Strong momentum continues

Roadshow Presentation
Covestro key investment highlights
Global leader in high-tech material solutions

1. **Leading and defendable 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 4,950kt\(^{(a)}\) 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 15,600 employees\(^{(c)}\) globally

### Key financials

<table>
<thead>
<tr>
<th></th>
<th>Sales 2016 €11.9bn</th>
<th>Adj. EBITDA 2016 €2.0bn</th>
<th>Adj. EBITDA margin 2016 16.9%</th>
</tr>
</thead>
</table>

Notes:
(a) Includes total nameplate capacity for PUR and PCS at year-end for 2016
(b) Based on Covestro Annual Report 2016; 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

<table>
<thead>
<tr>
<th>Business Units</th>
<th>Polyurethanes (PUR)</th>
<th>Polycarbonates (PCS)</th>
<th>Coatings, Adhesives, Specialties (CAS)</th>
</tr>
</thead>
</table>
| **Global Position**<sup>(a)</sup> | Global #1 (3,470kt) | Global #1 (1,480kt) | Global #1:  
- Aliphatic isocyanate derivatives  
- Aromatic isocyanate derivatives  
- Polyurethane dispersions |
| **Sales 2016** |  
- €5.9bn or 50% of Covestro |  
- €3.3bn or 28% of Covestro |  
- €2.0bn or 17% of Covestro |
| **Adj. EBITDA Margin 2016** | 14.9% | 21.3% | 24.5% |

**Rigid foam:**  
- Building insulation  
- Cold chain  
- Automotive parts

**Flexible foam:**  
- Furniture  
- Bedding/mattresses

**Coatings, Adhesives, Specialties (CAS):**  
- Surface coatings  
- Adhesives and sealants  
- Elastomers  
- Specialty films

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Notes:  
(a) Based on total nameplate capacity for PCS, MDI, TDI and Polyether polyols at year-end 2016 relative to competitors as per Covestro internal estimates; for CAS: based on total volume in 2016E relative to competitors as per Covestro internal estimates.
Exposure to fundamental macro trends
Above GDP industry growth supported by global trends

Global trends

- Climate change
  - Zero emission concepts
  - Low energy buildings

- Mobility
  - Energy efficient mobility
  - Lightweight transportation
  - Electric vehicles

- Growing population
  - Food preservation
  - Low cost durable goods

- Increasing urbanization
  - Affordable housing
  - Living comfort
  - Public infrastructure

Needs

- Industry demand outlook 2016A – 2021E\(^{(a)}\)
  - PU\(^{(b)}\)
    - 2016A: 16.1 Mt
    - 2021E: ~19.3 Mt
    - CAGR: -4%
  - PC
    - 2016A: 4.1 Mt
    - 2021E: ~5.0 Mt
    - CAGR: -4%
  - CASe\(^{(c)}\)
    - 2016: 2.8 Mt
    - 2021E: ~3.3 Mt
    - CAGR: 3-4%

Covestro solutions

- Building insulation
- Insulation along the cold chain
- Foam mattresses and comfort solutions
- Weight-saving car parts
- Lightweight materials for transportation
- Roofing and glazing for buildings
- Blends and composites for electronics / IT and consumer goods
- High performance surfaces and coatings
- High-tech films
- Solvent-free coatings and adhesives

Notes:
- (a) Assumes global GDP CAGR 2016E–2021E of 2-3%
- (b) Comprises MDI, TDI and polyether polyols
- (c) Shows PU raw materials industry demand in coatings, adhesives and sealants

Source: CAS market: Orr & Boss 2016 for COA, ADH, SEA plus company information for adjacent markets.
Global industry positions
Covestro is a leader across its entire portfolio

Polyurethanes

- MDI
  - Covestro: 29%
  - Others: 71%
- TDI
  - Covestro: 15%
  - Others: 85%
- Polyether polyols
  - Covestro: 37%
  - Others: 63%

Top 5: 91%
Top 5: 74%
Top 5: 52%

• 2021E: Industry structure expected to remain unchanged
• 2021E: Top 5 expected to account for 76%
• 2021E: Further consolidation expected, especially in China

