Raising the outlook

Roadshow Presentation
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

<table>
<thead>
<tr>
<th>Segment</th>
<th>Vol. Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAS</td>
<td>+4%</td>
</tr>
<tr>
<td>Polyols</td>
<td>+2%</td>
</tr>
<tr>
<td>PCS</td>
<td>+8%</td>
</tr>
<tr>
<td>MDI</td>
<td>+8%</td>
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<tr>
<td>TDI</td>
<td>+7%</td>
</tr>
<tr>
<td>Non-core</td>
<td></td>
</tr>
</tbody>
</table>

Sales split by regions
- 2017 Group sales in € million
- Core volume growth in %, CAGR 2015-2017

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales (€ million)</th>
<th>Vol. Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3,062</td>
<td>+13%</td>
</tr>
<tr>
<td>APAC</td>
<td>4,743</td>
<td>+10%</td>
</tr>
<tr>
<td>US</td>
<td>2,777</td>
<td>+3%</td>
</tr>
<tr>
<td>NAFTA</td>
<td>3,398</td>
<td>+4%</td>
</tr>
<tr>
<td>Germany</td>
<td>1,723</td>
<td>+4%</td>
</tr>
<tr>
<td>EMLA</td>
<td>5,997</td>
<td>+3%</td>
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<tr>
<td>EMLA</td>
<td>5,997</td>
<td>+3%</td>
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<tr>
<td>GLOBAL</td>
<td>14,138</td>
<td>+5.5%</td>
</tr>
</tbody>
</table>

Sales split by end-markets
- % of 2017 Group sales
- Core volume growth in %, CAGR 2015-2017

<table>
<thead>
<tr>
<th>Market</th>
<th>Vol. Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive(a) / Transportation</td>
<td>+5%</td>
</tr>
<tr>
<td>Sports / Leisure, Cosmetics, Health, diverse industries</td>
<td>+8%</td>
</tr>
<tr>
<td>Chemicals(b)</td>
<td>+4%</td>
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<tr>
<td>Electrical/ Electronics</td>
<td>+6%</td>
</tr>
<tr>
<td>Wood/ Furniture</td>
<td>+5%</td>
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<tr>
<td>Construction</td>
<td>+3%</td>
</tr>
<tr>
<td>Wood/ Furniture</td>
<td>+5%</td>
</tr>
<tr>
<td>Construction</td>
<td>+3%</td>
</tr>
</tbody>
</table>

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

~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
Innovation and sustainability driving growth

Covestro key investment highlights

1. **Above GDP volume growth**
   - driven by innovation and sustainability trends, embodied also by non-financial targets

2. **Leading and defendable 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. **Balanced supply and demand outlook for all our businesses**
   - inline with mid-term debottlenecking plans and preparation of world-scale investment

5. **Attractive growth fuels solid cash generation**
   - with use of cash focused on shareholder value
Higher global GDP expectation leads to higher industry growth

Structural growth drivers

<table>
<thead>
<tr>
<th>UN SDGs(^{(a)})</th>
<th>Needs to be served</th>
<th>Industry demand outlook(^{(b)}) 2017 – 2022e</th>
</tr>
</thead>
<tbody>
<tr>
<td>related to climate change:</td>
<td></td>
<td></td>
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</tbody>
</table>
| 2, 7, 9, 11, 13 | • Zero emission concepts  
                      • Low-energy buildings | PU\(^{(c)}\):  
16.9 ('000kt)  
2017 CAGR ~5%  
2022e |
| | | PC:  
4.3 ('000kt)  
2017 CAGR ~4%  
2022e |
| related to increasing mobility: | | |
| 3, 7, 9, 13 | • Energy-efficient mobility  
                      • Lightweight transportation  
                      • E-mobility, autonomous driving | CAS\(^{(d)}\):  
3.3 ('000kt)  
2017 CAGR 3-4%  
2022e |
| related to growing population: | | |
| 2, 7, 9, 13 | • Food preservation  
                      • Low-cost durable goods  
                      • Medical applications | |
| related to increasing urbanization: | | |
| 3, 7, 9, 13, 10 | • Affordable housing  
                      • Living comfort  
                      • Public infrastructure | |

