Securing profitable growth in more challenging times

Roadshow presentation
Securing profitable growth in more challenging times

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
   supporting value-creating base earnings

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

5. Use of cash focused on shareholder value
   with commitment to progressive dividend policy and focused capex for best value-creation
Global leader in high-tech material solutions

Covestro at a glance

Sales split by segments
% of 2018 Group sales

- CAS: 16%
- Polyols: ~20%
- MDI: ~20%
- PCS: 28%
- TDI: 5%
- Other: ~10%

Sales split by regions
% of 2018 Group sales
Core volume growth in %, CAGR 2015-2018

- China: 21%
- APAC: 33%
- EMLA: 43%
- Germany: 12%
- NAFTA: 24%
- US: 19%
- Other: ~20%

Sales split by end-markets
% of 2018 Group sales

- Automotive / Transportation: 20%
- Wood / Furniture: 18%
- Construction: 16%
- Electrical / Electronics: 12%
- Chemicals: 8%
- NAFTA: 26%
- EMLA: 43%
- APAC: 33%
- Germany: 12%
- US: 19%
- China: 21%
- Other: ~20%

- PUR and PCS nameplate capacity
- High ROCE above WACC
- €14.6bn Sales
- Employees ~16,800 FTEs
- Headquarters in Leverkusen, Germany

Notes: Based on Covestro Annual Report 2018; EMLA = Europe, Middle East, Africa, Latin America; NAFTA = USA, Canada, Mexico; APAC = Asia, Pacific
## Higher global GDP expectation leads to higher industry growth

**Structural growth drivers**

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

<table>
<thead>
<tr>
<th>Related to</th>
<th>Needs to be served</th>
<th>Industry demand outlook(^{(b)}) 2017 – 2022e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2, 7, 8, 9, 11, 13</td>
<td>Zero emission concepts, Low-energy buildings</td>
<td>PU: 16.9 ('000kt) CAGR ~5% (\rightarrow 21.3) 2022e</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PC: 4.3 ('000kt) CAGR ~4% (\rightarrow 5.3) 2022e</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CAS: 3.3 ('000kt) CAGR 3-4% (\rightarrow 3.9) 2022e</td>
</tr>
<tr>
<td>Increasing mobility:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3, 6, 7, 9, 11, 13</td>
<td>Energy-efficient mobility, Lightweight transportation, E-mobility, autonomous driving</td>
<td></td>
</tr>
<tr>
<td>Increasing population:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2, 3, 6, 7, 10, 11</td>
<td>Food preservation, Low-cost durable goods, Medical applications</td>
<td></td>
</tr>
<tr>
<td>Increasing urbanization:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3, 6, 7, 9, 11</td>
<td>Affordable housing, Living comfort, Public infrastructure</td>
<td></td>
</tr>
</tbody>
</table>

### 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 2018–2022e 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; 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>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
Global leader across its entire portfolio
Production capacities and world-wide industry positions

**#1 in Polyurethanes**
- **MDI**
  - Covestro: 20%
  - BASF: 30%
  - Others: 40%

- **TDI**
  - Covestro: 24%
  - BASF: 30%
  - Others: 46%

- **Polyether polyols**
  - Covestro: 29%
  - BASF: 20%
  - Others: 51%

**#1 in Polycarbonates**
- **PC**
  - Covestro: 29%
  - BASF: 19%
  - Others: 52%

**#1 in Coatings, Adhesives, Specialties**
- **Aliphatic isocyanate derivatives**
  - Covestro: 21%
  - BASF: 49%
  - Others: 58%

- **Polyurethane dispersions**
  - Covestro: 19%
  - BASF: 58%
  - Others: 24%

**Capacity share in 2017 (%)**
- **Top 5: 90%**
  - 2022e: Top 5 share expected to remain stable at 90%
- **Top 5: 76%**
  - 2022e: Top 5 share expected to remain stable at 76%
- **Top 5: 52%**
  - 2022e: Further consolidation expected, especially in China
- **Top 5: 81%**
  - 2022e: Top 5 expected to account for ~70%
- **Top 5: 90%**
  - 2022e: Industry structure expected to remain stable
- **Top 5: 42%**
  - 2022e: Industry structure expected to remain stable

