



Strong start into the year

Financial Highlights
Q1 2016

Forward-looking Statements



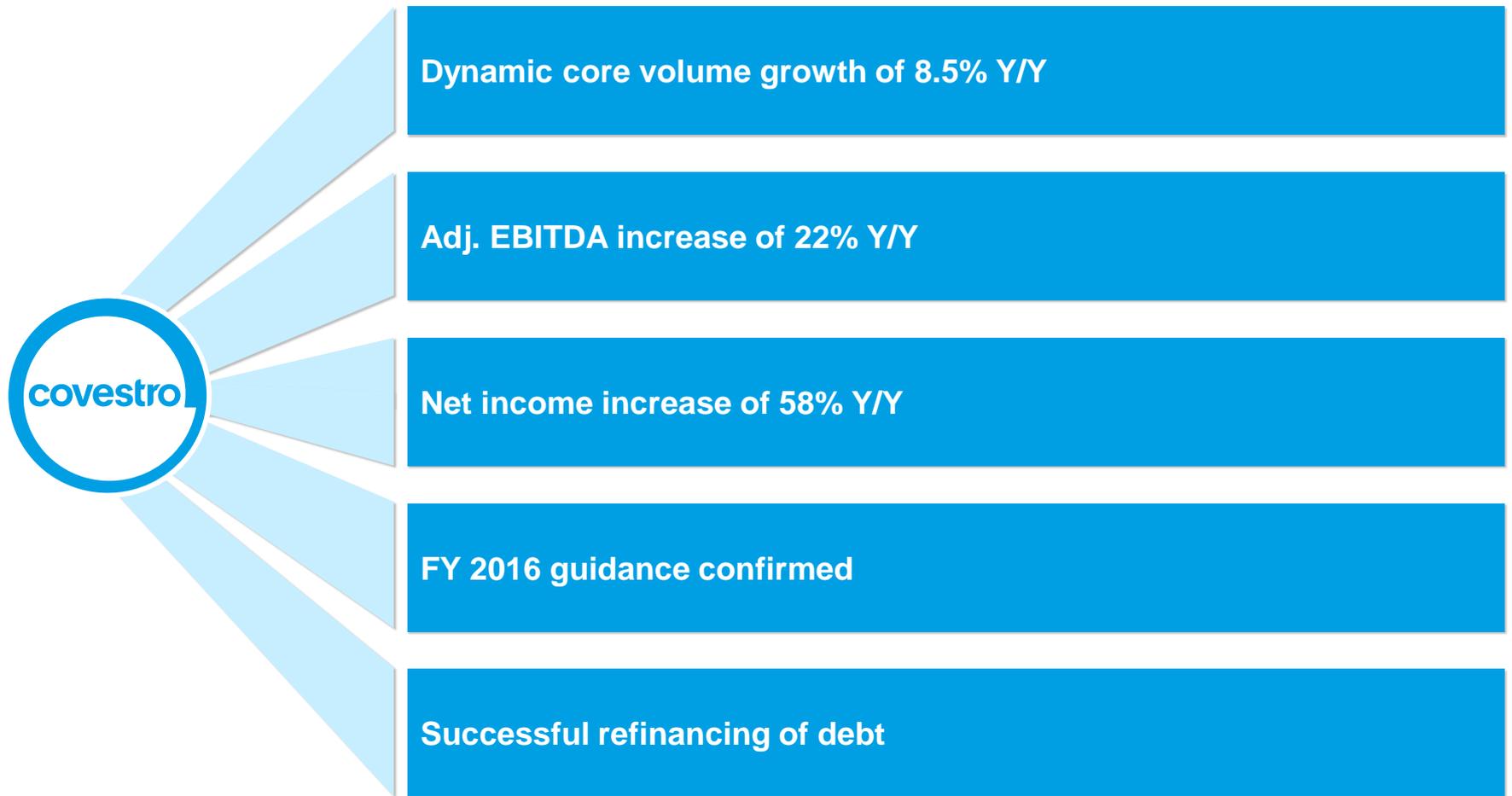
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Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here.

