



Strong free cash flow

Roadshow Presentation



Forward-looking statements

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

Covestro key investment highlights

Global leader in high-tech material solutions



- 1 Leading and defensible global industry positions**
based on focused portfolio
- 2 Favorable industry dynamics**
with robust above GDP growth prospects in a diverse range of end-markets
- 3 Positioned to deliver volume growth**
through well-invested, large-scale asset base with competitive cost position
- 4 Portfolio including high-value CAS business**
with attractive and historically resilient margin profile
- 5 Attractive cash flow growth outlook**
underpinned by disciplined cost management

Headed by experienced management with full commitment to value creation

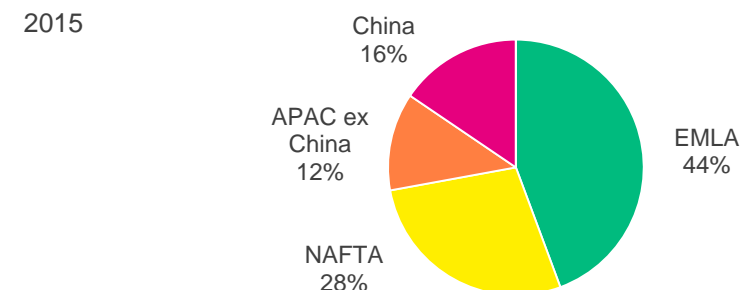
Covestro at a glance



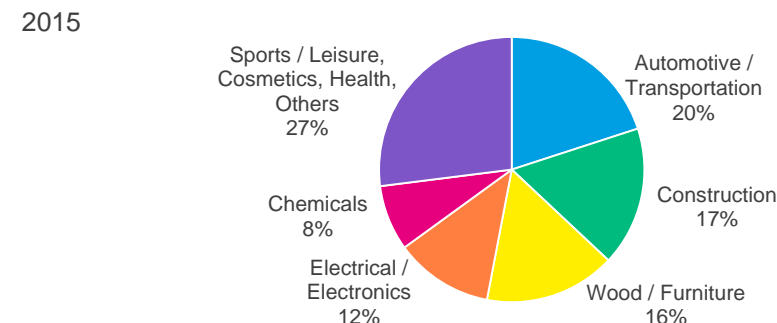
Inventor and leader in high-tech material solutions driven by global trends

- Leading global polymer producer in polyurethanes and its derivatives as well as polycarbonates
- Proven track record of process and product innovation, customer proximity as well as market-driven solutions
- State-of-the-art asset base with leading process technology and total production capacity of 4,800kt^(a) distributed across 8 world-scale production facilities in three main regions
- Backward-integration into chlorine, propylene oxide and other feedstock, aimed at sourcing critical raw materials internally with no or limited merchant market sales
- Headquartered in Leverkusen, Germany, with 15,750 employees^(c) globally

Sales split by geography(b)



Sales split by end-market



**Covestro
key financials**

**Sales
2015 €12.1bn**


**Adj. EBITDA
2015 €1.6bn**

**Adj. EBITDA margin
2015 13.6%**

Covestro business units

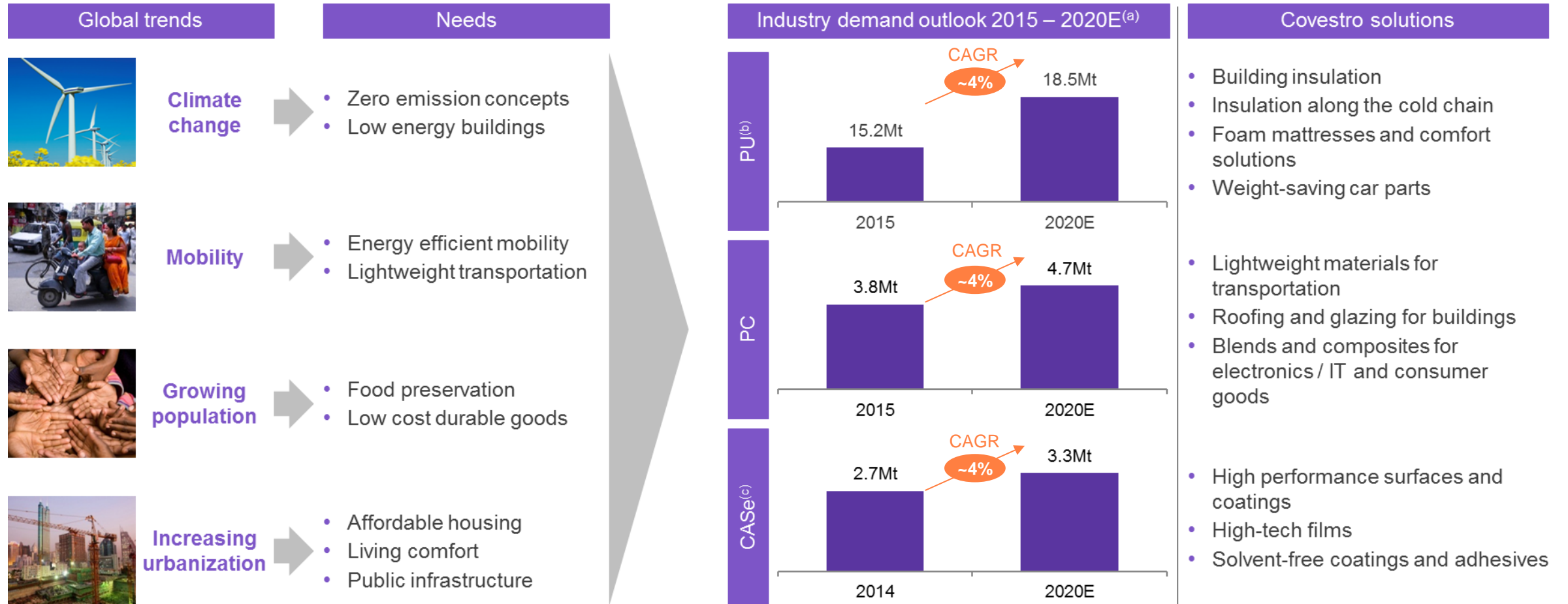


Three industry-leading, structurally attractive business units

Business Units	Polyurethanes (PUR)	Polycarbonates (PCS)	Coatings, Adhesives, Specialties (CAS)
Global Position^(a)	Global #1 (3,470kt) <ul style="list-style-type: none"> MDI: #2 (1,420kt) TDI: #2 (720kt) Polyether polyols: #2 (1,330kt) 	Joint Global #1 (1,280kt) <ul style="list-style-type: none"> EMEA: #2 (540kt) NAFTA: #2 (230kt) APAC: #2 (510kt) 	Global #1: <ul style="list-style-type: none"> Aliphatic isocyanate derivatives Aromatic isocyanate derivatives Polyurethane dispersions
Sales 2015	€6.1bn or 50% of Covestro	€3.2bn or 26% of Covestro	€2.1bn or 17% of Covestro
Adj. EBITDA Margin 2015	10.2%	17.7%	23.5%
Key Applications	<p>Rigid foam:</p> <ul style="list-style-type: none"> Building insulation Cold chain Automotive parts <p>Flexible foam:</p> <ul style="list-style-type: none"> Furniture Bedding/mattresses  	<ul style="list-style-type: none"> Automotive parts IT and electrical equipment, electronics Construction (windows, roof structure) Consumer products, medical and other applications  	<ul style="list-style-type: none"> Surface coatings Adhesives and sealants Elastomers Specialty films  

Exposure to fundamental macro trends

Above GDP industry growth supported by global trends



Notes: (a) Assumes global GDP CAGR 2015 – 2020E of ~3%

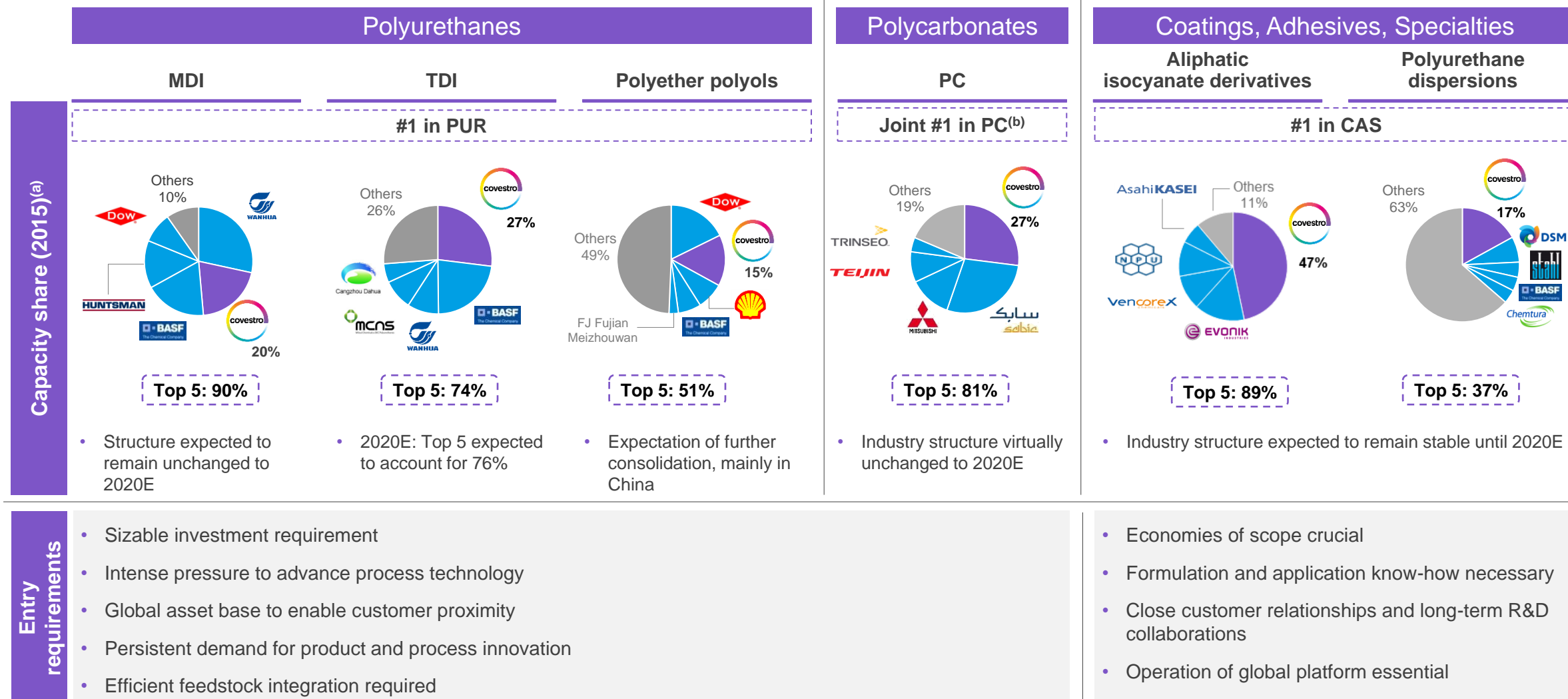
(b) Comprises MDI, TDI and polyether polyols

