Securing profitable growth in challenging times

Roadshow presentation
Covestro investment highlights

- Group Financials Q3 2019
- Segments overview
- Background information
Covestro as global leader across its entire portfolio

World-wide industry positions and production capacities

**Capacity share in 2018**

<table>
<thead>
<tr>
<th>MDI</th>
<th>TDI</th>
<th>Polyether polyols</th>
<th>PC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others 11%</td>
<td>25%</td>
<td>29%</td>
<td>12%</td>
</tr>
<tr>
<td>18%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Top 5: 89%**

2023e: Top 5 shares expected to remain broadly stable

<table>
<thead>
<tr>
<th>Aliphatic isocyanates</th>
<th>Polyurethane dispersions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others 13%</td>
<td>Others 58%</td>
</tr>
<tr>
<td>49%</td>
<td></td>
</tr>
</tbody>
</table>

**Top 5: 87%**

2023e: Industry structures expected to remain stable

<table>
<thead>
<tr>
<th>Covestro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global #3</td>
</tr>
<tr>
<td>1,470kt</td>
</tr>
<tr>
<td>6 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
Covestro is diversified across geographies and end-markets

Key performance indicators and sales split

- **€15bn**: Sales 2018
- **4%**: Core volume growth CAGR 2014-2018
- **€1.7bn**: FOCF 2018
- **29.5%**: ROCE 2018
- **€3.2bn**: EBITDA 2018

2018 sales distribution:
- Polyurethanes (PUR) 51%
- Polycarbonates (PCS) 28%
- Coatings, Adhesives, Specialties (CAS) 16%
- Other 5%

End-markets distribution:
- Polyurethanes: Automotive/Transportation 20%, Construction 16%
- Polycarbonates: Wood/Furniture 18%
- Coatings, Adhesives, Specialties: Electrical/Electronics 12%, Chemicals 8%
- Other: Sports/Leisure, Cosmetics, Health, diverse industries 26%

Notes: Based on Covestro Annual Report 2018; EMLA = Europe, Middle East Africa, Latin America; NAFTA = USA, Canada, Mexico; APAC = Asia, Pacific

Numbers rounded.
Covestro´s industries grow above global GDP

Growth drivers and industry demand outlook

<table>
<thead>
<tr>
<th>UN SDGs(a)</th>
<th>Needs to be served</th>
<th>Industry demand outlook(b) 2018 – 2023e</th>
</tr>
</thead>
</table>
| related to climate change: | - Zero emission concepts  
- Low-energy buildings | (‘000kt)  
Polyurethanes(c)  
2018: 17.6  
CAGR: 4-5%  
2023e: ~21.9 |
| related to increasing mobility: | - Energy-efficient mobility  
- Lightweight transportation  
- E-mobility, autonomous driving | Polyurethanes(c)  
2018: 4.5  
CAGR: ~4%  
2023e: ~5.5 |
| related to growing population: | - Food preservation  
- Low-cost durable goods  
- Medical applications | Polycarbonates  
2018: 3.4  
CAGR: ~4%  
2023e: ~4.2 |
| 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 2018 - 2023e of 2 - 3% as per Covestro estimates; (c) Comprises MDI, TDI and polyether polyols  
(d) Shows PU raw materials industry demand in coatings, adhesives and sealants (excl. architectural/textile coatings and solvent-borne polyacrylates); additionally TPU, elastomers and PC/TPU films
Leading cost positions across business segments and regions

Covestro 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 lead to 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 5 least competitive plants
- Covestro is the global cost leader in TDI and PC
- Covestro cash cost advantage of ~50% in TDI and ~30% in PC compared to the average of 5 least competitive plants

• Covestro is one of the low-cost producers in MDI
• Capex for ongoing MDI expansion projects lead to 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 5 least competitive plants
• Covestro is the global cost leader in TDI and PC
• Covestro cash cost advantage of ~50% in TDI and ~30% in PC compared to the average of 5 least competitive 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.

