



Delivering on promises

Financial Highlights
Q4 & FY 2016



Forward-looking statements

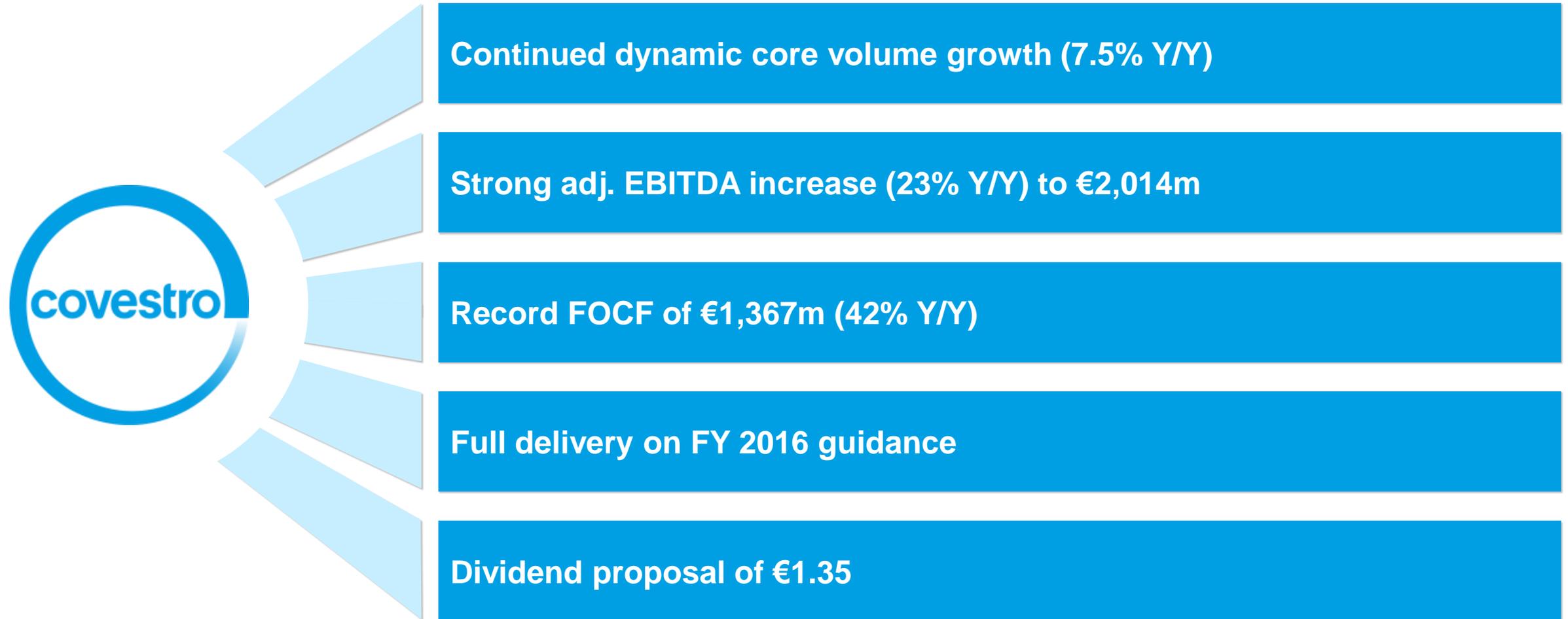
This presentation may contain forward-looking statements based on current assumptions and forecasts made by Covestro AG.

Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Covestro's public reports, which are available on the Covestro website at www.covestro.com.

The company assumes no liability whatsoever to update these forward-looking statements or to adjust them to future events or developments.

FY 2016 Key Highlights

Delivering on promises



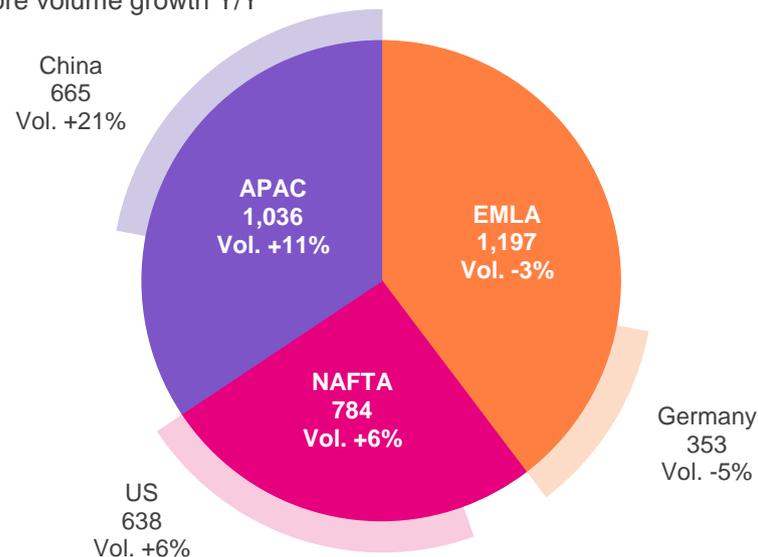
Q4 2016 and FY 2016 – Sales per Region



Strong rebound in China, significant growth in the US

Growth above GDP in Q4 2016

in € million / Core volume growth Y/Y

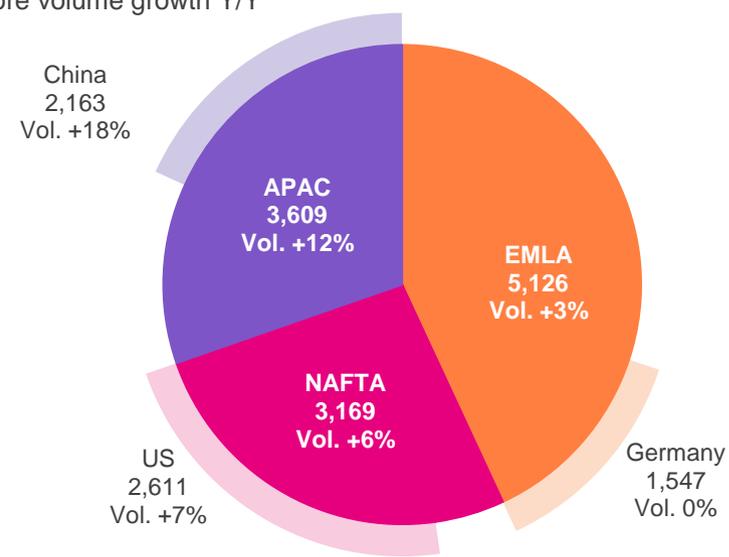


Q4 2016 Highlights

- Solid core volume growth of 4.8% Y/Y despite force majeure
- APAC and China supported by low comparison basis
- Germany and Europe most impacted by force majeure
- US and NAFTA growth well above GDP

Strong growth in FY 2016

in € million / Core volume growth Y/Y



FY 2016 Highlights

- Strong core volume growth of 7.5% Y/Y
- China remains a high growth market with 18% Y/Y
- Significant core volume growth in the US with 7% Y/Y
- Solid growth in EMLA despite drawback in Q4 2016

2016 Guidance fully achieved



| | Initial guidance FY 2016 | New guidance FY 2016* | FY 2016 | Achievement |
|--------------------|---|---|---------|-------------|
| Core Volume Growth | Mid-single-digit increase Y/Y | Mid- to high-single-digit increase Y/Y | +7.5% | |
| FOCF | At a high level, above the average of recent years | Above last year's level (€964m) | €1,367m | |
| ROCE | Premium on the cost of capital (>6.9%) | Significantly above last year's level (9.5%) | 14.2% | |