Polyurethane dispersions

- Aliphatic isocyanate derivatives
  - Covestro: 26%
  - Others: 74%
- Polyurethane dispersions
  - Covestro: 19%
  - Others: 81%

Top 5: 89%
Top 5: 42%

• 2021E: Industry structure expected to remain stable

Polycarbonates

- PC
  - Covestro: 29%
  - Others: 71%
- #1 in PC

Top 5: 79%

• 2021E: Top 5 expected to account for ~70%
• Top 5 players might differ

Coatings, Adhesives, Specialties

- Aliphatic isocyanate derivatives
  - Covestro: 47%
  - Others: 53%
- Polyurethane dispersions
  - Covestro: 19%
  - Others: 81%

Top 5: 79%
Top 5: 42%

Entry requirements

- Sizable investment requirement
- Intense pressure to advance process technology
- Global asset base to enable customer proximity
- Persistent demand for product and process innovation
- Efficient feedstock integration required

Notes:
(a) Based on total nameplate capacity at year-end for 2016 relative to competitors as per Covestro internal estimates

Economies of scope crucial
Formulation and application know-how necessary
Close customer relationships and long-term R&D collaborations
Operation of global platform essential
A common chemical backbone across all segments
Significant synergies in scale, process technology and chemical know-how

**Chemical backbone**
- Non-core volumes 2016: 6,519kt
  - Sales 2016: €~1bn
- Chlorine ➤ Phosgene
- Caustic soda
- Hydrochloric acid
- Propylene oxide\(^{(a)}\)

**Products**
- Core volumes 2016: 4,794kt
  - Sales 2016: €~11bn
  - MDI
  - TDI
  - PCS
  - CAS
  - Polyols

**Customer industries**
- Automotive/transportation
- Construction
- Wood/furniture
- Electrical/electronics
- Chemicals
- Sports, leisure, cosmetics, health, other industries

**Synergies**
- Common assets ➤ scale
- Chemical know-how
- Process technology

**Notes:**
(a) Contracts and JV activities
(b) Gas Phase Phosgenation
Solid development in Q1 2017

in € million / Core volume growth Y/Y

EMLA
- Double-digit volume growth in Germany, mainly driven by PUR and PCS
- Strong rebound in Latin America

APAC
- Double-digit volume growth in APAC and China driven by all segments
- Continued strong demand in Electrical, Automotive and Furniture

NAFTA
- Solid volume growth in US, mainly driven by double-digit volume growth in PCS
- Double-digit volume growth in Mexico
FY 2016 – Cyclic business on structural upward trend
Significant proportion of sales generated with resilient businesses

Sales by Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>% of group sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDI</td>
<td>28%</td>
</tr>
<tr>
<td>TDI</td>
<td>28%</td>
</tr>
<tr>
<td>PCS</td>
<td>28%</td>
</tr>
<tr>
<td>Polyols</td>
<td>17%</td>
</tr>
<tr>
<td>CAS</td>
<td>17%</td>
</tr>
<tr>
<td>Others</td>
<td>5%</td>
</tr>
<tr>
<td>Resilient Businesses</td>
<td>PUR 50%</td>
</tr>
</tbody>
</table>

Industry Expectations

**MDI – Oversupply gradually absorbed**
- Mid-term demand growth of 4-5% p.a. above supply additions 2-3% p.a. (a)

**TDI – Higher volatility**
- Supply-demand development less favorable mid-term in case all announced capacities come on stream (a)

**PCS – Improving mix**
- Relatively stable industry margin (b) due to balanced supply-demand development (a)
- Covestro to benefit from strong growth in higher value-added applications

**Resilient businesses – Steady high FOCF**
- CAS & Polyols: structurally low volatility

Notes:
- (a) Assumes global real GDP CAGR of 2-3% (2016-2021E)
- (b) Margin = Selling price minus feedstock price per ton

Source: Internal estimates
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

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 requirements
- 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