Cash cost improvements based on investment projects
Current earnings below mid-cycle levels

EBITDA development between 2014 and 2019e

in € billion

Implied mid-cycle EBITDA trend line

- 2014 below mid-cycle levels due to excess industry supply
- 2017 and parts of 2018 with strong demand growth and favorable industry supply-demand balance
- 2019 below mid-cycle levels as weaker demand and unfavorable industry supply-demand balance lead to margin pressure
- 18.6% average ROCE clearly above 6.9% average WACC (in 2014 - 2018), with ROCE low of 6.2% in 2014 and ROCE high of 33.4% in 2017
- Expected ROCE of 8 - 10% in 2019 above WACC

Notes: (a) EBITDA before one-time items in 2014 and 2015
Significant EBITDA increase under similar conditions

EBITDA bridge between 2014 and 2019e

in € billion

- Tracks record of growing core volumes above global GDP at ~4% CAGR in 2014 - 2018
- Corresponding average volume leverage\(^{(a)}\) of ~45% translates into c. €200m additional EBITDA p.a.
- Average net EBITDA addition of c. €100m p.a. after deducting “other items”
- The increase in “other items” was mainly driven by dis-synergies after the IPO, annual labor cost inflation and capex-related expenses
- Covestro targets to limit future increases of “other items” with the help of the ‘Perspective’ cost-cutting and efficiency program

\[ \text{Volume} +0.9 \quad \text{Other items} -0.4 \quad \text{Pricing delta} -0.15 \quad \text{FX} +0.1 \quad 1.57 - 1.65 \]

\[ \text{2014} \quad \text{2019e} \]

Highlight:
(a) Method of calculation: EBITDA volume contribution / sales volume contribution
Execute cost-cutting, reduce headcount in non-production areas

Expected cumulative savings and restructuring costs

Progress on “Perspective” program

Approximations, in € million

<table>
<thead>
<tr>
<th>Year</th>
<th>Restructuring costs per annum (EBIT)</th>
<th>Cost savings per annum</th>
<th>Cumulative cost savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>48</td>
<td>-48</td>
<td></td>
</tr>
<tr>
<td>2019e</td>
<td>92</td>
<td>-50</td>
<td>140</td>
</tr>
<tr>
<td>2020e</td>
<td>48</td>
<td>-55</td>
<td>230</td>
</tr>
<tr>
<td>2021e</td>
<td>350</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Highlights

- Cumulative savings of around €350m planned until end of 2021e
- Reduction of ~900 FTE globally in non-production areas, to be carried out by way of socially acceptable solutions
- Functional areas: E2E supply chain, procurement, commercial, general and administration
- Driving efficiency by adapting business unit and corporate level structure to market needs: streamline standard businesses, extend differentiation and maximize portfolio synergies
- Expected increase of FTE in production areas

Notes:
FTE = Full-time equivalents
Management adapts organizational structure to market needs

Efficiency measures in execution

<table>
<thead>
<tr>
<th>Driving efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streamline standard businesses</td>
</tr>
<tr>
<td>Extend differentiation</td>
</tr>
<tr>
<td>Maximize portfolio synergies</td>
</tr>
</tbody>
</table>

Internal bundling of standard businesses and strong cost focus with initiatives along entire value chain

Focused customer-centric technical and commercial capabilities, dedicated venturing structures and digital services

Implement central marketing organization and other cross-BU synergies at corporate level

Adapted business unit and corporate level structure to market needs and execute “Perspective” efficiency program
Covestro generates strong FOCF across the cycle

Historical FOCF development and 2019 guidance

in € million

<table>
<thead>
<tr>
<th></th>
<th>2014(a)</th>
<th>2015(a)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019e</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>1,161</td>
<td>1,641</td>
<td>2,014</td>
<td>3,435</td>
<td>3,200</td>
<td>1,570 – 1,650</td>
</tr>
<tr>
<td>Changes in WC</td>
<td>-157</td>
<td>+115</td>
<td>+25</td>
<td>-475</td>
<td>-167</td>
<td>Expected positive</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>-84</td>
<td>-230</td>
<td>-418</td>
<td>-510</td>
<td>-574</td>
<td>CTR &gt; ETR</td>
</tr>
<tr>
<td>Other effects&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>+5</td>
<td>-53</td>
<td>+165</td>
<td>-89</td>
<td>-83</td>
<td>Expected negative</td>
</tr>
<tr>
<td>Capex&lt;sup&gt;(c)&lt;/sup&gt;</td>
<td>-612</td>
<td>-509</td>
<td>-419</td>
<td>-518</td>
<td>-707</td>
<td>c. -900</td>
</tr>
</tbody>
</table>

**Highlights 2018**

- Solid EBITDA to FOCF conversion rate at 52%
- Working capital (WC) to sales ratio slightly up at 16.2% in 2018 vs. 15.4% in 2017, within the targeted range of 15 - 17%

**Guidance 2019**

- EBITDA to FOCF conversion rate down to around 20 - 30%
- Capex<sup>(b)</sup> of ~€900m up Y/Y with focus on growth investments
- Cash out of ~€350m for 2018 bonus payments
- Cash tax rate expected above P&L tax rate due to phasing of tax payments
Total net debt impacted by IFRS 16 and pension provisions