(c) Shows PU raw materials industry demand in coatings, adhesives and sealants

Source: Company information. CAsE market: Orr & Boss 2014 & Covestro internal estimates with annual growth of 4% for 2015

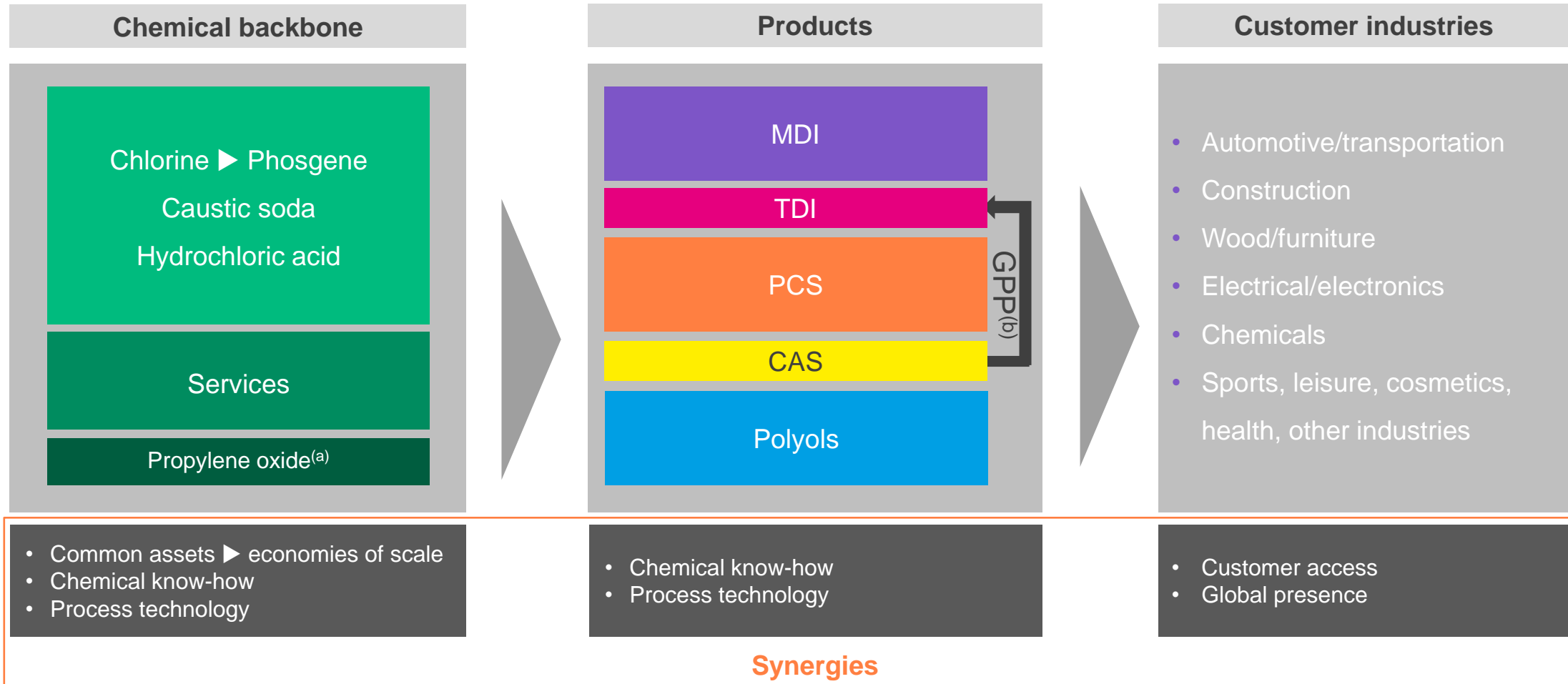
Global industry positions

Covestro is a leader across its entire portfolio



A common chemical backbone across all segments

Significant synergies in scale, process technology and chemical know-how



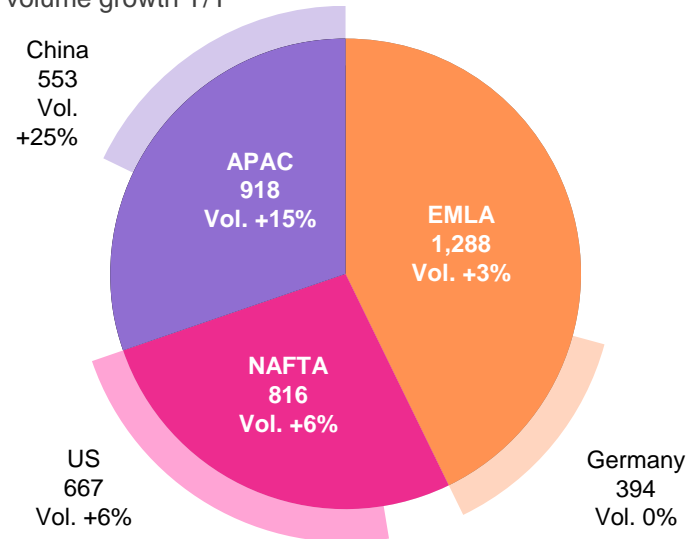
Q3 2016 and 9M 2016 – Sales per Region



Strong rebound in China

Growth significantly above GDP in Q3 2016

in € million / Core volume growth Y/Y

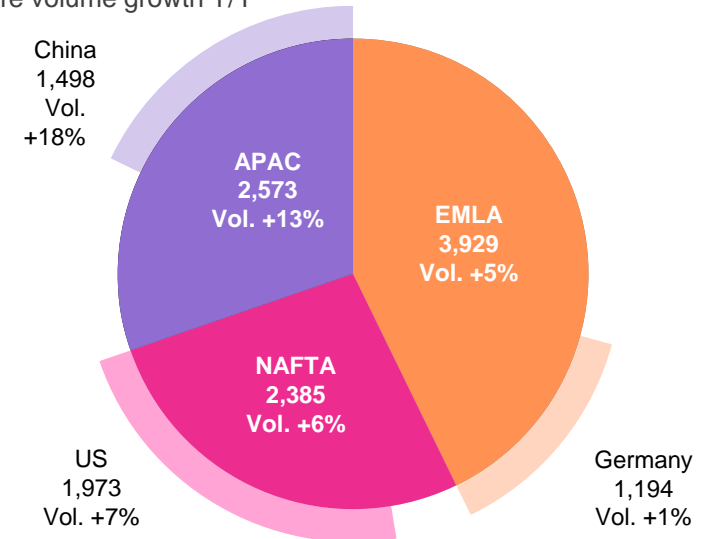


Q3 2016 Highlights

- Strong core volume growth of 9.1% Y/Y
- APAC and China supported by low basis
- Germany with slower sequential growth
- US and NAFTA with accelerated sequential growth

Strong growth in 9M 2016

in € million / Core volume growth Y/Y



9M 2016 Highlights

- Strong core volume growth of 8.4% 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

