



Leverkusen, 04 September 2015

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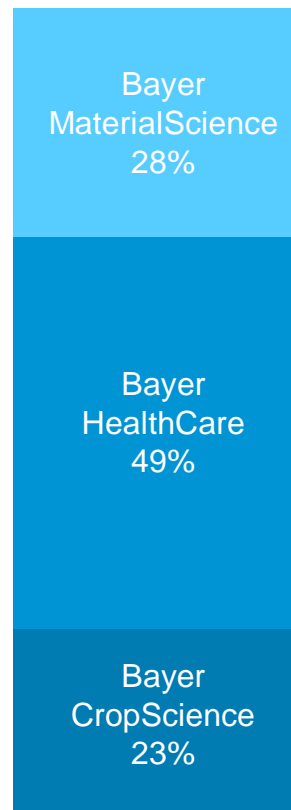
Section 1 – Introduction

Transitioning into a stand-alone company

Independence unlocks further potential for capital and cost efficiencies

Separation from Bayer...

...gives Covestro greater flexibility to independently pursue business goals



Strategic freedom to execute asset optimization initiatives

Focus on achieving business process and cost efficiencies


Strategic flexibility to develop business portfolio

Ability to access capital markets

Bayer 2014A^(a)
Sales €42.2bn

From Life Sciences Group to pure-play Chemicals

Section 2 – Company Overview



Inventor and leader in high-tech material solutions

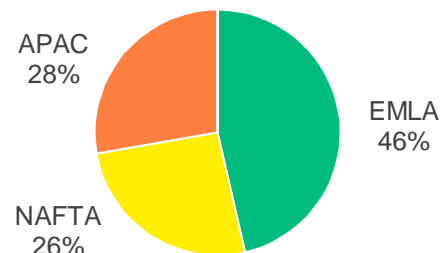


Covestro at a glance

- 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 4,700kt^(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 / limited merchant market sales
- Headquartered in Leverkusen, Germany, with c. 16,700 employees^(d) globally

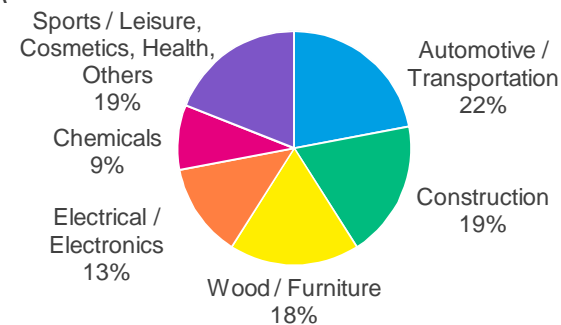
Sales split by geography^{(b)(c)}

2014A



Sales split by end-market^(c)

2014A



Key Covestro Financials^(c):