Notes:
(a) Most impacted goals out of 17 Sustainable Development Goals, set by the United Nations' "2030 Agenda for Sustainable Development"  
(b) Assumes global GDP CAGR 2017–2022e of ~3% as per Covestro estimates;  
(c) Comprises MDI, TDI and polyether polyols;  
(d) Shows PU raw materials industry demand in coatings, adhesives and sealants; additionally TPU, elastomers and PC/TPU films
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

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

Source: See Covestro CMD 2017 presentation “Innovation”, pages 6-13
Global leader across its entire portfolio
Production capacities and world-wide industry positions

<table>
<thead>
<tr>
<th>Capacity share in 2017(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 in Polyurethanes</td>
</tr>
<tr>
<td>MDI</td>
</tr>
<tr>
<td>Global #1</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Top 5: 90%</td>
</tr>
<tr>
<td>2022e: Top 5 share expected to remain stable at 90%</td>
</tr>
<tr>
<td>Polyether polyols</td>
</tr>
<tr>
<td>Top 5: 52%</td>
</tr>
<tr>
<td>2022e: Further consolidation expected, especially in China</td>
</tr>
<tr>
<td>TDI</td>
</tr>
<tr>
<td>Global #1</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Top 5: 76%</td>
</tr>
<tr>
<td>2022e: Top 5 share expected to remain stable at 76%</td>
</tr>
<tr>
<td>PC</td>
</tr>
<tr>
<td>Global #1</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Top 5: 81%</td>
</tr>
<tr>
<td>2022e: Top 5 expected to account for ~70%</td>
</tr>
</tbody>
</table>

| #1 in Polycarbonates      |
| Aliphatic isocyanate derivatives |
| Global #1                 |
| Others                    |
| Top 5: 90%                |
| 2022e: Industry structure expected to remain stable |

| #1 in Coatings, Adhesives, Specialties |
| Polyurethane dispersions |
| Global #1                 |
| Others                    |
| Top 5: 42%                |
| 2022e: Industry structure expected to remain stable |

Covestro

Global #3
1,450kt
6 sites

Global #1
1,330kt
9 sites

Global #1
1,480kt
5 sites

Entry requirements
- Economies of scale
- Formulation and application know-how
- Close customer relationships and long-term R&D collaborations
- Operation of global business platform

Notes: (a) Based on total nameplate capacity at year end 2017 relative to competitors
Source: Covestro estimates
Leading cost positions across business segments and regions

Cash cost positions

### North America
- Cash cost

### Europe
- Cash cost

### Asia
- Cash cost

### 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

**Notes:**
- (a) Cost of production based on total raw material costs less co-product credits, variable and fixed conversion costs at 100% utilization based on nameplate capacity for FY 2017
- (b) FY2017 Cash cost ex gate, 82% utilization rate for all plants based on nameplate capacity. Integrated players are shown without any margins for BPA, phenol, acetone, etc.
Synergies in scale, process technology and chemical know-how
One chemical backbone across all segments