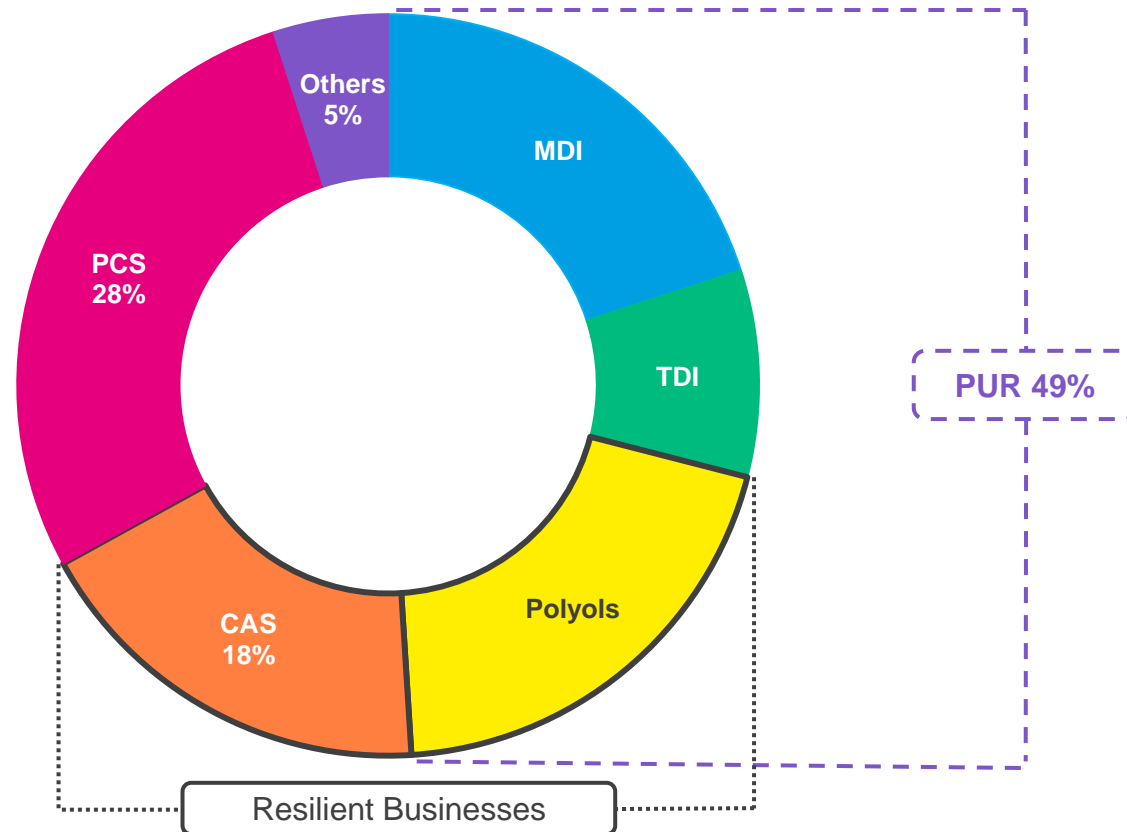
9M 2016 – Cyclical business on structural upward trend



Significant proportion of sales generated with resilient businesses

Sales by Segments

% of group sales



Highlights

MDI/TDI – Oversupply gradually absorbed

- Mid-term demand growth of ~4% above supply additions ~2-3%¹
- Volatile margins² with structural improvements over the next years

PCS – Improving mix

- Relatively stable industry margin² due to balanced supply-demand development¹
- Covestro benefits from strong growth in higher value-added applications

Resilient businesses – Steady high FOCF

- CAS & Polyols: structurally low volatility

¹ Assumes global real GDP CAGR of 2-3% (2015-20)
² Margin = Selling price minus raw material costs per ton

Source: internal estimates

CAS at a glance



Focus on stable high margins in CAS business with defensible competitive advantages

Global leading supplier of high performance materials to the Coatings / Adhesives / Specialties industries



6+
Monomers

2,300+
Products

4,300+
Customers^(b)



#1
Producer of aliphatic isocyanates^(a)

€2.1bn
Sales 2015

23.5%
Adj. EBITDA margin 2015

CAS products have all the characteristics of niche coating / ingredients chemicals

- High value-add materials
- Priced on the basis of performance, high level of margin resilience
- Competition with other players based on performance, distinct entry requirements
- Small proportion of cost to end-customer
- Low volumes and large number of niche-customized products sold
- Products tailored to customer needs lead to significant switching efforts
- Product innovation and R&D critical to success

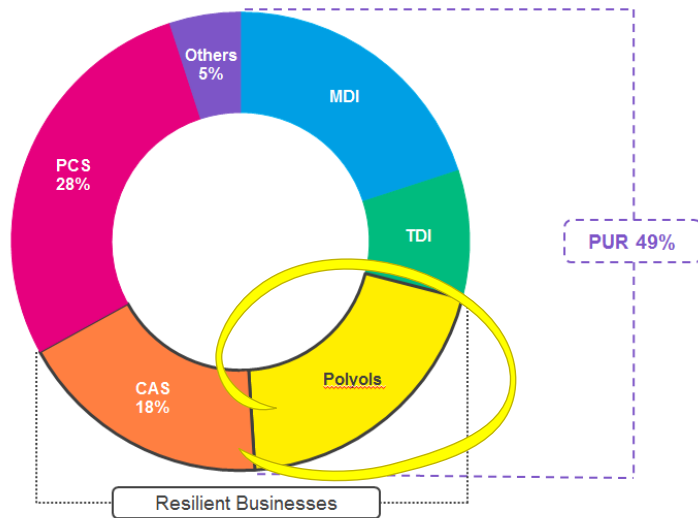


Polyols industry spreads

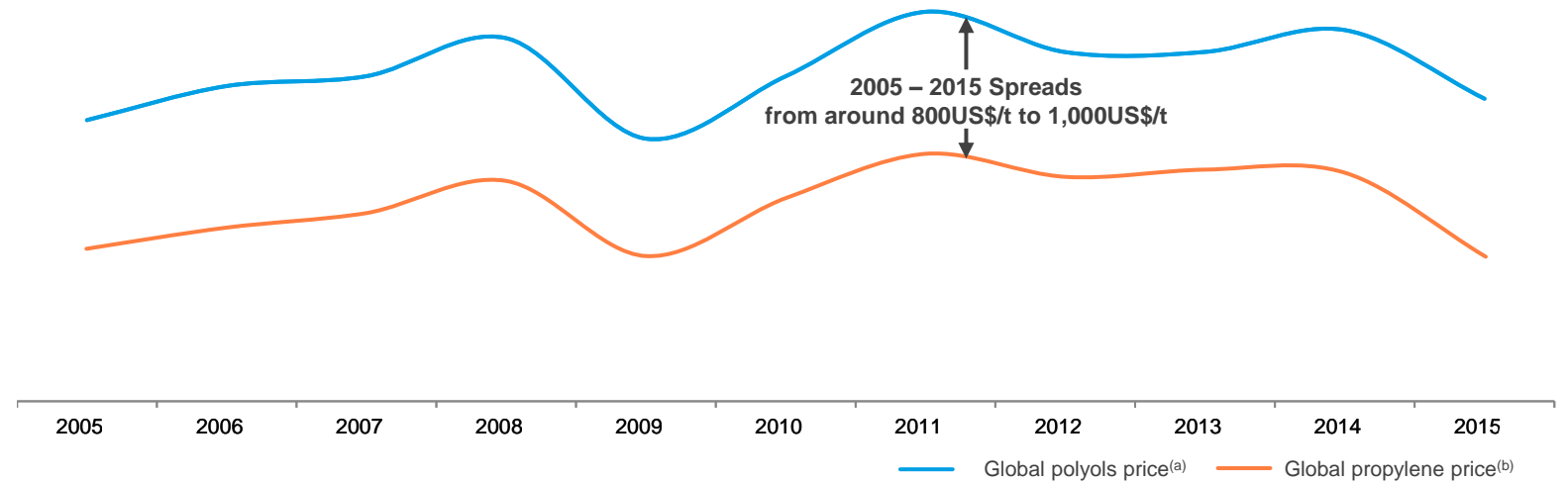
Polyether polyols demonstrate inherently stable margins



Resilience of polyether polyols business also confirmed in 2015



Global average price (US\$/t)



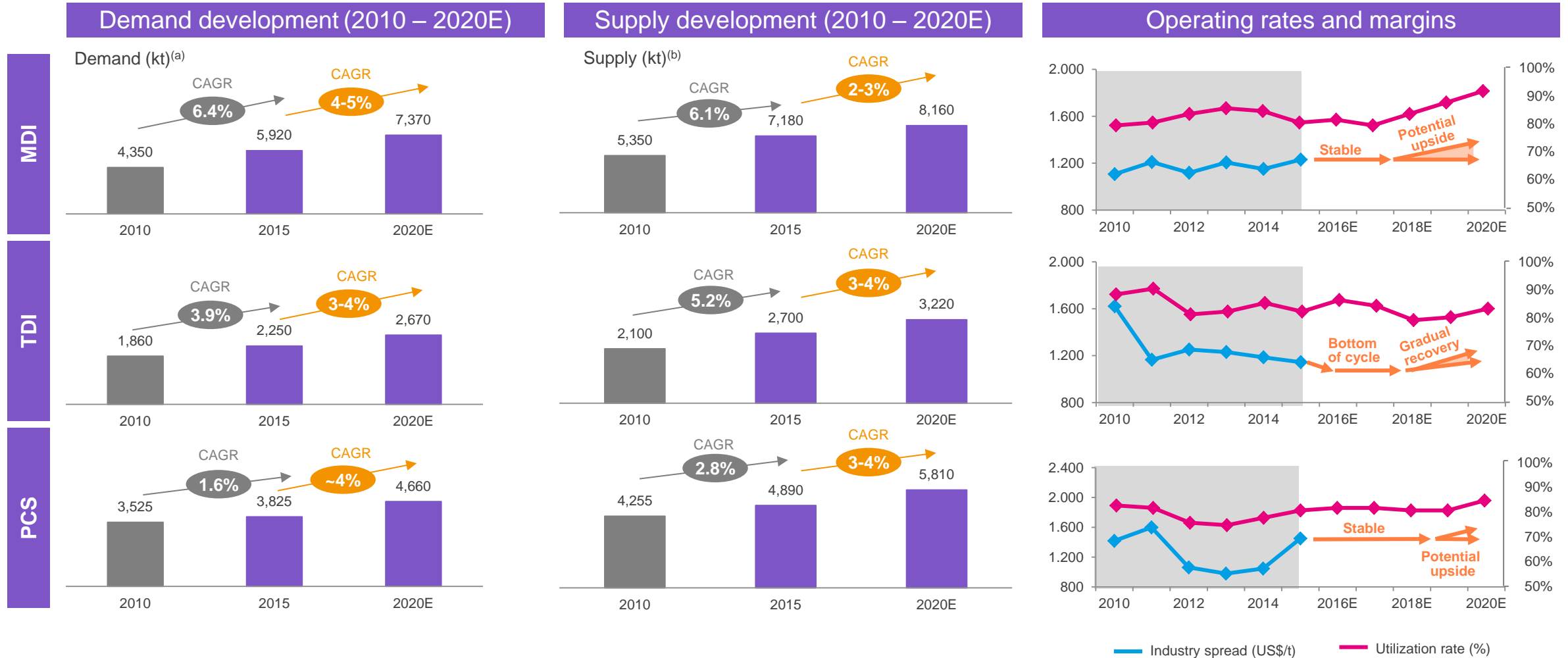
- Non-integrated polyether polyols producers with limited competitiveness
- Single capacity addition with little influence on supply/demand dynamics
- Specific entry requirements for new players, e.g. CapEx and technology