Total net debt as of September 30, 2019

in € million

Highlights

- Positive FOCF contribution reduced net financial debt
- Dividends of €438m paid out in Q2 2019
- Application of IFRS 16 increased net financial debt by €649m
- Pension provisions increased by €574m, mainly resulting from the lower discount rate in Germany
- Total net debt to EBITDA ratio\(^{(c)}\) of 2.1x end of Q3 2019 vs. 0.6x end of 2018, mainly due to IFRS 16 adoption and increase in pension provisions

Notes:
(a) Dividends of Covestro AG
(b) Reflecting increase in lease liabilities as of September 30, 2019, in the course of IFRS 16 adoption
(c) Method of calculation: Total net debt on September 30, 2019 divided by EBITDA of last four quarters
Capital allocation focused on value creation

Clear set of priorities

Commitment

Dividend policy
- Progressive policy: increase or keep at least stable
- For FY 2018 dividend payment of €2.40 per share:
  - increase of 9% Y/Y
  - payout amount of €438m

Focus

Capex
- Industry and cost leadership make growth investments most value-creating use of cash
- Growth capex focuses mainly on CAS, MDI and PCS
- Maintenance capex to secure safe, reliable and efficient operations

Opportunities

Portfolio
- Disciplined and focused approach
- Acquisitions with focus on high-margin and differentiated business areas
- Ongoing portfolio optimization including evaluation of potential disposals

Return to shareholders
- Return excess cash to shareholders
- New authorization for share buy-back program for up to 10% of share capital available for the next 5 years

Decision based on highest value creation
Dividend per share to increase or keep at least stable

Historical dividend development

Dividend payout per share in €
Dividend yield in %

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend per Share</th>
<th>Dividend Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.70</td>
<td>2.1%</td>
</tr>
<tr>
<td>2016</td>
<td>1.35</td>
<td>2.1%</td>
</tr>
<tr>
<td>2017</td>
<td>2.20</td>
<td>2.6%</td>
</tr>
<tr>
<td>2018</td>
<td>2.40</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

Notes:
(a) First dividend for stub year 2015
(b) Based on year-end closing share price of respective fiscal year
(c) Dividends of Covestro AG

Highlights

• Progressive policy: increase dividend per share in every year or keep at least stable
• For FY 2018 the dividend per share amounted to €2.40
• Dividend per share increase of 9% Y/Y
• Corresponding total payout amount of €438m

Q3 2019 | IR Roadshow Presentation
Notes: (a) First dividend for stub year 2015 (b) Based on year-end closing share price of respective fiscal year (c) Dividends of Covestro AG
Value-creating investments secure profitable growth

Key capacity expansion projects

**Scale and efficiency in Europe: +250kt MDI plus backbone**
- Brunsbüttel, Germany: economic doubling of MDI capacity from 200kt to 400kt
- Tarragona, Spain: debottlenecking from 170kt to 220kt and backward integration with own chlorine production
- Antwerp, Belgium: own aniline supply
- Estimated costs: mid-to-high triple-digit Euro million
- Start-up: gradually until 2022e

**New world-scale plant in USA: +410kt MDI plus backbone**
- New plant to expand Covestro’s Baytown capacity from currently 330kt p.a. to 740kt p.a. by 2024e
- Replacement of 90kt sub-scale plant, in operation since 1974, to extend leading cash cost position with highly efficient world-scale plant
- Estimated costs: around €1.5bn
- Start-up: ≥ 2024e

**Optional debottlenecking in China: +200kt PC**
- Currently 400kt with planned expansions to 600kt, through debottlenecking of existing production lines
- Economic capacity expansion to maintain scale and cost leadership in PC industry
- Estimated costs: low-triple-digit Euro million
- Start-up: gradually until 2022e

**Specialty Films: capacity expansion**
- New co-extrusion production lines for high-quality specialty films in Germany, Thailand and China
- Rationale: invest in growth business of multi-layer specialty films
- Estimated costs: low-triple-digit Euro million
- Start-up: 2021e
ESG ambitions support growth strategy
Covestro non-financial targets for 2025

1. R&D project portfolio to be aligned with UN Sustainable Development Goals

2. 100% of suppliers to be compliant with our sustainability requirements

3. Reduce specific greenhouse gas emissions by 50%

4. Help ten million people in underserved markets with sustainable solutions

5. Getting the most out of carbon by increasing its productivity

Notes:
ESG = Environmental, Social, Governance
Securing profitable growth in more challenging times

Why invest in Covestro

1. Above GDP volume growth
   driven by innovation and sustainability trends

2. Leading and defendable global industry positions
   as innovation and cost leader

3. Management focus on driving efficiency
   with streamlined structures to better adapt to market needs, focus on cost discipline and strict incentive targets

