Debt Investor Roadshow
Non-Deal related
April 2019
Covestro well positioned to address challenges of a volatile world

Diversified global player with strong capital structure

Committed to maintain a solid Investment Grade Rating
- History of strong cash generative business earnings and exceeding its capital cost over the cycle
- Prudent management of balance sheet with strong financial metrics and low leverage ratios

Aligned for performance for creditors and shareholders
- Innovator and creator of products and their markets
- Company-wide KPI & incentive system to align everyone towards cash generation, profitability & growth
- Commitment to align cash outflow with both creditor and shareholder interests

Serving mega-trends sustainably
- Serving strong markets with growth above world GDP with
  - high-end polymers (e.g. light weight, longevity) replacing less performing materials
  - more sustainable offerings (esp. energy conservation)

Cash cost leadership
- Investing to improve MDI cash cost in Europe, expanding leading scale in USA
- Building on global cost leadership in TDI and PCS through debottlenecking capex
- Secure long-term sustainability through energy efficiency

Leading market position
- Leading producer setting new standards in marketing
- Broad geographic footprint and diversified customer end markets
- Specialties with attractive and resilient margins
Leading in high-tech material solutions

Covestro at a glance

Well diversified by geography
% of 2018 Group sales

- APAC: 33%
- EMLA: 43%
- NAFTA: 24%

Well spread EBITDA share by business units
% of 2018 Group EBITDA\(^a\)

- PUR: 55%
- PCS: 32%
- CAS: 15%

Well diversified by end-markets
% of 2018 Group sales

- Automotive/Transportation: 20%
- Sports/Leisure, Cosmetics, Health, diverse industries: 26%
- Chemicals: 8%
- Electrical/Electronics: 12%
- Construction: 16%
- Wood/Furniture: 18%
- Electrical/Electronics: 12%
- Construction: 16%
- Wood/Furniture: 18%
- Chemicals: 8%

€14.6bn Sales
High ROCE above WACC

~5 million tons
PUR and PCS nameplate capacity

€3.2bn EBITDA
21.9% EBITDA margin

€1.7bn FOCF
52.2% of EBITDA

Employees ~16,800 FTEs
Headquarters in Leverkusen, Germany

8 world-scale production sites
Europe, United States and Asia

Notes:
- Based on Covestro Annual Report 2018; EMLA = Europe, Middle East, Africa, Latin America; NAFTA = USA, Canada, Mexico; APAC = Asia, Pacific
- a) The graph does not include “Others / Consolidation” of -2%
Resilient businesses generate EBITDA of €1.3 – 1.6bn

Resilient vs. supply/demand-driven share of EBITDA

in € billion

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

Notes:
- (a) EBITDA 2015 on adjusted basis
- (b) resilient businesses include CAS, Polyols, ½ PCS volumes, 30% MDI volumes
Structural growth above GDP driven by sustainability trends
Address ecological & social challenges and seize associated business opportunities

**UN SDGs**

<table>
<thead>
<tr>
<th>Related to climate change:</th>
<th>...create needs...</th>
<th>...which are served by Covestro products</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Zero emission concepts</td>
<td>PU raw materials enabling highly efficient insulation, sealants and reflective coatings in construction to reduce energy losses of buildings</td>
</tr>
<tr>
<td></td>
<td>Low-energy buildings</td>
<td>LED lenses made of PC to reduce energy consumption of lighting</td>
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<table>
<thead>
<tr>
<th>Related to increasing mobility:</th>
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<th></th>
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<tbody>
<tr>
<td></td>
<td>Energy-efficient mobility</td>
<td>Replacement of glass and metal by polymers to support lightweight transportation and energy-efficient mobility</td>
</tr>
<tr>
<td></td>
<td>Lightweight transportation</td>
<td>Enabler for Electro-mobility (battery housing, battery holder and housing for charging station)</td>
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<td></td>
<td>E-mobility, autonomous driving</td>
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<tr>
<th>Related to growing population:</th>
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<tr>
<td></td>
<td>Food preservation</td>
<td>Refrigeration &amp; cold chain solutions to avoid food waste</td>
</tr>
<tr>
<td></td>
<td>Low-cost durable goods</td>
<td>Affordable housing and solar dryer provide people in underserved markets access to basic needs</td>
</tr>
<tr>
<td></td>
<td>Medical applications</td>
<td></td>
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<thead>
<tr>
<th>Related to increasing urbanization:</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Affordable housing</td>
<td>New bio-based hardener for water-based wood coatings</td>
</tr>
<tr>
<td></td>
<td>Living comfort</td>
<td>Novel materials for wind power plants: PU resins for rotor blades, PU-based coatings, elastomers for sea cables</td>
</tr>
<tr>
<td></td>
<td>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”