All financial targets achieved

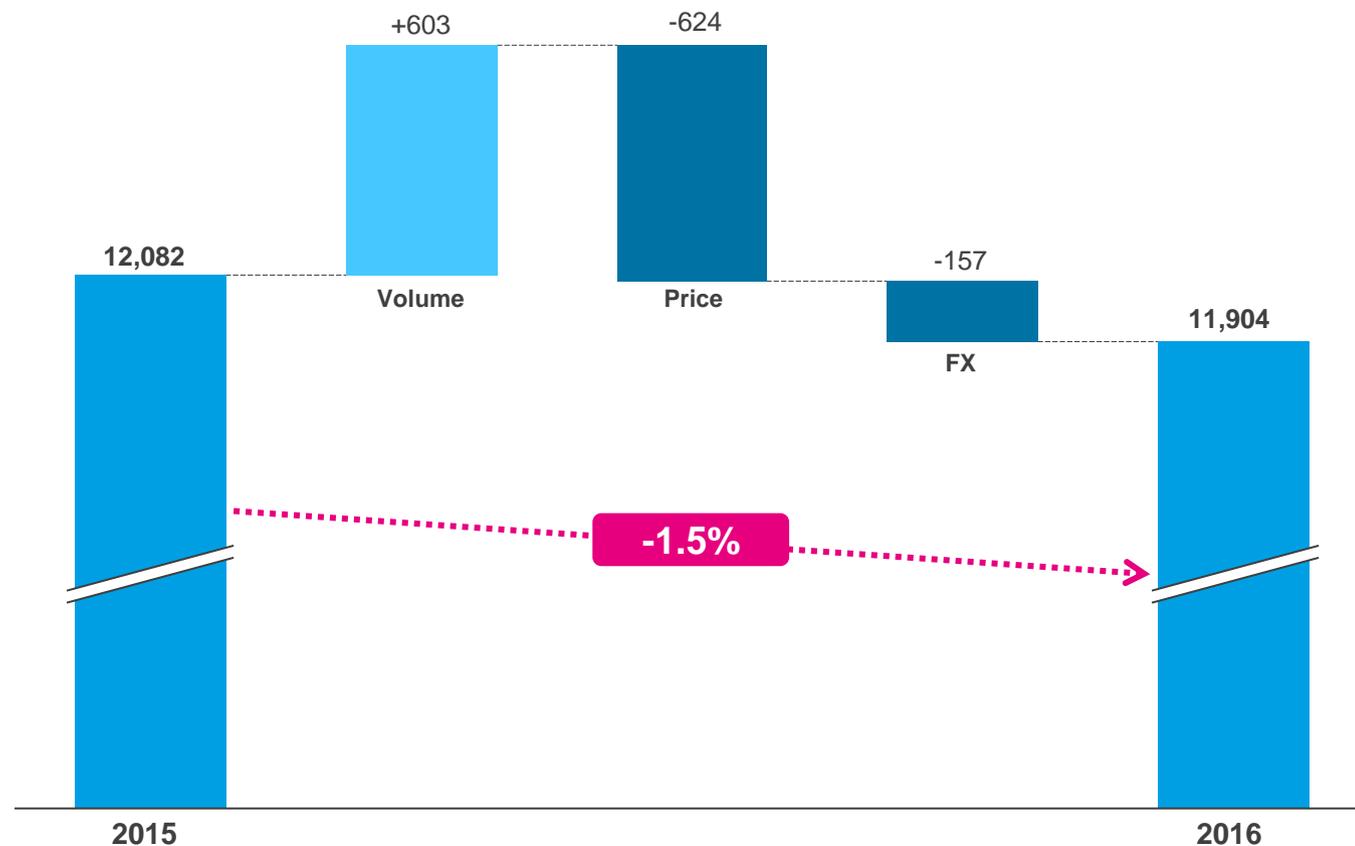
FY 2016 – Sales Bridge

Dynamic volume growth



Sales Bridge

in € million



Highlights

Dynamic volume development

- Core volume growth (in kt) of 7.5% Y/Y
- Sales volumes (in €) expansion of 5.0% Y/Y
- Core volume growth above sales volume expansion due to declining non-core volumes and product mix effects

Price decline driven by lower raw material prices

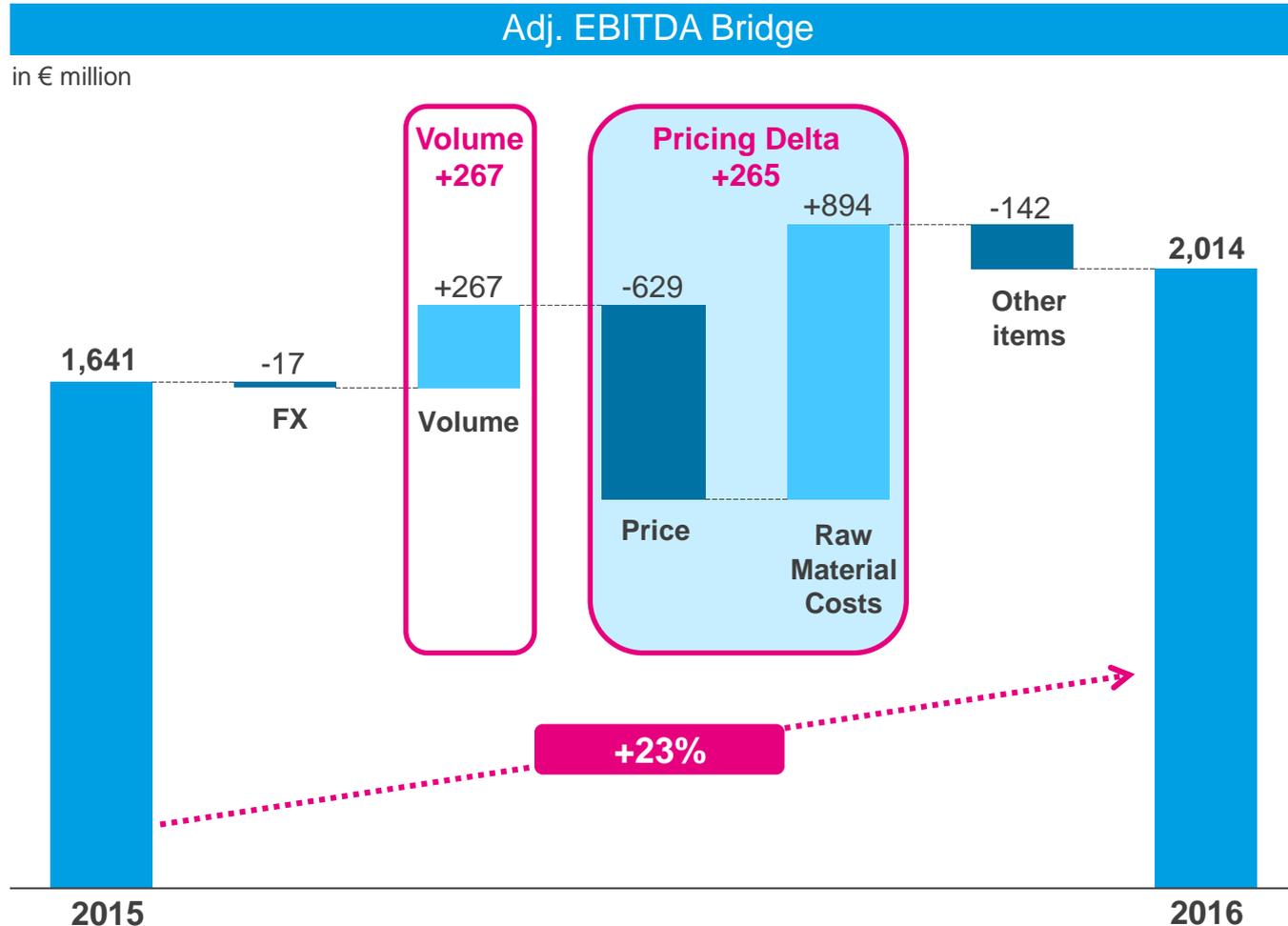
- Lower selling prices negatively impacted sales by 5.2% Y/Y