4. Capital allocation focused on value creation
   with commitment to progressive dividend policy and profitable growth

5. Full alignment of strategy with ESG criteria
   embodied by non-financial targets
Covestro investment highlights

Group Financials Q3 2019

Segments overview

Background information
Attractive Core Volume Growth

Group results – Highlights Q3 2019

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>
<tr>
<td>Q3 2019</td>
<td>3,162</td>
<td>5.3%</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 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>293</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>
<tr>
<td>Q3 2019</td>
<td>425</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

Highlights

- Core Volume Growth of +5.3% Y/Y
- Strong Core Volume Growth Y/Y in PCS, solid growth in PUR overall, declining volumes in CAS
- Negative pricing with -18.5% Y/Y

Highlights

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Sequentially, EBITDA margin declined to 13.4% vs. 14.3%, mainly due to margin pressure in a continuing challenging industry environment
Strong growth in a difficult environment

Q3 2019 – Regional split

Sales and Core Volume Growth

in € million / changes Y/Y

- China
  - 641
  - Vol. +11.1%

- APAC
  - 1,033
  - Vol. +9.4%

- US
  - 672
  - Vol. +2.6%

- NAFTA
  - 812
  - Vol. +1.5%

- Germany
  - 392
  - Vol. -4.7%

- EMLA
  - 1,317
  - Vol. +3.8%

- Global
  - 3,162
  - Vol. +5.3%

Core Volume Growth Y/Y

- APAC: double-digit growth in construction, electronics and wood/furniture
- EMLA: double-digit growth in wood/furniture and electronics compensate negative growth in automotive
- NAFTA: solid growth in construction and wood/furniture compensate negative growth in automotive
- Global: double-digit growth in wood/furniture and electronics as well as strong growth in construction more than compensate negative growth in automotive
Negative price effects decrease sales despite positive volumes

Q3 2019 – Sales bridge

in € million

<table>
<thead>
<tr>
<th>Q3 2018</th>
<th>Volume</th>
<th>Price</th>
<th>FX</th>
<th>Portfolio</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,702</td>
<td>+80</td>
<td>-686</td>
<td>+70</td>
<td>-4</td>
<td>3,162</td>
</tr>
</tbody>
</table>

Highlights

Positive volume development

- Sales volume expansion (in €) by +2.1% Y/Y
- Sales volume expansion below core volume growth mainly due to declining non-core business and negative product mix effects

Negative pricing

- Lower selling prices negatively impacted sales by -18.5% Y/Y, driven by competitive pressure in PUR and PCS

Positive FX

- Sales benefited +1.9% Y/Y from FX mainly due to stronger USD and CNY

Portfolio impact

- Sales reduced by net effect of -0.1% Y/Y
Positive volumes and lower costs partly mitigate negative prices

Q3 2019 – EBITDA bridge

in € million

<table>
<thead>
<tr>
<th></th>
<th>Q3 2018</th>
<th>Volume</th>
<th>Price</th>
<th>Raw material price</th>
<th>FX</th>
<th>Other items</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing delta</td>
<td>-686</td>
<td>+42</td>
<td>+149</td>
<td></td>
<td>+9</td>
<td>+52</td>
<td>425</td>
</tr>
<tr>
<td>€537m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>425</td>
</tr>
</tbody>
</table>

Highlights

Positive volume leverage
• Solid contribution at 53%\(^{(a)}\)

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

Other items
• Prior year included €36m book gain from US polycarbonates sheets divestment
• Lower costs, with “Perspective” program on track
• Positive impact of €29m from accounting change (IFRS 16)

Note: \(^{(a)}\) Method of calculation: EBITDA volume contribution / sales volume contribution
Full year guidance narrowed

FY 2019 guidance

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>Previous guidance FY 2019</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>
<td>Low-single-digit percentage increase Y/Y</td>
</tr>
<tr>
<td>FOCF</td>
<td>€1,669m</td>
<td>€300 – 700m</td>
<td>€300 – 500m</td>
</tr>
<tr>
<td>ROCE</td>
<td>29.5%</td>
<td>8% – 13%</td>
<td>8% – 10%</td>
</tr>
</tbody>
</table>