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Raw Materials</th>
<th>Core Units / Technology</th>
<th>Final product</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Premises</td>
<td>• Toluene</td>
<td>• DNT Dinitrotoluene</td>
<td>• TDI</td>
</tr>
<tr>
<td>• Site development</td>
<td>Nitric Acid (HNO₃)</td>
<td>• MNB Mono-Nitrobenzene</td>
<td></td>
</tr>
<tr>
<td>• Streets</td>
<td>• Benzene</td>
<td>• Aniline</td>
<td>• MDI</td>
</tr>
<tr>
<td>• Pipeline bridges</td>
<td>Propylene</td>
<td>• MDA Methylene Dianiline</td>
<td></td>
</tr>
<tr>
<td>• Storage tanks</td>
<td>Propylene Oxide</td>
<td>• Polyether Polyols</td>
<td></td>
</tr>
<tr>
<td>• Jetties</td>
<td>e.g. via reformer</td>
<td>• Phosgene⁴⁺</td>
<td></td>
</tr>
<tr>
<td>• Power supply &amp; distribution</td>
<td>e.g. Hydrogen (H₂)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Waste management</td>
<td>Chlorine (a)</td>
<td>• Phosgene¹⁺</td>
<td></td>
</tr>
<tr>
<td>• Safety</td>
<td>Carbon Monoxide (CO)</td>
<td>• Polyether Polyols</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Chart contains key feedstock only
(a) via Deacon or HCl-ODC technology and/or Chloralkali Electrolysis, (b) Interface process, (c) Melt process (d) produced from CO and Cl₂

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

Raw Materials:
- Chlorine (a)
- Toluene
- Nitric Acid (HNO₃)
- Nitric Acid (HNO₃)
- Benzene
- Propylene Oxide
- Propylene Oxide
- TDA Diaminotoluene
- MNB Mono-Nitrobenzene
- Aniline
- MDA Methylene Dianiline
- Polyether Polyols
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Over 50% of sales generated with resilient businesses

Product portfolio overview

Sales by segments

- Resilience in PCS ~60%
- Resilience in MDI ~25%
- Casually highlighted as the most resilient segment

Resilient businesses

- Resilience measured as standard deviation of contribution margin per kg versus respective average portfolio

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

Notes:
(a) 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
Resilience measured as standard deviation of contribution margin per kg versus respective average portfolio
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\(^{(a)}\)

Notes: (a) All figures adjusted to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to Coatings, Adhesives, Specialties segment as of January 1, 2018

Ingredients for:
- **surface coatings**
- **adhesives and sealants**
- **specialties**
CAS demonstrated solid underlying growth of ~4% p.a.

High Growth Specialties businesses

**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

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\(^{(a)}\) All figures adjusted to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to Coatings, Adhesives, Specialties segment as of January 1, 2018 as well as planned termination of trading activities and reduced contract manufacturing
Strategic focus on increasing resilience

PCS at a glance

<table>
<thead>
<tr>
<th>1,000</th>
<th>#1</th>
<th>7.6%</th>
<th>€3.7bn</th>
<th>€321m</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC grades for broadest offering</td>
<td>Producer and inventor of PC globally(^{(a)})</td>
<td>Core volume CAGR in 2015-2017</td>
<td>Sales 2017</td>
<td>FOCF 2017</td>
</tr>
</tbody>
</table>

Notes: (a) Based on nameplate capacity at year end 2017 as per Covestro estimates

<table>
<thead>
<tr>
<th>Mobility</th>
<th>Electronics</th>
<th>Consumer electronics</th>
<th>Electrical</th>
<th>Mobility</th>
<th>Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>e.g. exterior</td>
<td>e.g. robot housing</td>
<td>e.g. adapter</td>
<td>e.g. LED street lamp</td>
<td>e.g. charging station</td>
<td>e.g. drug delivery</td>
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<td>e.g. adapter</td>
<td>e.g. LED street lamp</td>
<td>e.g. charging station</td>
<td>e.g. drug delivery</td>
</tr>
</tbody>
</table>

Q2 2018 | IR Roadshow Presentation | Notes: (a) Based on nameplate capacity at year end 2017 as per Covestro estimates
Growing share of resilient business to 65% long term

PCS product portfolio

Development of resilient portion of PCS volumes

<table>
<thead>
<tr>
<th>Year</th>
<th>Covestro capacity</th>
<th>No. of primary PC production sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,270kt</td>
<td>5</td>
</tr>
<tr>
<td>2017</td>
<td>1,480kt</td>
<td>5</td>
</tr>
<tr>
<td>2022e</td>
<td>&gt;1,700kt</td>
<td>5</td>
</tr>
</tbody>
</table>