EBIT contribution of segments (c)
in € million / Average 2014-2016

Notes:
(a) Based on total aliphatic isocyanates volume in 2016 relative to competitors as per Covestro internal estimates
(b) Includes direct customers only
(c) Excluding contribution of "Other segments / Consolidation"
Polyols industry spreads

Polyether polyols demonstrate inherently stable margins

- 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

Resilience of polyether polyols business also confirmed in 2016

- 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: Covestro internal estimates
Industry historical development and outlook
Above GDP growth driving industry capacity utilization and supporting higher margins

Demand development (2011 – 2021E)

<table>
<thead>
<tr>
<th>Year</th>
<th>MDI</th>
<th>CAGR</th>
<th>TDI</th>
<th>CAGR</th>
<th>PCS</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>4,650</td>
<td>6.2%</td>
<td>1,940</td>
<td>3.6%</td>
<td>3,585</td>
<td>3.0%</td>
</tr>
<tr>
<td>2016E</td>
<td>6,280</td>
<td>4-5%</td>
<td>2,320</td>
<td>3-4%</td>
<td>4,150</td>
<td>2-3%</td>
</tr>
<tr>
<td>2021E</td>
<td>800</td>
<td>-7,700</td>
<td>-2,800</td>
<td>-5,000</td>
<td>4,960</td>
<td>-4%</td>
</tr>
</tbody>
</table>

Supply development (2011 – 2021E)

<table>
<thead>
<tr>
<th>Year</th>
<th>MDI</th>
<th>CAGR</th>
<th>TDI</th>
<th>CAGR</th>
<th>PCS</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>5,710</td>
<td>5.5%</td>
<td>2,170</td>
<td>3.0%</td>
<td>4,365</td>
<td>2.6%</td>
</tr>
<tr>
<td>2016E</td>
<td>7,460</td>
<td>2-3%</td>
<td>2,520</td>
<td>3-4%</td>
<td>4,960</td>
<td>3-4%</td>
</tr>
<tr>
<td>2021E</td>
<td>8,600</td>
<td>-6%</td>
<td>3,370</td>
<td>3-4%</td>
<td>5,960</td>
<td>3-4%</td>
</tr>
</tbody>
</table>

Operating rates and margins

- **IR Roadshow Presentation**
- **Notes:**
  - (a) Assumes global GDP CAGR 2016–2021E of 2-3%
  - (b) Based on historical and announced future nameplate capacities
- **Source:** Covestro internal estimates
Industry supply development

Favorable industry supply outlook

Supply Development (2011 – 2021E)

<table>
<thead>
<tr>
<th>Supply (kt)</th>
<th>CAGR</th>
<th>2011</th>
<th>2016E</th>
<th>Major changes</th>
<th>2021E</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDI</td>
<td>5.5%</td>
<td>5,710</td>
<td>7,460</td>
<td>+970 BASF, Covestro, SLIC, Kumho Mitsui</td>
<td>8,600</td>
</tr>
<tr>
<td>TDI</td>
<td>3.0%</td>
<td>2,170</td>
<td>2,520</td>
<td>+850 BASF, Sadara, Wanhua, Yantai Juli</td>
<td>3,370</td>
</tr>
<tr>
<td>PCS</td>
<td>2.6%</td>
<td>4,365</td>
<td>4,960</td>
<td>+1,000 Covestro, Wanhua, Yantai, Luxi, Liaocheng, Heng Yuan, Qingdao, Others</td>
<td>5,960</td>
</tr>
</tbody>
</table>

Notes:
(a) Based on historical and announced future nameplate capacity additions
(b) Announced expansion of 200kt p.a., Caojing, China
(c) Refers to Shanghai Lianheng Isocyanate JV (BASF 35%, Huntsman 35%, Shanghai Chlor-Alkali 15%, Shanghai Hua Yi 8% and Sinopec 7%)
(d) Announced expansion of 200kt p.a., Caojing, China
Source: Covestro internal estimates
Structured profitability enhancement program on track
Net saving expected to start ramping up in 2018