These factors include those discussed in Covestro's public reports which are available on the Covestro website at www.covestro.com. Covestro assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Key Highlights

Strong start into the year



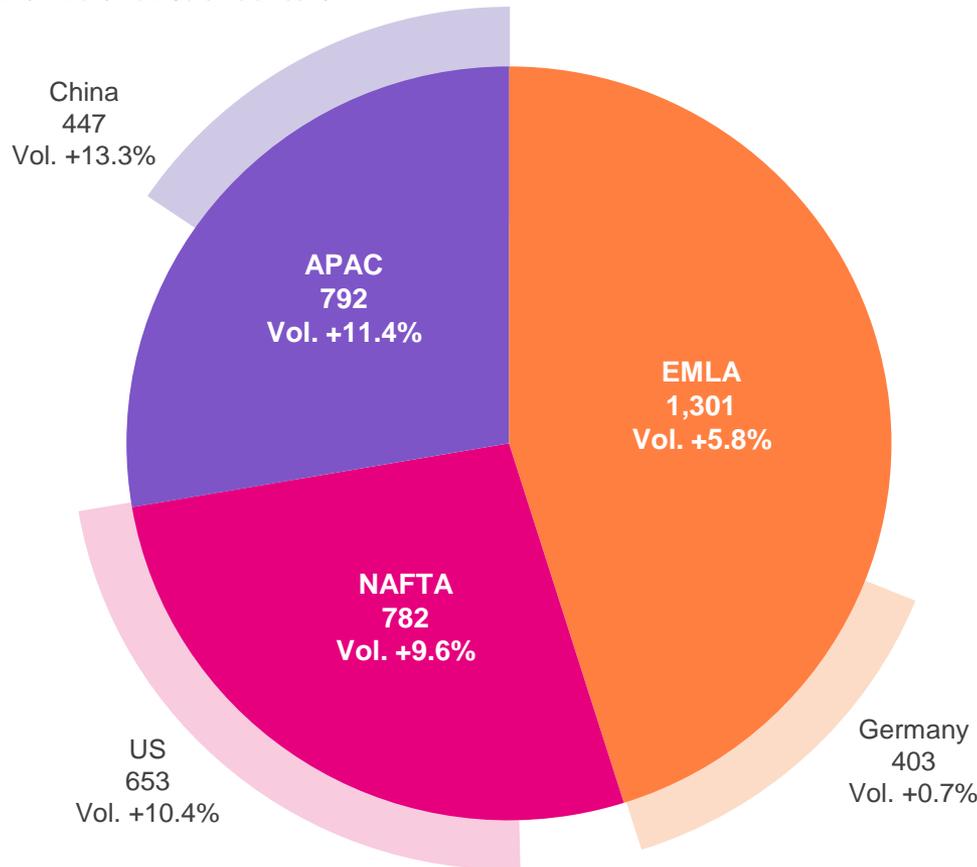
Q1 2016 – Sales per Region



Dynamic volume growth in all regions

Solid development in Q1 2016

in € million / Vol.: Core Volumes Y/Y



Highlights

EMLA

- Strong volume growth in Europe partly diminished by double-digit decline in Latin America
- Mild winter helped construction industry

APAC

- Double-digit volume growth in APAC and China driven by PUR and PCS
- Strong pick-up of demand after Chinese New Year

NAFTA

- Double-digit volume growth in PUR and PCS but declining volumes in CAS
- Low basis in PUR due to production problems in Q1 2015
- Mild winter helped construction industry