April 2019 │ Debt Investor Roadshow
## Right strategy and thorough execution in different stages

### Different stages since IPO

<table>
<thead>
<tr>
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<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

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

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\(^{(a)}\) CVG = Core Volume Growth, FOCF = Free Operating Cash Flow, ROCE = Return on Capital Employed
Capex with high ROCE

Mid-term debottlenecking capex and preparation of world-scale investment

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Maintenance capex</th>
<th>Debottlenecking capex</th>
<th>Additional capex into world-scale assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>753</td>
<td>889</td>
<td>831</td>
</tr>
<tr>
<td>2007</td>
<td>512</td>
<td>505</td>
<td>574</td>
</tr>
<tr>
<td>2008</td>
<td>574</td>
<td>505</td>
<td>574</td>
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<tr>
<td>2009</td>
<td>633</td>
<td>583</td>
<td>612</td>
</tr>
<tr>
<td>2010</td>
<td>612</td>
<td>509</td>
<td>419</td>
</tr>
<tr>
<td>2011</td>
<td>509</td>
<td>518</td>
<td>707</td>
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<tr>
<td>2012</td>
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<td>2013</td>
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<td>2019</td>
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<td>2020</td>
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<tr>
<td>2021</td>
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</tr>
</tbody>
</table>

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

**Notes:**

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

(b) POT: pay-off time

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**Highlights 2018-2021e**

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

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

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

- **Additional capex creates significant value**
  - New growth investment into world-scale plants on existing sites
  - Capex with high ROCE
  - Spending depends on projects and timing
Balanced interest of growth, creditors and shareholders

Covestro has a track record of disciplined cash usage

- **2015 – 2018: Covestro reduced significantly its debt position since IPO**
  - Reduction of net debt position and additional pension funding
  - Optimized maturity profile, shift from short term debt by end of 2015 towards a broader maturity profile with main maturities in 2021 and 2024

- **2017 – 2018: Return of excess cash to shareholders**
  - Attractive dividends
  - Share buyback used to distribute existing excess cash

- **Support future growth investment while...**
  - ...keeping excellent financial profile with low leverage
  - ...providing adequate shareholder returns (e.g. increasing or stable dividends)
Segment overview
Leading global position across the entire portfolio

World-wide industry positions and entry requirements

<table>
<thead>
<tr>
<th>Capacity share in 2017(%)</th>
<th>Leading producer of PU raw materials</th>
<th>Leading supplier of PC</th>
<th>Leading producer of Aliphatic isocyanate derivatives &amp; Polyurethane dispersions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PUR</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MDI</td>
<td>Others</td>
<td>Others</td>
<td>Others</td>
</tr>
<tr>
<td>TDI</td>
<td>Others</td>
<td>Others</td>
<td>Others</td>
</tr>
<tr>
<td>Polyether polyols</td>
<td>Others</td>
<td>Others</td>
<td>Others</td>
</tr>
<tr>
<td><strong>PCS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PC</td>
<td>Others</td>
<td>Others</td>
<td>Others</td>
</tr>
<tr>
<td><strong>CAS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aliphatic isocyanate derivatives</td>
<td>Others</td>
<td>Others</td>
<td>Others</td>
</tr>
<tr>
<td>Polyurethane dispersions</td>
<td>Others</td>
<td>Others</td>
<td>Others</td>
</tr>
</tbody>
</table>

Entry requirements:
- Sizable investment requirement
- Intense pressure to advance process technology
- Global asset base to enable customer proximity
- Persistent demand for product and process innovation
- Efficient feedstock integration required
- 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
Almost half of sales in resilient businesses

PUR at a glance

1,000 Polyols grades for differentiation

Leading Producer of PU raw materials globally\(^{(a)}\)