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

Notes:
(a) Nameplate capacity for PC resins at year end
Almost half of sales in resilient businesses

**PUR at a glance**

<table>
<thead>
<tr>
<th>1,000</th>
<th>#1</th>
<th>5.3%</th>
<th>€7.4bn</th>
<th>€1.1bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polyols grades for differentiation</td>
<td>Producer and inventor of PU globally&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>Core volume CAGR in 2015-2017</td>
<td>Sales 2017&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>FOCF 2017&lt;sup&gt;(b)&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

**Notes:**
(a) Based on total combined nameplate capacity for MDI, TDI and polyether polyols at year end 2017 as per Covestro estimates
(b) Adjusted prior-year figures to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to the CAS segment as of January 1, 2018

<table>
<thead>
<tr>
<th>Cold chain</th>
<th>Construction</th>
<th>Cost leadership</th>
<th>Comfort</th>
<th>Automotive</th>
<th>Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>e.g. refrigerator</td>
<td>e.g. metal panel</td>
<td>e.g. process technology</td>
<td>e.g. furniture upholstery</td>
<td>e.g. instrument panel</td>
<td>e.g. CO₂-based polyether polyols</td>
</tr>
</tbody>
</table>

---

Q2 2018 | IR Roadshow Presentation

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14
Notes: (a) The global average polyols / propylene prices have been calculated based on the polyols / propylene prices in Europe, US and China and weighting this average against the respective demand in those regions.

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

2005 – 2017 Spreads from around 800US$/t to 1,000US$/t
Resilient portion of MDI business accounts for ~25% of sales

PUR resilient business

### Resilient MDI applications\(^{(a)}\)

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint sales of polyols and MDI</td>
<td>e.g. CASE(^{(b)}), automotive, construction, appliance</td>
</tr>
<tr>
<td>Specialty or downstream products</td>
<td>e.g. selected MDI grades (pre-polymers, blends, monomeric)</td>
</tr>
<tr>
<td>Formulations as market access requirement</td>
<td>e.g. automotive, appliances</td>
</tr>
<tr>
<td>Strong interaction with customers along value chain</td>
<td>joint projects for e.g. window frames, wind mills</td>
</tr>
</tbody>
</table>

### 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

**Notes:**

\(a\) Resilience measured as standard deviation of gross margin vs average portfolio

\(b\) CASE: Coatings, adhesives, sealants and elastomers
Above GDP growth supports solid industry margin outlook

Historical industry development and outlook

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

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 2018
• 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
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

PC TDI MDI

<table>
<thead>
<tr>
<th>Company</th>
<th>PC</th>
<th>TDI</th>
<th>MDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>SABIC-Sinopec, PRC</td>
<td>11</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>PTT, Thailand</td>
<td>10</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>MGIC, PRC</td>
<td>9</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Wanhua, PRC</td>
<td>8</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>BASF, Germany</td>
<td>7</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Heshan Juli, PRC</td>
<td>6</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Sadara, KSA</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Wanhua, PRC</td>
<td>4</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Huntsman, USA</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>BASF, PRC</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Sadara, KSA</td>
<td>1</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Wanhua, USA</td>
<td>0</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

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 require long ramp-up times
- Long investment cycles increase chance of cancelations

