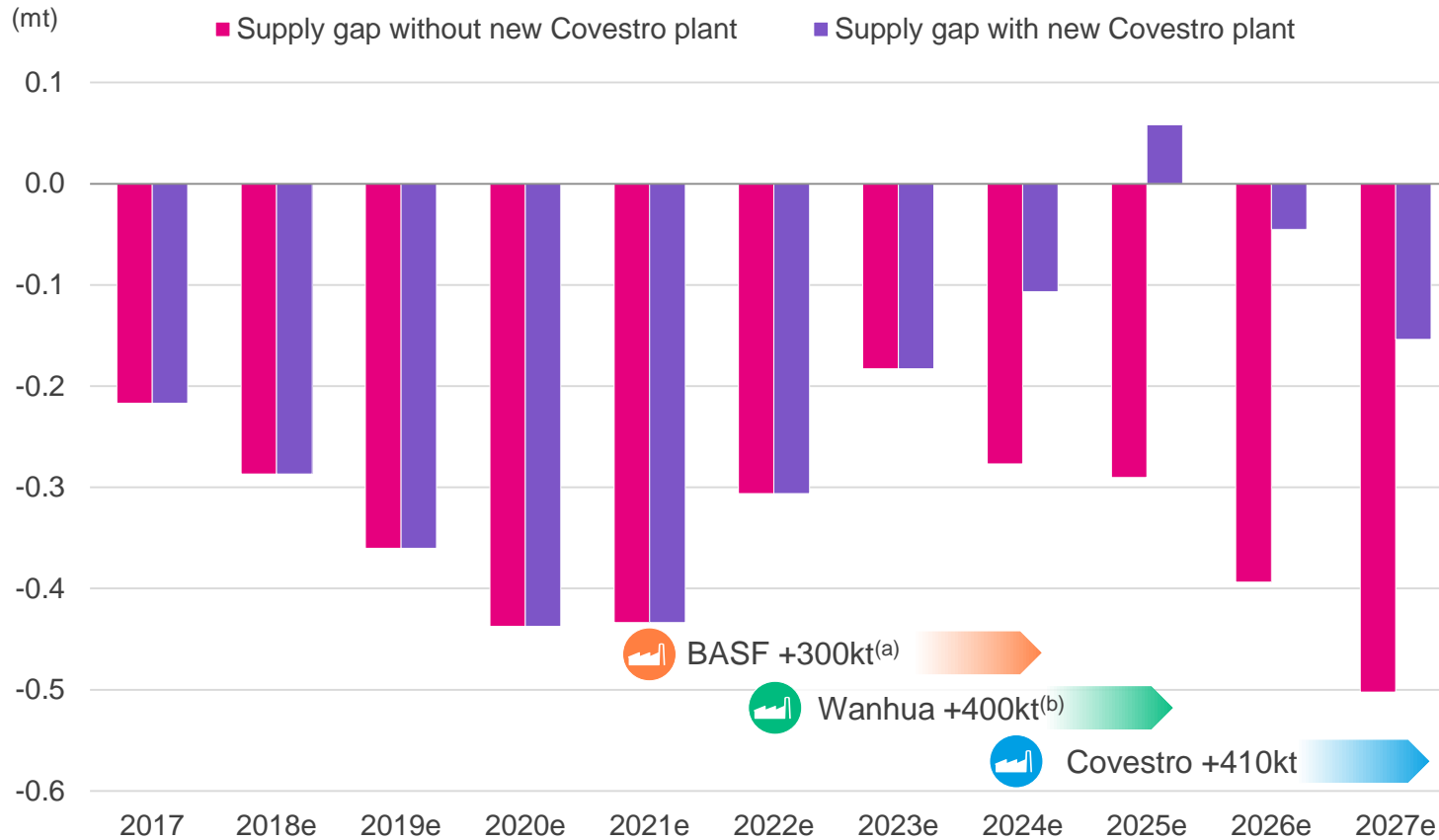
- Major additions expected until 2022e: BASF, Covestro, Dow/Sadara, MCNS, SLIC, Wanhua
- Major additions expected between 2022e and 2027e: Covestro, BASF, Wanhua
- CAGR 2017-2027e at 3.5%, thus still new capacities missing to cover demand

Regional demand growth requires new world-scale plants



MDI imports to be substituted by local production

MDI industry in NAFTA: domestic production compared to demand development^(c)