€11.8bn
Sales 2014A

€1.2bn
Adj. EBITDA 2014A

9.9% adj. EBITDA margin 2014A and 14.1% in Q1 2015A

Three industry-leading, structurally attractive business units



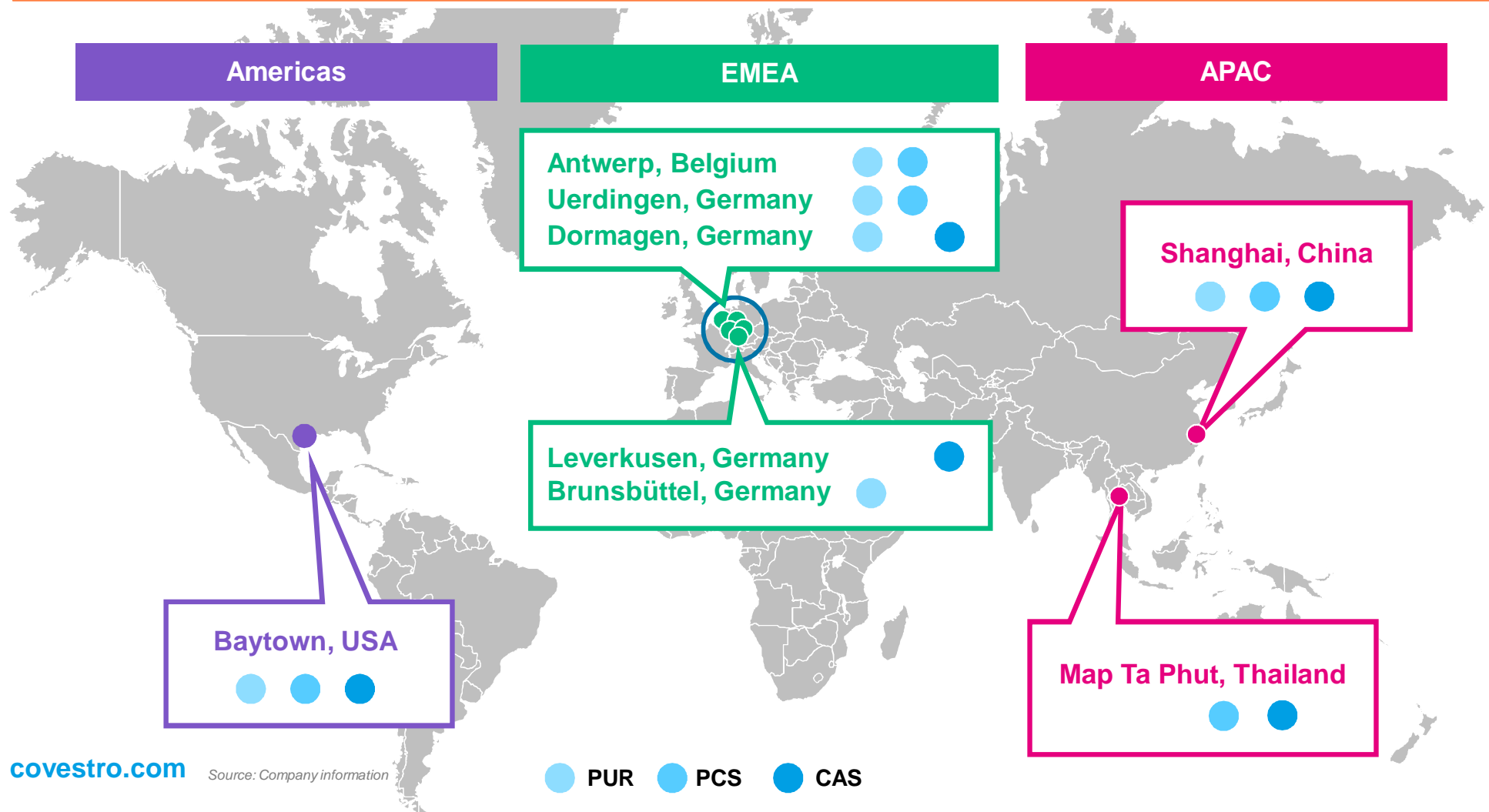
Covestro business units

| Business Units | Polyurethanes (PUR) | Polycarbonates (PCS) | Coatings, Adhesives, Specialties (CAS) |
|---|---|--|---|
| Global Position^(a) | <ul style="list-style-type: none"> ● Global #1: <ul style="list-style-type: none"> – MDI: #2 (1,475kt) – TDI: #1 (660kt) – Polyether polyols: #2 (1,280kt) | <ul style="list-style-type: none"> ● Joint Global #1: <ul style="list-style-type: none"> – EMEA: #2 (540kt) – NAFTA: #2 (230kt) – APAC: #2 (510kt) | <ul style="list-style-type: none"> ● Global #1: <ul style="list-style-type: none"> – Aliphatic isocyanate derivatives – Aromatic isocyanate derivatives – Polyurethane dispersions |
| Sales 2014A^(b) | ● €6.3bn or 53% of Covestro | ● €2.8bn or 24% of Covestro | ● €1.9bn or 16% of Covestro |
| Adj. EBITDA-Margin 2014A^(b) | ● 9.4% | ● 5.7% | ● 22.7% |
| Industry Growth (14A-20E CAGR)^(c) | ● 5.3% | ● 4.6% | ● 5.3% |
| Key Applications | <ul style="list-style-type: none"> ● Rigid foam: <ul style="list-style-type: none"> – Building insulation – Cold chain – Automotive parts ● Flexible foam: <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   |

Covestro integrated sites in all key regions provide advantages of scale and synergies



Covestro takes advantage of integrated backbone chemistry and operates 8 interlinked world-scale plants in all 3 key regions



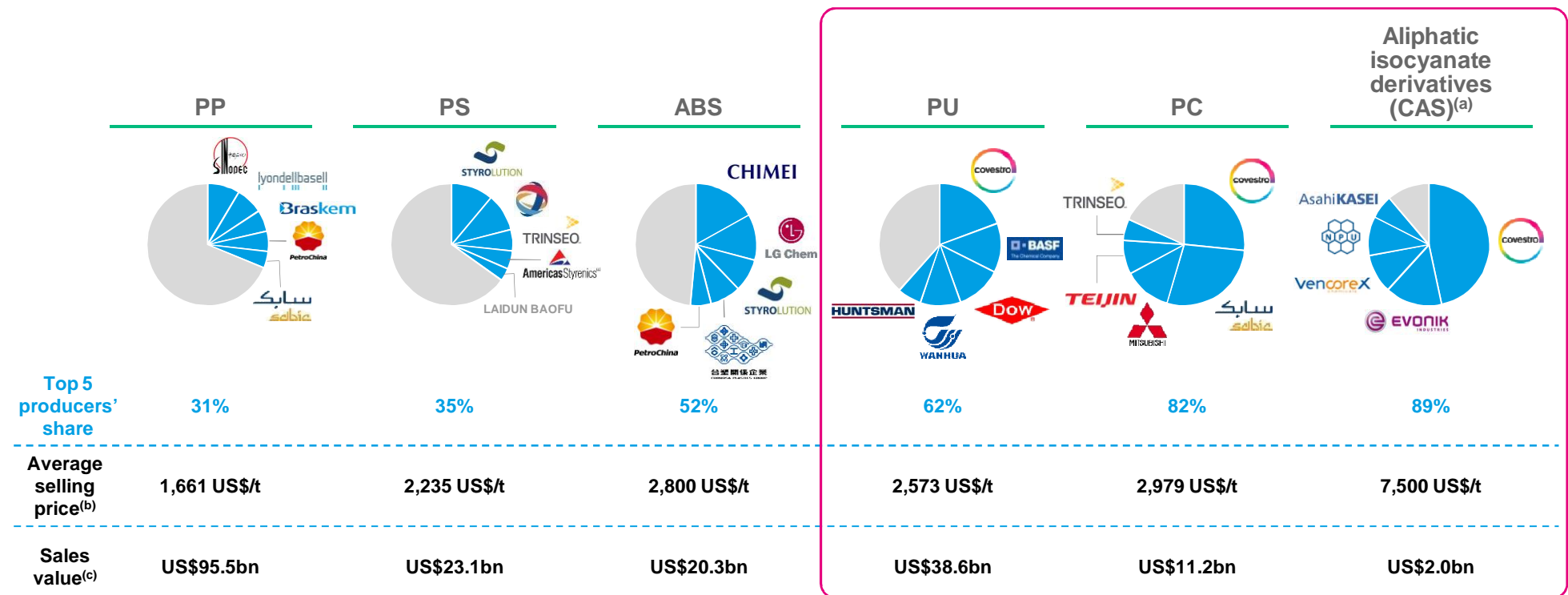
Focus on higher-value engineering polymers and active specialties



Covestro in the polymer spectrum

- Relatively consolidated industries with stable structures, largely unchanged over the last 5 years
- Active in higher-price engineering polymers
- Product differentiation from close customer interaction and solution development

Polymer industry by nameplate production capacity (2014A)

