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 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. 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

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

Approximately 5 million tons

Polyols Vol. +2%
MDI Vol. +8%
CAS Vol. +4%
Non-core

TDI Vol. +7%
~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
Higher global GDP expectation leads to higher industry growth

Structural growth drivers

UN SDGs\(^{(a)}\)

<table>
<thead>
<tr>
<th>Related to Climate Change:</th>
<th>Needs to be served</th>
<th>Industry demand outlook(^{(b)}) 2017 – 2022e</th>
</tr>
</thead>
<tbody>
<tr>
<td>2, 7, 9, 11, 13, 16, 17</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Zero emission concepts</td>
<td>• PU (('000kt))</td>
</tr>
<tr>
<td></td>
<td>• Low-energy buildings</td>
<td>16.9, CAGR ~5% to 21.3, 2017 – 2022e</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Related to Increasing Mobility:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3, 7, 9, 11, 13, 16, 17</td>
<td>• Energy-efficient mobility</td>
<td>PC</td>
</tr>
<tr>
<td>3, 7, 9, 11, 13, 16, 17</td>
<td>• Lightweight transportation</td>
<td>4.3, CAGR ~4% to 5.3, 2017 – 2022e</td>
</tr>
<tr>
<td>3, 9, 11, 13, 16, 17</td>
<td>• E-mobility, autonomous driving</td>
<td></td>
</tr>
</tbody>
</table>

| Related to Growing Population: | | |
|--------------------------------| • Food preservation | CAS\(^{(c)}\)  |
|                                | • Low-cost durable goods | 3.3, CAGR 3-4% to 3.9, 2017 – 2022e |
|                                | • Medical applications  |

| Related to Increasing Urbanization: | | |
|------------------------------------| • 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 of lighting</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>
Global leader across its entire portfolio
Production capacities and world-wide industry positions

<table>
<thead>
<tr>
<th>Capacity share in 2017(%)</th>
<th>#1 in Polyurethanes</th>
<th>#1 in Polycarbonates</th>
<th>#1 in Coatings, Adhesives, Specialties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MDI</td>
<td>TDI</td>
<td>Aliphatic isocyanate derivatives</td>
</tr>
<tr>
<td>Others 10%</td>
<td>Others 24%</td>
<td>Others 30%</td>
<td>Others 19%</td>
</tr>
<tr>
<td>20%</td>
<td>30%</td>
<td>30%</td>
<td>29%</td>
</tr>
<tr>
<td>Top 5: 90%</td>
<td>Top 5: 76%</td>
<td>Top 5: 52%</td>
<td>Top 5: 81%</td>
</tr>
<tr>
<td>2022e: Top 5 share</td>
<td>2022e: Top 5 share</td>
<td>2022e: Further</td>
<td>2022e: Top 5 expected to account for</td>
</tr>
<tr>
<td>expected to remain stable</td>
<td>expected to remain</td>
<td>consolidation</td>
<td>~70%</td>
</tr>
<tr>
<td>at 90%</td>
<td>stable at 76%</td>
<td>especially in China</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Covestro</th>
<th>Global #3</th>
<th>Global #1</th>
<th>Global #2</th>
<th>Global #1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,460kt</td>
<td>750kt</td>
<td>1,330kt</td>
<td>1,480kt</td>
</tr>
<tr>
<td></td>
<td>6 sites</td>
<td>3 sites</td>
<td>9 sites</td>
<td>5 sites</td>
</tr>
</tbody>
</table>

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

Note: (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

<table>
<thead>
<tr>
<th>Region</th>
<th>MDI (a)</th>
<th>TDI (a)</th>
<th>PCS (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>Cash cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>European</td>
<td>Cash cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asian</td>
<td>Cash cost</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 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

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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

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

**Raw Materials**
- Toluene
- Nitric Acid (HNO₃)
- Benzene
- Propylene
- Propylene Oxide
- Chlorine
- Hydrogen (H₂)
- Carbon Monoxide (CO)
- Acetone
- Phenol
- Aniline
- MDA (Methylene Dianiline)
- MNB (Mono-Nitrobenzene)
- DNT (Dinitrotoluene)
- DTA (Diaminotoluene)
- TDA (Diaminotoluene)
- Phosgene
- BPA (Bisphenol A)
- DPC (DiphenylCarbonate)
- LPC (Lipid Polycarbonate)
- SPC (Silicone Polycarbonate)

