Q2 on expectations, FY guidance confirmed

Financial highlights
Q2 2019
Forward-looking statements

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.
Financial highlights Q2 2019

+1.1% Core Volume Growth

€459m EBITDA

€-55m FOCF

€1.03 EPS

FY 19 Guidance confirmed
Solid growth despite difficult environment
Q2 2019 – Regional split

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

- China
  - 625
  - Vol. +1.7%
- APAC
  - 1,010
  - Vol. +2.0%
- US
  - 684
  - Vol. +8.8%
- NAFTA
  - 822
  - Vol. +6.1%
- Germany
  - 411
  - Vol. -11.9%
- EMLA
  - 1,379
  - Vol. -2.7%
- GLOBAL
  - 3,211
  - Vol. +1.1%

Core Volume Growth Y/Y

- APAC: double-digit growth in wood/furniture and solid growth in electronics compensate negative growth in automotive
- EMLA: solid growth in wood/furniture and construction, negative growth in automotive, especially in Germany
- NAFTA: double-digit growth in construction and wood/furniture counterbalance negative growth in automotive
- Global: double-digit growth in wood/furniture and solid growth in construction compensate negative growth in automotive
Sales driven by lower prices

Q2 2019 – Sales bridge

in € million

Q2 2018

Volume

Price

FX

Portfolio

Q2 2019

-724

+68

-29

3,863

+33

-16.9%

3,211

Highlights

Positive volume development
- Sales volume expansion (in €) by +0.8% Y/Y

Negative pricing
- Lower selling prices negatively impacted sales by -18.7% Y/Y, driven by competitive pressure in PUR and PCS

Positive FX
- Sales benefited +1.8% Y/Y from FX mainly due to stronger USD

Portfolio impact
- Sales reduced by net effect of -0.8% Y/Y
- Negative effect from disposal of US poly-carbonates sheets business as of 1st August 2018
- Positive effect from stake increase in DIC Covestro Polymer Ltd. (DCP), a thermoplastic PU business (CAS) in Japan, as of 1st April 2019
Negative prices partly counterbalanced by strict costs discipline

Q2 2019 – EBITDA bridge

in € million

Pronounced decline in contribution margin
- Negative pricing delta in PUR and PCS mainly resulting from higher competitive pressure

Other items
- Lower costs
- Positive impact of €31m from accounting change (IFRS 16)
- Remeasurement gains of €19m from DCP
- Negative impact from restructuring costs

Highlights

- Pricing delta -€636m
- Volume: -724
- Price: +88
- Raw material price: +11
- Other items: +94
- Q2 2019: 459
Stabilizing margin since start of the year

Group results – Q2 2019 Highlights

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 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>
<tr>
<td>Q3 2018</td>
<td>3,702</td>
<td>0.2%</td>
</tr>
<tr>
<td>Q4 2018</td>
<td>3,272</td>
<td>1.7%</td>
</tr>
<tr>
<td>Q1 2019</td>
<td>3,175</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>3,211</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

EBITDA and Margin

<table>
<thead>
<tr>
<th>Quarter</th>
<th>EBITDA (€ million)</th>
<th>EBITDA Margin in %</th>
</tr>
</thead>
<tbody>
<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>
<tr>
<td>Q3 2018</td>
<td>859</td>
<td>23.2%</td>
</tr>
<tr>
<td>Q4 2018</td>
<td>283</td>
<td>9.0%</td>
</tr>
<tr>
<td>Q1 2019</td>
<td>442</td>
<td>13.9%</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>459</td>
<td>14.3%</td>
</tr>
</tbody>
</table>

Highlights

- Core Volume Growth of +1.1% Y/Y
- Solid Core Volume Growth Y/Y in TDI and PCS, declining volumes in MDI and CAS
- Sequentially, stable pricing; Y/Y negative pricing started in Q4 2018 with -9.3%, Q1 2019 with -18.3% and Q2 2019 with -18.7%
- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Broadly flat selling prices since beginning of the year led to sequentially stable margin
Polyurethanes – earnings below mid-cycle