**Covestro**
- **Global #3**
  - 1,460kt
  - 6 sites
- **Global #1**
  - 750kt
  - 3 sites
- **Global #2**
  - 1,330kt
  - 9 sites
- **Global #1**
  - 1,480kt
  - 5 sites

**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

North America

Cash cost

Europe

Cash cost

Asia

Cash cost

Highlights

- Covestro is one of the low-cost producers in MDI
- Capex for ongoing MDI expansion projects reflected by significant cash cost improvements
- MDI industry with relatively flat cost curves reflected by cash cost advantage of ~20% between the best and the average of least competitive 5 plants
- Covestro is the global cost leader in TDI and PCS
- Covestro cash cost advantage of ~50% in TDI and ~30% in PCS compared to the average of least competitive 5 plants

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

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
- Phenol
- Acetone
- Hydrogen (H₂)
- Carbon Monoxide (CO)

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

Final product
- TDI
- MDI
- Polyether Polyols
- Polycarbonates
- Polyols
- DPC Diphenylcarbonate
- LPC Diphenyl carbonate
- SPC

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

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

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Purchased raw materials
Covestro activities

Q4/FY 2018 | IR Roadshow Presentation
Over half of sales generated with resilient businesses

Product portfolio overview

<table>
<thead>
<tr>
<th>Resilient businesses</th>
<th>Supply-demand-driven businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAS 16%</td>
<td>MDI 7%</td>
</tr>
<tr>
<td>Polyols 18%</td>
<td>MDI resilient 7%</td>
</tr>
<tr>
<td>PCS resilient 17%</td>
<td>Resilience in MDI ~30%</td>
</tr>
<tr>
<td>Resilience in PCS ~60%</td>
<td>PCS resilient 17%</td>
</tr>
<tr>
<td>Resilience measured as standard deviation of contribution margin per kg versus respective average portfolio</td>
<td></td>
</tr>
</tbody>
</table>

Highlights

- **CAS** business is resilient in sales and earnings due to characteristics of niche ingredient chemicals
- Resilient portion of **PCS** business is driven by high-end industry applications e.g. automotive, electrical, healthcare
- **Polyols** business is resilient in sales and earnings as demonstrated over the last decade
- Resilient portion of **MDI** business consists of special grades for downstream products that require formulation know-how and customer interaction along the value chain
Resilient businesses generate EBITDA of €1.3 – 1.6bn

Resilient vs. supply/demand-driven share of EBITDA

in € billion

### Highlights

- Resilient businesses\(^{(b)}\) supports value-creating base earnings
- EBITDA generation between ~€1.3bn and ~€1.6bn per year under normal economic conditions
- EBITDA from the resilient part of business portfolio sufficient to cover the Covestro cost of capital
- In 2015-2017, increase of earnings in resilient share driven by higher proportion of differentiated PCS and higher margin in differentiated MDI
- In 2018, slight decrease of earnings in resilient share driven by Polyols and CAS
- In peak years 2017-2018, supply/demand-driven businesses increased share of EBITDA disproportionally

\(?^{(a)}\) EBITDA 2015 on adjusted basis  
\(?^{(b)}\) resilient businesses include CAS, Polyols, \(\frac{1}{2}\) PCS volumes, \(\frac{1}{4}\) MDI volumes
| **Stable margins driven by differentiated product portfolio** |

**CAS at a glance**

<table>
<thead>
<tr>
<th><strong>2,700+</strong></th>
<th><strong>5,000+</strong></th>
<th><strong>3.3%</strong></th>
<th><strong>€2.4bn</strong></th>
<th><strong>€203m</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Products based primarily on 6 monomers</td>
<td>Customers in 10+ high-end industries</td>
<td>Core volume CAGR in 2015-2018&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>Sales 2018&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>FOCF 2018&lt;sup&gt;(a)&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