<table>
<thead>
<tr>
<th>Key Measures</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset optimization plan</strong></td>
<td></td>
</tr>
<tr>
<td>Fixed asset management cost improvements</td>
<td>ongoing</td>
</tr>
<tr>
<td>• Rolling out fixed asset management cost initiatives</td>
<td></td>
</tr>
<tr>
<td>• More efficient turnaround execution</td>
<td></td>
</tr>
<tr>
<td>• Further operational optimizations</td>
<td></td>
</tr>
<tr>
<td>Asset restructuring / efficiency projects</td>
<td></td>
</tr>
<tr>
<td>• Closure of Belford Roxo</td>
<td>executed</td>
</tr>
<tr>
<td>• TDI EMEA restructuring</td>
<td>executed</td>
</tr>
<tr>
<td>• Site consolidation: closure of South Korea PC sheet production</td>
<td>executed</td>
</tr>
<tr>
<td>Continuous improvement</td>
<td></td>
</tr>
<tr>
<td>• In manufacturing area</td>
<td>ongoing</td>
</tr>
<tr>
<td><strong>Cost improvement measures</strong></td>
<td></td>
</tr>
<tr>
<td>Corporate overhead cost savings</td>
<td>initiated</td>
</tr>
<tr>
<td>• Streamlining IT infrastructure and business model</td>
<td></td>
</tr>
<tr>
<td>• More tailor-made service function designs to replace TSA(a)\ with Bayer, e.g. Shared Service Center in Bratislava</td>
<td></td>
</tr>
<tr>
<td>BU-level specific savings</td>
<td>ongoing</td>
</tr>
<tr>
<td>• Streamline sales force and back-office</td>
<td></td>
</tr>
<tr>
<td>• Focus on core areas and customers</td>
<td></td>
</tr>
<tr>
<td>• Consolidation within regional functions, product management and sales</td>
<td></td>
</tr>
<tr>
<td>• Maximize use of existing trade and distribution channels</td>
<td></td>
</tr>
<tr>
<td>Continuous improvement</td>
<td></td>
</tr>
<tr>
<td>• In non-manufacturing area</td>
<td>ongoing</td>
</tr>
</tbody>
</table>

**Targeted gross savings**
c. 420

**Accumulated inflation of existing cost base**
c. 270

**Profitability enhancement potential by 2019**
c. 150

**Expected net savings Potential by 2019**

**Phasing of net savings**
- Cost increases in 2017 lead to gross savings below plan
- Linear ramp up of net benefits in 2018
- Realization of full net benefits of >€100m in 2019

Notes: (a) Transitional Service Agreements
High EBITDA to FOCF conversion rate

Record FOCF

Free operating cash flow development 2013-2016

<table>
<thead>
<tr>
<th>Year</th>
<th>FOCF (€ million)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>118</td>
<td>-25%</td>
</tr>
<tr>
<td>2014</td>
<td>1,056</td>
<td>+208%</td>
</tr>
<tr>
<td>2015</td>
<td>1,161</td>
<td>+25%</td>
</tr>
<tr>
<td>2016</td>
<td>1,641</td>
<td>+42%</td>
</tr>
</tbody>
</table>

- The FOCF to EBITDA conversion rate increased to 68% compared to 59% in 2015 due to the absence of cash-out for special items.
- Working capital to sales ratio almost unchanged at 15.6% vs. 15.4% in 2015, in the targeted range of 15-17%.
- Capex of €419m significantly down Y/Y partly due to delayed invoicing; Capex below D&A of €683m; D&A/sales above long-term average given the young asset base and the conservative life time applied.
- High cash-tax rate of 37% vs. effective tax rate of 29% due to prepayments.
Use of cash reflects strong cash generation

<table>
<thead>
<tr>
<th>Internal</th>
<th>Dividend policy</th>
<th>Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>CapEx below D&amp;A in 2015-2017E, mid-term budget under review</td>
<td>Focus on increasing or at least stable dividends</td>
<td>Disciplined &amp; focused approach</td>
</tr>
<tr>
<td>Goal to further reduce net debt</td>
<td>FY 2016 dividend of €1.35 per share represents a dividend yield of 2.1% (year end DY)</td>
<td>Bolt-on acquisition to boost R&amp;D and business development</td>
</tr>
<tr>
<td>Long-term preparation of next growth investments underway</td>
<td></td>
<td>Focus on high margin, differentiated business areas and continuous portfolio optimization</td>
</tr>
</tbody>
</table>
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 2017
Q1 2017 Key Highlights