PUR segment results – Q2 2019 Highlights

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 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>
<tr>
<td>Q4 2018</td>
<td>1,597</td>
<td>2.3%</td>
</tr>
<tr>
<td>Q1 2019</td>
<td>1,476</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>1,489</td>
<td>0.7%</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 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>
<tr>
<td>Q4 2018</td>
<td>111</td>
<td>7.0%</td>
</tr>
<tr>
<td>Q1 2019</td>
<td>157</td>
<td>10.6%</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>172</td>
<td>11.6%</td>
</tr>
</tbody>
</table>

Highlights

- Stable core volumes of +0.7% Y/Y, with strong growth in TDI negatively impacted by MDI, while polyether polyols remained flat
- Sales decreased by -24.3% Y/Y, driven by price (-26.8%)

Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Sequentially, EBITDA margin increased Q/Q to 11.6% vs. 10.6%, mainly due to positive volume development
Polycarbonates – solid growth despite automotive weakness

PCS segment results – Q2 2019 Highlights

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 2018</td>
<td>1,033</td>
<td>2.7%</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>1,056</td>
<td>5.3%</td>
</tr>
<tr>
<td>Q3 2018</td>
<td>1,038</td>
<td>2.6%</td>
</tr>
<tr>
<td>Q4 2018</td>
<td>924</td>
<td>1.6%</td>
</tr>
<tr>
<td>Q1 2019</td>
<td>860</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>898</td>
<td>4.4%</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 2018</td>
<td>303</td>
<td>29.3%</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>285</td>
<td>27.0%</td>
</tr>
<tr>
<td>Q3 2018</td>
<td>315</td>
<td>30.3%</td>
</tr>
<tr>
<td>Q4 2018</td>
<td>133</td>
<td>14.4%</td>
</tr>
<tr>
<td>Q1 2019</td>
<td>155</td>
<td>18.0%</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>154</td>
<td>17.2%</td>
</tr>
</tbody>
</table>

Highlights

- Solid Core Volume Growth of +4.4% Y/Y based on sales increase in most industries except automotive
- Positive effects from volume (+5.7%) and FX (+1.7%)
- Sales decreased by -15.0% Y/Y driven by price (-18.8%) and portfolio (-3.6%)

Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Sequentially, EBITDA margin decreased Q/Q to 17.2% vs. 18.0%, mainly due to product mix effect
Coatings, Adhesives, Specialties – weaker demand

CAS segment results – Q2 2019 Highlights

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

- Decline in core volumes of -4.7% Y/Y, due to weak demand broad-based in all industries
- Sales decreased by -1.3% Y/Y driven by volume (-4.5%) and price (-0.4%)
- Positive FX impact Y/Y (+2.2%)
- Positive portfolio impact Y/Y (+1.4%) from DCP

EBITDA and Margin
in € million / margin in percent

- Compared to prior year, EBITDA increased helped by remeasurement gains of €19m from DCP
- Underlying business burdened by negative volume leverage
FOCF burdened by phasing effects

Historical FOCF development – 6M 2019

in € million

<table>
<thead>
<tr>
<th></th>
<th>6M 2016</th>
<th>6M 2017</th>
<th>6M 2018</th>
<th>6M 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>+1,050</td>
<td>+1,694</td>
<td>+2,048</td>
<td>+901</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>-357</td>
<td>-710</td>
<td>-625</td>
<td>-98</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>-201</td>
<td>-62</td>
<td>-335</td>
<td>-223</td>
</tr>
<tr>
<td>Other effects</td>
<td>-52</td>
<td>-226</td>
<td>-119</td>
<td>-296</td>
</tr>
<tr>
<td>Capex</td>
<td>-126</td>
<td>-166</td>
<td>-241</td>
<td>-384</td>
</tr>
</tbody>
</table>