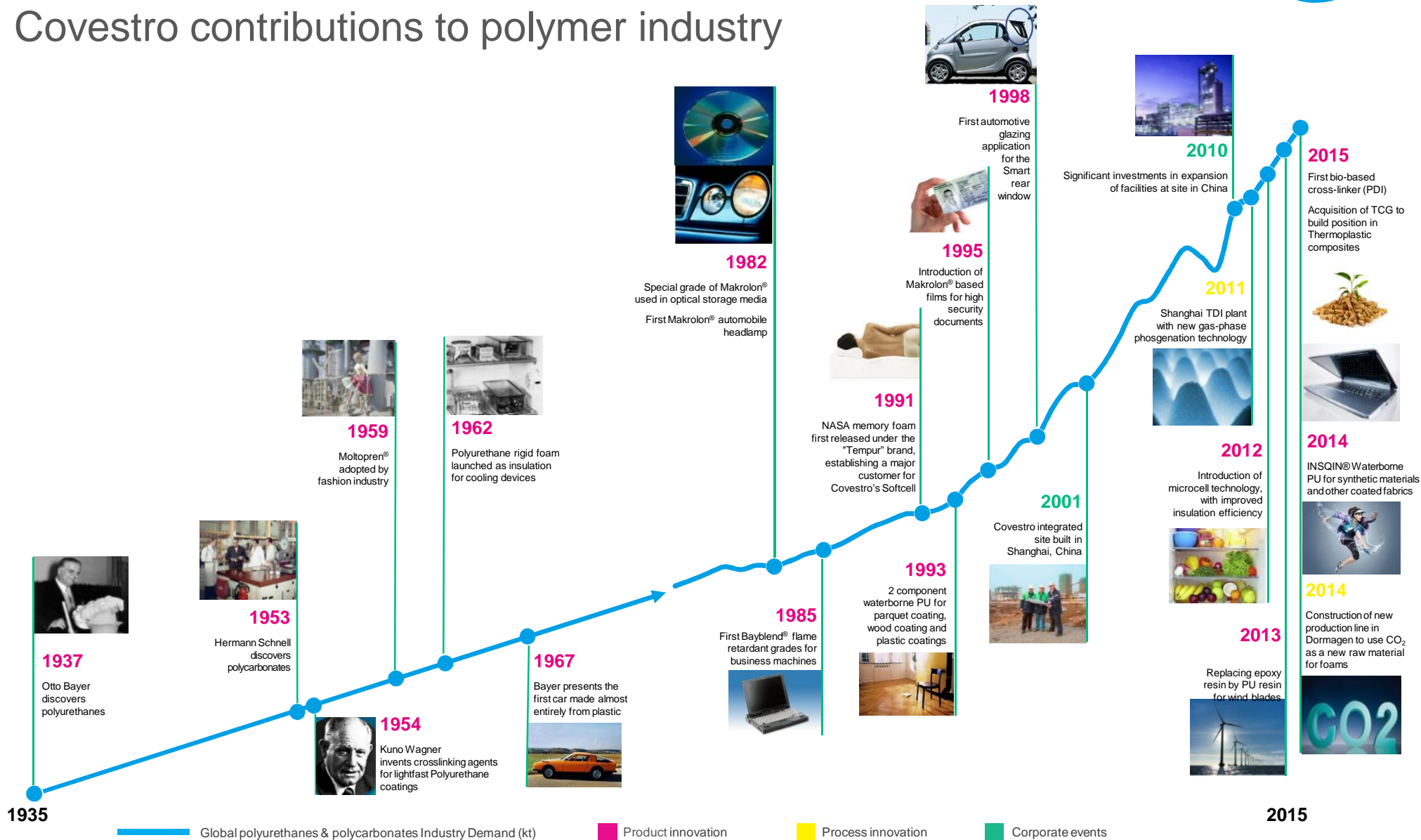


■ Top 5 producers
 Covestro products

Building upon 80 years of innovation and leadership



Covestro contributions to polymer industry





Section 3 – Covestro Key Investment Highlights

Global leader in high-tech material solutions

Covestro Key Investment Highlights



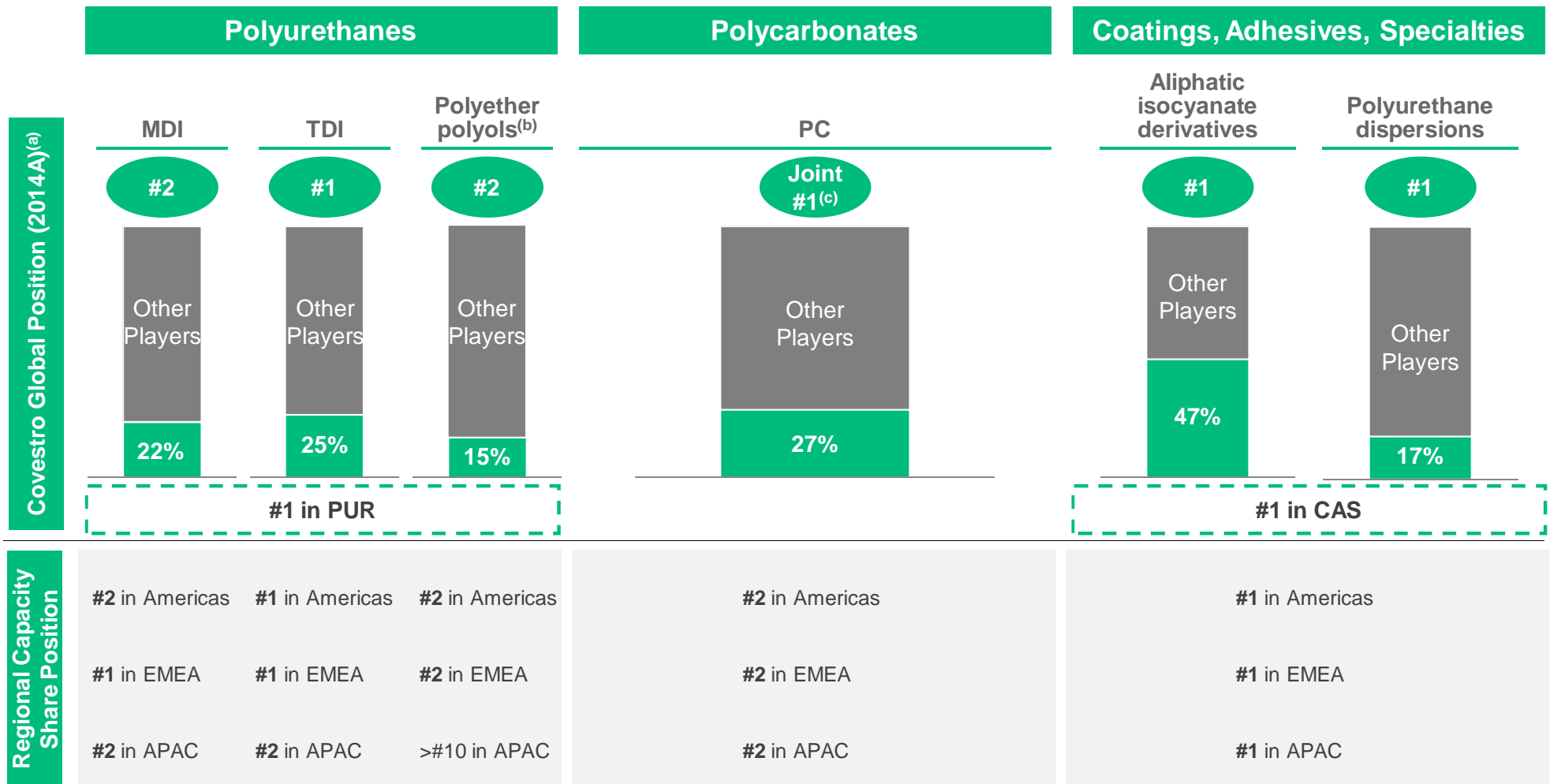
- 1 Leading and defensible global industry positions**
based on focused portfolio
- 2 Favorable industry dynamics**
with robust above GDP growth prospects in a diverse range of end-markets
- 3 Positioned to deliver volume growth**
through well-invested, large-scale asset base with competitive cost position
- 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