Strong momentum continues

- Continued dynamic core volume growth (9.0% Y/Y)
- 9th consecutive quarter with Y/Y EBITDA improvement (€846m; 67% Y/Y)
- Net income increase to €468m (157% Y/Y)
- FOCF increase to €211m (174% Y/Y)
- Increase of guidance for FY 2017
Q1 2017 – Sales Bridge

Strong volume growth and reflation

**Dynamic volume development**
- Core volume growth (in kt) of 9.0% Y/Y
- Sales volumes (in €) expansion of 9.9% Y/Y
- Sales volume expansion above core volume growth due to product mix upgrades

**Reflation and higher industry utilization**
- Higher selling prices positively impacted sales by 13.4% Y/Y

**Positive FX effects**
- FX effects benefited sales by 1.4% Y/Y mainly due to stronger USD
Q1 2017 – EBITDA Bridge

Strong volume leverage and positive pricing delta

**Highlights**

**Positive volume leverage**
- Broad-based in all three business segments

**Improving cash margin**
- Positive pricing delta driven by TDI & MDI
- Selling price increases could more than compensate for rising raw material prices

**Other items**
- Provision release of €9m for Tarragona
- Prior year benefited from an insurance income of €30m
Q1 2017 – Group Results

Continued margin expansion

Net Sales and Core Volume Growth

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net Sales (€ million)</th>
<th>Core Volume Growth Y/Y (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2016</td>
<td>2,875</td>
<td>8.4%</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>2,990</td>
<td>7.7%</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>3,022</td>
<td>9.1%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>3,017</td>
<td>4.8%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>3,586</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

*Data of previous year have been adjusted.

EBITDA and Margin

<table>
<thead>
<tr>
<th>Quarter</th>
<th>EBITDA (€ million)</th>
<th>EBITDA Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2016</td>
<td>508</td>
<td>17.7%</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>542</td>
<td>18.1%</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>574</td>
<td>18.9%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>390</td>
<td>12.9%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>846</td>
<td>23.6%</td>
</tr>
</tbody>
</table>

Q1 2017 Highlights

- Strong core volume growth (in kt) of 9.0% driven by strong end market growth and partial re-stocking
- Sales increased by 25% driven by volume und pricing leverage

EBITDA margin improved significantly to 23.6% vs. 17.7% in Q1 2016
- 9th consecutive quarter with Y/Y EBITDA increase
Q1 2017 – PUR Segment – Results
Polyurethanes – Structurally improving margins in MDI

Net Sales and Core Volume Growth
in € million / changes Y/Y

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net Sales</th>
<th>Core Volume Growth Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2016</td>
<td>1,403</td>
<td>10.3%</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>1,481</td>
<td>9.0%</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>1,503</td>
<td>9.0%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>1,540</td>
<td>2.4%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>1,894</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

Core volume growth of 6.8% Y/Y mainly driven by strong MDI and TDI, whereas polyols increased low-single digit.

Selling prices increased 25.8% mainly due to strong demand in MDI and TDI.

EBITDA and Margin
in € million / margin in percent

<table>
<thead>
<tr>
<th>Quarter</th>
<th>EBITDA</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2016</td>
<td>214</td>
<td>15.3%</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>228</td>
<td>15.4%</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>263</td>
<td>17.5%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>176</td>
<td>11.4%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>482</td>
<td>25.4%</td>
</tr>
</tbody>
</table>

EBITDA increased by 125% Y/Y with a margin of 25.4% vs. 15.3% in Q1 2016.

Around half of the Y/Y EBITDA growth related to strong volume leverage and structurally higher margins, mainly in MDI.