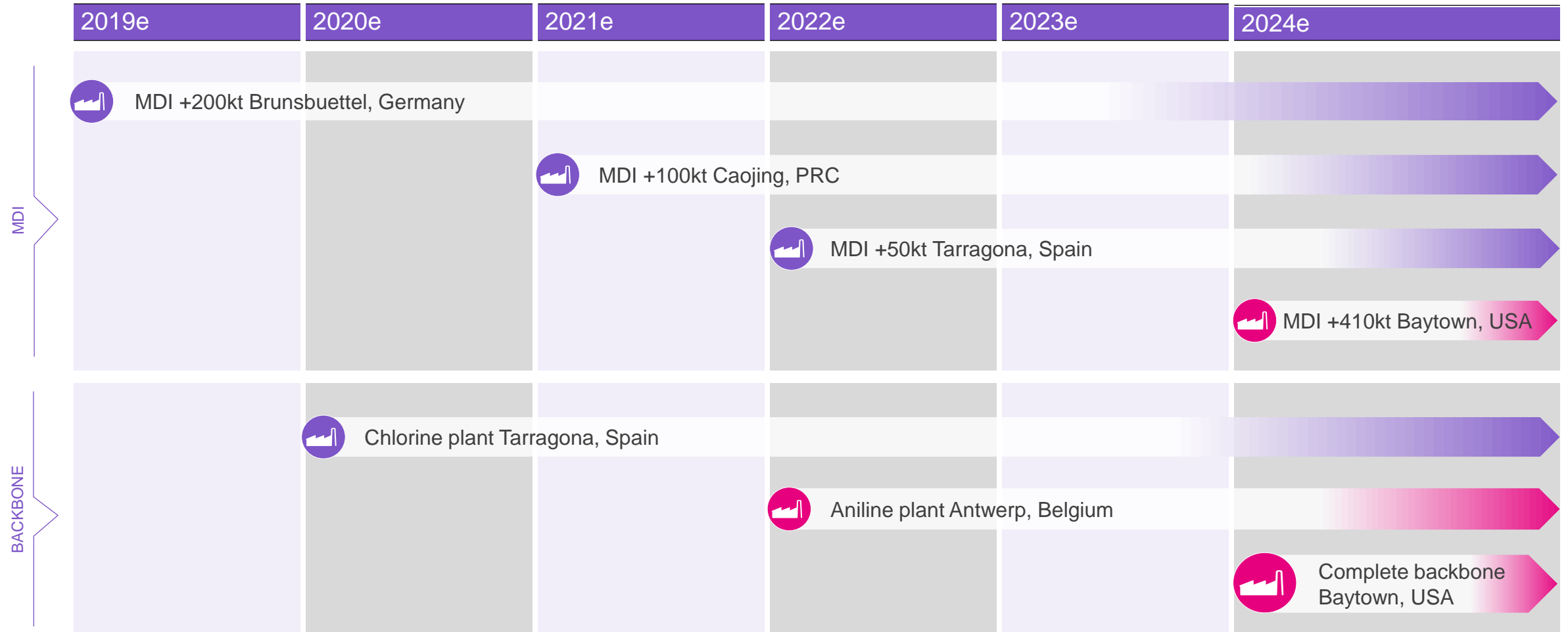
Covestro industry assumptions

- MDI demand: above GDP growth rate at CAGR ~5%
- NAFTA region is currently net MDI importer with further increasing supply gap
- Announced capacity addition by BASF expected to start 2021e and ramp up until 2025e^(c)
- Announced capacity addition by Wanhua expected to start in 2022e and ramp up until 2023e^(c)
- As of 2024e, a new supply gap would build up without another local world-scale plant
- Covestro world-scale plant with net capacity addition of +410kt expected to start in 2024e and to be quickly absorbed soon thereafter

Growth through debottlenecking projects and world-scale plant



Covestro planned MDI capacity additions



Newly announced Covestro MDI investment projects



New world-scale MDI plant in Baytown and aniline plant in Antwerp



New world-scale MDI plant of 500kt p.a., including complete chemical backbone

- Investment of around €1.5bn in new, highly efficient world-scale 500kt MDI plant on existing Baytown site, USA
- New plant to expand Covestro's Baytown 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



Tailored aniline supply ex Antwerp for Tarragona

- Investment of around €0.3bn in aniline production in Antwerp, Belgium, by 2022e
- Ensuring a highly efficient, sustainable and independent supply for the Tarragona operations
- Design and process technology based on the newest comparable facility in Caojing, China.