Highlights

- Cash out for bonus payments amounted to ~€350m in Q2 2019
- Limiting seasonal working capital increase by specific countermeasures
- Working capital to sales ratio\(^{(b)}\) seasonally high at 18.4%, slightly above the targeted range of 15-17%
- High cash tax rate of 45.3% above P&L tax rate of 24.8% due to phasing of tax payments
- Positive Operating Cash Flow at €284m despite bonus, high cash taxes and higher working capital
- Capex of €384m up Y/Y with focus on growth investments, in line with full year guidance
- On track to deliver on guidance of FOCF between €300-700m for FY 2019

Notes:
(a) Cash-relevant capex
(b) Method of calculation: working capital on June 30, 2019 divided by sales of last four quarters
Seasonal peak of total net debt

June 30th 2019 – Total net debt

in € million

Dec. 31, 2018  FOCF  Interest  Dividends  IFRS 16 (b) adjustment  Others  Changes in pension provisions  June 30, 2019

1,445  348  1,793

100  21  438

642  55  259  3,308

1,604

1,704

Net financial debt  Pension provisions

Highlights

- Dividends\(^{(a)}\) of €438m paid out in Q2 2019
- Application of IFRS 16 increased net financial debt by €642m\(^{(b)}\)
- Pension provisions increased by €259m mainly resulting from lower discount rates in Germany
- Total net debt to EBITDA ratio\(^{(c)}\) of 1.6x end of Q2 2019 vs. 0.6x end of 2018

Notes:

(a) Dividends of Covestro AG
(b) Reflecting increase in lease liabilities as of June 30, 2019, in the course of IFRS 16 adoption
(c) Method of calculation: Total net debt on June 30, 2019 divided by EBITDA of last four quarters
FY guidance confirmed in a challenging environment

FY 2019 guidance

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>Guidance FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Volume Growth</td>
<td>+1.6%</td>
<td>Low- to mid-single-digit percentage increase Y/Y</td>
</tr>
<tr>
<td>FOCF</td>
<td>€1,669m</td>
<td>€300 – 700m</td>
</tr>
<tr>
<td>ROCE</td>
<td>29.5%</td>
<td>8% – 13%</td>
</tr>
</tbody>
</table>

**Additional financial expectations**

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>Guidance FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA FY</td>
<td>€3,200m</td>
<td>€1,500 – 2,000m</td>
</tr>
<tr>
<td>EBITDA Q3</td>
<td>€859m</td>
<td>Around €410m</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>€620m</td>
<td>~€750m</td>
</tr>
<tr>
<td>Financial result</td>
<td>€-104m</td>
<td>€-100 to -120m</td>
</tr>
<tr>
<td>P&amp;L (effective) tax rate</td>
<td>26.1%</td>
<td>24 - 26%</td>
</tr>
<tr>
<td>Capex(a)</td>
<td>€707m</td>
<td>≥€900m</td>
</tr>
</tbody>
</table>

---

Note: (a) Cash-relevant capex
Basic assumptions FY 2019: Exchange rate of EUR/USD ~1.15, EUR/RMB ~7.8 and a global GDP growth of ~2.5% Y/Y
Q2 on expectations, FY guidance confirmed

Highlights Q2 2019

1. Solid growth across industries except in automotive in a continuously challenging environment

2. Sequentially stable EBITDA based on broadly flat selling prices

3. Solid Operating Cash Flow as a result of selective working capital measures compensating phasing effects

4. Defending industry and cost leadership with focus on costs, innovations and sustainability

5. FY 2019 guidance confirmed thanks to strict cost discipline and stabilizing margins
Appendix
Growth in other industries compensate weak automotive

HY 2019 – Regional split

Sales and Core Volume Growth

in € million / changes Y/Y

- **China**: 1,216 Vol. +3.2%
- **US**: 1,335 Vol. +0.9%
- **APAC**: 1,983 Vol. +2.6%
- **NAFTA**: 1,610 Vol. -0.3%
- **EMLA**: 2,793 Vol. -3.0%
- **Germany**: 831 Vol. -9.1%
- **GLOBAL**: 6,386 Vol. -0.4%