Negative FX effects

- FX effects burdened sales by 1.3% Y/Y mainly due to weaker CNY and MXN

FY 2016 – Adj. EBITDA Bridge

Increase equally driven by volume leverage and pricing delta



Highlights

Positive volume leverage

- Driven by all segments

Improved cash margin

- Positive pricing delta driven by all segments
- Accelerating in Q4 2016

Limited FX effects

- Mainly translational impact

Other items driven by FM & STI

- Higher costs from force majeure (FM) and bonus provisions (STI: short-term incentive)

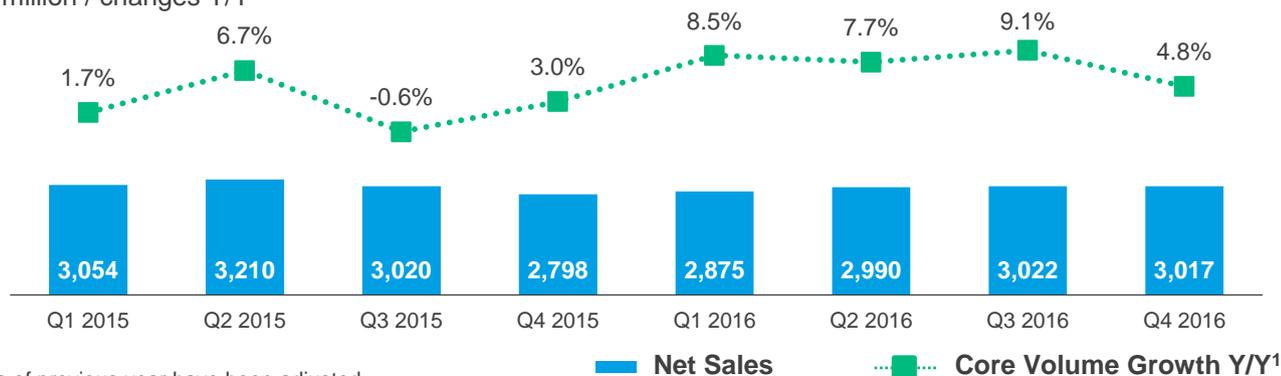
Q4 & FY 2016 – Group Results



Continued margin expansion

Net Sales and Core Volume Growth

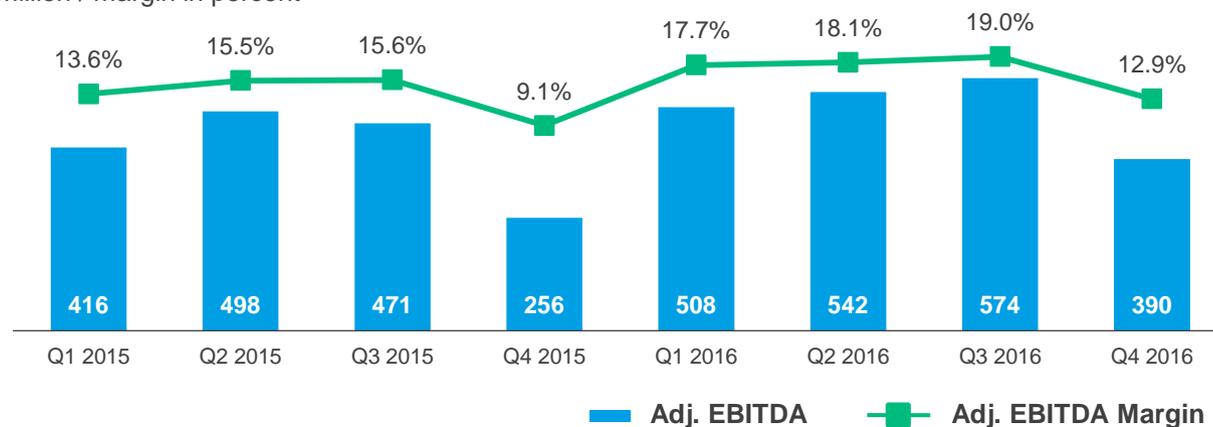
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Highlights

- In 2016, continued strong core volume growth (in kt) of 7.5%
- In Q4, solid core volume growth of 4.8% Y/Y driven by PCS, despite force majeure in PUR
- 2016 sales effects Y/Y: volumes +5.0%, prices -5.2%, FX -1.3%

Highlights

- In 2016, adj. EBITDA margin improved significantly to 16.9% (vs. 13.6% in 2015)
- Adj. EBITDA increased each quarter Y/Y during 2016: +22% in Q1, +9% in Q2, +22% in Q3 and +52% in Q4
- In Q4, adj. EBITDA margin significantly improved by 3.8pp Y/Y to 12.9%, although impacted by the usual seasonality

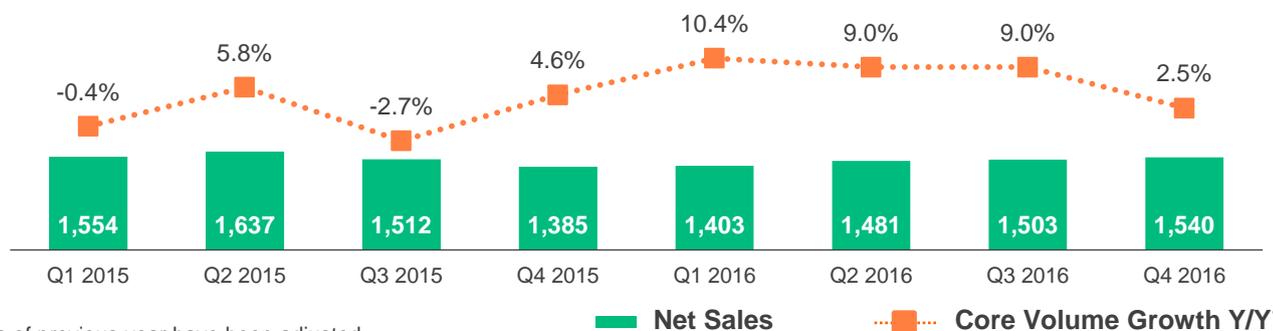
Q4 & FY 2016 – Results of PUR Segment

Polyurethanes – Solid development



Net Sales and Core Volume Growth

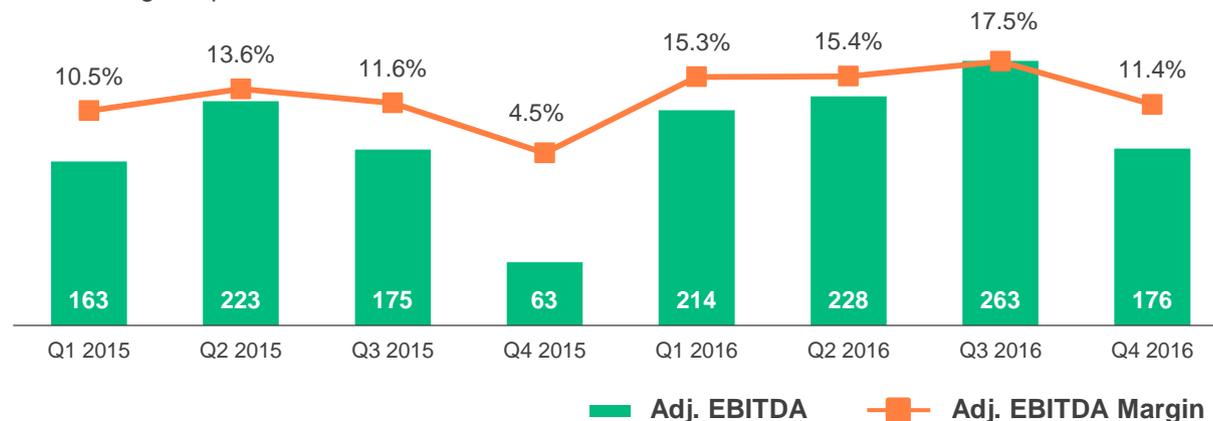
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Highlights FY 2016