1 Covestro is a leader across its entire portfolio and across regions

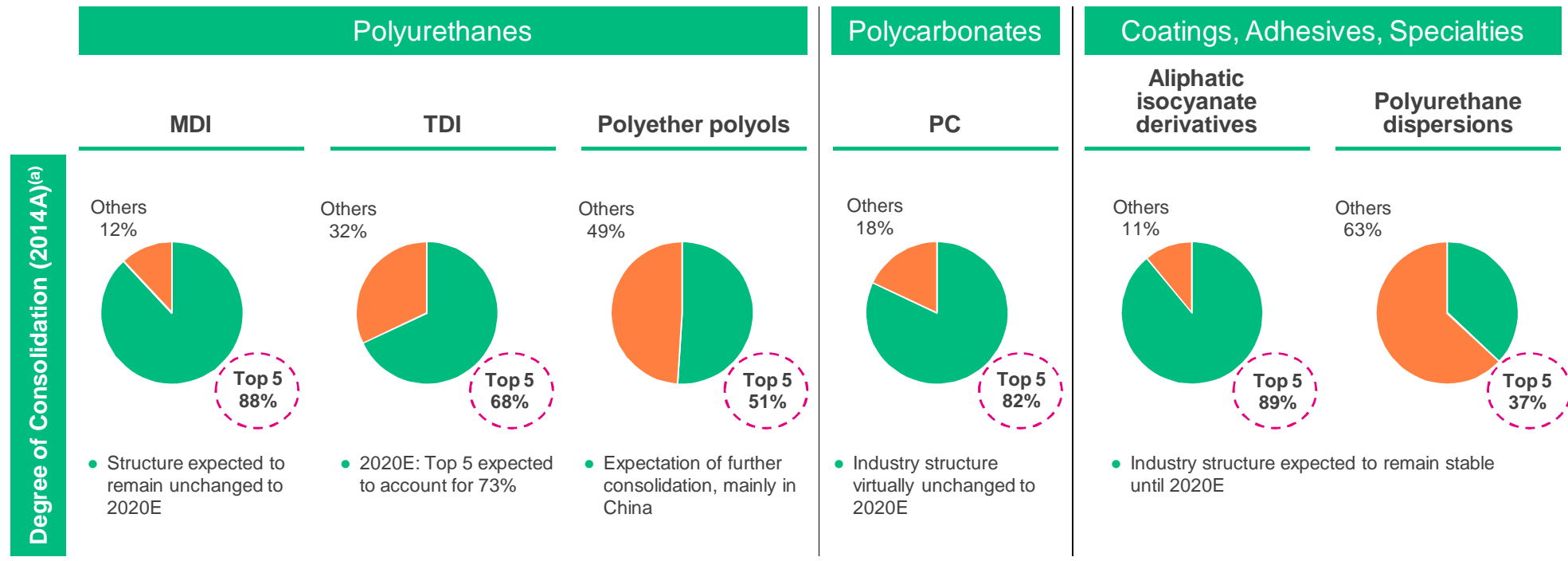


Global industry positions



1 Distinct entry barriers limit threat of new entrants

Industry structure



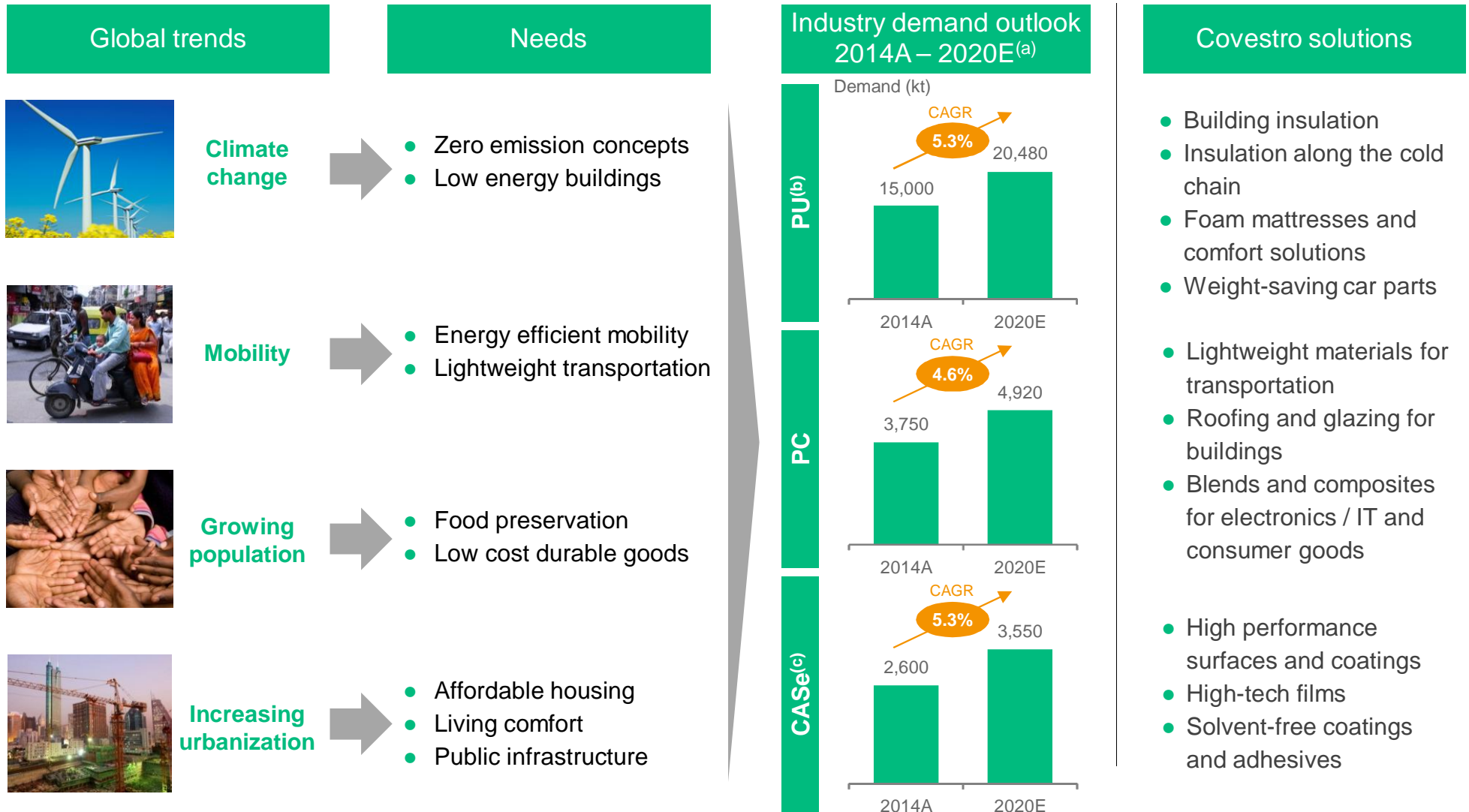
- Key Barriers to Entry**
- Sizable investment requirement
 - Intense pressure to advance process technology
 - Global asset base to enable customer proximity
 - Persistent demand for product and process innovation
 - Efficient feedstock integration required