- Resilient industry margins over the last decade reflective of overall Covestro polyether polyols profitability
- Spreads not materially impacted by high volatility of propylene prices, particularly during the financial crisis
- Propylene oxide supply/demand dynamics create local pricing opportunities in the short-term

Industry historical development and outlook



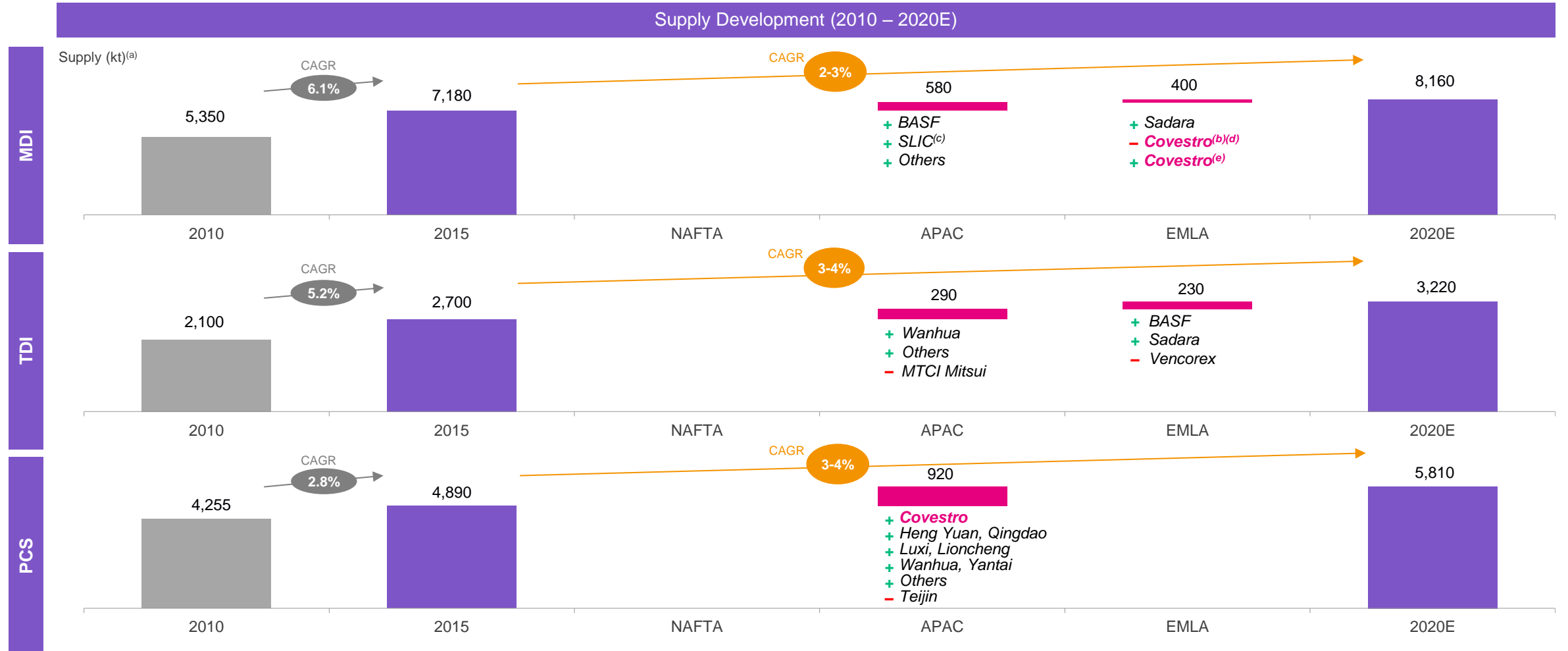
Above GDP growth driving industry capacity utilization and supporting higher margins



Notes: (a) Assumes global GDP CAGR 2015–2020E of ~2.6%
 (b) Based on historical and announced future nameplate capacities
 Source: Nexant and Covestro internal estimates

Industry supply development

Favorable industry supply outlook



Notes: (a) Based on historical and announced future nameplate capacity additions

(c) Refers to Shanghai Lianheng Isocyanate JV (BASF 35%, Huntsman 35%, Shanghai Chlor-Alkali 15%, Shanghai Hua Yi 8% and Sinopec 7%)

Source: Nexant and Covestro internal estimates

(b) Closure of 55kt p.a. Belford Roxo, Brazil

(d) Announced closure of 170kt p.a., Tarragona, Spain

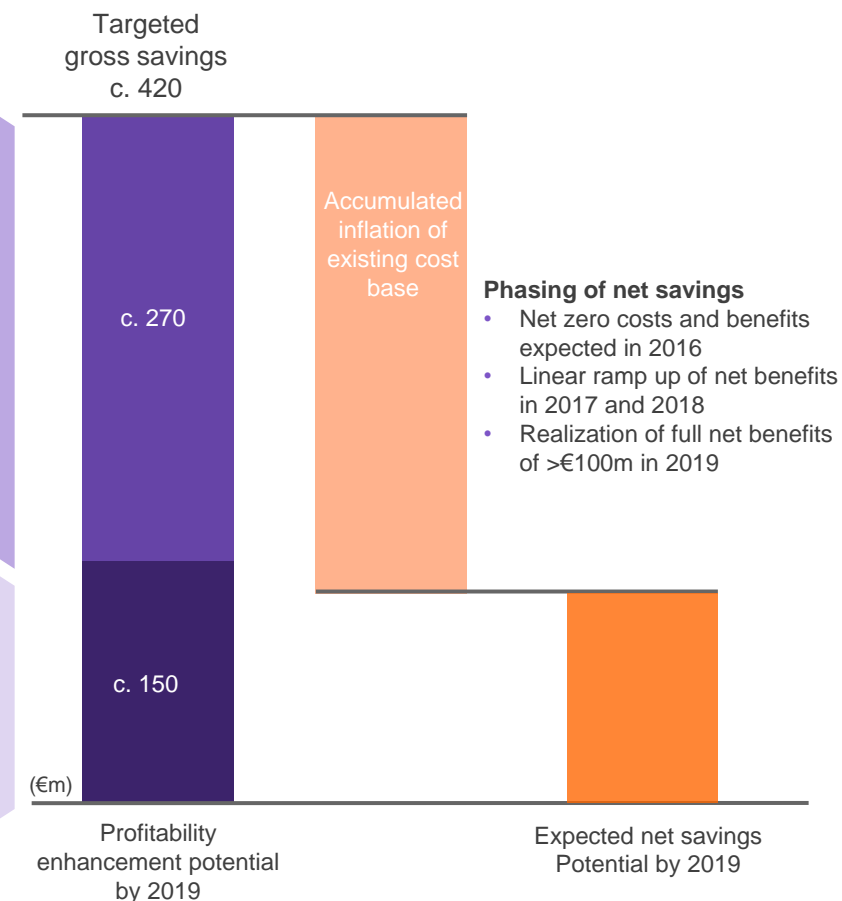
(e) Announced expansion of 200kt p.a., Brunsbüttel, Germany

Structured profitability enhancement program on track



Net saving expected to start ramping up in 2017

Key Measures		Status	
Asset optimization plan	Fixed asset management cost improvements	<ul style="list-style-type: none"> Rolling out fixed asset management cost initiatives More efficient turnaround execution Further operational optimizations 	ongoing
	Asset restructuring / efficiency projects	<ul style="list-style-type: none"> Closure of Belford Roxo TDI EMEA restructuring Site consolidation: closure of South Korea PC sheet production MDI EMEA restructuring: closure of TAR 	executed executed executed underway
	Continuous improvement	<ul style="list-style-type: none"> In manufacturing area 	ongoing
Cost improvement measures	Corporate overhead cost savings	<ul style="list-style-type: none"> Streamlining IT infrastructure and business model More tailor-made service function designs to replace current TSA^(a) with Bayer 	ongoing
	BU-level specific savings	<ul style="list-style-type: none"> Streamline sales force and back-office Focus on core areas and customers Consolidation within regional functions, product management and sales Maximize use of existing trade and distribution channels 	ongoing
	Continuous improvement	<ul style="list-style-type: none"> In non-manufacturing area 	ongoing