- Strong core volume growth of 7.7% Y/Y, driven by all segments, notably MDI
- Global industry growth accelerated (preliminary estimates: MDI 7-8%; TDI 3-4%; polyols 5-6%), industry utilization significantly increased
- Share gains in MDI & TDI despite European force majeure but constrained growth in polyols
- Adj. EBITDA increased by 41% Y/Y with a margin of 14.9% vs. 10.2% in 2015
- Pricing delta improved during the year, with acceleration in Q4 2016
- Strong volume leverage, especially in the first nine months

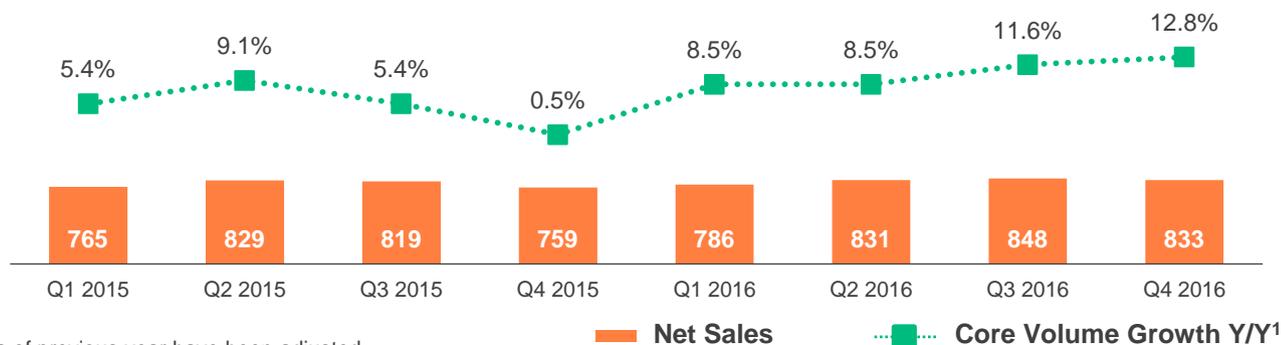
Q4 & FY 2016 – Results of PCS Segment

Polycarbonates – Steady high margin business



Net Sales and Core Volume Growth

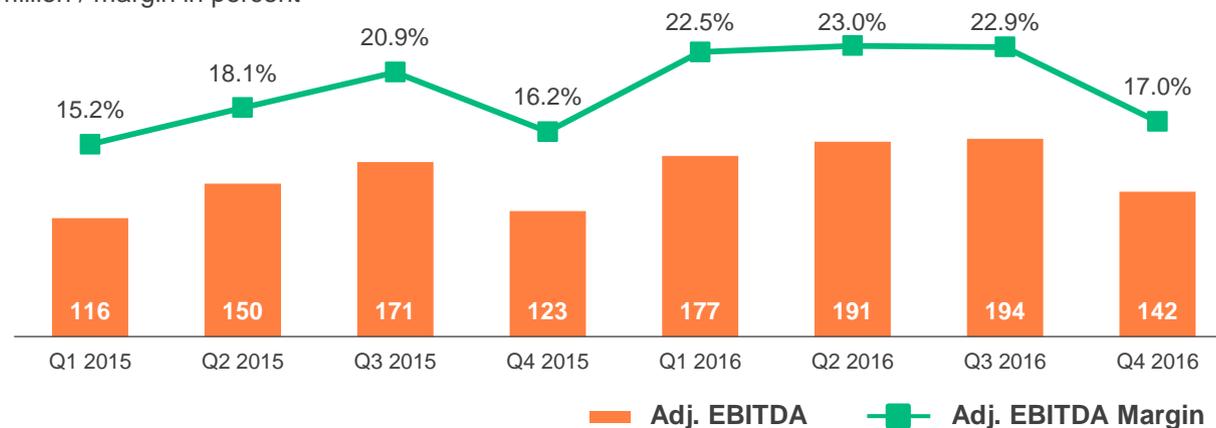
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Highlights FY 2016

- Core volumes increased double-digit by 10.3%
- Global industry growth accelerated (preliminary estimates 3-4%), industry utilization further improved
- Third consecutive year of significant share gains
- Capacity increase of 200kt to 1,480kt, #1 producer with a capacity share of 29%*
- Product mix improvements with gains in high-end markets vs. reduction in e.g. optical media
- Adj. EBITDA increased by 26% Y/Y with a margin of 21.3% vs. 17.7% in 2015
- Margin increase mainly driven by positive volume leverage despite start-up costs

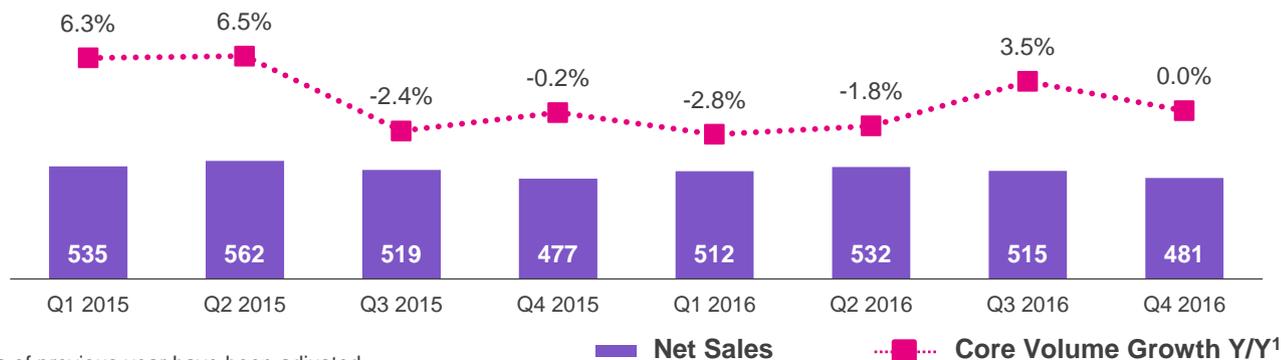
Q4 & FY 2016 – Results of CAS Segment

Coatings, Adhesives, Specialties – Solid results



Net Sales and Core Volume Growth

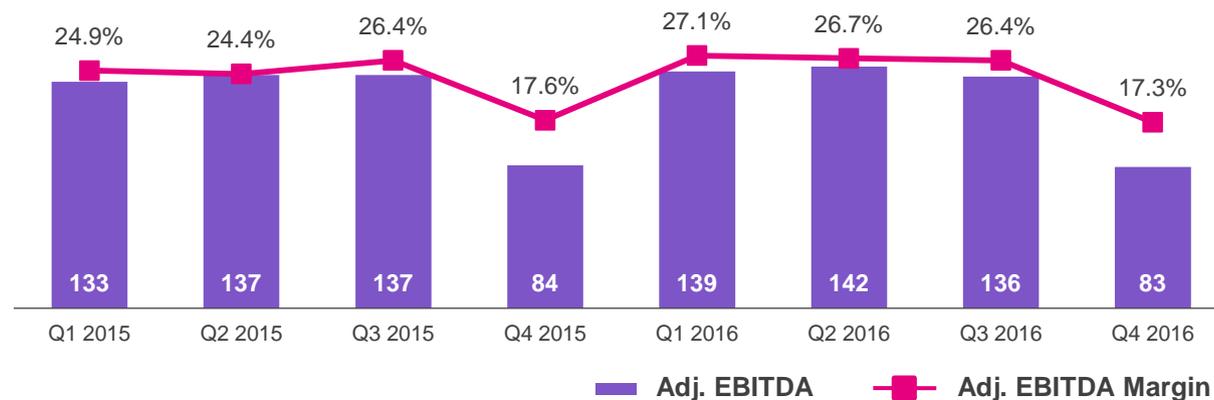
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Highlights FY 2016