- Economies of scope crucial
- Formulation and application know-how necessary
- Close customer relationships and long-term R&D collaborations
- Operation of global platform essential

2 Above GDP industry growth supported by global trends



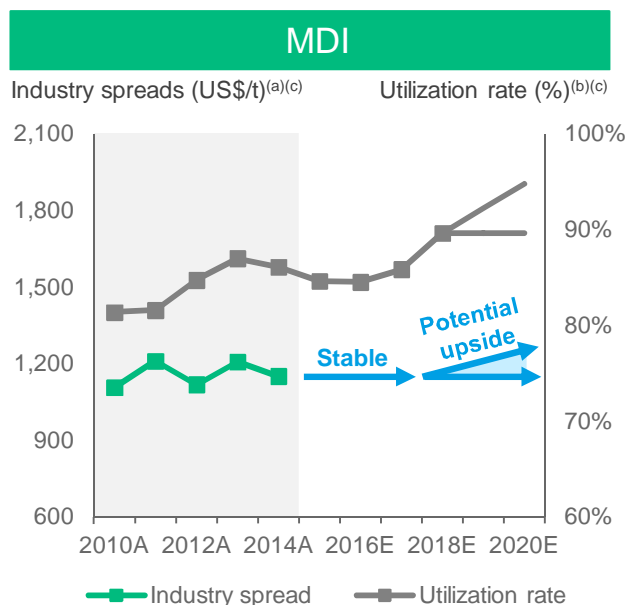
Exposure to fundamental macro trends



2 Covestro expected to benefit from supportive market environment

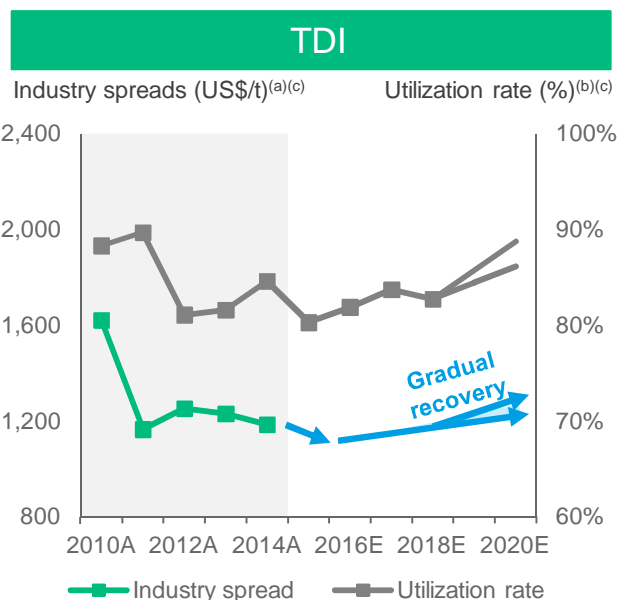


Industry utilization and profitability outlook



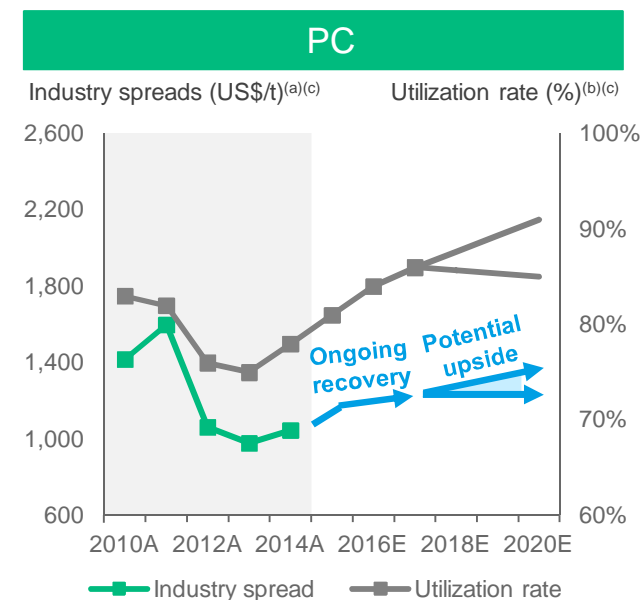
Near-term benign cycle conditions

- Stable outlook through 2017E
- Upturn potential in 2018E – 2020E
- Industry in tight range of >90% of utilization levels by 2018E^(d)



Recovery after trough

- Trough conditions expected in 2015E
- Recovery starting 2016E supported by announced competitor exits



Near-term continued upturn

- Trough conditions in 2013A; recovery begun
- Industry expected to continue recovering and remain in “tight” range of >80% utilization levels^(d)