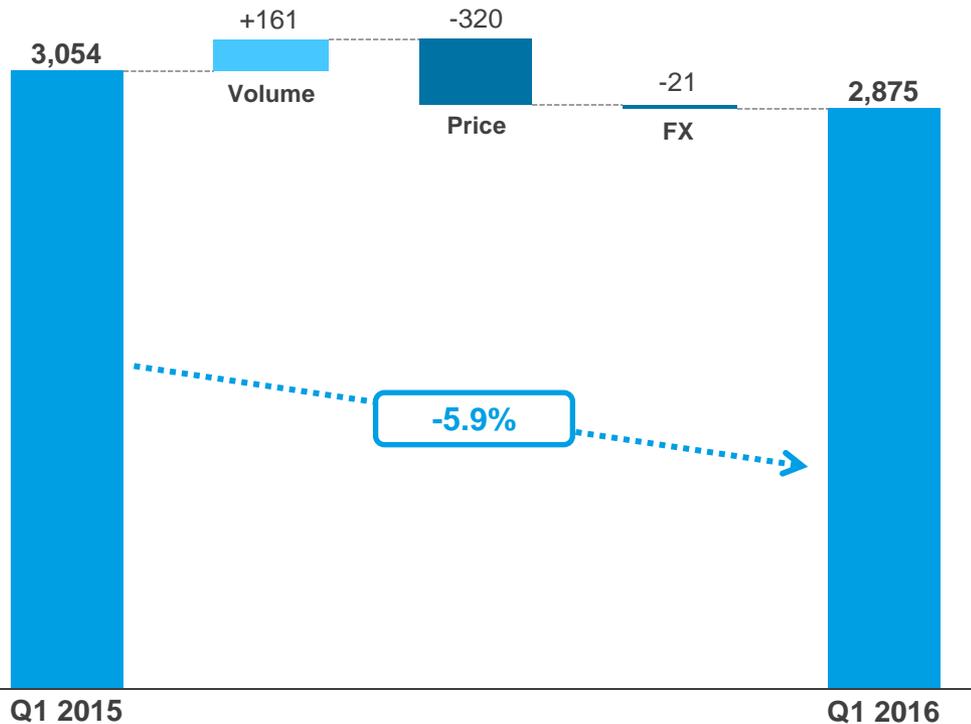
Q1 2016 – Sales Bridge



Dynamic volume growth

Sales Bridge

in € million



Highlights

Dynamic volume development

- Core volume growth (in kt) of 8.5% Y/Y
- Sales volumes (in €) expansion of 5.3% Y/Y diminished by stable by-product sales (non-core)