- Slightly declined core volumes of -0.3% Y/Y due to phase out of a trading product; adj. core volume growth of 4.5% Y/Y
- Global industry growth below long-term trend of ~4% (based on preliminary estimates) mainly due to weak industrial coatings sectors (e.g. decline in protective coatings for oil & gas)
- Adj. EBITDA increased by 2% Y/Y with a slightly increased margin of 24.5% vs. 23.5% in 2015
- Positive product mix effects counterbalanced missing earnings from trading product

Income Statement FY 2016

Profit and loss statement



| Key P&L items | 2014 | 2015 | 2016 | 2016/2015 Y/Y | Share 2016 |
|------------------------------------|---------------|---------------|---------------|------------------|---------------|
| In € million | | | | | |
| Net Sales | 11,761 | 12,082 | 11,904 | -1.5% | 100% |
| Cost of goods sold | (9,609) | (9,438) | (8,611) | -8.8% | 72.3% |
| Gross profit | 2,152 | 2,644 | 3,293 | 24.5% | 27.7% |
| <i>% margin</i> | 18.3% | 21.9% | 27.7% | 5.8pp | - |
| Selling expenses | (1,097) | (1,257) | (1,323) | 5.3% | 11.1% |
| Research & development expenses | (212) | (257) | (259) | 0.8% | 2.2% |
| General & administrative expenses | (343) | (480) | (451) | -6.0% | 3.8% |
| Other operating income / (expense) | 17 | 30 | 71 | 137% | 0.6% |
| EBIT | 517 | 680 | 1,331 | 95.7% | 11.2% |
| <i>% margin</i> | 4.4% | 5.6% | 11.2% | 5.6pp | - |
| Affiliated companies | (15) | (9) | (20) | 122.2% | 0.2% |
| Interest expenses (net) | (74) | (85) | (48) | -43.5% | 0.4% |
| Others | (47) | (81) | (128) | 60.0% | 1.1% |
| EBT | 381 | 505 | 1,135 | 124.8% | 9.5% |
| Income taxes | (104) | (153) | (329) | 115.0% | 2.8% |
| Minorities | (5) | (9) | (11) | 22.2% | 0.1% |
| Net income | 272 | 343 | 795 | 131.8% | 6.7% |
| <i>% margin</i> | 2.3% | 2.8% | 6.7% | 3.9pp | - |
| Earnings per share (in €)* | 1.34 | 1.69 | 3.93 | 131.8% | - |

Highlights

No special items in 2016

- Y/Y comparison is difficult due to extraordinary costs booked in 2015 (e.g. €197m in cost of goods sold and €131m in G&A expenses)
- Covestro will focus in the future on reported EBITDA and EBIT

Adj. SG&A increase driven by STI

- Significantly higher bonus provisions due to strong operational performance

Other operating income & other financials

- Benefited from insurance payment of €30m & burdened by financial hedging losses of €30m

EPS increased by 132% Y/Y

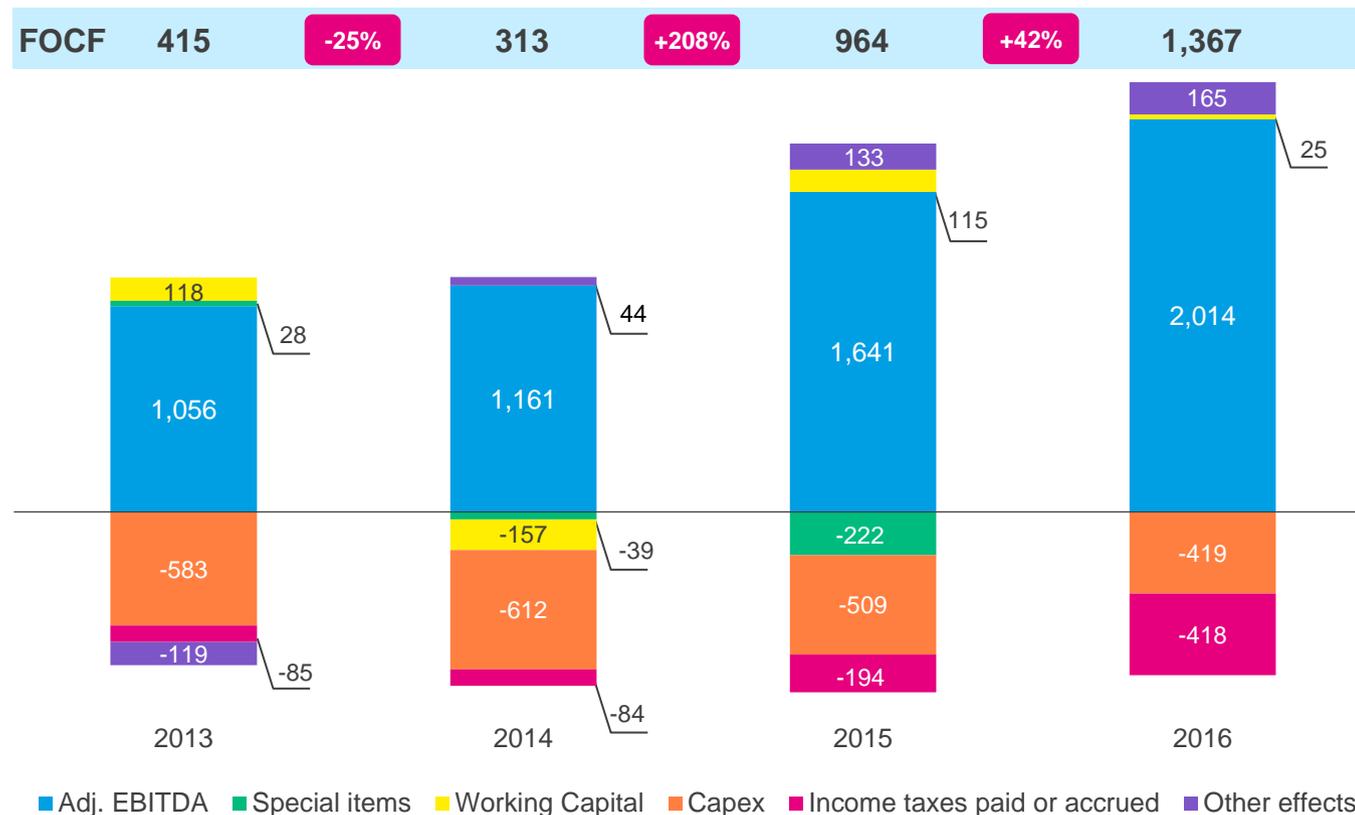
High EBITDA to FOCF conversion rate

Record FOCF



Free operating cash flow development 2013-2016

in € million



Highlights

- The FOCF to EBITDA conversion rate increased to 68% compared to 59% in 2015 due to the absence of cash-out for special items
- Working capital to sales ratio almost unchanged at 15.6% vs. 15.4% in 2015, in the targeted range of 15-17%
- Capex of €419m significantly down Y/Y partly due to delayed invoicing; Capex below D&A of €683m; D&A/sales above long-term average given the young asset base and the conservative life time applied
- High cash-tax rate of 37% vs. effective tax rate of 29% due to prepayments