**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.
CAS demonstrated solid underlying growth of 3.3% p.a.

High Growth Specialties businesses

- Adjusted core volume growth of 3.3% CAGR in 2015-2018\(^{(a)}\)
- Growth driven by all businesses except coatings raw materials
- 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

(CAS sales split by businesses)

<table>
<thead>
<tr>
<th>Business</th>
<th>Vol. %</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adhesives &amp; Sealants</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Raw Materials</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Coatings</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Specialty Films</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Elastomers</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Diverse High Growth Specialties</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Thermoplastic Polyurethanes</td>
<td>12%</td>
<td></td>
</tr>
</tbody>
</table>

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\(^{(a)}\)

6.1%
Core volume CAGR in 2015-2018

€4.1bn
Sales 2018

€468m
FOCF 2018

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

<table>
<thead>
<tr>
<th>Mobility</th>
<th>Electronics</th>
<th>Consumer electronics</th>
<th>Electrical</th>
<th>Mobility</th>
<th>Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>e.g. exterior</td>
<td>e.g. robot housing</td>
<td>e.g. adapter</td>
<td>e.g. LED street lamp</td>
<td>e.g. charging station</td>
<td>e.g. drug delivery</td>
</tr>
</tbody>
</table>
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>CAGR</th>
<th>Value</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>&lt;50%</td>
<td>1,270kt</td>
<td>5</td>
</tr>
<tr>
<td>2017</td>
<td>9%</td>
<td>1,480kt</td>
<td>5</td>
</tr>
<tr>
<td>2022e</td>
<td>&gt;60%</td>
<td>&gt;1,700kt</td>
<td>5</td>
</tr>
</tbody>
</table>

Covestro utilization

- Standard business >200kt additional volumes sold in 2022e vs 2013 CAGR >4%
- Resilient business >600kt additional volumes sold in 2022e vs 2013 CAGR >10%

Covestro highlights

Product portfolio improvement
- Goal to increase resilient portion of PC volumes to 65% long term
- Capacity growth and increasing share of resilient business result in significantly higher volumes in differentiated, high-requirement applications
- Structural improvement of average contribution margin

Higher asset utilization
- Volume leverage through significant improvement of capacity utilization by ~15 percentage points
- Significantly higher output from unchanged number of primary production sites

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

PUR at a glance

1,000
Polyols grades for differentiation

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

3.8%
Core volume CAGR in 2015-2018\(^{(b)}\)

€7.4bn
Sales 2018\(^{(b)}\)

€1.0bn
FOCF 2018\(^{(b)}\)

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

IR Roadshow Presentation

Q4/FY 2018

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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
Polyols and resilient MDI business make up almost half of sales

PUR resilient business

Polyether polyols demonstrate inherently stable margins

- Resilient industry margins over the last decade reflective of overall Covestro polyether polyols profitability
- Single capacity addition with little influence on global supply and demand dynamics
- Spreads not materially impacted by high volatility of propylene prices
- Propylene oxide supply and demand dynamics create local pricing opportunities in the short term

Resilient portion of MDI business (b)

Joint sales of polyols and MDI
e.g. CASE(c), automotive, construction, appliance

Specialty or downstream products
e.g. selected MDI grades (pre-polymers, blends, monomeric)

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

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
(b) Resilience measured as standard deviation of gross margin vs average portfolio
(c) CASE: Coatings, adhesives, sealants and elastomers
Supply-demand-driven businesses point towards mixed picture

Historical industry development and outlook

<table>
<thead>
<tr>
<th>Covestro</th>
<th>Industry demand development</th>
<th>Industry supply development</th>
<th>Industry highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(kt) (a)</td>
<td>(kt) (b)</td>
<td></td>
</tr>
<tr>
<td>MDI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S/D-driven share of FY18 Group sales</td>
<td><img src="image1" alt="Diagram" /></td>
<td><img src="image2" alt="Diagram" /></td>
<td></td>
</tr>
<tr>
<td>TDI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCS</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(a) Assumes global GDP CAGR 2018e–2023e of 2.5-3.0%
(b) Based on historical and announced future nameplate capacities
(c) Based on corporate announcements