Price decline driven by lower raw material prices

- Lower selling prices negatively impacted sales by 10.5% Y/Y

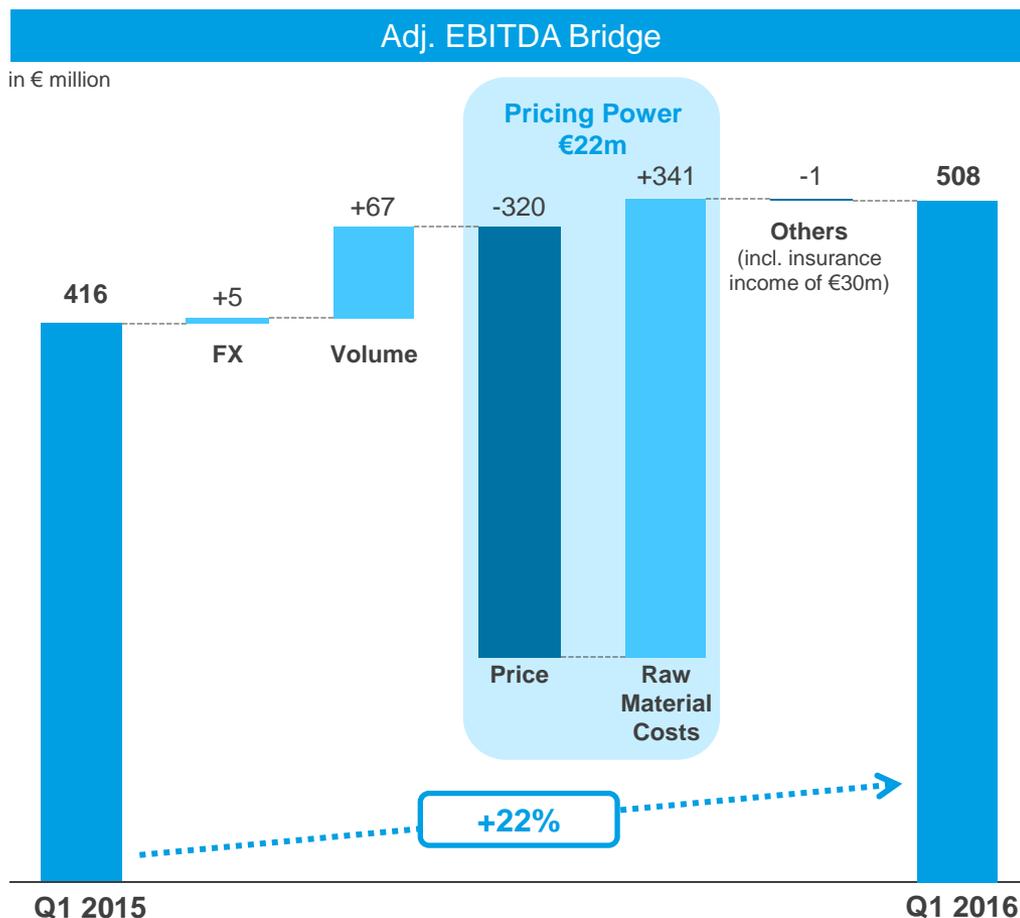
Limited FX effects

- FX effects burdened sales by 0.7% Y/Y mainly due to a weaker CNY, BRL and MXN

Q1 2016 – Adj. EBITDA Bridge



Positive volume leverage



Highlights

Positive volume leverage

- Driven by MDI, TDI and PC

Slightly improving cash margin

- Positive pricing power continued especially in PCS

Gain from insurance income

- Insurance income of €30m included in “Others”, which offset cost increases

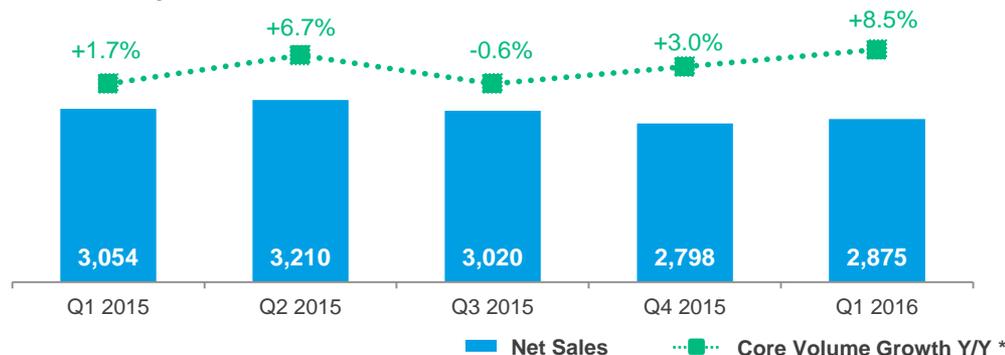
Q1 2016 – Group Results



Continued margin expansion

Net Sales and Core Volume Growth

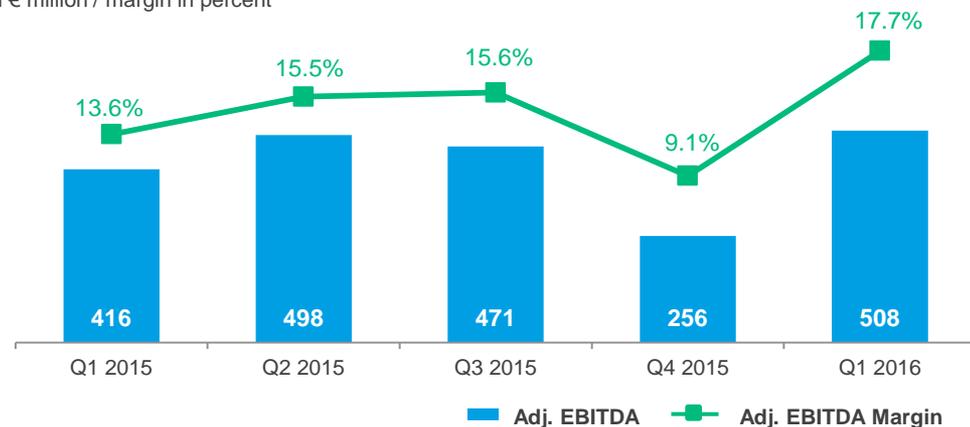
in € million / changes Y/Y



*) data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q1 2016 Highlights

- Dynamic core volume growth mainly driven by underlying demand improvements but also helped by low prior year basis, mild winter and competitor outages
- Sales decreased by 5.9% Y/Y mainly reflecting the lower raw material prices

Q1 2016 Highlights

- Adj. EBITDA margin significantly improved to 17.7% due to positive volume leverage and insurance settlement (adj. EBITDA margin of 16.6% excluding insurance income)
- Adj. EBITDA increased each quarter Y/Y in the last five quarters