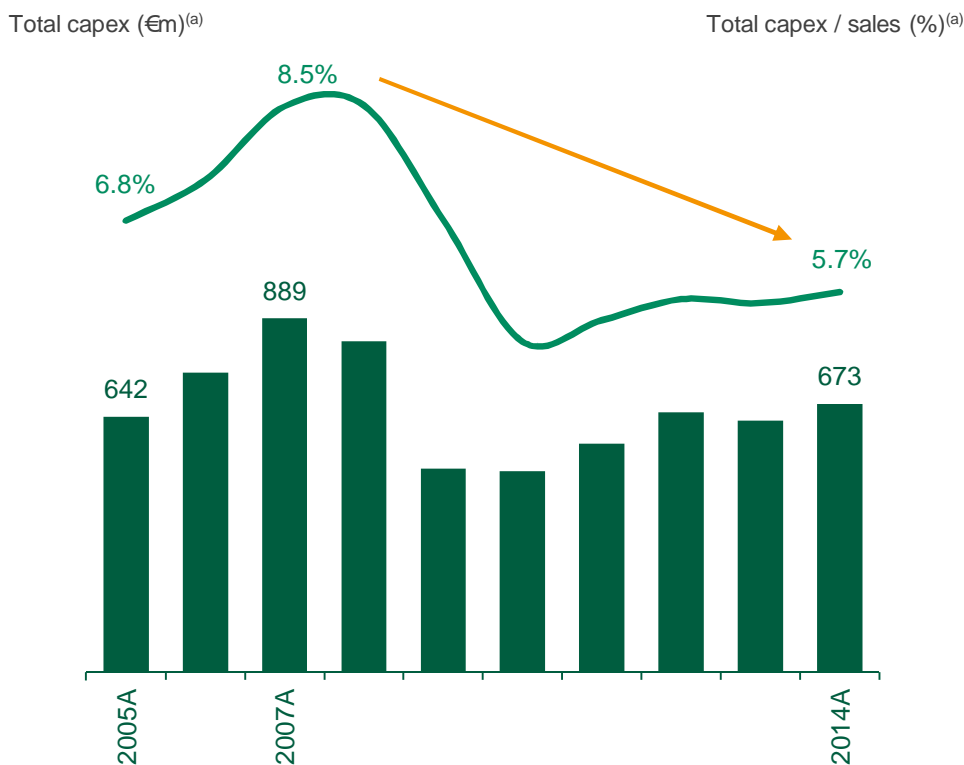
Notes: (a) Global industry spread calculated by margin over raw material costs in Europe, US and China weighted respectively by demand in Europe, US and China. Qualitative statements based on Nexant data
 (b) Industry demand divided by industry nameplate capacities as announced (as per Nexant estimates), not adjusted for actual / physical availability
 (c) Management estimates additional capacity (not captured in the Nexant data) may come on-stream post-2018E if prevailing industry dynamics make it economically rational. These capacity estimates have been included in this analysis and represent the lower end of the range post-2018E
 (d) Based on historical supply / demand balances and projections to 2020E, tight conditions when MDI average operating rates are c. 90% and PC average operating rates are c. 80% as per Nexant
 Source: Nexant as at July 2015