Source: Covestro estimates

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Source: Covestro estimates
FY 2019 EBITDA development driven by pricing delta

Pricing delta development in EBITDA bridge

in € million

<table>
<thead>
<tr>
<th>Year</th>
<th>Pricing delta</th>
<th>Raw material price effect</th>
<th>Selling price effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,201</td>
<td>-905</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>+296</td>
<td>+265</td>
<td>-629</td>
</tr>
<tr>
<td>2017</td>
<td>+1,245</td>
<td>+65</td>
<td>-677</td>
</tr>
<tr>
<td>2018</td>
<td>641</td>
<td>-576</td>
<td></td>
</tr>
<tr>
<td>2019e</td>
<td>-1,400 to -1,800</td>
<td>Approx. range</td>
<td></td>
</tr>
</tbody>
</table>

Highlights

- Pricing delta calculated by adding selling and raw material price effects on earnings
- Raw material price movements are usually directly passed through to customers via selling price adjustments
- Pricing delta is driven by industry utilization rates, thus mainly impacting Covestro’s supply/demand-driven share of EBITDA
- Spike in 2017 due to limited supply additions, followed by significant capacity ramp-up as of mid-2018
- Anticipated negative pricing delta in 2019e leads to expected below mid-cycle margins
Right strategy and thorough execution in different stages

Different stages since IPO

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Becoming independent</td>
<td>Riding ‘the wave’</td>
<td>Driving efficiency</td>
</tr>
</tbody>
</table>

**Industries**

- Normal supply/demand conditions
- Volume growth above global GDP
- Margins approach mid-cycle levels

- Tight supply conditions
- Volume growth benefitting from restocking
- Margins on historic peak levels

- Volatile conditions
- Volume growth above global GDP
- Short-term, margins approaching trough levels

**Covestro**

- Carve-out in record time, IPO in Oct. 2015
- Mirror Bayer’s organizational set-up
- Establish new Covestro culture
- New set of KPIs: CVG, FOCF and ROCE$^{(a)}$
- Fill underutilized production assets

- Priority on output maximization, minimizing disruptions
- Selective cost measures implemented
- Set basis for long-term growth
- Return excess cash to shareholders

- Streamline standard businesses and extend differentiation
- Maximize portfolio synergies
- Execute cost-cutting, reduce headcount in non-production areas
- Continue volume expansion based on cost leadership

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Note: (a) CVG = Core Volume Growth, FOCF = Free Operating Cash Flow, ROCE = Return on Capital Employed
Execute cost-cutting, reduce headcount in non-production areas

Expected cumulated savings and restructuring costs

**Progress on “Perspective” program**

Approx., in € million

<table>
<thead>
<tr>
<th>Year</th>
<th>Restructuring costs per annum (EBIT)</th>
<th>Cost savings per annum</th>
<th>Cumulated cost savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>-48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>2019e</td>
<td>92</td>
<td>-50</td>
<td>-50</td>
</tr>
<tr>
<td>2020e</td>
<td>140</td>
<td>-55</td>
<td>-55</td>
</tr>
<tr>
<td>2021e</td>
<td>350</td>
<td>120</td>
<td>230</td>
</tr>
</tbody>
</table>

**Highlights**

- Cumulated savings of around €350m planned until end of 2021e
- 2018 slightly ahead of plan (+€8m) and expected acceleration in 2019 (+€30m)
- Reduction of ~900 FTEs globally in non-production areas, to be carried out by way of socially acceptable solutions
- Functional areas: E2E supply chain and manufacturing; procurement; commercial and general & 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 FTEs in production areas
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 2019-21 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 2019-21