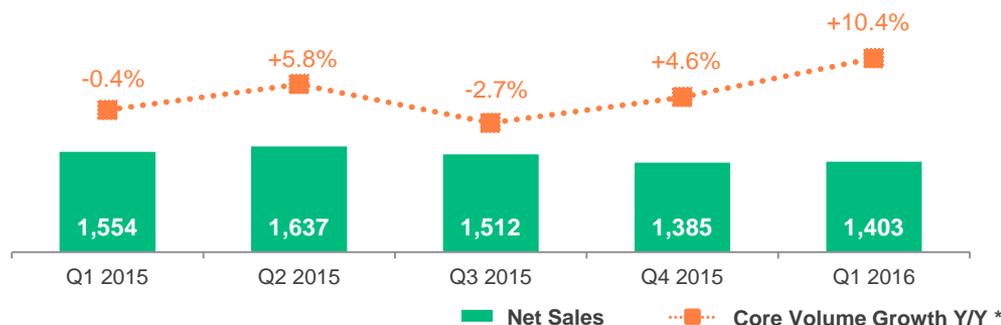
Q1 2016 – Results of PUR Segment



Polyurethanes – Solid development

Net Sales and Core Volume Growth

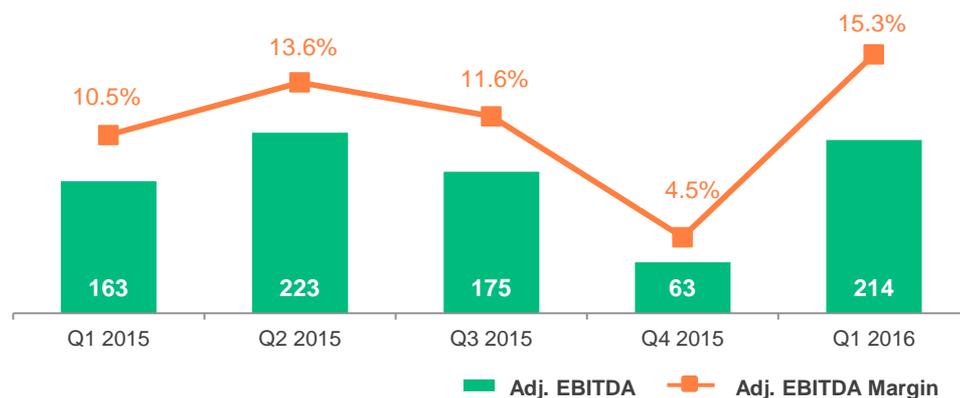
in € million / changes Y/Y



*) data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q1 2016 Highlights

- Core volume growth of 10.4% Y/Y mainly driven by TDI and MDI, whereas Polyols increased only low-single digit
- Selling prices declined by 15.7% Y/Y

Q1 2016 Highlights

- Adj. EBITDA excluding the insurance income of €30m increased by 13% Y/Y with a margin of 13.1%
- Underlying earnings improvement was mainly driven by the positive volume leverage