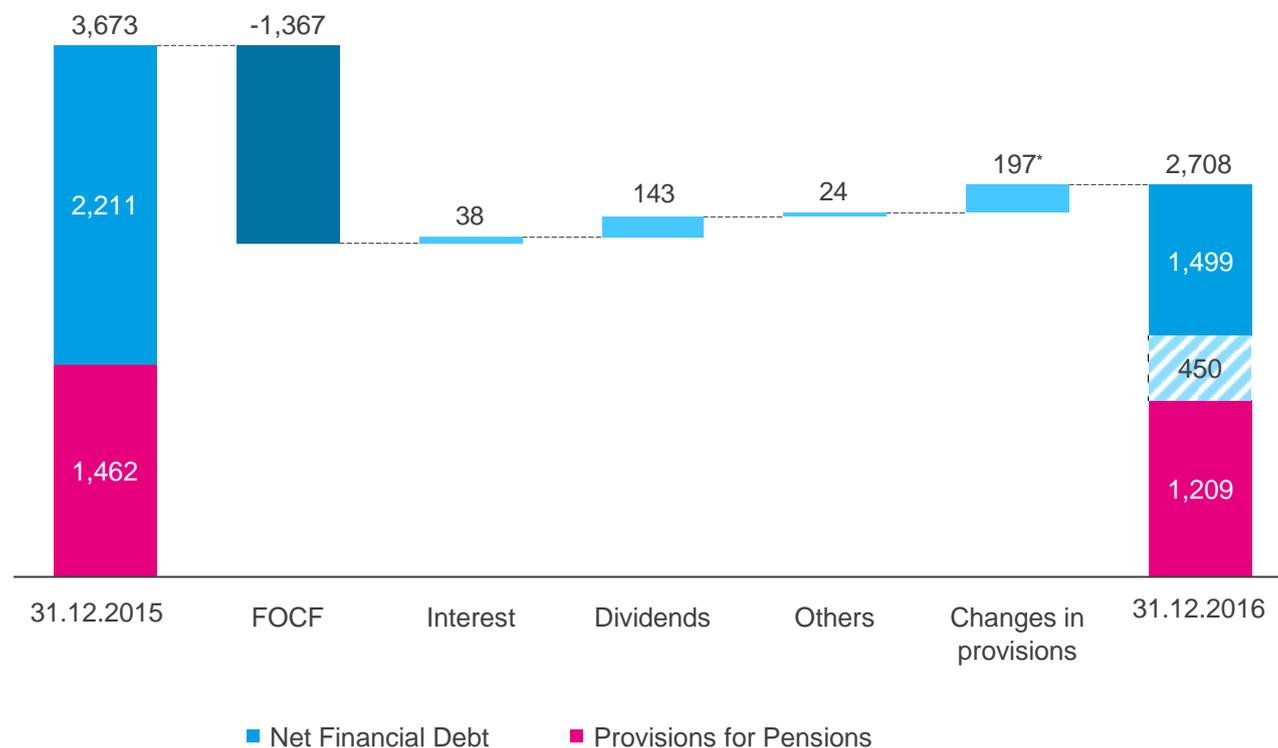
2016 – Total Net Debt

Total net debt reduced by almost €1bn



Total net debt – end of 2016

in € million



Highlights

Net debt target achieved

- Total net debt (net financial debt plus pension provision) to EBITDA ratio of 1.3x end of 2016 vs. 2.2x end of 2015
- Target of 1.5x achieved earlier than previously assumed
- Pension provisions increased before CTA funding by €197m due to lower interest rate of 2.30% vs. 2.85% in 2015
- CTA funding reduced pension provisions by €450m in Q4 2016

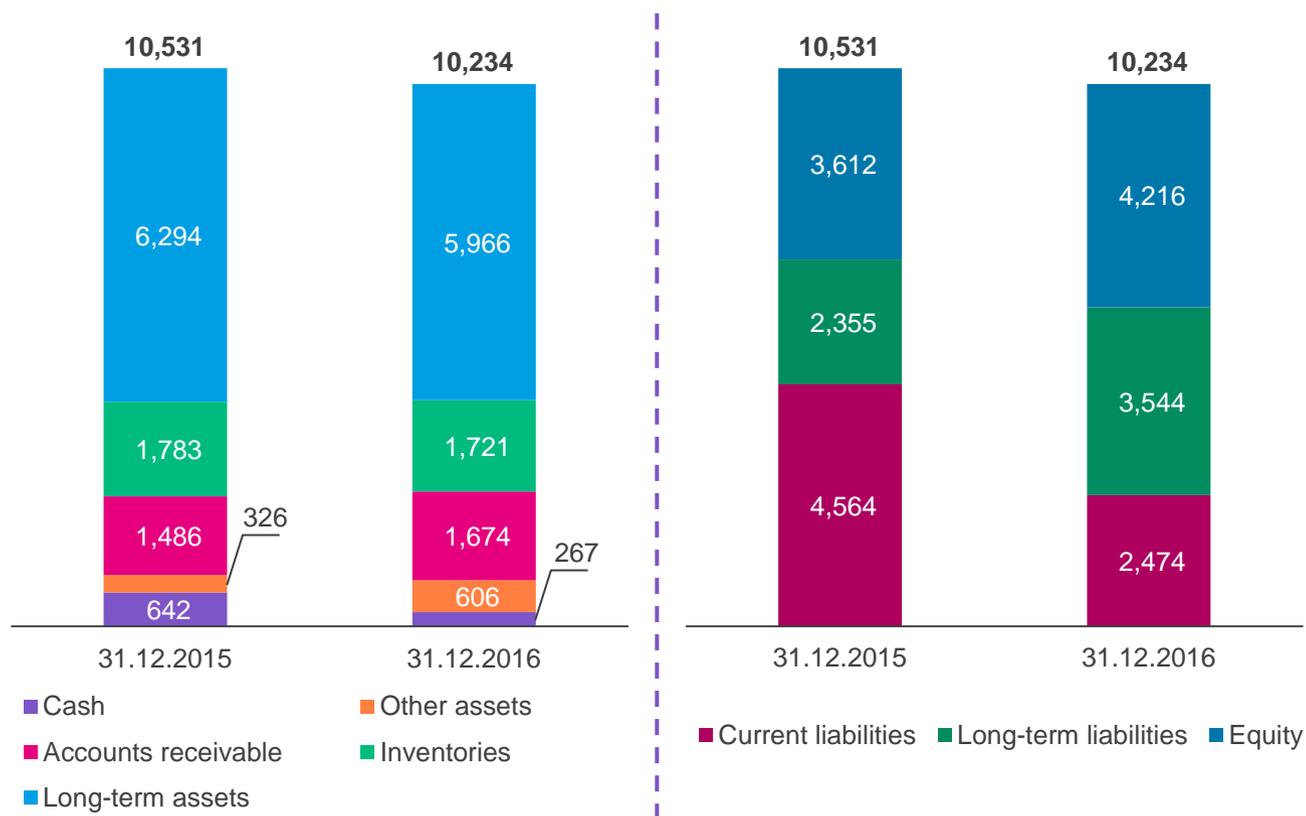
Balance sheet FY 2016

Strong balance sheet and solid equity ratio



Statement of financial position

in € million



Highlights

- Working capital stable Y/Y at €1,859m with WC/Sales ratio of 15.6% vs. 15.4% in 2015
- Total financial liabilities reduced to €1.9bn vs. €2.9bn in 2015
- Long-term debt maturity established with the issuance of three bonds (each €500m maturing 2018, 2021 and 2024)
- Solid equity ratio, increased to 41% vs. 34% in 2015

Guidance 2017

Continue to deliver



| | FY 2016 | Guidance FY 2017* |
|-----------------------------------|-----------|---|
| Core Volume Growth | +7.5% | Low- to mid- single-digit percentage increase Y/Y |
| FOCF | €1,367m | Slightly above the average of the last three years |
| ROCE | 14.2% | Slightly above the 2016 level |
| Additional financial expectations | FY 2016 | Guidance FY 2017 |
| EBITDA 2017 FY | €2,014m | At or above the 2016 level |
| EBITDA 2017 Q1 | Q1: €508m | Significantly above Q1 2016 |
| D&A | €683m | ~€650-700m |
| Special items in EBITDA | €0m | €0m |
| Financial results | €-196m | €-170 to -190m |
| Tax rate | 29.0% | ≤30% |
| Capex | €419m | ~€550m |

Basic Assumptions:

- Exchange rate of USD/EUR ~1.10
- Macroeconomic environment similar as in 2016



2016 – Summary

Covestro fully on track

Strong volume growth in a focused portfolio

despite a challenging market environment

Solid earnings and cash flow generation

supported by an improving supply/demand balance and a focus on profitability

Robust financial profile

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

Long-term progressive dividend policy

with a dividend of €1.35 per share proposed for 2016 as a starting point

Solid financial outlook

despite continued limited visibility



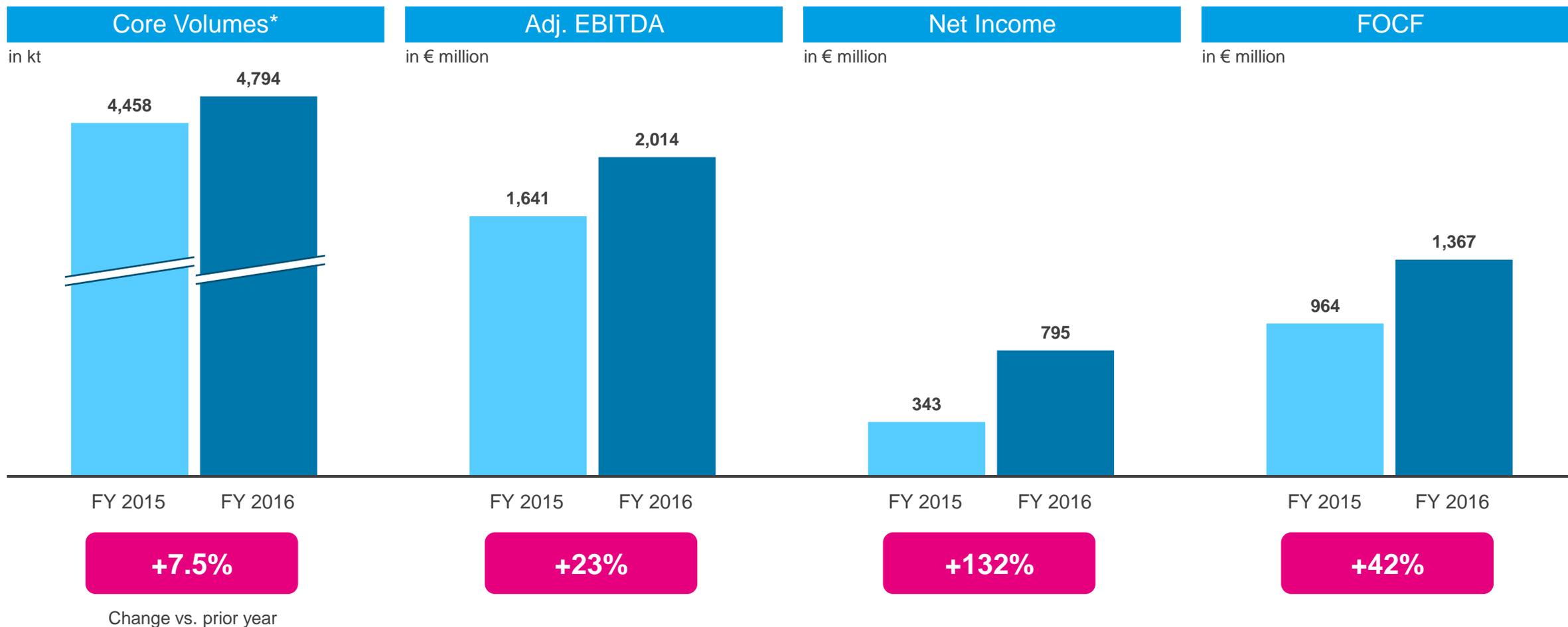
Appendix

Financial Highlights Q4 & FY 2016

FY 2016 Sales & Earnings

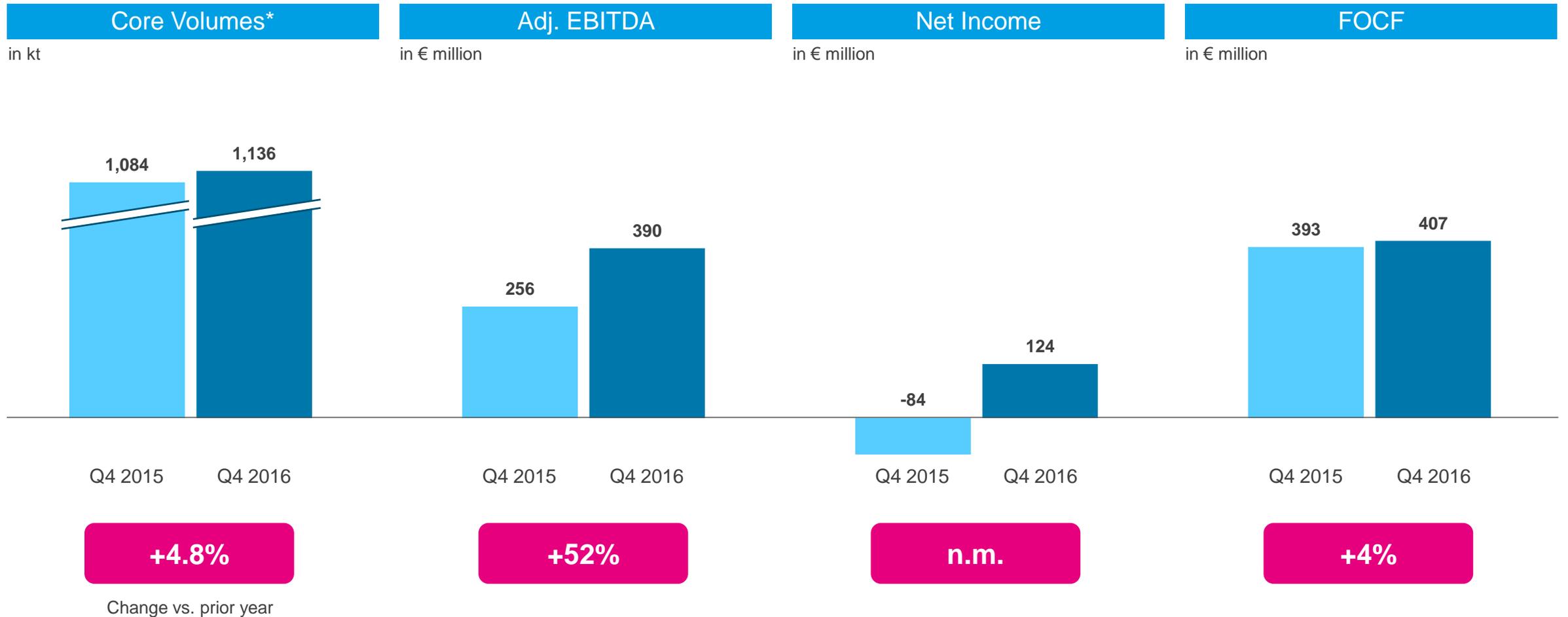


Strong volume growth with significant earnings and FOCF leverage



Q4 2016 Sales & Earnings

Solid volume growth and FOCF generation despite force majeure



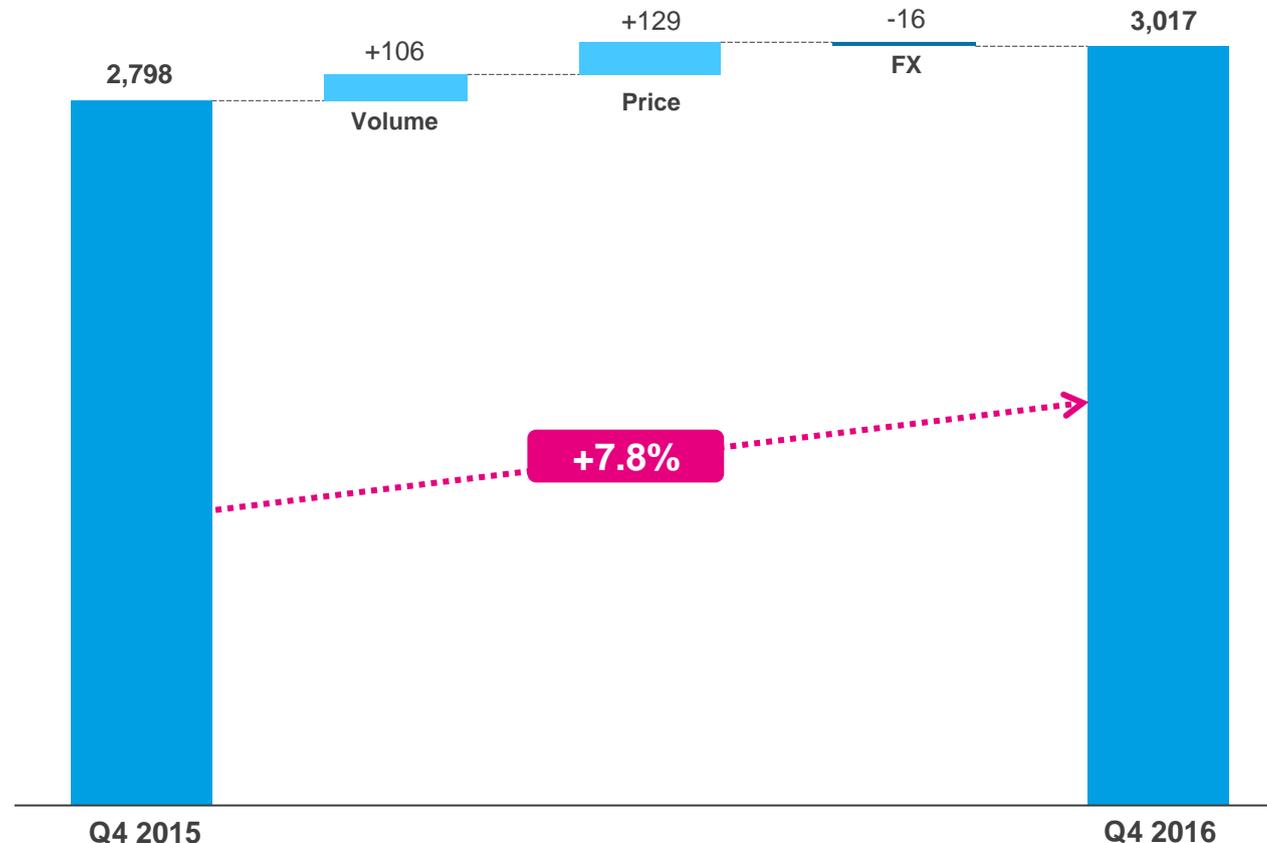
Q4 2016 – Sales Bridge

Dynamic volume & back to inflation



Sales Bridge

in € million



Highlights

Dynamic volume development

- Core volume growth (in kt) of 4.8% Y/Y
- Sales volumes (in €) expansion of 3.8% Y/Y
- Core volume growth above sales volume expansion due to declining non-core volumes and product mix effects