Notes:

(a) WACC = Weighted Average Capital Cost
High volume leverage continuously contributes to EBITDA

Volume growth contribution to EBITDA

in € million, Core Volume Growth in %

Highlights

- Track record of growth above global GDP at ~4%
  Core Volume Growth 2015-18 CAGR, with corresponding average volume leverage of 46%
- Striving to grow in line with industry based on leading production cost position
- Running capacity expansion program allows for planned volume growth of ~4% CAGR 2019-23e
- 100% target achievement in short-term incentive (STI) program based on 4% Core Volume Growth per annum
### Growth through debottlenecking projects and world-scale plant

**Covestro planned capacity additions**

<table>
<thead>
<tr>
<th></th>
<th>2019e</th>
<th>2020e</th>
<th>2021e</th>
<th>2022e</th>
<th>Beyond 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PUR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Polyols +60kt Channelview</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>MDI +200kt Brunsbüttel</td>
<td>MDI +100kt Caojing</td>
<td>MDI +50kt Tarragona</td>
<td>MDI +410kt Baytown(b)</td>
</tr>
<tr>
<td><strong>PCS</strong></td>
<td>+50kt Caojing</td>
<td>+50kt Caojing</td>
<td>+50kt Caojing</td>
<td>+50kt Caojing</td>
<td>+130kt(a) site TBD</td>
</tr>
<tr>
<td><strong>BACKBONE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chlorine plant Tarragona</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aniline plant Antwerp</td>
<td></td>
<td></td>
<td>Full backbone Baytown(b)</td>
</tr>
</tbody>
</table>

**Note:**
- (a) New polycarbonates line
- (b) Planned for 2024e
FY 2019 cash flow burdened by bonus and tax payments

Historical FOCF development and FY 2019 guidance

in € million

Highlights 2018

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

Guidance 2019

• FOCF to EBITDA conversion rate down to around 20-35%
• Capex(b) of €≥900m up Y/Y with focus on growth investments
• Cash outflow for 2018 bonus provisions
• Cash tax rate expected above P&L tax rate due to phasing of tax payments

Note:
(a) EBITDA 2015 on adjusted basis
(b) Cash-relevant capex
(c) "Other effects" including cash outflow for bonus provisions
Use of cash with focus on value creation

Clear set of priorities

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Focus</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend policy</td>
<td>Capex</td>
<td>Portfolio</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Return to shareholders</td>
</tr>
<tr>
<td>• Progressive policy: increase or keep at least stable</td>
<td>• Covestro’s industry and cost leadership make growth investment the most value-creating use of cash</td>
<td>• Disciplined and focused approach</td>
</tr>
<tr>
<td>• For FY 2018 dividend, proposal of €2.40 per share at the next AGM, on April 12th, 2019</td>
<td>• Growth capex focuses mainly on CAS, MDI and PCS</td>
<td>• Acquisitions with focus on high margin and differentiated business areas</td>
</tr>
<tr>
<td>• Dividend per share increase of 9% Y/Y</td>
<td>• Maintenance capex to secure safe, reliable and efficient operations</td>
<td>• Ongoing portfolio optimization including evaluation of potential disposals</td>
</tr>
<tr>
<td>• Corresponding total payout amount of €438m</td>
<td></td>
<td>• Return excess cash to shareholders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• New authorization for share buy-back program for up to 10% of share capital to be requested at the next AGM</td>
</tr>
</tbody>
</table>

Decision based on highest value creation
Financial Highlights
Q4 & FY 2018
Significant pricing pressure towards year end

FY 2018 – Group results

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>
<th>Q4 2018</th>
</tr>
</thead>
</table>

FY 2017: 3.4%  FY 2018: 1.6%

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>
<th>Q4 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>
<td>293</td>
</tr>
</tbody>
</table>

FY 2017: 24.3%  FY 2018: 21.9%

Highlights

• Core Volume Growth of +1.6% in FY 2018 despite constrained product availability, i.e. unplanned outages and low Rhine water levels
• Solid full year demand growth across industries
• Sales decreased by -7.1% Y/Y in Q4 2018, driven by price (-9.3%)