Source: Covestro estimates
### Mid-term growth through debottlenecking projects

**Covestro planned capacity additions**

<table>
<thead>
<tr>
<th></th>
<th>2018e</th>
<th>2019e</th>
<th>2020e</th>
<th>2021e</th>
<th>2022e</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PUR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MDI +40kt Caojing(^{(a)})</td>
<td></td>
<td></td>
<td></td>
<td>MDI +100kt Caojing</td>
<td></td>
</tr>
<tr>
<td>MDI +200kt Brunsbüttel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PET +60kt Channelview</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PCS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+50kt Caojing</td>
<td></td>
<td></td>
<td>OPTION</td>
<td>+50kt Caojing</td>
<td></td>
</tr>
<tr>
<td>+50kt Caojing</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>+50kt Caojing</td>
<td>OPTION</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+130kt(^{(b)}) site TBD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BACKBONE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New chlorine plant Tarragona</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**  
(a) Installed end of 2017  
(b) New PC line
Mid-term debottlenecking capex and world-scale investment

Capex with high ROCE

Covestro capex\(^{(a)}\) development 2006-2021e

<table>
<thead>
<tr>
<th>Year</th>
<th>Maintenance capex</th>
<th>Debottlenecking capex</th>
<th>Additional capex into world-scale assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>753</td>
<td>889</td>
<td>831</td>
</tr>
<tr>
<td>2007</td>
<td>512</td>
<td>505</td>
<td>574</td>
</tr>
<tr>
<td>2008</td>
<td>512</td>
<td>505</td>
<td>574</td>
</tr>
<tr>
<td>2009</td>
<td>512</td>
<td>505</td>
<td>574</td>
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<td>2010</td>
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</tr>
<tr>
<td>2017</td>
<td>512</td>
<td>505</td>
<td>574</td>
</tr>
<tr>
<td>2018e</td>
<td>512</td>
<td>505</td>
<td>574</td>
</tr>
<tr>
<td>2019e</td>
<td>512</td>
<td>505</td>
<td>574</td>
</tr>
<tr>
<td>2020e</td>
<td>512</td>
<td>505</td>
<td>574</td>
</tr>
<tr>
<td>2021e</td>
<td>512</td>
<td>505</td>
<td>574</td>
</tr>
</tbody>
</table>

% Capex as % of D&A
- 149%
- 178%
- 165%
- 84%
- 99%
- 95%
- 84%
- 101%
- 69%
- 61%
- 83%
- >100%
- >100%
- >100%
- >100%

Highlights

Disciplined decision process
- Financial fit (ROCE, NPV, POT\(^{(b)}\))
- Prioritization with focus on value creation

Additional capex creates significant value
- New growth investment into world-scale plants on existing sites
- Capex with high ROCE
- Spending depends on projects and timing

Debottlenecking capex
- Accompany industry growth by adding capacity through debottlenecking projects
- Capex with superior ROCE

Maintenance capex at €250-300 p.a.
- Risk assessment
- Financial impact from project delay

Notes:
(a) Cash-relevant capex, prior to initial application of new accounting standard IFRS 16 Leases, effective January 1\(^{st}\), 2019
(b) POT: pay-off time
Cumulative EBITDA volume leverage of >€1bn in next 5 years

Core volume growth contribution to EBITDA

Highlights

- ~4% average core volume growth expected in next 5 years
- Due to resilience improvement of our portfolio and the balanced outlook of our industry, assumption of €200-300 million as EBITDA contribution per year until 2022
- In sum, more than €1bn of EBITDA in the next 5 years stemming from volume leverage only
Limit operational cost increases with efficiency programs

Cost development

Cumulative additional operational costs\(^{(a)}\) impacting EBITDA

<table>
<thead>
<tr>
<th>Year</th>
<th>Operational costs per annum</th>
<th>Cumulative operational costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>-142</td>
<td>-142</td>
</tr>
<tr>
<td>2017</td>
<td>-141</td>
<td>-283</td>
</tr>
<tr>
<td>2018e</td>
<td>-283</td>
<td>-283</td>
</tr>
<tr>
<td>2019e</td>
<td>-142</td>
<td>-142</td>
</tr>
<tr>
<td>2020e</td>
<td>-141</td>
<td>-283</td>
</tr>
<tr>
<td>2021e</td>
<td>-141</td>
<td>-283</td>
</tr>
</tbody>
</table>