**Additional financial expectations**

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>Previous guidance FY 2019</th>
<th>Guidance FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA FY</td>
<td>€3,200m</td>
<td>€1,500 – 2,000m</td>
<td>€1,570 – 1,650m</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>€620m</td>
<td>~€750m</td>
<td>~€770m</td>
</tr>
<tr>
<td>Financial result</td>
<td>€-104m</td>
<td>€-100 to -120m</td>
<td>€-80 to -100m</td>
</tr>
<tr>
<td>P&amp;L (effective) tax rate</td>
<td>26.1%</td>
<td>24 - 26%</td>
<td>26 - 28%</td>
</tr>
<tr>
<td>Capex(a)</td>
<td>€707m</td>
<td>≥€900m</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
Materials and systems for rigid and flexible foams

Polyurethanes (PUR) at a glance

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

1,000
Polyols grades for differentiation

3.3%
Core volume CAGR in 2014 - 2018\(^{(b)}\)

€7.4bn
Sales 2018

€1.8bn
EBITDA 2018

Notes:
\(\text{(a) Based on total combined nameplate capacity for MDI, TDI and polyether polyols at year end 2018 as per Covestro estimates}
\(\text{(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. insulation panel</td>
<td>e.g. process technology</td>
<td>e.g. furniture upholstery</td>
<td>e.g. instrument panel</td>
<td>e.g. CO(_2)-based polyether polyols</td>
</tr>
</tbody>
</table>
## Polyurethanes – stabilizing earnings below mid-cycle

**PUR segment results – Highlights Q3 2019**

### Sales and Core Volume Growth

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
<th>Q4 2018</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,950</td>
<td>1,966</td>
<td>1,849</td>
<td>1,597</td>
<td>1,476</td>
<td>1,489</td>
<td>1,478</td>
</tr>
<tr>
<td>Changes</td>
<td>-1.0%</td>
<td>3.9%</td>
<td>-2.0%</td>
<td>2.3%</td>
<td>-0.2%</td>
<td>0.7%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

### EBITDA and Margin

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
<th>Q4 2018</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>637</td>
<td>583</td>
<td>432</td>
<td>111</td>
<td>157</td>
<td>172</td>
<td>196</td>
</tr>
<tr>
<td>Margin</td>
<td>32.7%</td>
<td>29.7%</td>
<td>23.4%</td>
<td>7.0%</td>
<td>10.6%</td>
<td>11.6%</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

### Highlights

- Solid core volumes of +5.1% Y/Y, driven by all product groups and most industries except automotive
- Positive effects from volume (+2.1%) despite declining non-core volumes and FX (+1.9%)
- Sales decreased by -20.1% Y/Y, driven by price (-24.4%)

### EBITDA attributable to one-time items & fly-up TDI margins

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Sequentially, EBITDA margin increased to 13.3% vs. 11.6%, mainly driven by positive volumes and lower costs
Polyurethanes broadly positioned for growth
Sales by end-markets and regions

**PUR sales split by business**

- MDI: 35%
- Polyether Polyols: 25%
- TDI: 40%

**PUR sales split by end-markets**

- Diverse industries (incl. Chemicals): 8%
- Appliances: 13%
- Automotive/Transport: 20%
- Construction: 22%
- Comfort/Furniture: 27%

**PUR sales split by regions**

- APAC: 43%
- NAFTA: 27%
- EMLA: 30%

Growth driven by MDI and TDI
Growth driven by several industries
Growth driven by APAC

Notes:
- Based on Covestro Annual Report 2018;
- EMLA = Europe, Middle East Africa, Latin America;
- NAFTA = USA, Canada, Mexico;
- APAC = Asia, Pacific
MDI industry supply and demand to remain balanced

Historical industry development and outlook

**MDI demand development (2013 - 2023e)**

#### MDI demand development (2013 - 2023e)

- **BASE**
  - % growth as CAGR: 4.5%
  - 2013: 5.0%
  - 2018: 7.100
  - 2023e: 6%

#### MDI supply development (2013 - 2023e)

- **BASE**
  - % growth as CAGR: 3.4%
  - 2013: 5.8%
  - 2018: 8,130
  - 2023e: 5%

Industry highlights

- Structurally sound demand of 4% - 5% based on global GDP growth and substitution trends
- Major additions\(^{(c)}\) expected until 2023e: Wanhua (800kt in China) and BASF (300kt in USA)
- Covestro additions: Brunsbüttel, Germany (200kt, 2020e), Caojing, PRC (100kt, 2021e) and Tarragona, Spain (50kt, 2022e)
TDI supply additions to slow down after 2019

Historical industry development and outlook

### TDI demand development (2013 - 2023e)

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand (kt)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2,360</td>
<td>2.6%</td>
</tr>
<tr>
<td>2018</td>
<td>2,360</td>
<td>-4%</td>
</tr>
<tr>
<td>2023e</td>
<td>2,360</td>
<td>4.5% HIGH</td>
</tr>
</tbody>
</table>