€7.4bn Sales 2018

€1.8bn EBITDA 2018

€1.0bn FOCF 2018

Notes:

\(^{(a)}\) Based on total combined nameplate capacity for MDI, TDI and polyether polyols at year end 2017 as per Covestro estimates

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
Strategic focus on increasing resilience

PCS at a glance

- **1,000**
  - PC grades for broadest offering

- **Leading**
  - Supplier of PC globally\(^{(a)}\)

- **€4.1bn**
  - Sales 2018

- **€1.0bn**
  - EBITDA 2018

- **€468m**
  - FOCF 2018

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

- **Mobility**
  - e.g. exterior
- **Electronics**
  - e.g. robot housing
- **Consumer electronics**
  - e.g. adapter
- **Electrical**
  - e.g. LED street lamp
- **Mobility**
  - e.g. charging station
- **Healthcare**
  - e.g. drug delivery
Stable margins driven by differentiated product portfolio

CAS at a glance

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

- **Leading**
  - Producer of Aliphatic isocyanate derivatives and PU dispersions globally\(^{(a)}\)

- **€2.4bn**
  - Sales
    - 2018

- **€464m**
  - EBITDA
    - 2018

- **€203m**
  - FOCF
    - 2018

Notes:

\(^{(a)}\) Based on nameplate capacity at year end 2017 as per Covestro estimates.
Financials
Outstanding business and financial performance

Financials 2018 at a glance

### Sales and Core Volume Growth

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>14,138</td>
<td>14,616</td>
</tr>
<tr>
<td>Core Volume Growth Y/Y</td>
<td>3.4%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

### Free Operating Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>2,361</td>
<td>2,376</td>
</tr>
<tr>
<td>CapEx</td>
<td>1,843</td>
<td>1,669</td>
</tr>
<tr>
<td>Free Operating Cash Flow</td>
<td>518</td>
<td>707</td>
</tr>
</tbody>
</table>

### EBITDA and Margin

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>3,435</td>
<td>3,200</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>24.3%</td>
<td>21.9%</td>
</tr>
</tbody>
</table>

### Comments

- 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
- EBITDA margin stays above 20%
Excellent financial metrics

Financials 2018 at a glance

**Equity and Net Financial Debt & Pensions**

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>47%</td>
<td>49%</td>
</tr>
<tr>
<td>Net Financial Debt</td>
<td>5,365</td>
<td>5,375</td>
</tr>
<tr>
<td>Pensions</td>
<td>1,187</td>
<td>1,445</td>
</tr>
</tbody>
</table>

**Maturity Profile**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>≥ 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committed Revolving Credit Facility</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>545</td>
<td></td>
</tr>
<tr>
<td>Financial Debt</td>
<td>59</td>
<td>32</td>
<td>529</td>
<td>33</td>
<td>27</td>
<td>1,500</td>
</tr>
</tbody>
</table>

**Leverage Ratio**

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage Ratio</td>
<td>0.4x</td>
<td>0.6x</td>
</tr>
<tr>
<td>Net Financial Debt + Pensions</td>
<td>1,470</td>
<td>1,793</td>
</tr>
<tr>
<td>EBITDA</td>
<td>3,435</td>
<td>3,200</td>
</tr>
</tbody>
</table>

**Comments**

- Consistent low leverage
- Increase of net financial debt to EBITDA ratio expected end of 2019 due to IFRS 16 adoption
- Well-spread maturity profile
- Undrawn committed Revolving Credit Facility of €1.5bn
- Small increase of net financial debt mainly due to share buy-back (~20m shares bought back for a total amount of €1.5bn since Nov. 2017)

Notes:
(a) Covestro Annual Report 2018
(b) "Net financial debt" is defined as “noncurrent financial liabilities” plus “current financial liabilities” minus “cash and cash equivalents” minus “other financial assets”;
(c) “Leverage ratio” is defined as (“net financial debt” plus “provisions for pensions and other post-employment benefits”) / EBITDA; EBITDA defined as EBIT plus “depreciation, amortization and impairments”
Summary
Retain strong financial metrics while capturing profitable growth

Covestro key investment highlights

1. Committed to solid Investment Grade rating through the cycle

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. Balanced interests of creditors and shareholders proven by a track record of disciplined cash usage
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