Highlights

- In 2016-2018e, higher operational costs due to:
  - Short-term incentive payments
  - Capex related operational costs (e.g. engineering expertise)
  - Digitalization related costs
  - Logistics (e.g. inter-regional transportation)
  - Inflation related costs (e.g. salaries)

- In 2019e-2021e, increased efforts of cost control limit operational cost increases

Notes: \(a\) Excluding one-time items
FOCF target of more than €2bn for FY 2018

Development of FOCF components

<table>
<thead>
<tr>
<th>Year</th>
<th>FOCF</th>
<th>Adj. EBITDA</th>
<th>Special items</th>
<th>Working Capital</th>
<th>Capex</th>
<th>Income taxes</th>
<th>Other effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,161</td>
<td>-612</td>
<td>-84</td>
<td>-157</td>
<td>-39</td>
<td>-44</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>1,641</td>
<td>-509</td>
<td>-222</td>
<td>-133</td>
<td>-194</td>
<td>-419</td>
<td>-509</td>
</tr>
<tr>
<td>2016</td>
<td>2,014</td>
<td>-115</td>
<td>-165</td>
<td>-25</td>
<td>115</td>
<td>-418</td>
<td>-518</td>
</tr>
<tr>
<td>2017</td>
<td>3,435</td>
<td>-475</td>
<td>-518</td>
<td>-510</td>
<td>-89</td>
<td>-475</td>
<td></td>
</tr>
<tr>
<td>2018e</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

in € million

- Increase of previous target of €5bn for cumulative FOCF in 2017-2019e to more than €5bn
- Sustainable high EBITDA to FOCF conversion rate
- Working capital to sales ratio in the target range of 15-17%, with limited expected impact on FY 2018
- Capex of €650m to €700m up Y/Y slightly up versus previous guidance in order to secure production reliability
- Tax rate expected at 25-27% for FY 2018
Decisions based on best value for shareholders

**Use of free cash**

<table>
<thead>
<tr>
<th>Dividend policy</th>
<th>Return to shareholders</th>
<th>Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Progressive dividend policy: increase or keep at least stable</td>
<td>• Share buyback for up to €1.5bn&lt;sup&gt;(a)&lt;/sup&gt; in execution, with completion targeted by mid 2019</td>
<td>• Disciplined and focused approach</td>
</tr>
<tr>
<td>• FY 2017 dividend of €2.20 per share, 63% above prior year</td>
<td>• Since Q4 2017, shares bought back for a total amount of €813m&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>• Acquisitions with focus on high margin and differentiated business areas</td>
</tr>
<tr>
<td>• Total payout amount of €436m in Q2 2018 for FY 2017</td>
<td>• Policy to return excess cash either as share buyback or special dividend</td>
<td>• Ongoing portfolio optimization including evaluation of potential disposals</td>
</tr>
</tbody>
</table>

**Notes:**
- (a) Either up to €1.5bn or up to 10% of stock capital, whichever is reached first
- (b) Until June 30, 2018
Raising the outlook

Financial Highlights
Q2 2018
Covestro – continuing profitable growth

Q2 2018 – Group results

Sales and Core Volume Growth

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Sales (€ million)</th>
<th>Core Volume Growth Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>3,586</td>
<td>8.9%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>3,498</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>3,532</td>
<td>2.6%</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>3,522</td>
<td>4.2%</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>3,779</td>
<td>0.0%</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>3,863</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

EBITDA and Margin

<table>
<thead>
<tr>
<th>Quarter</th>
<th>EBITDA (€ million)</th>
<th>EBITDA Margin in percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>846</td>
<td>23.6%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>848</td>
<td>24.2%</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>862</td>
<td>24.4%</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>879</td>
<td>25.0%</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>1,063</td>
<td>28.1%</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>985</td>
<td>25.5%</td>
</tr>
</tbody>
</table>