Highlights

• In 2018, EBITDA margin decreased to 21.9% vs. 24.3% in 2017
• Sharp EBITDA decline in Q4 2018 due to pronounced negative pricing delta and seasonality
Polyurethanes – earnings dropped below mid-cycle in Q4

PUR segment results – FY 2018 Highlights

### Sales and Core Volume Growth

<table>
<thead>
<tr>
<th>Period</th>
<th>Sales</th>
<th>Core Volume Growth</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>
<tr>
<td>Q4 2018</td>
<td>1,597€</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

FY 2017: 7,386€
FY 2018: 7,362€

Q4/FY 2018

<table>
<thead>
<tr>
<th>Period</th>
<th>Sales</th>
<th>Core Volume Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017</td>
<td>3.1%</td>
<td></td>
</tr>
<tr>
<td>FY 2018</td>
<td>0.8%</td>
<td></td>
</tr>
</tbody>
</table>

### EBITDA and Margin

<table>
<thead>
<tr>
<th>Period</th>
<th>EBITDA</th>
<th>Margin in percent</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>
<tr>
<td>Q4 2018</td>
<td>111€</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

FY 2017: 2,179€
FY 2018: 1,763€

### Highlights

- **Stable core volumes of +0.8% Y/Y in 2018, due to constrained product availability in Q1 and Q3.**
- **Solid Core Volume Growth of +2.3% in Q4 2018 despite sluggish demand.**
- **Sales decreased by -14.9% Y/Y in Q4 2018, driven by price (-17.6%).**
- **Positive volume (+2.5%) impact Y/Y in Q4 2018.**

**Note:** Restatement of all 2017 figures to reflect the reclassification of the specialty elastomers business.
Polycarbonates – full year driven by price and volume

PCS segment results – FY 2018 Highlights

Sales and Core Volume Growth

<table>
<thead>
<tr>
<th></th>
<th>Q4 2017</th>
<th>Q3 2017</th>
<th>Q2 2017</th>
<th>Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>954</td>
<td>933</td>
<td>911</td>
<td>939</td>
</tr>
<tr>
<td>Core Volume Growth Y/Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 2017</td>
<td>0.7%</td>
<td>1.5%</td>
<td>3.7%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>2.6%</td>
<td>1.6%</td>
<td>1.5%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>5.3%</td>
<td>2.6%</td>
<td>0.7%</td>
<td>14.7%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>3.0%</td>
<td>5.0%</td>
<td>0.7%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

EBITDA and Margin

<table>
<thead>
<tr>
<th></th>
<th>Q4 2018</th>
<th>Q3 2018</th>
<th>Q2 2018</th>
<th>Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>303</td>
<td>285</td>
<td>213</td>
<td>211</td>
</tr>
<tr>
<td>Core Volume Growth Y/Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 2018</td>
<td>30.3%</td>
<td>30.3%</td>
<td>22.7%</td>
<td>22.6%</td>
</tr>
<tr>
<td>Q3 2018</td>
<td>31.5%</td>
<td>31.5%</td>
<td>29.3%</td>
<td>22.8%</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>28.5%</td>
<td>28.5%</td>
<td>27.0%</td>
<td>24.3%</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>21.3%</td>
<td>21.3%</td>
<td>21.6%</td>
<td>22.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,036</td>
<td>1,033</td>
</tr>
<tr>
<td>Core Volume Growth Y/Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2017</td>
<td>25.6%</td>
<td>22.8%</td>
</tr>
<tr>
<td>FY 2018</td>
<td>25.6%</td>
<td>22.8%</td>
</tr>
</tbody>
</table>

Highlights

- Solid Core Volume Growth of +3.0% Y/Y in 2018
- Positive Core Volume Growth of +1.6% Y/Y in Q4 2018
- Sales decreased by -1.6% Y/Y in Q4 2018 driven by price (-2.3%)
- Positive volume (+4.1%) impact Y/Y in Q4 2018