3 Positioned for volume growth through well-invested assets

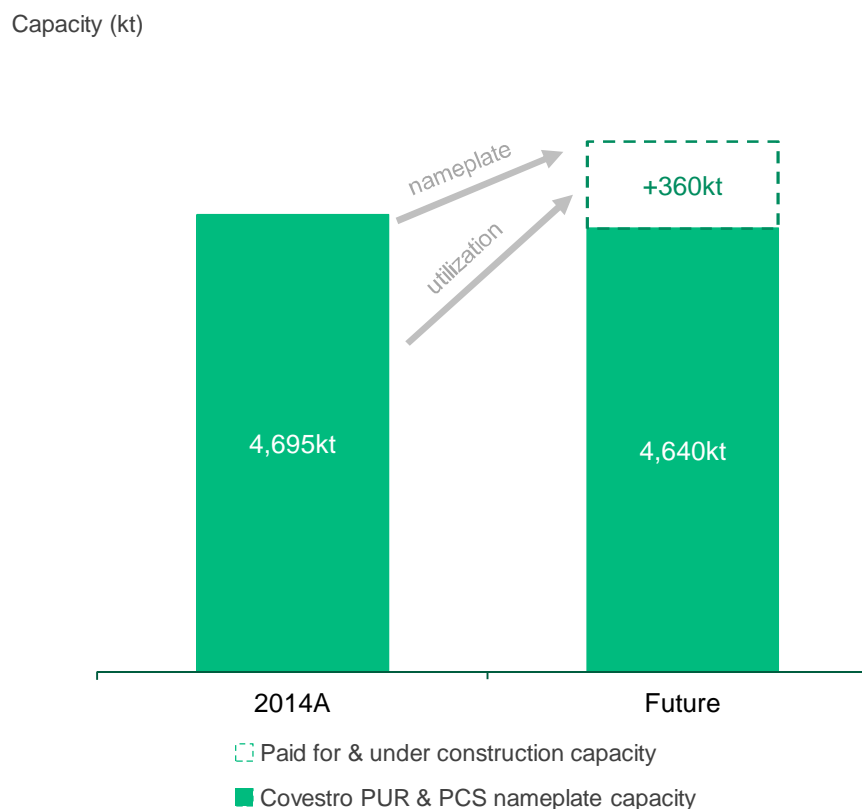


Covestro asset base

Well-invested asset base



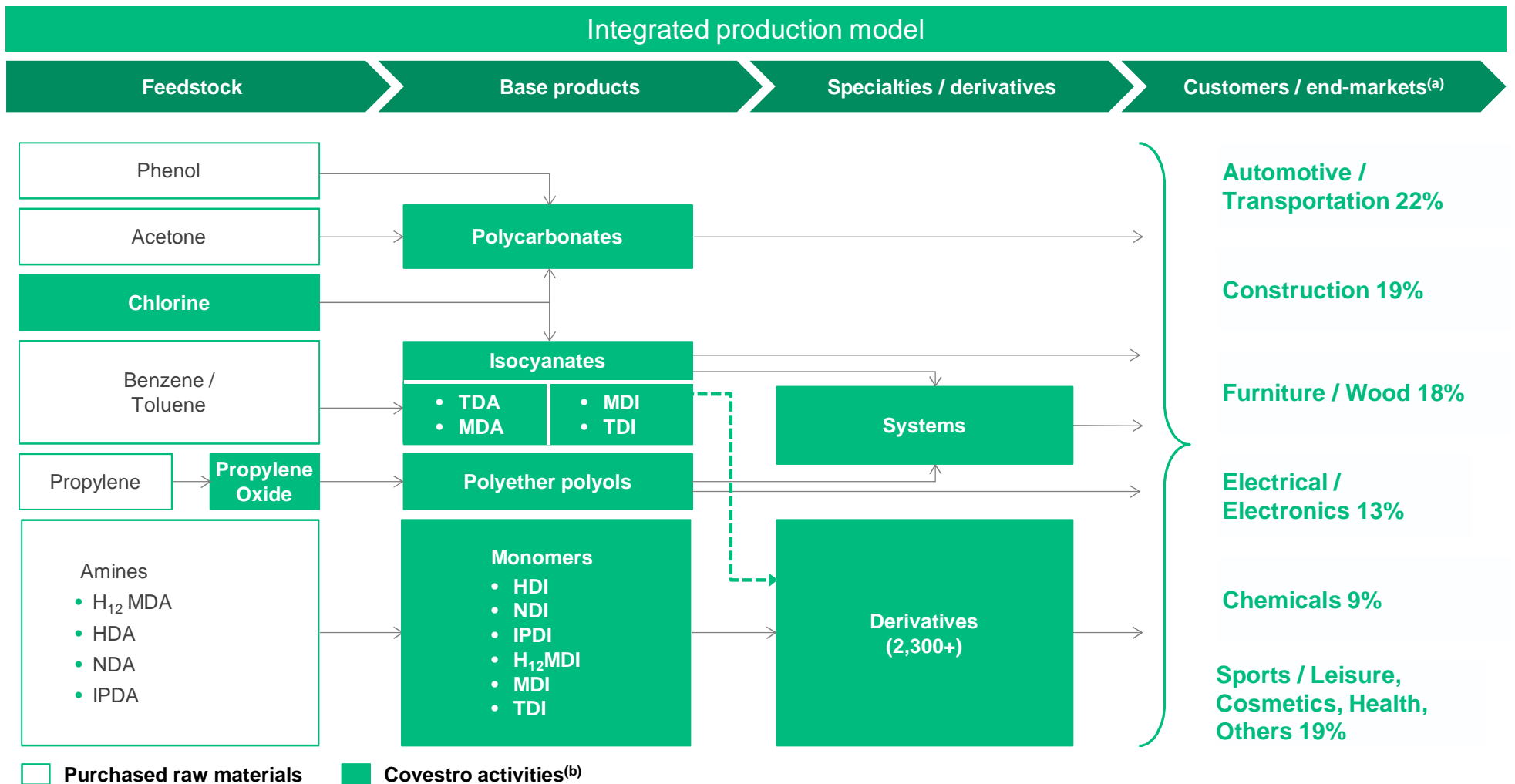
Well-positioned for volume growth and operational leverage



3 Backward and forward-integration supported by polyurethanes backbone



Covestro in the value chain



3 Competitive cost position supported by leading process technologies across the platform



Overview of key Covestro process technologies

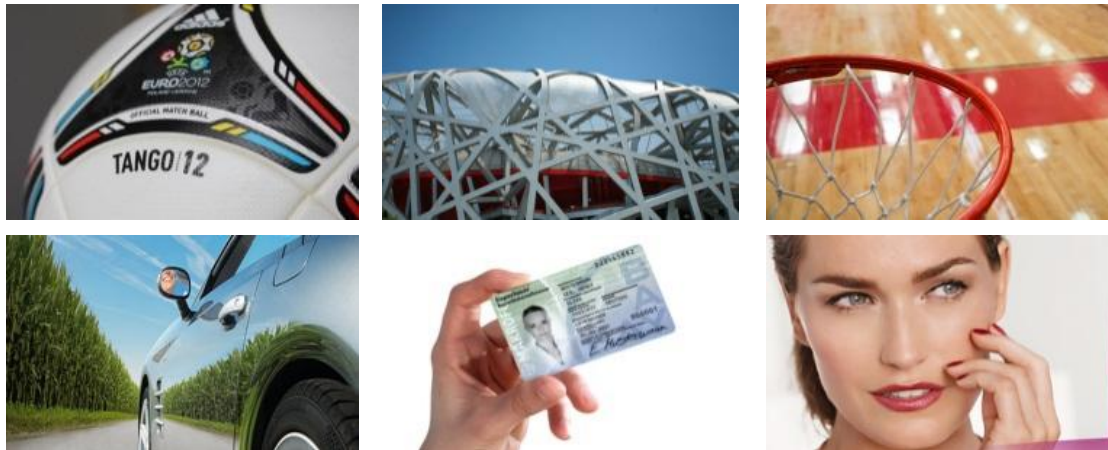
| | Melt process for polycarbonates production | HDI / TDI gas-phase process | Sodium chloride electrolysis with ODC ^(b) | Carbon dioxide as raw material for polyol production |
|----------|--|--|---|---|
| Process | | | | |
| Benefits | <ul style="list-style-type: none"> ● Conversion cost advantage of c. 20% vs. competitors technologies ● Raw material cost on par or better than competitive technologies | <ul style="list-style-type: none"> ● Capex reduced by 20%^(a) ● Reduced conversion cost due to lower energy demand and reduced solvent usage ● Reduced phosgene hold-up by 40% and energy consumption by 60% vs. liquid phase | <ul style="list-style-type: none"> ● Consumes 30% less electricity vs. conventional processes ● Significant economic and ecological benefits vs. conventional processes | <ul style="list-style-type: none"> ● Make use of CO₂ for the production of polyol ● Highly ecofriendly and cost advantageous ● Pioneering technology ● Process proven in two year test phase ● Expected to commercialize by 2016E |

4 Focus on stable high margins in CAS business with defendable competitive advantages



CAS at a glance

Global leading supplier of high performance materials to the coatings / adhesives / specialties industries