+410kt

Net capacity addition

740kt

Covestro capacity in USA
by 2024e^(a)

#1

MDI producer in USA^(a)

Above WACC

Attractive ROCE

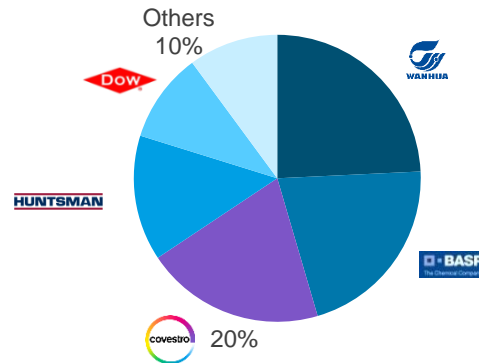
Covestro expanding its leadership position

MDI production capacities and industry positions



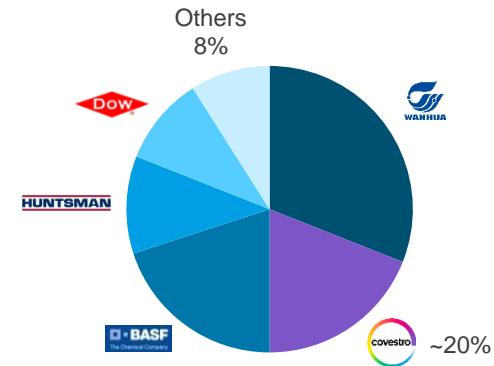
Global MDI industry

Industry capacity shares in 2017^(a)



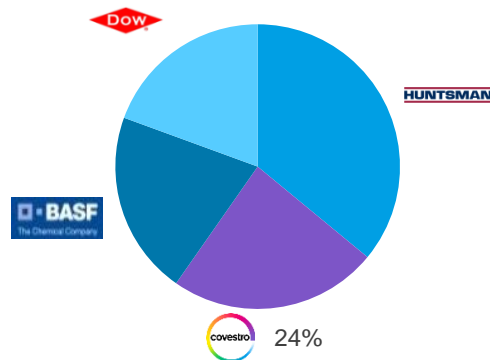
2017: Global #3 with 1,460kt on 6 sites

Industry capacity shares in 2024e^(b)

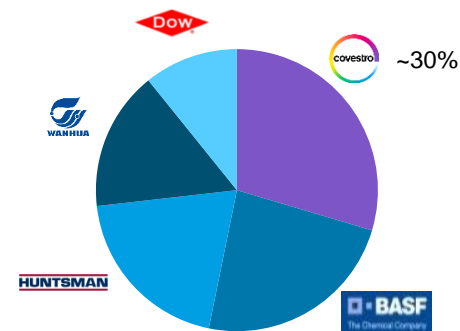


2024e: Global #2 with 2,230kt on 6 sites

USA MDI industry



2017: USA #2 with 330kt in Baytown



2024e: USA #1 with 740kt in Baytown

Investments into full chemical chain for best synergies in scale

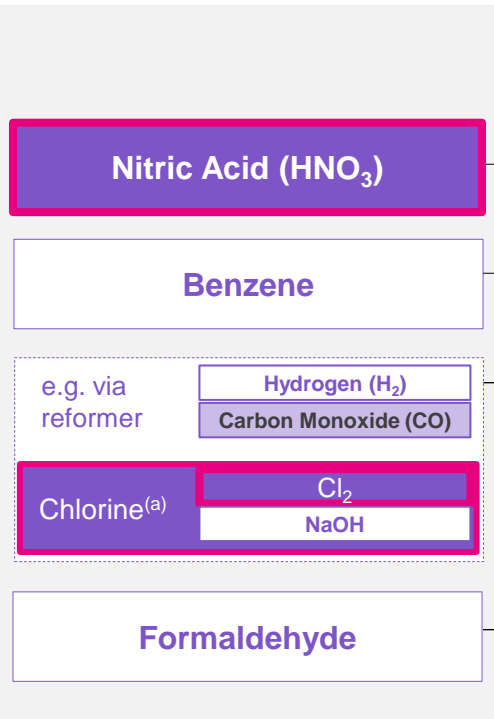


MDI Baytown: infrastructure, precursors and full MDI train, including monomeric splitter