### TDI supply development (2013 - 2023e)

<table>
<thead>
<tr>
<th>Year</th>
<th>Supply (kt)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2,720</td>
<td>-6%</td>
</tr>
<tr>
<td>2018</td>
<td>2,720</td>
<td>7% HIGH</td>
</tr>
<tr>
<td>2023e</td>
<td>2,720</td>
<td>4% LOW</td>
</tr>
</tbody>
</table>

### Industry highlights

- **Ongoing ramp-ups:** Sadara (200kt), BASF (300kt) and Wanhua (300kt)
- **Major additions**<sup>(c)</sup> expected until 2023e: Juli Heshan (150kt), Lianshi (50kt), Fujian SEEC (150kt)
- **Announced closure of BASF** (80kt, Schwarzheide)
- **Potential industry consolidation in APAC**

Notes:

(a) Assumes global GDP CAGR 2018 - 2023e of 2 - 3%
(b) Based on historical and announced future nameplate capacities
(c) Based on corporate announcements
Source: Covestro estimates
Engineering thermoplastic with unique combination of properties

Polycarbonates (PCS) at a glance

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

1,000
PC grades for broadest offering

5.8%
Core volume CAGR in 2014 - 2018

€4.1bn
Sales 2018

€1.0bn
EBITDA 2018

\(\text{€}4.1\text{bn}\)
\(\text{€}1.0\text{bn}\)

Notes:
(a) Based on nameplate capacity at year end 2018 as per Covestro estimates

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

Mobility
e.g. exterior

Electronics

Consumer electronics

Electrical

Mobility

Healthcare
Polycarbonates – strong volume growth

PCS segment results – Highlights Q3 2019

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

EBITDA and Margin
in € million / margin in percent

Highlights

- Strong Core Volume Growth of +9.3% Y/Y driven by most industries except automotive
- Positive effects from volume (+6.8%) and FX (+2.0%)
- Sales decreased by -13.2% Y/Y driven by price (-20.7%) and portfolio (-1.3%)

- Compared to prior year, EBITDA declined due to pronounced negative pricing delta
- Sequentially, EBITDA margin decreased to 14.7% vs. 17.2%, mainly driven by lower prices and negative product mix effects
Resilient business to grow 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>2018</th>
<th>2023e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,270kt</td>
<td>1,490kt</td>
<td>&gt;1,700kt</td>
</tr>
<tr>
<td>5% CAGR</td>
<td>9% CAGR</td>
<td>~8% CAGR</td>
<td>&gt;60% CAGR</td>
</tr>
</tbody>
</table>

- **Covestro utilization**: ~ flat
- **Covestro capacity**(a)
- **No. of primary PC production sites**: 5

### Covestro highlights

**Product portfolio improvement**
- Short-term, product mix deterioration expected due to automotive weakness
- Long-term, goal to increase resilient portion of PC volumes to 65% with 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
Resilience measured as standard deviation of contribution margin per kg versus average portfolio
Execution risks may limit future capacity additions

Historical industry development and outlook

PC demand development (2013 - 2023e)

(PC demand development (2013 - 2023e)

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand (kt)</th>
<th>% Growth as CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4,500</td>
<td>4.5%</td>
</tr>
<tr>
<td>2018</td>
<td>5,190</td>
<td>1.3%</td>
</tr>
<tr>
<td>2023e</td>
<td>6,500</td>
<td>8%</td>
</tr>
</tbody>
</table>

Notes:
(a) Assumes global GDP CAGR 2018 - 2023e of 2 - 3%
(b) Based on historical and announced future nameplate capacities
(c) Based on corporate announcements

Industry highlights

- Electric mobility and autonomous driving could accelerate demand growth above base case
- Major additions(c) expected until 2023e: Cangzhou Dahua, Heng Yuan, Hubei Ganning, Lotte, Luxi, SABIC-Sinopec, Shenma, Wanhua, ZPC, Zhong Lan
- Numerous announced projects with high uncertainties regarding actual timing and scope
- Covestro additions: Caojing, PRC (optional 4x 50kt in 2020e - 2023e)

Source: Covestro estimates

PC supply development (2013 - 2023e)

(PC supply development (2013 - 2023e)

<table>
<thead>
<tr>
<th>Year</th>
<th>Supply (kt)</th>
<th>% Growth as CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4,500</td>
<td>10%</td>
</tr>
<tr>
<td>2018</td>
<td>5,190</td>
<td>5%</td>
</tr>
<tr>
<td>2023e</td>
<td>6,500</td>
<td>3%</td>
</tr>
</tbody>
</table>