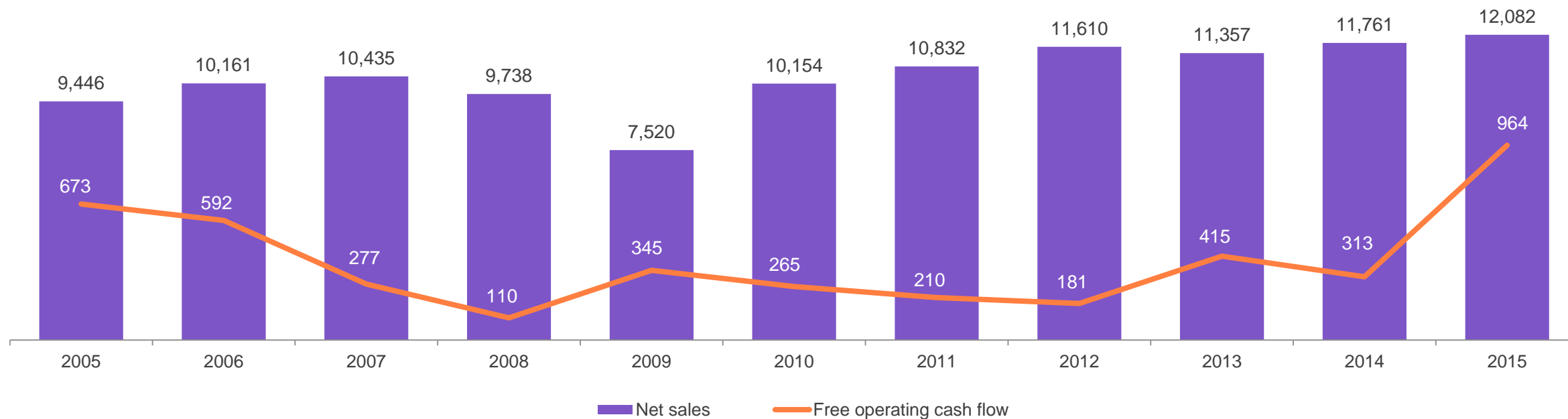
Record free operating cash flow in 2015

Track record of positive FOCF across the cycle



Covestro net sales vs. FOCF (2005 –2015)

(€m)



- Accumulated more than €4bn in free operating cash flow since 2005
- Free operating cash flow positive every year including 2008–2009 cycle trough
- Attractive outlook for cash flow driven by volume growth, higher asset utilization, focus on cost discipline and limited need for further growth CapEx

Use of cash reflects strong cash generation



Internal



- CapEx (budget) below D&A in 2015-2019E
- Goal to further reduce net debt
- Long-term preparation of next growth investments underway

Dividend policy



- Clear commitment to sustainable dividend growth – or at least stable dividend in difficult economic environment
- For stub year 2015, dividend of €0.70 paid
- Efficient capital structure and strong free cash flow allowing for sustainable dividend policy
- Attractive dividend policy with focus on increasing or at least stable dividends

Portfolio



- Disciplined & focused approach
- Bolt-on acquisition to boost R&D and business development
- Focus on high margin, differentiated business areas and continuous portfolio optimization



Covestro strategy

Leverage industry leadership to capture growth in our industries and improve our asset and cost base

- 1 Capture market growth**
over the next years with existing world-scale assets
- 2 Optimize asset footprint**
through site consolidation, restructuring and efficiency projects
- 3 Improve cost position**
by 2019, align overall costs with best-in-class chemical industry benchmarks
- 4 Protect and build profitable competitive positions**
through focused R&D
- 5 Embed sustainability**
in every element of the strategy

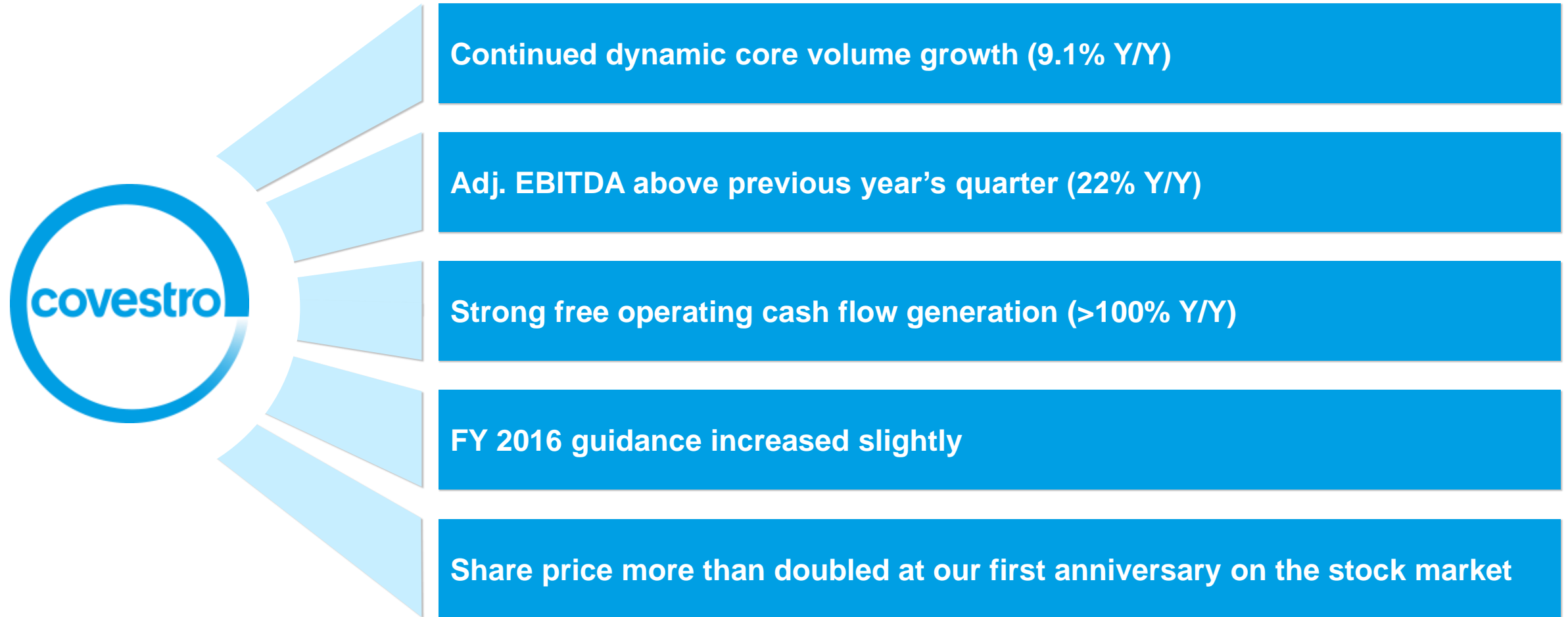


Financial Highlights

Q3 2016

Q3 2016 Key Highlights

Strong free cash flow



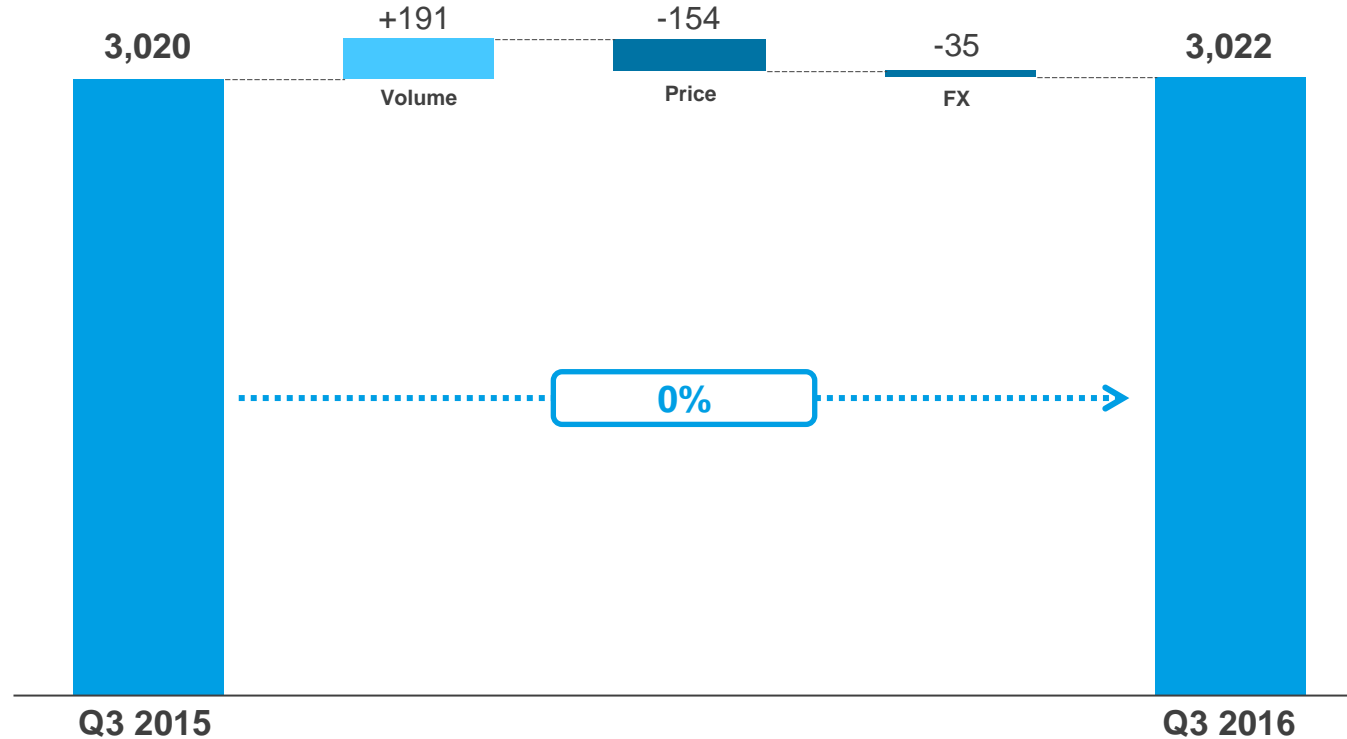
Q3 2016 – Sales Bridge

Dynamic volume growth



Sales Bridge

in € million



Highlights

Dynamic volume development

- Core volume growth (in kt) of 9.1% Y/Y
- Sales volumes (in €) expansion of 6.3% 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