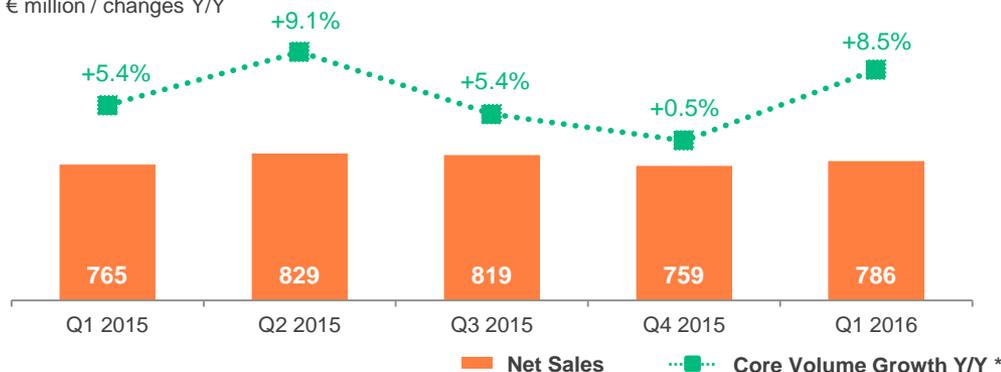
Q1 2016 – Results of PCS Segment



Polycarbonates – Strong results

Net Sales and Core Volume Growth

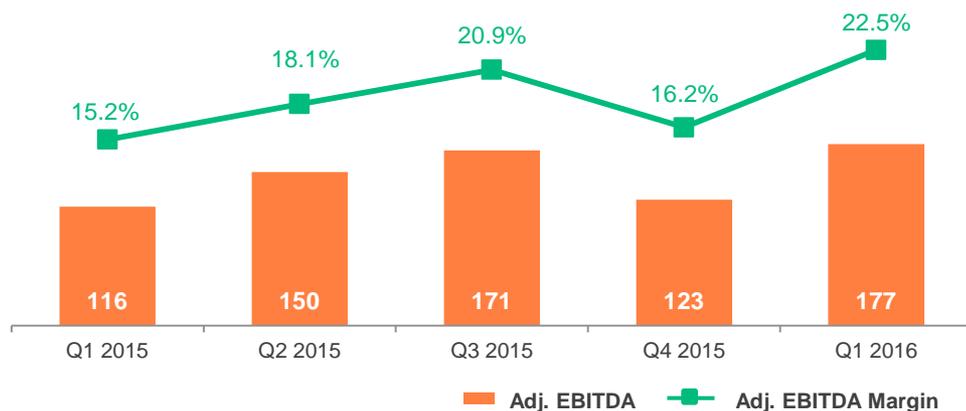
in € million / changes Y/Y



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Adjusted EBITDA and Margin

in € million / margin in percent



Q1 2016 Highlights

- Globally dynamic demand from automotive and construction; solid growth in electrical, especially in APAC; on purpose lower volumes in optical media
- Selling prices declined by 5.4% Y/Y

Q1 2016 Highlights

- Dynamically increasing margin despite seasonally low quarter (Chinese New Year)
- Continuing favorable supply-demand balance