Core Volume Growth Y/Y

- **APAC**: negative growth in automotive and construction counterbalanced by double-digit growth in wood/furniture and solid growth in electronics
- **EMLA**: impacted by demand dip in automotive
- **NAFTA**: strong growth in construction compensates negative growth in automotive
- **Strong growth in global wood/furniture**
- **Solid growth in global construction and electronics**
Negative price effects decrease sales

HY 2019 – Sales bridge

in € million

<table>
<thead>
<tr>
<th>HY 2018</th>
<th>Volume</th>
<th>Price</th>
<th>FX</th>
<th>Portfolio</th>
<th>HY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,642</td>
<td></td>
<td>-1,414</td>
<td>+158</td>
<td>-66</td>
<td>6,386</td>
</tr>
</tbody>
</table>

-16.4%

Highlights

Stable volumes
- Sales volume expansion (in €) by +0.9% Y/Y
- Product mix effects led to better sales volumes (in €) compared to core volumes (in kt; -0.4% Y/Y)

Negative pricing
- Lower selling prices negatively impacted sales by -18.5% Y/Y, driven by PUR and PCS

Positive FX
- FX benefited sales by +2.1% Y/Y mainly due to stronger USD and CNY

Portfolio impact
- Sales reduced by -0.9% Y/Y, mainly due to disposal of US PC sheets as of 1st August 2018
- Positive effect from stake increase in DCP, a thermoplastic PU business, as of 1st April 2019
HY earnings with pronounced negative pricing delta

HY 2019 – EBITDA bridge

Note:
(a) Method of calculation: EBITDA volume contribution / sales volume contribution

Pronounced decline in contribution margin
- Negative pricing delta in PUR and PCS mainly resulting from higher competitive pressure

Other items
- Lower costs
- Positive impact of €62m from accounting change (IFRS 16)
- Remeasurement gains of €19m from DCP
- Negative impact from restructuring costs
### IFRS 16 impact on main KPIs in HY 2019

Changes in accounting as a result of the initial application of IFRS 16\(^{(a)}\)

<table>
<thead>
<tr>
<th>Balance Sheet (as of June 30, 2019)</th>
<th>P&amp;L</th>
<th>Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net debt</strong></td>
<td>EBITDA $+62m$</td>
<td>FOCF $+61m$</td>
</tr>
<tr>
<td>+642m</td>
<td>EBIT $+5m$</td>
<td>Financing CF $-61m$</td>
</tr>
<tr>
<td></td>
<td>Financial result $-10m$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Income after income taxes $-4m$</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** \(^{(a)}\) Impact on 2019 financials based on 2018 lease contracts
# Upcoming IR events

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

## Reporting dates

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 28, 2019</td>
<td>Q3 2019 Interim Statement</td>
</tr>
<tr>
<td>February 19, 2020</td>
<td>Annual Report 2019</td>
</tr>
<tr>
<td>April 29, 2020</td>
<td>Q1 2020 Interim Statement</td>
</tr>
</tbody>
</table>

## Broker conferences

<table>
<thead>
<tr>
<th>Date</th>
<th>Conference</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 7, 2019</td>
<td>Jefferies Industrials Conference, New York</td>
</tr>
<tr>
<td>August 27, 2019</td>
<td>Commerzbank Sector Conference, Frankfurt</td>
</tr>
<tr>
<td>September 10, 2019</td>
<td>Credit Suisse Annual Basic Materials Conference, New York</td>
</tr>
<tr>
<td>September 23, 2019</td>
<td>Baader Investment Conference, Munich</td>
</tr>
<tr>
<td>September 25, 2019</td>
<td>Berenberg &amp; Goldman Sachs German Corporate Conference, Munich</td>
</tr>
<tr>
<td>September 26, 2019</td>
<td>Bernstein Annual Pan European Strategic Decisions Conference, London</td>
</tr>
<tr>
<td>September 26, 2019</td>
<td>JP Morgan Investor Forum, Milan</td>
</tr>
</tbody>
</table>

## Annual General Meeting

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 17, 2020</td>
<td>Annual General Meeting, Bonn</td>
</tr>
</tbody>
</table>