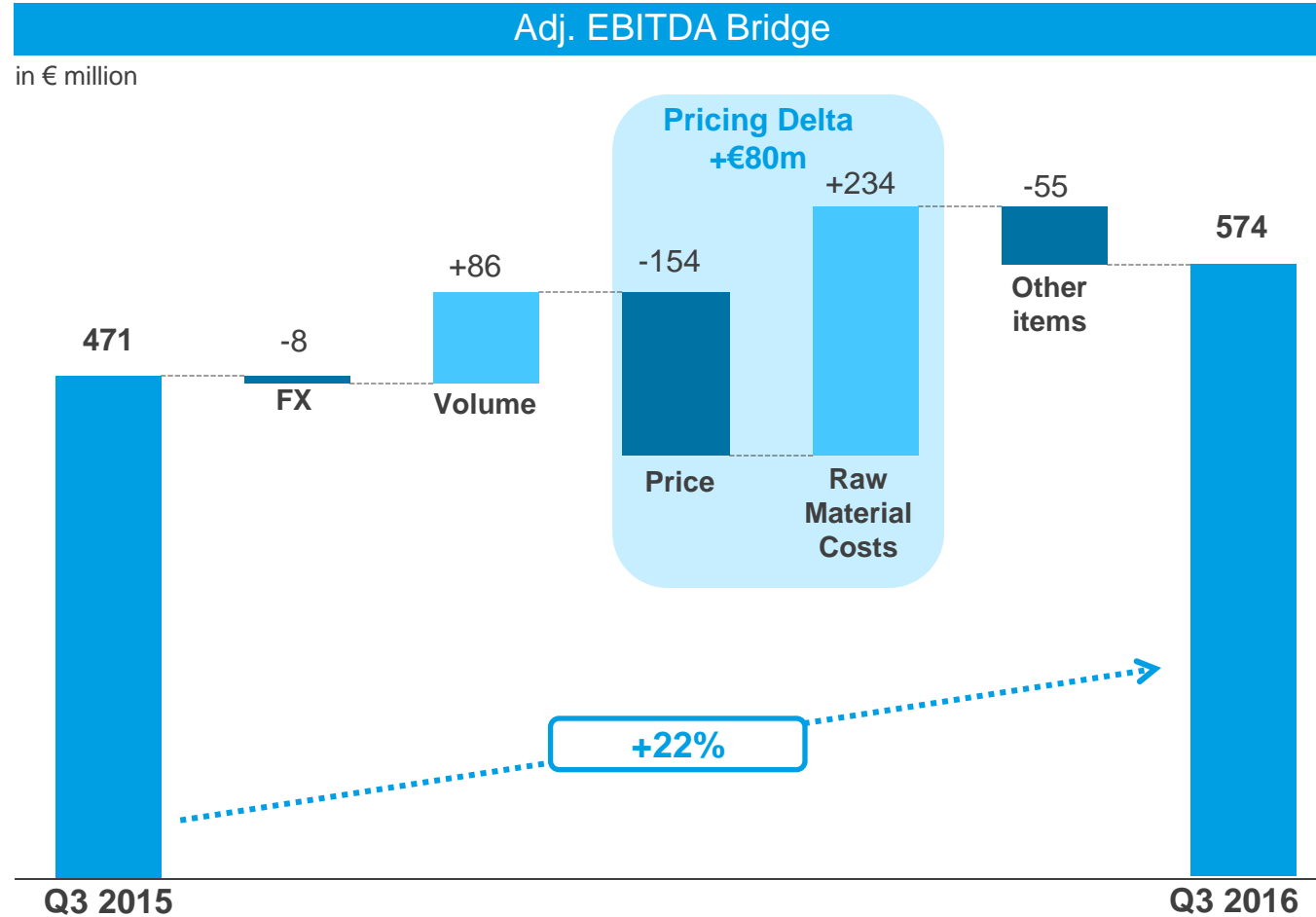
- Lower selling prices negatively impacted sales by 5.1% Y/Y

Negative FX effects

- FX effects burdened sales by 1.1% Y/Y mainly due to weaker CNY, MXN and USD

Q3 2016 – Adj. EBITDA Bridge

Positive volume leverage and pricing delta



Highlights

Positive volume leverage

- Mainly driven by MDI and PCS

Improving cash margin

- Positive pricing delta predominantly driven by TDI

Limited FX effects

- Mainly translational impact

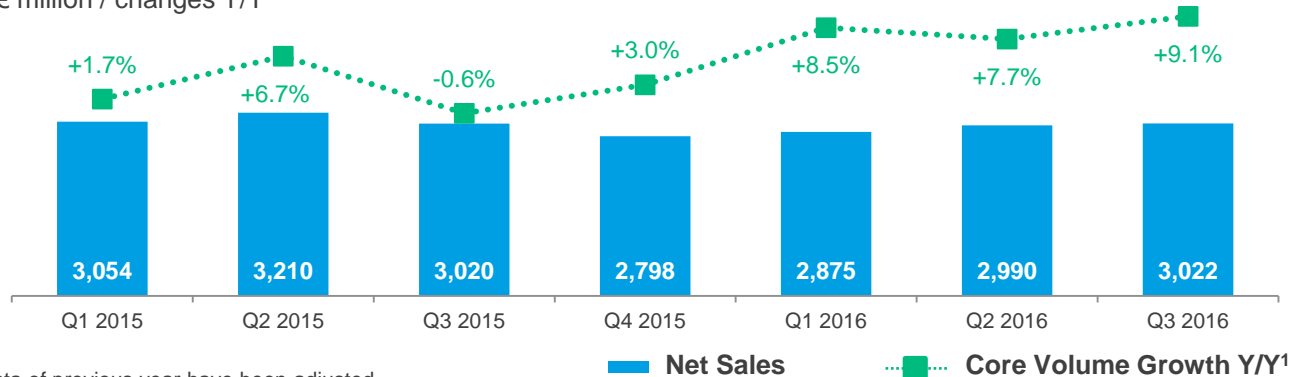
Q3 2016 – Group Results

Continued margin expansion



Net Sales and Core Volume Growth

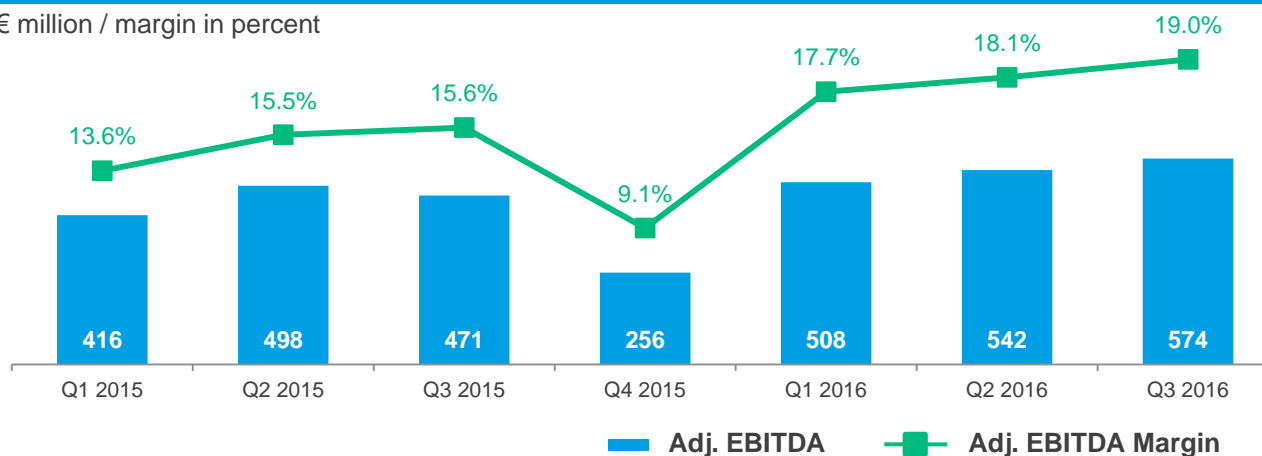
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q3 2016 Highlights

- Dynamic core volume growth of 9.1% Y/Y driven by PUR and PCS
- Stable sales as higher volumes could compensate lower raw material prices

Q3 2016 Highlights

- Adj. EBITDA margin significantly improved by 3.4pp Y/Y to 19.0% due to positive pricing delta, volume leverage and deflationary environment
- Quarterly Adj. EBITDA increased Y/Y in last seven consecutive quarters