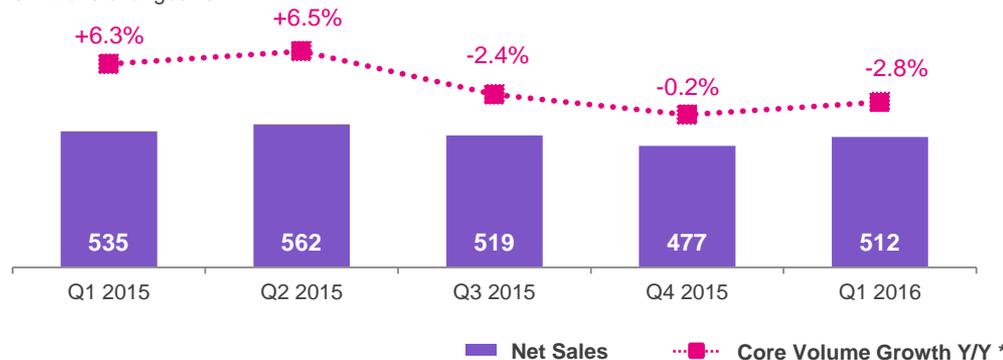
Q1 2016 – Results of CAS Segment



Coatings, Adhesives, Specialties – Record margin

Net Sales and Core Volume Growth

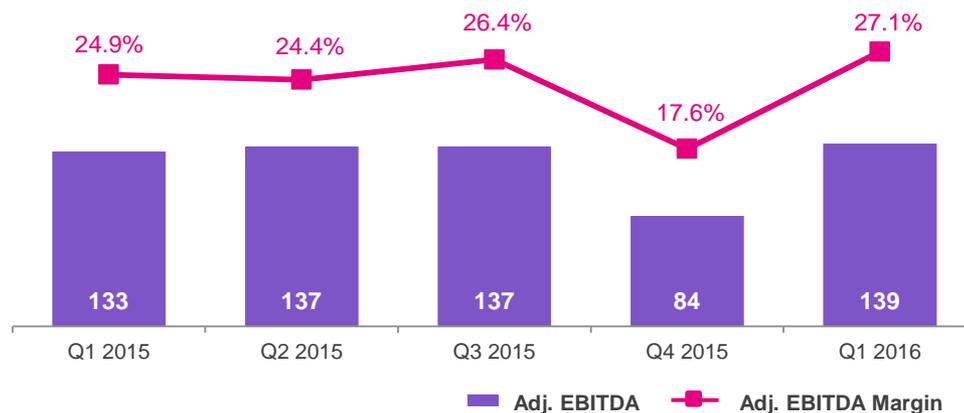
in € million / changes Y/Y



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Adjusted EBITDA and Margin

in € million / margin in percent



Q1 2016 Highlights

- Phase out of trading product burdened core volume growth; underlying business of CAS delivered a low single-digit growth
- Relative growth was burdened by a high prior year basis
- Selling prices decreased slightly

Q1 2016 Highlights

- Margin increase mainly driven by lower raw material costs and mix effects
- Phase out of trading product burdened absolute EBITDA but was slightly margin enhancing

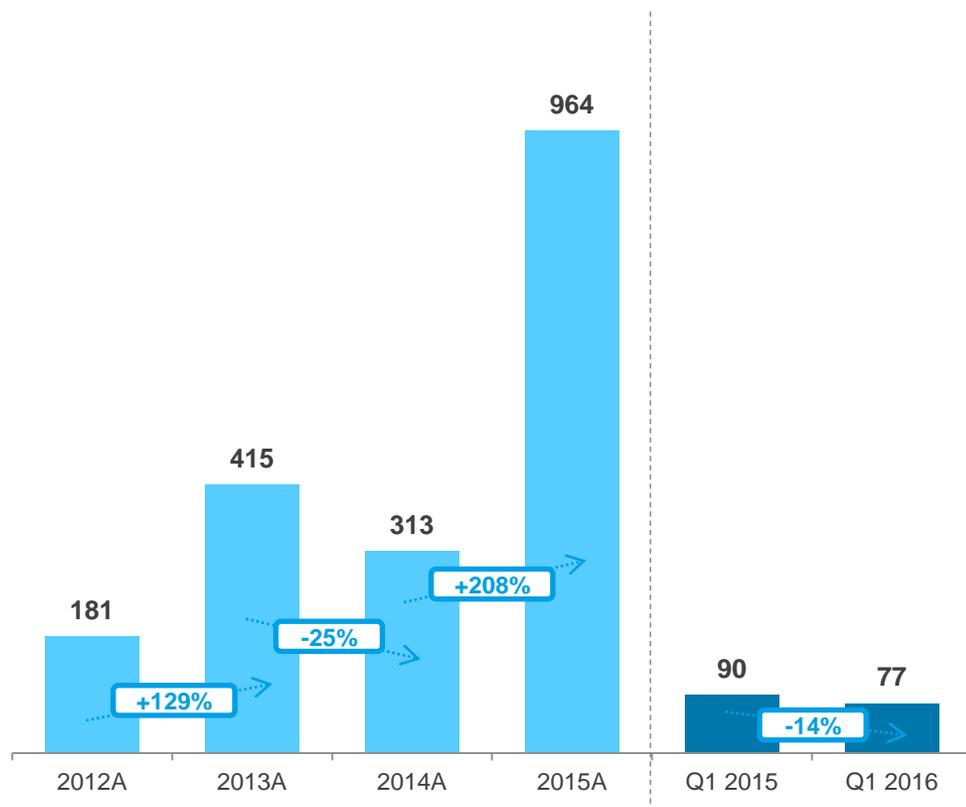
Q1 2016 – Free Operating Cash Flow



On track to deliver

Free Operating Cash Flow

in € million



Q1 2016 Highlights

Seasonally low FOCF

- Slightly declining FOCF due to higher working capital and cash out for income taxes
- Working capital to sales ratio showed usual seasonal increase to 17.8% (12-months rolling)
- Low capex of €47m due to phasing; in-line with budget