Highlights

• Above GDP core volume growth (in kt) of 4.4% Y/Y driven by all segments
• Sales increased by 10.4% Y/Y driven by price (+9.9%) and volume (+4.9%)

Highlights

• EBITDA increased by 16.2% Y/Y driven by all segments
• EBITDA margin on continuously high level, excluding TDI fly-up contribution at c.22%
• Q2 2018 represents 14th consecutive quarter with Y/Y EBITDA increase
Polyurethanes – normalizing earnings

Q2 2018 – PUR segment results

Sales and Core Volume Growth

in € million / changes Y/Y

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Sales</th>
<th>Core Volume Growth Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>1,821</td>
<td>6.3%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>1,818</td>
<td>-2.9%</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>1,871</td>
<td>4.1%</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>1,876</td>
<td>5.3%</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>1,950</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>1,966</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

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 2017</td>
<td>468</td>
<td>25.7%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>549</td>
<td>30.2%</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>550</td>
<td>29.4%</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>612</td>
<td>32.6%</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>637</td>
<td>32.7%</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>583</td>
<td>29.7%</td>
</tr>
</tbody>
</table>

Highlights

- Solid core volume growth of 3.9% Y/Y driven by strong MDI, whereas TDI and polyols increased low single digit
- Sales increased by 8.1% Y/Y driven by price (+9.2%) and volume (+3.3%)
- Negative FX impact of 4.4% Y/Y

- EBITDA increased by 6.2% Y/Y due to positive pricing delta and volume leverage
- Underlying EBITDA margin excluding TDI fly-up contribution and one-time items expanded to c.23% vs. c.21% in Q2 2017
Polycarbonates – driven by price, volume and product mix

Q2 2018 – PCS segment results

Sales and Core Volume Growth

Sales Core Volume Growth Y/Y

- Solid core volume growth of 5.3% Y/Y driven by APAC and EMLA
- Sales increased by 15.9% Y/Y driven by price (+15.2%) and volume (+5.6%)
- Negative FX impact of 4.9% Y/Y

EBITDA and Margin

EBITDA EBITDA Margin

- EBITDA increased by 44.7% Y/Y due to positive pricing delta and volume leverage
- EBITDA margin expanded to 27.0% vs. 21.6% in Q2 2017
Q2 2018 – CAS segment results

Sales and Core Volume Growth

in € million / changes Y/Y

- Strong core volume growth of 5.8% Y/Y with all regions contributing
- Sales increased by 4.1% Y/Y driven by volume (+6.3%) and price (+1.7%)
- Negative FX impact of 3.9% Y/Y

EBITDA and Margin

in € million / margin in percent

- EBITDA increased by 14.9% Y/Y mainly due to positive volume leverage
- Price increases balanced out negative raw material impact
- EBITDA margin expanded to 22.1% vs. 20.0% in Q2 2017

Notes: Restatement of all 2017 figures to reflect the reclassification of the specialty elastomers business
High volume leverage and positive pricing delta

Q2 2018 – EBITDA bridge

in € million

Q2 2017 | Q2 2018
---|---
Volume | 848 | 985
Price | +346 | +99
Raw material price | -94 | -35
FX | -179 |
Other items | |
Pricing delta +€252m

**Highlights**

**High positive volume leverage**
- Broad-based in all three segments
- EBITDA volume leverage\(^{(a)}\) at 58%

**Improving cash margin**
- Positive pricing delta in all segments, mainly driven by PUR and PCS
- Selling prices increased significantly more than raw material prices

**Other items**
- Prior year benefited from one-time items of €74m
- Higher maintenance and logistics costs as well as diverse items

Notes: (a) Method of calculation: EBITDA volume contribution / sales volume contribution
Above €1bn cash returned to shareholders