- In 2018, EBITDA increased by +21.5% Y/Y due to positive pricing delta and volume leverage
- Underlying EBITDA margin excluding one-time items expanded to c.25% vs. c.23% in 2017
- Sharp EBITDA decline in Q4 2018 due to negative pricing delta
Coatings, Adhesives, Specialties – pressured by raw materials

CAS segment results – FY 2018 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 2017</td>
<td>637</td>
<td>10.8%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>604</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>557</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>529</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>592</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>629</td>
<td>5.8%</td>
</tr>
<tr>
<td>Q3 2018</td>
<td>606</td>
<td>7.2%</td>
</tr>
<tr>
<td>Q4 2018</td>
<td>534</td>
<td>-1.8%</td>
</tr>
</tbody>
</table>

FY 2017: 2,327
FY 2018: 2,361

EBITDA and Margin
in € million / margin in percent

<table>
<thead>
<tr>
<th>Quarter</th>
<th>EBITDA</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>160</td>
<td>25.1%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>121</td>
<td>20.0%</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>125</td>
<td>22.4%</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>80</td>
<td>15.1%</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>136</td>
<td>23.0%</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>139</td>
<td>22.1%</td>
</tr>
<tr>
<td>Q3 2018</td>
<td>126</td>
<td>20.8%</td>
</tr>
<tr>
<td>Q4 2018</td>
<td>63</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

FY 2017: 486
FY 2018: 464

Highlights

• Solid Core Volume Growth of +2.5% Y/Y with all regions contributing
• Sales increased by +1.5% Y/Y in FY 2018 driven by volume (+3.5%) and price (+0.6%)
• Sales increased by +0.9% Y/Y in Q4 2018 driven by volume (+0.3%) and FX (+0.6%)

• EBITDA decreased by -4.5% Y/Y mainly due to higher input prices
• EBITDA margin around c.20% despite pressure from higher raw material prices

Note: Restatement of all 2017 figures to reflect the reclassification of the specialty elastomers business
Strong EBITDA result driven by first half year

FY 2018 – EBITDA bridge

in € million

- Pricing delta +€65m
  - 641
  - 576
  - 100

- 3,200

- FY 2017
- Volume
- Price
- Raw material price
- FX
- Other items
- FY 2018

3,435
+216

-6.8%

FY 2017

FY 2018

Highlights

Strong positive volume leverage
- EBITDA volume leverage<sup>(a)</sup> at 68%
- Broad-based in all three segments

Slightly positive pricing delta, driven by H1
- Positive pricing delta in PCS
- Negative pricing delta in PUR and CAS

Negative FX impacted EBITDA by -2.9% Y/Y

Other items
- Higher production, maintenance and logistics costs
- One-time item of €+36m in Q3: book gain from disposal of US polycarbonates sheets business
- Prior year benefited from one-time items of €+146m

Note: (a) Method of calculation: EBITDA volume contribution / sales volume contribution
Weak Q4 with pronounced negative pricing delta

Q4 2018 – EBITDA bridge

in € million

Pricing delta
-€550m

Volume
Price
Raw material price
FX
Other items
Q4 2018

Q4 2017

879

+69

-327

-223

+3

-108

293

-66.7%

Highlights

Strong positive volume leverage
- EBITDA volume leverage\(^{(a)}\) at 68%
- Broad-based in all three segments

Pronounced declining contribution margin
- Negative pricing delta in all three segments
- Higher competitive pressure in PUR
- Higher feedstock costs due to low Rhine water levels

Other items
- Higher logistics costs due to low Rhine water levels
- One-time items: €-23m for “Perspective” provisions, €+23m from insurance reimbursements
- Prior-year quarter benefited from reversal of provision of €63m for Tarragona

Note: (a) Method of calculation: EBITDA volume contribution / sales volume contribution
Strong balance sheet after high cash return to shareholders