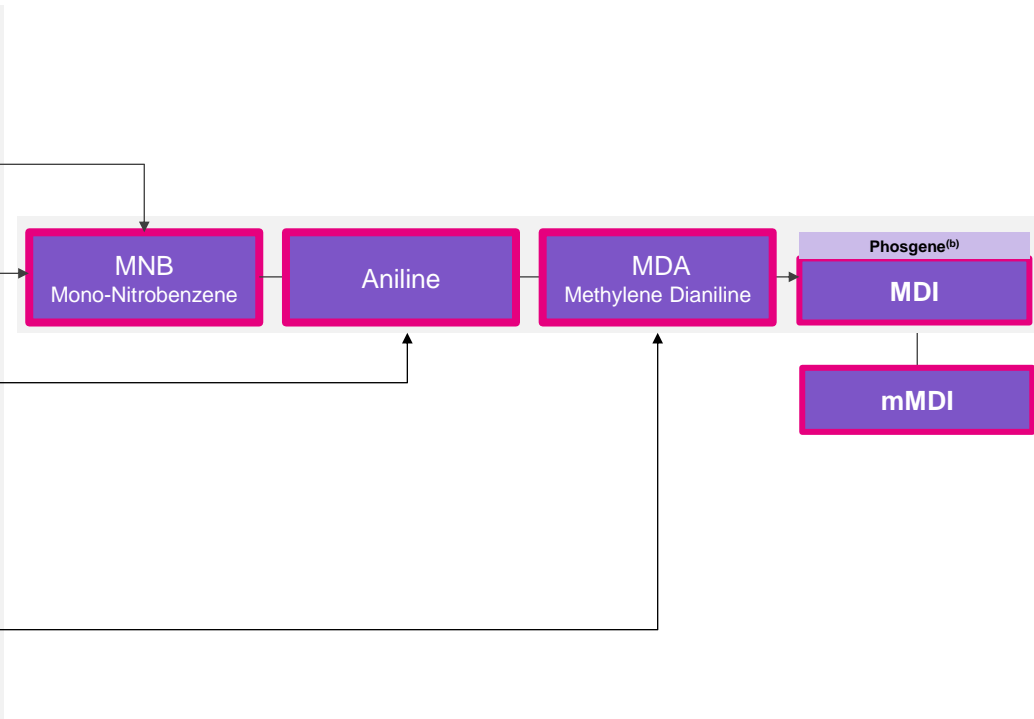
► Infrastructure

- Premises
- Site development
- Streets
- Pipeline bridges
- Storage tanks
- Jetties
- Power supply & distribution
- Waste management
- Safety

► Raw Materials



► Core Units / Technology



► Final Product

Highlights

- Comprehensive investment program with set-up of 7 new production elements and infrastructure improvements
- State-of-the-art new asset with leading process technology
- New world-scale production facility including splitter for monomeric MDI
- Critical raw materials sourced internally
- Synergies at all steps along the value chain