Price increase driven by tighter industry conditions

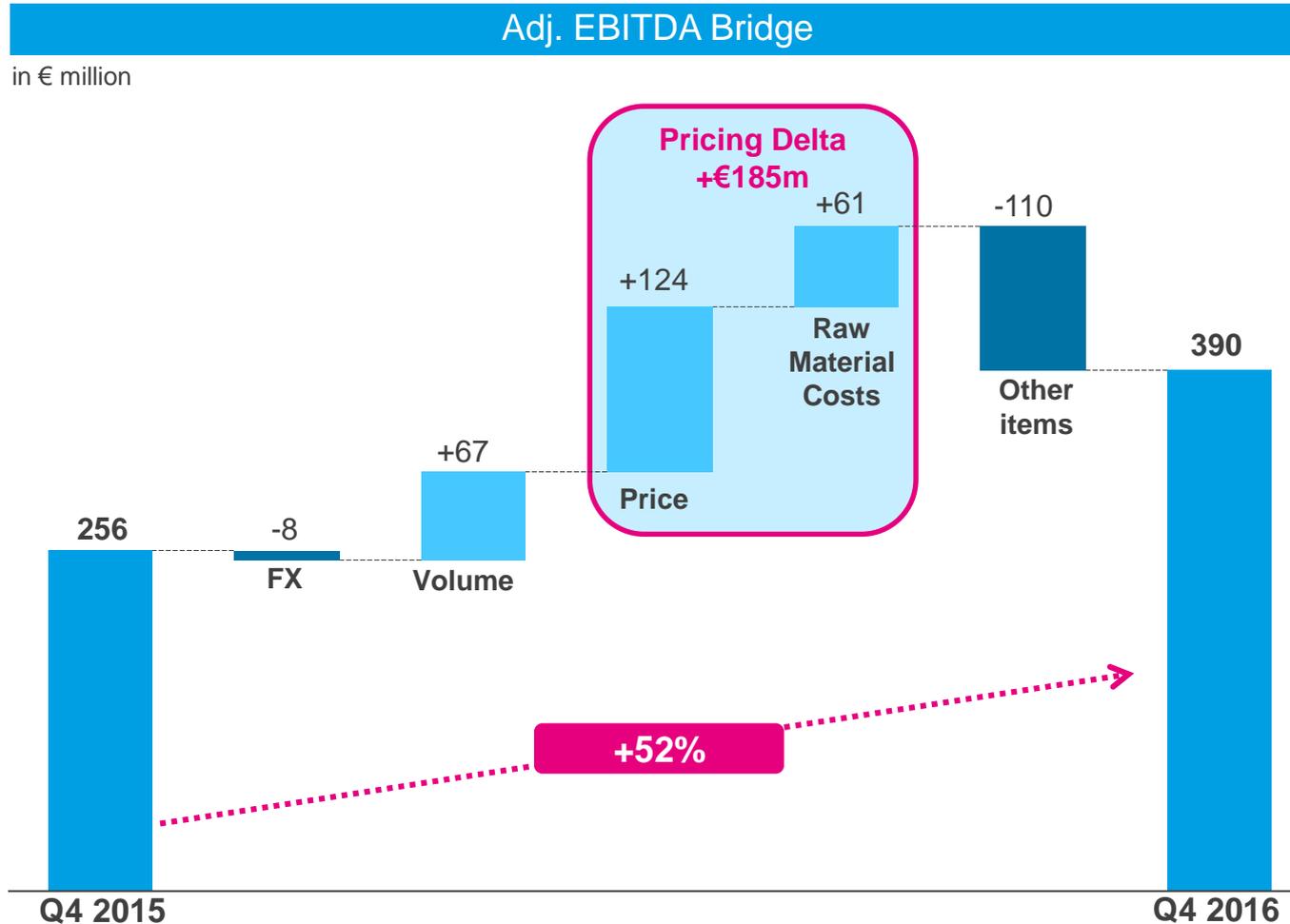
- Higher selling prices positively impacted sales by 4.6% Y/Y

Negative FX effects

- FX effects burdened sales by 0.6% Y/Y mainly due to weaker MXN

Q4 2016 – Adj. EBITDA Bridge

Limited volume leverage, but strong pricing delta



Highlights

Positive volume leverage

- Mainly driven by PCS & CAS
- PUR negatively impacted by force majeure

Improving cash margin

- Positive pricing delta mainly driven by MDI & TDI

Limited FX effects

- Mainly translational impact

Other items higher than usual

- Partly force majeure related costs

Upcoming IR Events

Find more information on investor.covestro.com



Reporting dates

- April 25, 2017 Q1 2017 Interim Report
- July 25, 2017 Q2 2017 Interim Report
- October 24, 2017 Q3 2017 Interim Report

Annual General Meeting

- May 3, 2017 Annual Stockholders' Meeting, Bonn

Broker conferences

- March 8, 2017 Citi's West Coast Symposium, San Francisco
- March 28, 2017 Barclays Materials ROC Stars Conference, New York
- March 30, 2017 Mainfirst Corporate Conference, Copenhagen
- March 30-31, 2017 Raymond James Chemical Industry Leaders Conference, London

Capital Markets Day

- June 29, 2017 Covestro Capital Markets Day, London