On track to deliver

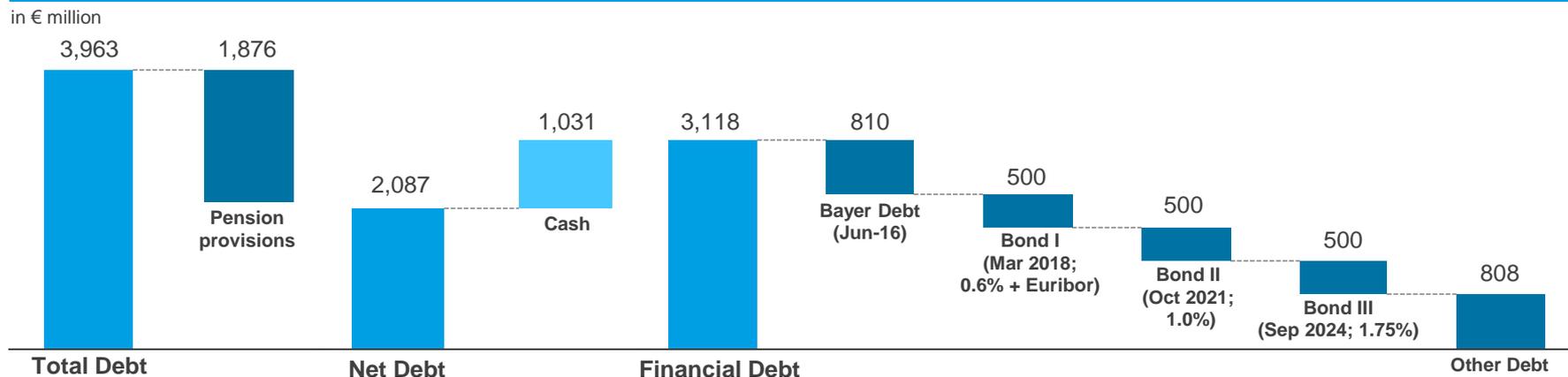
- Year-end working capital to sales ratio is expected to stay in the range of 15% to 17%
- Capex is expected to be on a similar level compared to 2015
- Overall, FOCF is expected to remain on a high level above the average of the last years

Q1 2016 – Financial Debt



Baa2 rating (Moody's) with stable outlook

Financial Debt Development



Highlights

Total debt slightly up compared to year-end 2015

- Pension provisions increased by €414m compared to year-end 2015 due to lower interest rates (German discount rate down from 2.6% to 1.9%); net debt decreased by €124m mainly due to the positive FOCF

Successful bond placing

- With the placement of three bonds we were able to significantly prolong our financial debt maturity

Unchanged ambitions for 2016: Further net debt reduction and increasing dividend

- Based on a dividend pay-out ratio of 30%-50% to net income

Guidance 2016

Committed to deliver



Sales and Earnings Forecast

	2015	Forecast
Core Volume Growth	+2.7%	Mid-single-digit increase
Free Operating Cash Flow	€964m	At high level, above the average of recent years
ROCE	+9.5%	Premium on cost of capital

Basic Assumptions

- Our guidance is based on current exchange rates
- We assume a similar macroeconomic environment as in 2015

Q1 2016 – Summary



Covestro fully on track

Strong organic growth in a focused portfolio
despite a challenging market environment

Solid earnings and cash flow generation
supported by a stable demand/supply balance and a focus on profitability

Robust financial profile
with an investment grade rating (Baa2 from Moody's)

Attractive dividend policy
with a dividend pay-out ratio of 30-50%

Solid financial outlook
despite current limited visibility and high uncertainties

Upcoming IR Events



Find more information on investor.covestro.com

Reporting Dates

- **July 26, 2016:** Half-Year Financial Report 2016
- **October 25, 2016:** Q3 2016 Interim Report
- **February 20, 2017:** Annual Report 2016

Annual Dates

- **May 3, 2016:** Annual Stockholders' Meeting, Cologne
- **May 4, 2016:** Planned Dividend Payment Day
- **May 12, 2016:** Covestro Capital Markets Day, Dusseldorf

Broker Conferences

- **May 23-25, 2016:** Deutsche Bank, dbAccess Asia Conference 2016, Singapore
- **June 8-10, 2016:** Deutsche Bank, German, Swiss & Austrian Conference, Berlin
- **June 14-16, 2016:** Exane BNP CEO Conference, Paris
- **June 21, 2016:** Credit Suisse, Global Chemicals Conference, London
- **September 13-14, 2016:** UBS, Best of Germany Conference, New York
- **September 13-15, 2016:** Credit Suisse, Basic Material Conference, New York



Questions & Answers