Remaining Y/Y EBITDA improvement related to fly-up margins, mainly in TDI.
**Q1 2017 – PCS Segment – Results**

Polycarbonates – Steady high margin business

---

**Net Sales and Core Volume Growth**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net Sales (€ million)</th>
<th>Core Volume Growth Y/Y %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2016</td>
<td>786</td>
<td>8.5%</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>831</td>
<td>8.5%</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>848</td>
<td>11.6%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>833</td>
<td>12.8%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>954</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

1. Data of previous year have been adjusted

---

**EBITDA and Margin**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>EBITDA (€ million)</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2016</td>
<td>177</td>
<td>22.5%</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>191</td>
<td>23.0%</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>194</td>
<td>22.9%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>142</td>
<td>17.0%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>232</td>
<td>24.3%</td>
</tr>
</tbody>
</table>

---

**Q1 2017 Highlights**

- Core volumes increased double-digit by 14.7%
- Broad-based acceleration of demand growth
- Selling prices increased by 2.9%

---

**Q1 2017 Highlights**

- EBITDA increased by 31.1% Y/Y with a margin of 24.3% vs. 22.5% in Q1 2016
- EBITDA increase driven by positive volume leverage and product mix improvements
- Continuing favorable supply-demand balance
Q1 2017 – CAS Segment – Results
Coatings, Adhesives, Specialties – Solid results

**Net Sales and Core Volume Growth**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net Sales (€ million)</th>
<th>Core Volume Growth Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2016</td>
<td>512</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>532</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>515</td>
<td>3.5%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>481</td>
<td>0.0%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>564</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

*Data of previous year have been adjusted.*

**EBITDA and Margin**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>EBITDA (€ million)</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2016</td>
<td>139</td>
<td>27.1%</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>142</td>
<td>26.7%</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>136</td>
<td>26.4%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>83</td>
<td>17.3%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>146</td>
<td>25.9%</td>
</tr>
</tbody>
</table>

Q1 2017 Highlights

- Dynamic core volume growth of 8.1% Y/Y due to strong growth in APAC and EMLA
- Some pre-buying assumed due to announced price increases
- Selling prices decreased slightly

- EBITDA increased by 5.0% Y/Y
- Slightly lower margin on a high level of 25.9% vs. 27.1% in Q1 2016 due to higher costs
Q1 2017 – Free Operating Cash Flow

Solid FOCF in a seasonally low quarter

Free operating cash flow development

<table>
<thead>
<tr>
<th></th>
<th>FOCF</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. EBITDA</td>
<td>416</td>
<td>-224</td>
<td>-304</td>
<td>-441</td>
</tr>
<tr>
<td>Working Capital</td>
<td>-94</td>
<td>-80</td>
<td>-74</td>
<td>-91</td>
</tr>
<tr>
<td>Capex</td>
<td>-1</td>
<td>-47</td>
<td>-74</td>
<td>-29</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>-7</td>
<td>-80</td>
<td>-74</td>
<td>-91</td>
</tr>
<tr>
<td>Other effects</td>
<td>-1</td>
<td>-7</td>
<td>-47</td>
<td>-29</td>
</tr>
</tbody>
</table>

*Method of calculation: WC on 31.03.2017 divided by sales of last four quarters

Highlights:

- Working capital to sales ratio* at 18.1%, slightly above the targeted range of 15-17% due to higher valuation of stocks and higher receivables
- Capex of €74m up Y/Y due to low comparison basis and MDI expansion in Brunsbüttel; Capex below D&A of €158m
- Low cash tax rate of 4.6% mainly due to phasing of tax payments
- Others effects include the release of provisions for bonus payments
Q1 2017 – Total Net Debt

Strong balance sheet

**Total net debt – end of Q1 2017**

<table>
<thead>
<tr>
<th>Description</th>
<th>31.12.2016</th>
<th>Change</th>
<th>31.03.2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOCF</td>
<td>1,499</td>
<td>211</td>
<td>1,209</td>
</tr>
<tr>
<td>Interest</td>
<td>1,209</td>
<td>22</td>
<td>1,499</td>
</tr>
<tr>
<td>Dividends</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>22</td>
<td>30</td>
<td>22</td>
</tr>
<tr>
<td>Changes in provisions</td>
<td>1,209</td>
<td>-65</td>
<td>1,144</td>
</tr>
</tbody>
</table>