Notes:
(a) Assumes global GDP CAGR 2018 - 2023e of 2 - 3%
(b) Based on historical and announced future nameplate capacities
(c) Based on corporate announcements

Source: Covestro estimates
Performance materials for coatings, adhesives and specialties

Coatings, Adhesives, Specialties (CAS) at a glance

**#1**
Producer globally of aliphatic isocyanates and PU dispersions\(^{(a)}\)

**2,700+**
Products based primarily on 6 monomers

**3.0%**
Core volume CAGR in 2014 - 2018\(^{(b)}\)

**€2.4bn**
Sales 2018

**€0.5bn**
EBITDA 2018

Ingredients for *surface coatings*

Ingredients for *adhesives and sealants*

Ingredients for *specialties*

---

Notes:

\(^{(a)}\) Based on nameplate capacity at year end 2018 as per Covestro estimates

\(^{(b)}\) 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 the termination of trading activities and reduced contract manufacturing.
Coatings, Adhesives, Specialties – disappointing demand

CAS segment results – Highlights Q3 2019

**Sales and Core Volume Growth**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
<th>Q4 2018</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>592</td>
<td>629</td>
<td>606</td>
<td>534</td>
<td>627</td>
<td>621</td>
<td>588</td>
</tr>
<tr>
<td>Core Volume Growth Y/Y</td>
<td>-1.3%</td>
<td>5.8%</td>
<td>7.2%</td>
<td>-1.8%</td>
<td>-0.1%</td>
<td>-4.7%</td>
<td>-4.0%</td>
</tr>
</tbody>
</table>

**EBITDA and Margin**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
<th>Q4 2018</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>136</td>
<td>139</td>
<td>126</td>
<td>63</td>
<td>146</td>
<td>150</td>
<td>111</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>23.0%</td>
<td>22.1%</td>
<td>20.8%</td>
<td>11.8%</td>
<td>23.3%</td>
<td>24.2%</td>
<td>18.9%</td>
</tr>
</tbody>
</table>

**Highlights**

- Decline in core volumes of -4.0% Y/Y, due to weak demand broad-based in all industries
- Sales decreased by -3.0% Y/Y driven by volume (-4.7%) and price (-2.1%)
- Positive FX impact Y/Y (+2.2%)
- Positive portfolio impact Y/Y (+1.6%) from DCP\(^{(a)}\)

**Notes:**

\(^{(a)}\) Stake increase in DIC Covestro Polymer Ltd. (DCP), a thermoplastic PU business (CAS) in Japan, as of 1st April 2019
CAS demonstrated solid underlying growth of 3% p.a.

Outperformance of High Growth Specialties businesses

CAS sales split by businesses

- Coatings Raw Materials Vol. 0%
- Diverse High Growth Specialties
  - Vol. +7%
- Elastomers
  - Vol. +7%
- Specialty Films
  - Vol. +5%
- Thermoplastic Polyurethanes
  - Vol. +8%
- Adhesives & Sealants Raw Materials
  - Vol. +6%

Highlights

- Core volume growth of 3.0% CAGR in 2014 - 2018\(^{(a)}\)
- Ongoing weakness in coatings and adhesives markets as well as competitive pressure remain burdens on CAS margin in the foreseeable quarters
- High Growth Specialties businesses generate 36% 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 the termination of trading activities and reduced contract manufacturing.
Covestro investment highlights

Group Financials Q3 2019

Segments overview

Background information
Scores reflect Covestro’s broad engagement in ESG
Rating results as of September 2019

<table>
<thead>
<tr>
<th>Rating / Index</th>
<th>Total score</th>
<th>Detail / Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MSCI</strong></td>
<td>A (Scoring A-D)</td>
<td>in Specialty Chemicals</td>
</tr>
<tr>
<td><strong>Sustainalytics</strong></td>
<td>77 (out of 100 Points)</td>
<td>Outperformer</td>
</tr>
<tr>
<td><strong>EcoVadis</strong></td>
<td>80 (out of 100 Points)</td>
<td>Gold</td>
</tr>
<tr>
<td><strong>FTSE Russell</strong></td>
<td>Inclusion in FTSE4Good Index(^{(a)})</td>
<td></td>
</tr>
<tr>
<td><strong>Vigeo Eiris</strong></td>
<td>Inclusion in Vigeo Eiris Eurozone 120 Index(^{(b)})</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(a) Since December 2016, reviewed in June 2018
(b) Since November 2016, reviewed in June 2018
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>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>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>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>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>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>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>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>Attractive alternatives to conventional materials: polymers to replace glass and metal</td>
</tr>
</tbody>
</table>