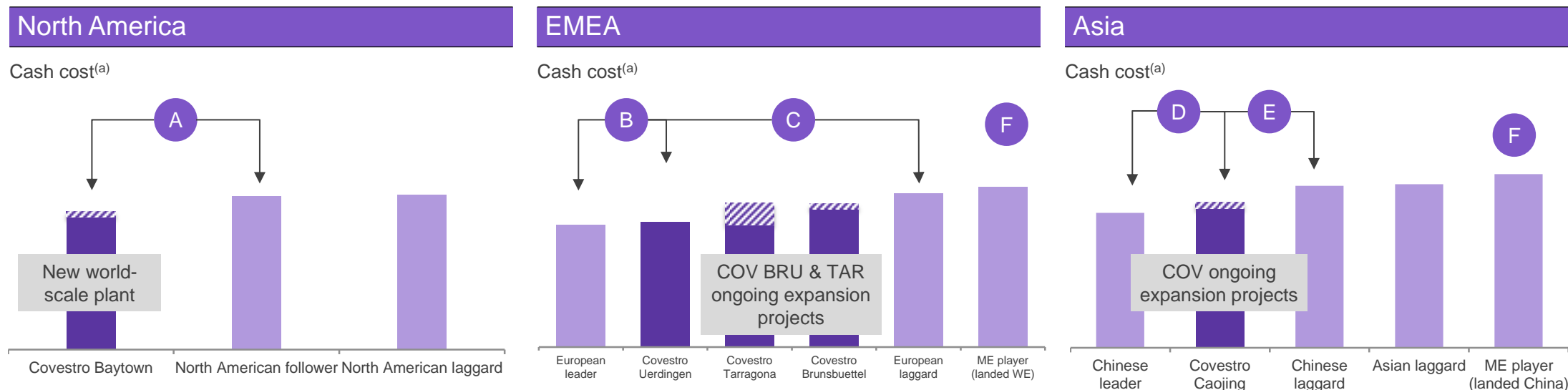
□ Purchased raw materials

■ Covestro activities

□ Planned new elements

Further improving the leading cost positions in all regions

MDI industry cost curves per region

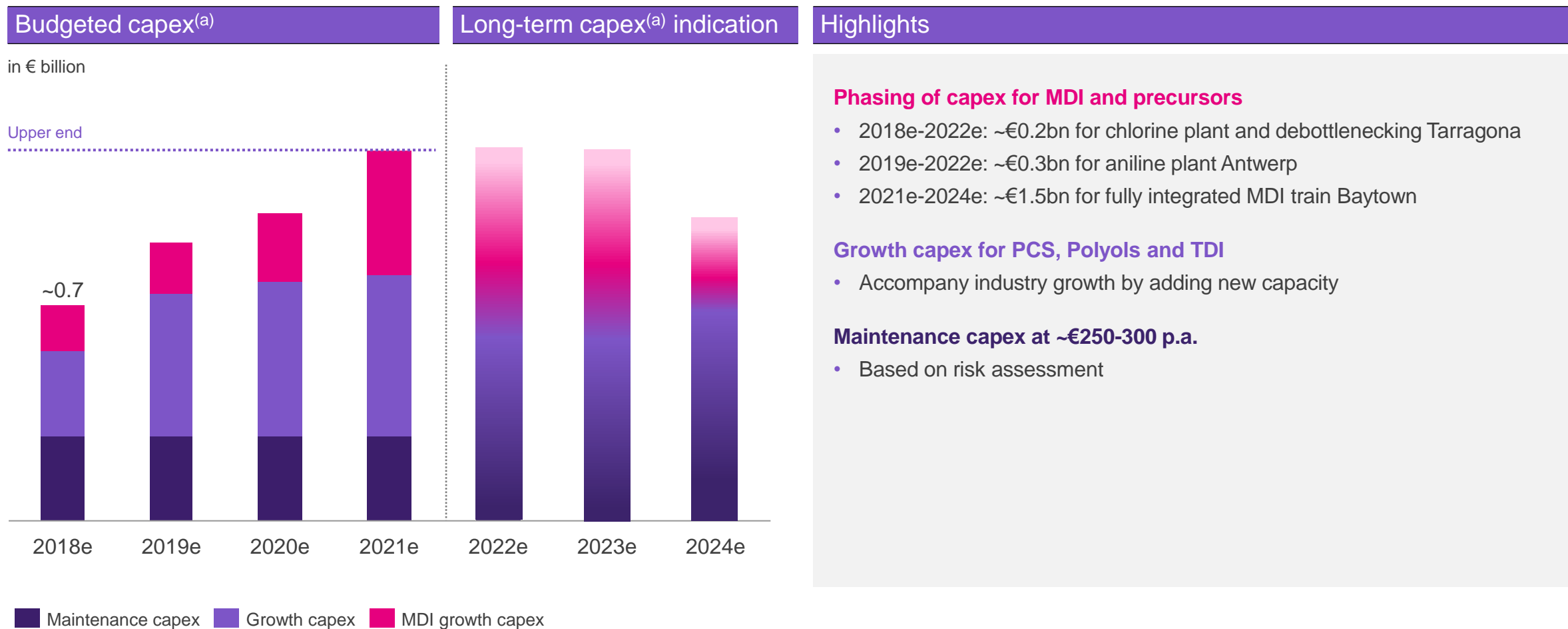


- A** Extension of Covestro cost leadership through highly efficient world-scale plant and backward integration
- B** European leader with large and energy-efficient MDI capacity plus cost-efficient raw material supply
- C** Uerdingen more cost efficient relative to other Covestro facilities in Europe due to level of backward integration; expansion projects for BRU and TAR
- D** Chinese leader with very strong backward integration including energy supply
- E** Covestro ahead due to larger MDI train capacity and energy efficiency - further specific cost reduction through expansion projects
- F** Benefits from low energy and natural gas prices, suffers from high investment level and required costly HCl recycling via ODC^(b) electrolysis (no benefit from caustic soda by-product sales); plus estimated 90-140 \$/t bulk freight plus 6.5% import duty to WE and China

Investment into organic growth to deliver attractive returns



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



~5%

Solid underlying
MDI global
demand
growth



Balanced supply-
demand outlook

500kt

New world-scale
MDI train
by 2024e

€1.5bn

Capex on existing
site with attractive
ROCE

#1

MDI producer
in USA with 740kt
by 2024e



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