- **Net Financial Debt:** 2,708
- **Provisions for Pensions:** 1,340

**Highlights**

- Total net debt to EBITDA ratio* slightly reduced to 1.1x
- Pension provisions decreased slightly to €1,144m due to higher interest rates
- Equity ratio further improved to 44%

*Method of calculation: Total net debt on 31.03.2017 divided by EBITDA of last four quarters
Guidance 2017
Strong momentum continues

<table>
<thead>
<tr>
<th>Core Volume Growth</th>
<th>FY 2016</th>
<th>Guidance FY 2017*</th>
<th>New Guidance FY 2017*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+7.5%</td>
<td>Low- to mid-single-digit percentage increase Y/Y</td>
<td>Unchanged</td>
</tr>
<tr>
<td>FOCF</td>
<td>€1,367m</td>
<td>Slightly above the average of the last three years</td>
<td>Significantly above the average of the last three years</td>
</tr>
<tr>
<td>ROCE</td>
<td>14.2%</td>
<td>Slightly above the 2016 level</td>
<td>Significantly above the 2016 level</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional financial expectations</th>
<th>FY 2016</th>
<th>Guidance FY 2017*</th>
<th>New Guidance FY 2017*</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA 2017 FY</td>
<td>€2,014m</td>
<td>At or above the 2016 level</td>
<td>Significantly above 2016</td>
</tr>
<tr>
<td>EBITDA 2017 Q2</td>
<td>Q2: €542m</td>
<td>n.a.</td>
<td>Significantly above Q2 2016</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>€683m</td>
<td>~€650-700m</td>
<td>~€650m</td>
</tr>
<tr>
<td>Financial results</td>
<td>€-196m</td>
<td>€-170 to -190m</td>
<td>€-180 to -200m</td>
</tr>
<tr>
<td>Tax rate</td>
<td>29.0%</td>
<td>≤30%</td>
<td>Unchanged</td>
</tr>
<tr>
<td>Capex</td>
<td>€419m</td>
<td>~€550m</td>
<td>Unchanged</td>
</tr>
</tbody>
</table>

* Basic Assumptions: Exchange rate of USD/EUR ~1.10 and a similar macroeconomic environment as in 2016
First bio-based automotive 2K PU clearcoat tested
Audi: Successful near-series trial / BASF: Satisfied with performance

• Successful coating of Audi Q2 under near-series conditions
• Based on proven 2K PU technology fulfilling high performance standards
• Application on existing coating lines possible
• Helps customers to lower carbon footprint of their products
Q1 2017 – Summary
Covestro fully on track

**Strong volume growth with a focused portfolio**
supported by continued robust demand

**Solid earnings and cash flow generation**
helped by higher industry utilization and a focus on profitability

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

**Long-term progressive dividend policy**
with a focus on increasing or at least stable dividends

**Solid financial outlook**
despite continued limited visibility
Upcoming IR Events
Find more information on investor.covestro.com

<table>
<thead>
<tr>
<th>Reporting dates</th>
<th>Event details</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 25, 2017</td>
<td>Q2 2017 Interim Report</td>
</tr>
<tr>
<td>October 24, 2017</td>
<td>Q3 2017 Interim Statement</td>
</tr>
<tr>
<td>February 20, 2018</td>
<td>Q4 &amp; FY 2017 Annual Report</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual General Meeting</th>
<th>Event details</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 3, 2017</td>
<td>Annual General Meeting, Bonn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Broker conferences</th>
<th>Event details</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 15, 2017</td>
<td>Deutsche Bank, dbAccess Asia Conference, Singapore</td>
</tr>
<tr>
<td>May 16, 2017</td>
<td>Citi’s Inaugural Chemical Conference, London</td>
</tr>
<tr>
<td>June 13, 2017</td>
<td>Exane BNP Paribas European CEO Conference, Paris</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital Markets Day</th>
<th>Event details</th>
</tr>
</thead>
</table>
Disclaimer

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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.

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