**Core Units / Technology**
- DNT (Dinitrotoluene)
- TDA (Diaminotoluene)
- MNB (Mono-Nitrobenzene)
- Aniline
- MDA (Methylene Dianiline)
- Phosgene
- BPA (Bisphenol A)

**Final product**
- TDI (Toluene Diisocyanate)
- MDI (Methylene Diphenyl Isocyanate)

**Highlights**
- State-of-the-art asset base with leading process technology
- 8 main sites with world-scale production facilities
- Critical raw materials with no or limited merchant market sourced internally
- Synergies at all steps along the value chain

**Sales 2017**
- Core = ~€12.5bn (volumes: ~5,000kt)
- Non-core = ~€2bn (volumes: ~7,800kt)

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

Purchased raw materials
Covestro activities

8 Q3 2018 | IR Roadshow Presentation
Over 50% of sales generated with resilient businesses

Product portfolio overview

Sales by segments
% of 2017 Group sales

Resilient businesses
- 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

Supply-demand-driven businesses

Note:
(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
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

- Diverse High Growth Specialties
  - Coatings Raw Materials
    - Vol. -1%
  - Raw Materials
    - Vol. +8%
  - Adhesives & Sealants Raw Materials
    - Vol. +8%
  - Thermoplastic Polyurethanes
    - Vol. +13%
  - Specialty Films
    - Vol. +6%
  - Elastomers
    - Vol. +8%

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

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 as well as planned termination of trading activities and reduced contract manufacturing
Strategic focus on increasing resilience

PCS at a glance

1,000
PC grades for broadest offering

#1
Producer and inventor of PC globally\(^{(a)}\)

7.6%
Core volume CAGR in 2015-2017

€3.7bn
Sales 2017

€321m
FOCF 2017

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

Mobility
e.g. exterior

Electronics
e.g. robot housing

Consumer electronics
e.g. adapter

Electrical
e.g. LED street lamp

Mobility
e.g. charging station

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2017</th>
<th>2022e</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCS</td>
<td>1,270kt</td>
<td>1,480kt</td>
<td>&gt;1,700kt</td>
</tr>
</tbody>
</table>

Notes:
(a) Nameplate capacity for PC resins at year end

Covestro utilization
- Standard business: >200kt additional volumes sold in 2022e vs 2013
- Resilient business: >600kt additional volumes sold in 2022e vs 2013

Covestro capacity
- No. of primary PC production sites: 5

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
- **#1**: Producer and inventor of PU globally\(^{(a)}\)
- **5.3%**: Core volume CAGR in 2015-2017
- **€7.4bn**: Sales 2017\(^{(b)}\)
- **€1.1bn**: FOCF 2017\(^{(b)}\)

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

Cold chain
- e.g. refrigerator

Construction
- e.g. metal panel

Cost leadership
- e.g. process technology

Comfort
- e.g. furniture upholstery

Automotive
- e.g. instrument panel

Sustainability
- e.g. CO\(_2\)-based polyether polyols
Polyether polyols demonstrate inherently stable margins

PUR resilient business

Spread development

Highlight:

- 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

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

PUR resilient business

Resilient MDI applications

<table>
<thead>
<tr>
<th>Joint sales of polyols and MDI</th>
<th>Specialty or downstream products</th>
</tr>
</thead>
<tbody>
<tr>
<td>e.g. CASE&lt;sup&gt;(b)&lt;/sup&gt;, automotive, construction, appliance</td>
<td>e.g. selected MDI grades (pre-polymer, blends, monomeric)</td>
</tr>
</tbody>
</table>

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

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

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 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
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

<table>
<thead>
<tr>
<th>PC</th>
<th>TDI</th>
<th>MDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>SABIC-Sinopec, PRC</td>
<td>BASF, Germany</td>
<td>Huntsman, USA</td>
</tr>
<tr>
<td>PTT, Thailand</td>
<td>Heshan, PRC</td>
<td>BASF, PRC</td>
</tr>
<tr>
<td>MGC, PRC</td>
<td>Sadara, KSA</td>
<td>Sadara, KSA</td>
</tr>
<tr>
<td>Wanhua, PRC</td>
<td>Wanhua, PRC</td>
<td>Wanhua, USA</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 requires long ramp-up times
- Long investment cycles increase chance of cancelations
Cumulative EBITDA volume leverage of >€1bn in next 5 years