Sources: Covestro CMD 2017 presentation “Innovation”, pages 6-13
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 (a)
- Phenol
- Acetone

Notes:
Chart contains key feedstock only; simplified illustration
(a) via Deacon or HCl-ODC technology and / or chloralkali electrolysis, (b) Interface process, (c) melt process (d) produced from CO and Cl₂

Core Units / Technology
- DNT Dinitrotoluene
- TDA Diaminotoluene
- MNB Mono-Nitrobenzene
- Aniline
- MDA Methylene Dianiline

Final product
- TDI
- MDI
- Polycarbonate (a)
- Polycarbonate (b)
- Polycarbonate (c)
- Polyether Polyols

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 volumes 2018
- Core: ~5,000kt
- Non-core: ~7,050kt

Infrastructure

Raw Materials

Core Units / Technology

Final product

Highlights

Sales volumes 2018

Notes: Purchased raw materials, Covestro activities
Significant synergies from Covestro chemical backbone
CAS backward integration

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

- Raw Materials
  - Toluene
  - Nitric acid (HNO₃)
  - Benzene
  - Phenol
  - Acetone
  - HMDA
  - IPDA
  - PACM
  - Adipic acid
  - HDO/BDO
  - Propylene oxide
  - Ethylene oxide

- Core Units / Technology

- Notes:
  - Chart contains key feedstock only; simplified illustration
  - (a) via Deacon or HCl-ODC technology and/or chloralkali electrolysis
  - (b) produced from CO and Cl₂
Disciplined decision process for capex projects

Focus on value creation

<table>
<thead>
<tr>
<th>Financial fit</th>
<th>Strategic fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ROCE (return on capital employed)</td>
<td></td>
</tr>
<tr>
<td>• NPV (net present value)</td>
<td></td>
</tr>
<tr>
<td>• POT (pay-off time)</td>
<td></td>
</tr>
<tr>
<td>• Relevancy for strategy realization</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Definition of resource framework</td>
</tr>
<tr>
<td>2. Definition of strategic priorities and financial expectations</td>
</tr>
</tbody>
</table>
| 3. Prioritization of investment proposals:  
  • Maintenance capex projects: risk assessment, financial impact from project delay  
  • Growth and efficiency capex projects: ROCE, NPV, POT and strategic fit |
| 4. Approval of overall project portfolio by Covestro Board of Management and inclusion in Covestro financial plan |
| 5. Individual project approval according to stage-gate process |
Entire organization aligned for performance

Full STI annual target achievement requires EBITDA above €2bn

Uniform bonus system

• Full alignment of all employees (including board) along the same KPIs
• Criteria with full focus on performance and shareholder value creation
• 100% payout, as percentage of annual base salary, linked to hierarchy level
• Total payout at Group level for 0%, 100% and 250% achievement is €0m, ~€180m and ~€450m, respectively
• Fixed hurdle rates for 2019 - 2021 reflect KPI values in mid-cycle conditions, based on historical review and expected future development

Three equally weighted Group metrics

• Targets for 100% achievement:
  - Core Volume Growth: +4.0%
  - FOCF: €800m
  - ROCE above WACC\(^{(a)}\): 8pp

• For each metric, payout can range from 0% to 300%
• Max. payout capped at 250%

Transparent ambition

• Future core volume growth goal of 4% requires growth capex
• 100% target achievement for ROCE and FOCF implies mid-cycle EBITDA above €2bn for 2019 - 2021

Notes:
(a) WACC = Weighted Average Capital Cost
# 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>February 19, 2020</td>
<td>Annual Report 2019</td>
</tr>
<tr>
<td>April 29, 2020</td>
<td>Q1 2020 Interim Statement</td>
</tr>
<tr>
<td>July 23, 2020</td>
<td>Half-year Report 2020</td>
</tr>
</tbody>
</table>

## Broker conferences

<table>
<thead>
<tr>
<th>Date</th>
<th>Conference</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 12, 2019</td>
<td>UBS European Conference, London</td>
</tr>
<tr>
<td>November 13, 2019</td>
<td>Société Générale, European ESG &amp; SRI Conference, Paris</td>
</tr>
<tr>
<td>December 3, 2019</td>
<td>Crédit Suisse, Chemicals and Agriculture Conference, London</td>
</tr>
<tr>
<td>December 4, 2019</td>
<td>Société Générale, Premium Review Conference, Paris</td>
</tr>
<tr>
<td>January 14, 2020</td>
<td>Commerzbank, German Investment Seminar, New York</td>
</tr>
<tr>
<td>January 20, 2020</td>
<td>Kepler Cheuvreux, German Corporate Conference, Frankfurt</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>
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.