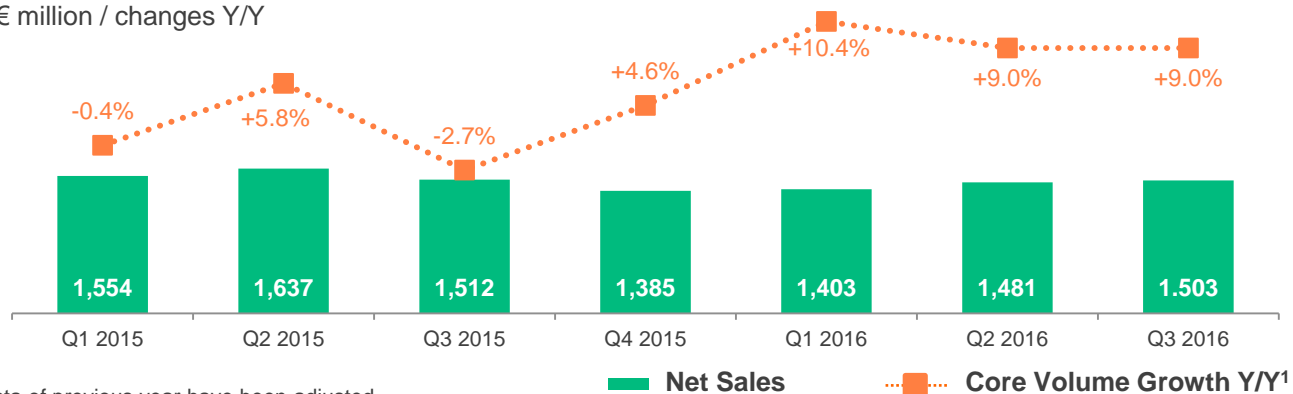
Q3 2016 – Results of PUR Segment

Polyurethanes – Solid development



Net Sales and Core Volume Growth

in € million / changes Y/Y

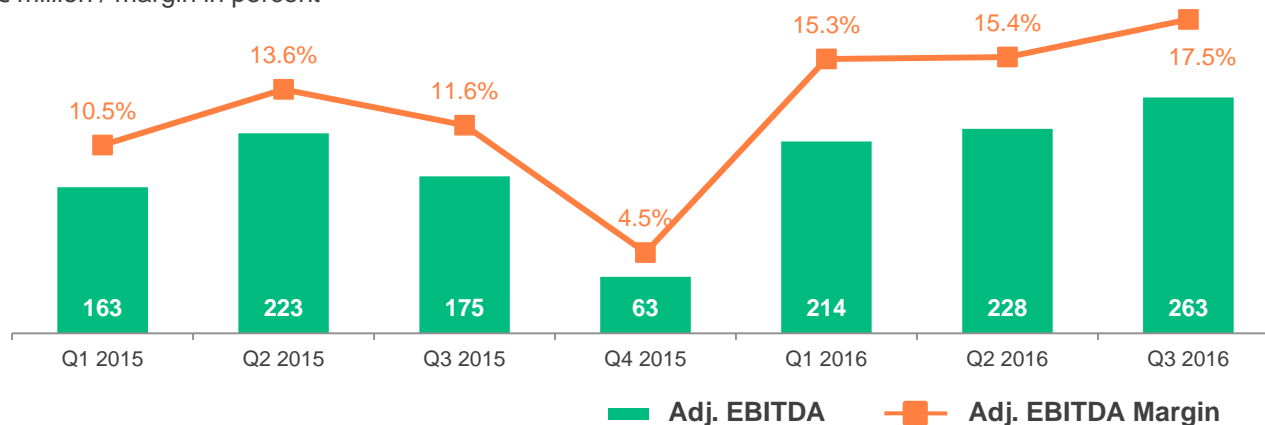


Q3 2016 Highlights

- Core volume growth of 9.0% Y/Y predominantly driven by MDI
- Selling prices declined by 6.2% Y/Y

Adjusted EBITDA and Margin

in € million / margin in percent



Q3 2016 Highlights

- Adj. EBITDA increased by 50% Y/Y due to positive pricing delta and volume leverage
- Adj. EBITDA margin increased by 5.9pp Y/Y supported by deflationary environment

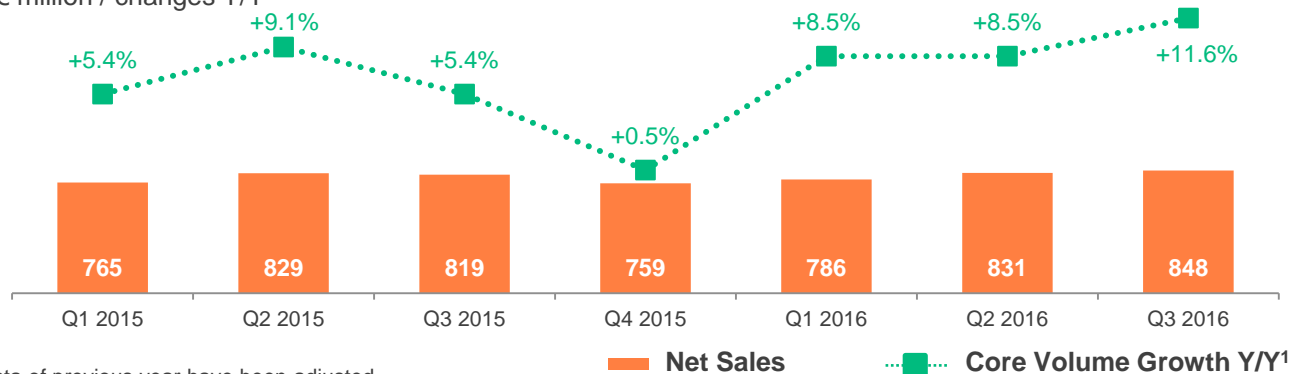
Q3 2016 – Results of PCS Segment

Polycarbonates – Steady high margin business



Net Sales and Core Volume Growth

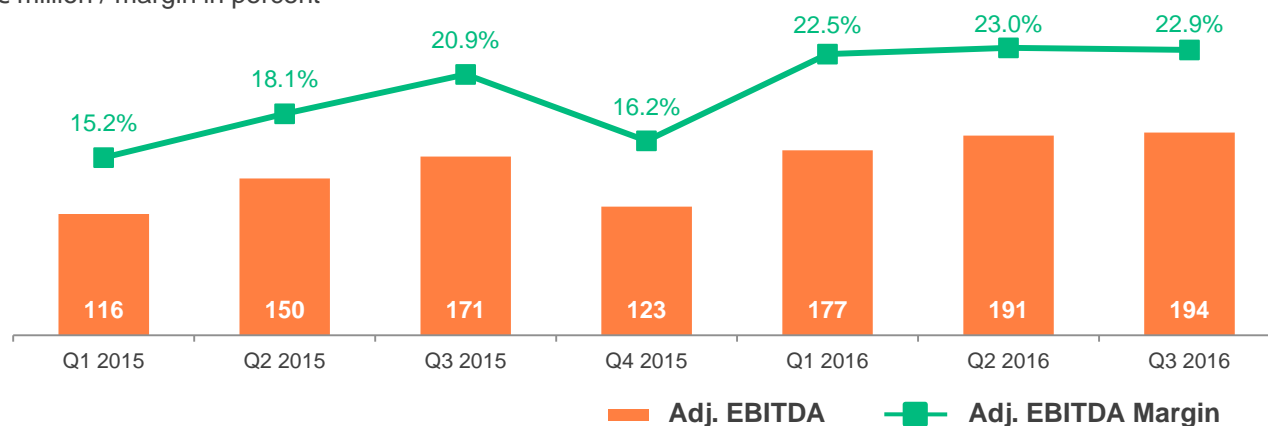
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q3 2016 Highlights

- Broad based dynamic development by regions and industries, with lower volumes in low-margin optical media
- Selling prices declined by 5.0% Y/Y

Q3 2016 Highlights

- Adj. EBITDA increased by 13.5% Y/Y due to positive volume leverage
- Margin unchanged despite start-up costs in China (200kt/a name plate capacity)
- Continuing favorable supply-demand balance