Core volume growth contribution to EBITDA

- ~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

<table>
<thead>
<tr>
<th>Year</th>
<th>Project</th>
<th>Capacity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019e</td>
<td>MDI +200kt Brunsbüttel</td>
<td>PUR</td>
<td></td>
</tr>
<tr>
<td>2020e</td>
<td>Polyols +60kt Channelview</td>
<td>PCS</td>
<td></td>
</tr>
<tr>
<td>2021e</td>
<td>MDI +100kt Caojing</td>
<td>BACKBONE</td>
<td>Chlorine plant Tarragona</td>
</tr>
<tr>
<td>2022e</td>
<td>MDI +50kt Tarragona</td>
<td></td>
<td>Aniline plant Antwerp</td>
</tr>
<tr>
<td>2022e</td>
<td>MDI +50kt Caojing</td>
<td></td>
<td>Full backbone Baytown(b)</td>
</tr>
<tr>
<td>Beyond 2022</td>
<td>MDI +410kt Baytown(b)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Note:
- (a) New polycarbonates line
- (b) Planned for 2024e
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

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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

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Notes:

(a) Based on total nameplate capacity at year end 2024e relative to competitors

Source: Covestro estimates, based on announced capacity additions
Investment into organic growth to deliver attractive returns

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

**Highlights**

Phasing of capex for MDI and precursors
- 2018e-2022e: ~€0.2bn for chlorine plant and debottlenecking in Tarragona
- 2019e-2022e: ~€0.3bn for aniline plant in Antwerp
- 2021e-2024e: ~€1.5bn for fully integrated MDI train in Baytown

Growth capex for PCS, Polyols and TDI
- Accompany industry growth by adding new capacities

Maintenance capex at ~€250 – 300m p.a.
- Based on risk assessment

**Notes:**
(a) Cash-relevant capex, prior to initial application of new accounting standard IFRS 16 Leases, effective January 1st, 2019

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**Budgeted capex\(^{(a)}\)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Capex (€ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018e</td>
<td>Maintenance</td>
</tr>
<tr>
<td>2019e</td>
<td>Maintenance</td>
</tr>
<tr>
<td>2020e</td>
<td>Maintenance</td>
</tr>
<tr>
<td>2021e</td>
<td>Maintenance</td>
</tr>
</tbody>
</table>

**Long-term capex\(^{(a)}\) indication**

<table>
<thead>
<tr>
<th>Year</th>
<th>Capex (€ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022e</td>
<td>Maintenance</td>
</tr>
<tr>
<td>2023e</td>
<td>Maintenance</td>
</tr>
<tr>
<td>2024e</td>
<td>Maintenance</td>
</tr>
</tbody>
</table>

\(^{(a)}\) Cash-relevant capex, prior to initial application of new accounting standard IFRS 16 Leases, effective January 1st, 2019
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

Note: PEP = Profitability Enhancement Program, launched in 2015
Counterbalancing capex-driven cost increases
Cumulative additional operational costs, net of savings from efficiency programs

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
## Updated FOCF target 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>-39</td>
<td>-44</td>
<td>-84</td>
<td>-157</td>
<td>-612</td>
</tr>
<tr>
<td>2015</td>
<td>1,641</td>
<td>-509</td>
<td>-222</td>
<td>-194</td>
<td></td>
<td>-517</td>
<td>-509</td>
</tr>
<tr>
<td>2016</td>
<td>2,014</td>
<td>-419</td>
<td>-115</td>
<td>-133</td>
<td>25</td>
<td>165</td>
<td>-419</td>
</tr>
<tr>
<td>2017</td>
<td>3,435</td>
<td>-475</td>
<td>-418</td>
<td>-89</td>
<td></td>
<td>-518</td>
<td>-89</td>
</tr>
</tbody>
</table>

**Slightly below previous year’s level**

<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>
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<td>2014</td>
<td>1,161</td>
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<td>-418</td>
<td>-89</td>
<td></td>
<td>-518</td>
<td>-89</td>
</tr>
</tbody>
</table>

### Highlights

- 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 above €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

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Note:  
(a) Either up to €1.5bn or up to 10% of stock capital, whichever is reached first  
(b) until September 30, 2018
Covestro – solid results despite headwinds

Group results – Q3 2018 Highlights

**Sales and Core Volume Growth**

in € million / changes Y/Y

<table>
<thead>
<tr>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,586</td>
<td>3,498</td>
<td>3,532</td>
<td>3,522</td>
<td>3,779</td>
<td>3,863</td>
<td>3,702</td>
</tr>
</tbody>
</table>

**EBITDA and Margin**

in € million / margin in percent

<table>
<thead>
<tr>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>846</td>
<td>848</td>
<td>862</td>
<td>879</td>
<td>1,063</td>
<td>985</td>
<td>859</td>
</tr>
</tbody>
</table>