December 31\(^{\text{th}}\) 2018 – Total net debt

<table>
<thead>
<tr>
<th>Dec. 31, 2017</th>
<th>Dec. 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOCF</td>
<td>Net financial debt</td>
</tr>
<tr>
<td>1,470</td>
<td>1,187</td>
</tr>
<tr>
<td>283</td>
<td>-1,669</td>
</tr>
<tr>
<td>1,187</td>
<td>42</td>
</tr>
<tr>
<td>-1,669</td>
<td>-62</td>
</tr>
<tr>
<td>42</td>
<td></td>
</tr>
<tr>
<td>1,313</td>
<td></td>
</tr>
<tr>
<td>441</td>
<td></td>
</tr>
<tr>
<td>258</td>
<td></td>
</tr>
</tbody>
</table>

Highlights

- Total net debt to EBITDA ratio of 0.6x end of 2018 vs. 0.4x end of 2017
- Slight increase of net financial debt mainly due to share buy-back and dividend payout
- Completion of share buy-back program on December 4\(^{\text{th}}\): ~20m shares bought back for a total amount of €1.5bn since November 2017
- Pension provisions increased by €258m partly due to negative return on plan assets
- Equity ratio further improved to 49% end of 2018 vs. 47% end of 2017
- Significant increase of total net debt to EBITDA ratio expected end of 2019 due to IFRS 16 adoption
Below mid-cycle earnings in challenging economic environment

Historical EBITDA development and FY 2019 guidance

in € million,
Core Volume Growth in %

<table>
<thead>
<tr>
<th>Year</th>
<th>Core Volume Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>+2.7%</td>
</tr>
<tr>
<td>2016</td>
<td>+7.5%</td>
</tr>
<tr>
<td>2017</td>
<td>+3.4%</td>
</tr>
<tr>
<td>2018</td>
<td>+1.6%</td>
</tr>
<tr>
<td>2019e</td>
<td>Low-to-mid-single</td>
</tr>
</tbody>
</table>

Underlying assumptions

**Low-end scenario**
- Further price decline compared to January 2019 especially in TDI
- Low end of CVG\(^{(b)}\) range due to lower GDP growth and/or unplanned production constraints
- Unfavorable FX impact\(^{(c)}\)

**High-end scenario**
- Price increases compared to January 2019 especially in MDI
- Solid demand across all industries, however upside to CVG\(^{(b)}\) limited due to constrained available capacity
- Favorable FX impact\(^{(c)}\)
Below mid-cycle earnings in challenging economic 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 Q1</td>
<td>€1,063m</td>
<td>Around €440m</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>€620m</td>
<td>~€700m</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&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>€707m</td>
<td>≥€900m</td>
</tr>
<tr>
<td>FOCF 2017-19</td>
<td>€3.8 – 4.2bn</td>
<td>(previously: &gt;€5bn)</td>
</tr>
</tbody>
</table>

Note: (a) Cash-relevant capex
Basic assumptions FY 2019: Exchange rate of EUR/USD ~1.15, RMB/EUR ~7.9 and a global GDP growth of 2.9%
# 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>April 29, 2019</td>
<td>Q1 2019 Interim Statement</td>
</tr>
<tr>
<td>October 28, 2019</td>
<td>Q3 2019 Interim Statement</td>
</tr>
</tbody>
</table>

## Annual General Meeting

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

## Sellside dinner events

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 12, 2019</td>
<td>Sellside Round Table with CEO, London</td>
</tr>
<tr>
<td>May 7, 2019</td>
<td>Sellside Round Table with CEO, Frankfurt</td>
</tr>
</tbody>
</table>

## Broker conferences

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 22 – 24, 2019</td>
<td>Kepler Cheuvreux, Davos Forum, Davos</td>
</tr>
<tr>
<td>March 28, 2019</td>
<td>Mainfirst, Corporate Conference, Copenhagen</td>
</tr>
</tbody>
</table>
Disclaimer

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