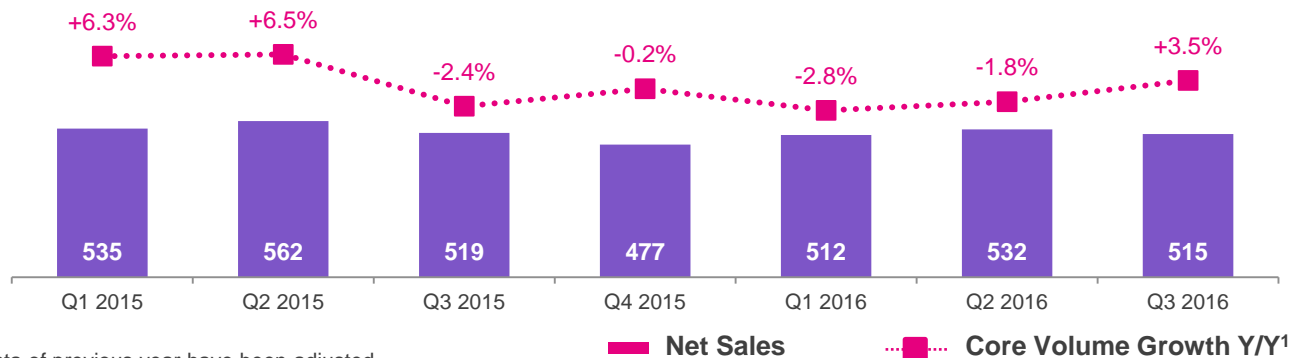
Q3 2016 – Results of CAS Segment

Coatings, Adhesives, Specialties – Solid results



Net Sales and Core Volume Growth

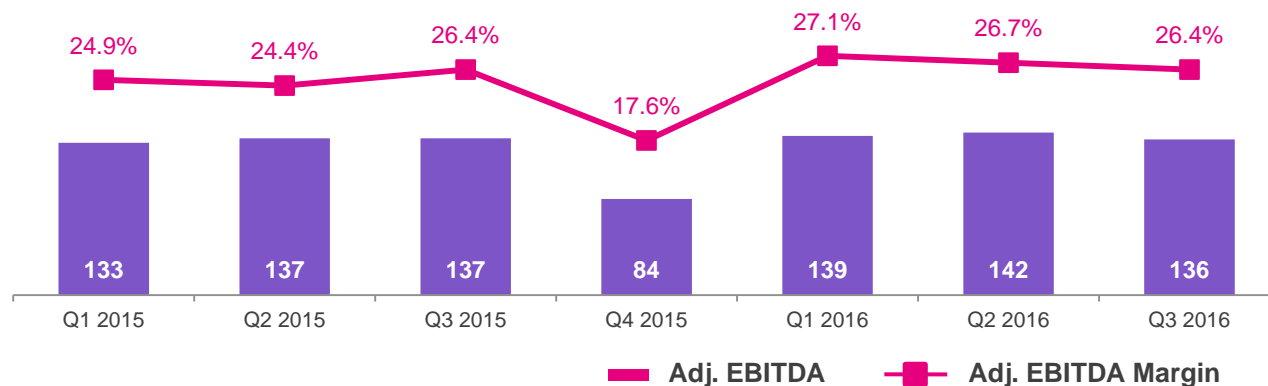
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q3 2016 Highlights

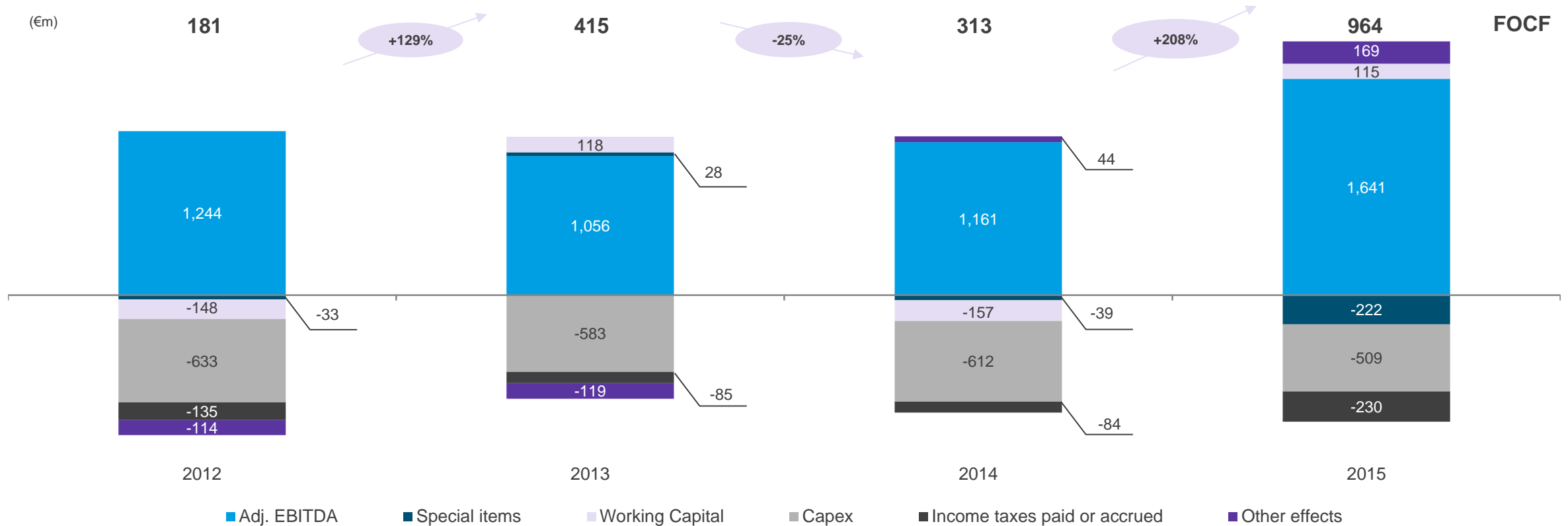
- Phase out of trading product burdened core volume growth; underlying business of CAS delivered a high single-digit growth
- Relative growth was supported by a low prior year basis
- Selling prices decreased by 2.7% Y/Y

Q3 2016 Highlights

- Stable margin on a high level
- Phase out of trading product burdened absolute EBITDA but was slightly margin enhancing

High EBITDA to FOCF conversion rate

Free operating cash flow development 2012-2015



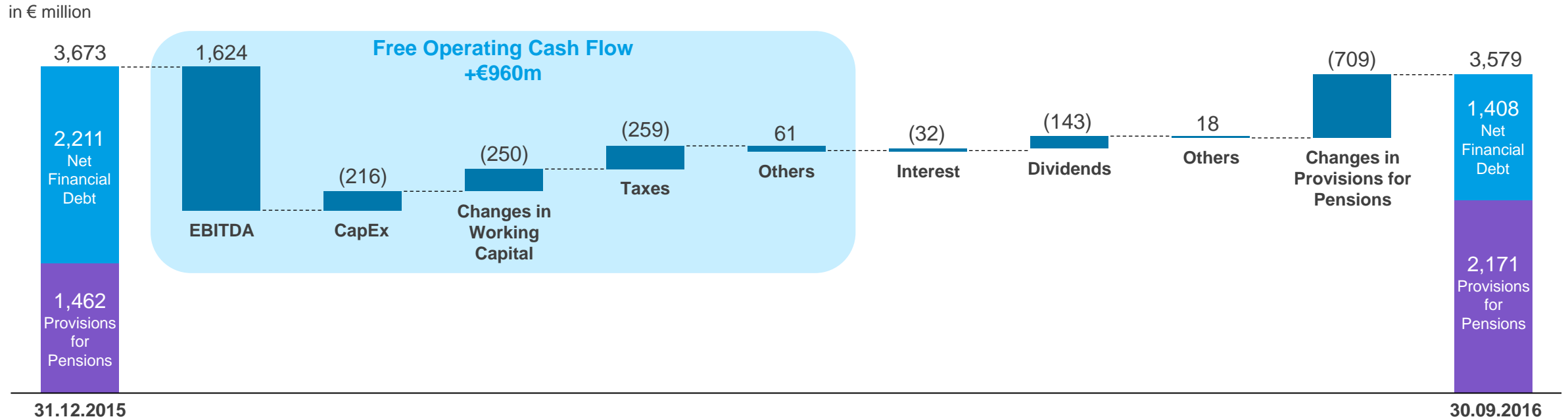
- Historic FOCF development largely driven by adjusted EBITDA, special items, changes in working capital and capital expenditures
- In FY2015, positive contribution from changes in working capital fully eaten up by negative special items (carve-out/IPO and site restructuring)

9M 2016 – Total Net Debt

Total net debt almost unchanged



Total net debt – end of Q3 2016



Highlights

- **Free Operating Cash Flow of €960m** mainly eaten up by higher provisions for pensions (German discount rate down from 2.6% to 1.5%)
- **Total net debt to EBITDA ratio of 1.9x** (rolling last 12 months); mid-term target of 1.5x remains unchanged

Guidance 2016

On track to deliver



	FY 2015	Old guidance FY 2016	New guidance FY 2016	9M 2016
Core Volume Growth	+2.7%	Mid- to high-single-digit increase Y/Y	Unchanged	+8.4%
FOCF	€964m	Around last year's level	Above last year's level	€960m
ROCE	9.5%	Above last year's level	Significantly above last year's level	-

Additional financial expectations for 2016

Adj. EBITDA	€1,641m	H2-2016: at least on last year's level	Around €1.9bn	€1,624m
D&A	€739m	~€650-700m	~€650-700m	€514m
Special items in EBITDA	€-222m	~€0m	~€0m	€0m
Financial results	€-175m	~€-210m	~€-210m	€-164m
Tax rate	30.3%	~30%	~30%	28.3%
CapEx	€509m	~€450m	~€400m	€216m



Q3 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 a stable demand/supply balance and a focus on profitability

Robust financial profile

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

Long-term progressive dividend policy

with focus on increasing or at least stable dividends

Solid financial outlook

despite continued limited visibility

Upcoming IR Events

Find more information on investor.covestro.com



Reporting dates

- | | |
|---------------------|------------------------|
| • February 20, 2017 | Annual Report 2016 |
| • April 25, 2017 | Q1 2017 Interim Report |

Annual General Meeting

- | | |
|---------------|------------------------------------|
| • May 3, 2017 | Annual Stockholders' Meeting, Bonn |
|---------------|------------------------------------|

Broker conferences

- | | |
|------------------------|--|
| • November 15-16, 2016 | UBS European Conference, London |
| • December 6-7, 2016 | BAML European Chemicals Conference, London |
| • January 9-11, 2017 | German Investment Seminar, Commerzbank, New York |
| • January 16-18, 2017 | German Corporate Conference, UniCredit / Kepler Cheuvreux, Frankfurt |

Capital Markets Day

- | | |
|-----------------|--------------------------------------|
| • June 29, 2017 | Covestro Capital Markets Day, London |
|-----------------|--------------------------------------|