**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%)

- 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**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Sales in € million</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>
<tr>
<td>Q3 2018</td>
<td>1,849</td>
<td>-2.0%</td>
</tr>
</tbody>
</table>


**EBITDA and Margin**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>EBITDA in € million</th>
<th>EBITDA Margin in %</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>
<tr>
<td>Q3 2018</td>
<td>432</td>
<td>23.4%</td>
</tr>
</tbody>
</table>

9M 2017: 1,567, 9M 2018: 1,652

**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

**Note:** Restatement of all 2017 figures to reflect the reclassification of the specialty elastomers business
### Polycarbonates – driven by price, volume and product mix

**PCS segment results – Q3 2018 Highlights**

#### Sales and Core Volume Growth

<table>
<thead>
<tr>
<th></th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (€ million)</td>
<td>954</td>
<td>911</td>
<td>933</td>
<td>939</td>
<td>1,033</td>
<td>1,056</td>
<td>1,038</td>
</tr>
<tr>
<td>Core Volume Growth (Y/Y)</td>
<td>14.7%</td>
<td>0.7%</td>
<td>1.5%</td>
<td>3.7%</td>
<td>2.7%</td>
<td>5.3%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

#### EBITDA and Margin

<table>
<thead>
<tr>
<th></th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (€ million)</td>
<td>232</td>
<td>197</td>
<td>211</td>
<td>213</td>
<td>303</td>
<td>285</td>
<td>315</td>
</tr>
<tr>
<td>EBITDA (€ million)</td>
<td>640</td>
<td>903</td>
<td>22.9%</td>
<td>28.9%</td>
<td>30.3%</td>
<td>27.0%</td>
<td>29.3%</td>
</tr>
</tbody>
</table>

**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**

- 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**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (€ million)</td>
<td>637</td>
<td>604</td>
<td>557</td>
<td>529</td>
<td>592</td>
<td>629</td>
<td>606</td>
</tr>
<tr>
<td>Core Volume Growth Y/Y</td>
<td>10.8%</td>
<td>-0.2%</td>
<td>-3.1%</td>
<td>-1.0%</td>
<td>-1.3%</td>
<td>5.8%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

**EBITDA and Margin**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA (€ million)</td>
<td>160</td>
<td>121</td>
<td>125</td>
<td>80</td>
<td>136</td>
<td>139</td>
<td>126</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>25.1%</td>
<td>20.0%</td>
<td>22.4%</td>
<td>15.1%</td>
<td>23.0%</td>
<td>22.1%</td>
<td>20.8%</td>
</tr>
</tbody>
</table>

**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

**Note:** Restatement of all 2017 figures to reflect the reclassification of the specialty elastomers business
Strong volume leverage, small negative pricing delta
Q3 2018 – EBITDA bridge

in € million

Pricing delta -€27m

+109
+67
-136

862

Q3 2017
Volume
Price
Raw material price
FX
Other items
Q3 2018
859
-45
+2

859

-0.3%

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

\(^{(a)}\) Method of calculation: EBITDA volume contribution / sales volume contribution
More than €1.4bn cash returned to shareholders

September 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>Sept. 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,655</td>
</tr>
<tr>
<td>1,470</td>
<td>283</td>
<td>-1,306</td>
<td>440</td>
<td>974</td>
<td>-33</td>
<td></td>
<td>1,264</td>
</tr>
<tr>
<td>1,187</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>391</td>
</tr>
</tbody>
</table>

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%

Note:

(a) Method of calculation: Total net debt on September 30, 2018 divided by EBITDA of last four quarters
Updated FY 2018 guidance
Increasingly challenging economic conditions

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

Note: Guidance update as per 20th November 2018, basic assumptions FY 2018 unchanged: Average 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

Broker conferences

- November 28, 2018: Exane BNP Paribas, SRI Forum, Paris
- December 4, 2018: Credit Suisse, Chemicals and Agriculture Conference, London
- January 14-15, 2019: Commerzbank, German Investment Seminar, New York
- January 21, 2019: Kepler Cheuvreux, German Corporate Conference, Frankfurt
- February 5, 2019: HSBC, ESG Conference, Frankfurt

Reporting dates

- February 25, 2019: Annual Report 2018
- April 29, 2019: Q1 2019 Interim Statement

Highlights

- April 12, 2019: Annual General Meeting, Bonn
Disclaimer

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