June 30th 2018 – Total net debt

in € million

<table>
<thead>
<tr>
<th>Dec. 31, 2017</th>
<th>FOCF</th>
<th>Interest</th>
<th>Dividends</th>
<th>Share buyback</th>
<th>Others</th>
<th>Changes in pension provisions</th>
<th>June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,470</td>
<td>-728</td>
<td>21</td>
<td>670</td>
<td>24</td>
<td>118</td>
<td>2,011</td>
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<tr>
<td></td>
<td>1,187</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,305</td>
</tr>
</tbody>
</table>

Notes: (a) Method of calculation: Total net debt on June 30, 2018 divided by EBITDA of last four quarters

 Highlights

• Total net debt to EBITDA ratio\(^{(a)}\) slightly increased to 0.5x end of Q2 2018
• Increase of net financial debt by €423m mainly due to share buyback and dividend payout
• Repayment of a €500m bond out of cash in Q1 2018
• Pension provisions increased by €118m partly due to lower interest rates in Germany
• Equity ratio further improved to 50%
• Investment grade rating upgrade by Moody’s to “BAA1” with a stable outlook on July 30th, 2018
## FY 2018 EBITDA guidance raised

### Summary

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>Guidance FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Volume Growth</td>
<td>+3.4%</td>
<td>Low- to mid-single-digit percentage increase Y/Y</td>
</tr>
<tr>
<td>FOCF</td>
<td>€1,843m</td>
<td>&gt;€2bn</td>
</tr>
<tr>
<td>ROCE</td>
<td>33.4%</td>
<td>Around previous year’s level (previously: approaching)</td>
</tr>
<tr>
<td>Additional financial expectations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA FY</td>
<td>€3,435m</td>
<td>Above previous year’s level (previously: around)</td>
</tr>
<tr>
<td>EBITDA Q3</td>
<td>Q3 2017: €862m</td>
<td>Around Q3 2017</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>€627m</td>
<td>€620-640m (previously: €600-620m)</td>
</tr>
<tr>
<td>Financial result</td>
<td>€-150m</td>
<td>€-100 to -120m</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>24.1%</td>
<td>25-27%</td>
</tr>
<tr>
<td>Capex</td>
<td>€518m</td>
<td>€650-700m</td>
</tr>
</tbody>
</table>

Notes: Basic assumptions FY 2018: Exchange rate of EUR/USD ~1.20 and a similar macroeconomic environment as in 2017
## Upcoming IR events

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

### Broker conferences

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 28, 2018</td>
<td>Commerzbank, Sector Conference, Frankfurt</td>
</tr>
<tr>
<td>September 12, 2018</td>
<td>Credit Suisse, 31st Annual Basic Materials Conference, New York</td>
</tr>
<tr>
<td>September 24-25, 2018</td>
<td>Berenberg &amp; Goldman Sachs, 7th German Corporate Conference, Munich,</td>
</tr>
<tr>
<td>September 26, 2018</td>
<td>Baader Bank, Investment Conference 2018, Munich</td>
</tr>
<tr>
<td>September 27, 2018</td>
<td>JP Morgan, Milan Investor Forum, Milan</td>
</tr>
<tr>
<td>October 2, 2018</td>
<td>Kepler Cheuvreux, One-Stop Shop, Copenhagen</td>
</tr>
</tbody>
</table>

### Reporting dates

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 25, 2018</td>
<td>Q3 2018 Interim Statement</td>
</tr>
<tr>
<td>February 25, 2019</td>
<td>Annual Report 2018</td>
</tr>
<tr>
<td>April 29, 2019</td>
<td>Q1 2019 Interim Statement</td>
</tr>
</tbody>
</table>

### Annual General Meeting

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 12, 2019</td>
<td>Annual General Meeting, Bonn</td>
</tr>
</tbody>
</table>

**Q2 2018 | IR Roadshow Presentation**
Disclaimer

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.

The company assumes no liability whatsoever to update these forward-looking statements or to adjust them to future events or developments.