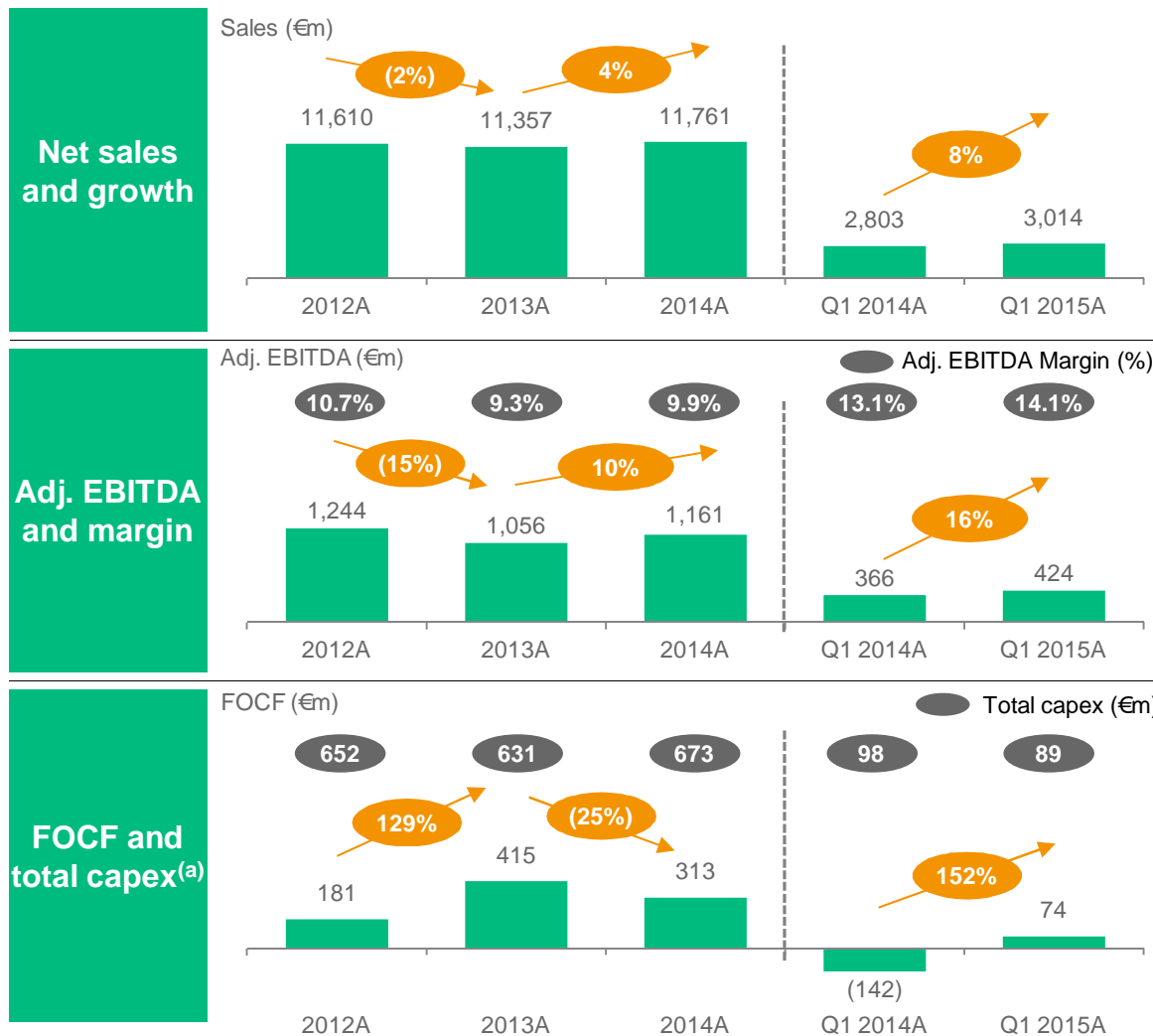
CAS products have all the characteristics of niche coating / ingredients chemicals

- High value-add materials ✓
- Priced on the basis of performance, high level of margin resilience ✓
- Competition with other players based on performance, distinct entry barriers ✓
- 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 ✓

5 Potential for upside in profitability and free cash generation



Covestro's financial profile



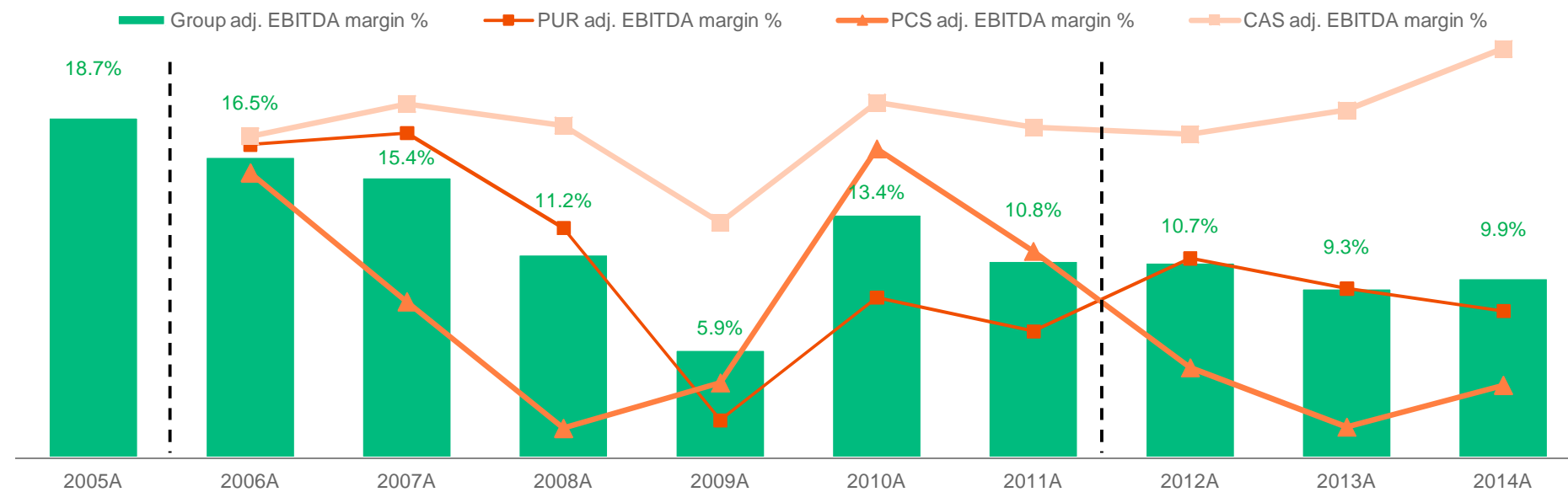
- Strong recent momentum^(b)
 - positive YoY growth across both sales and adj. EBITDA in Q1
 - improvement in level of adj. EBITDA profitability
 - positive FOCF generation
- Key building blocks in place to drive positive financial outlook
 - more accommodative industry environment
 - increasing utilization of asset base
 - disciplined cost focus
- New program underway to further optimize operational efficiency and enhance profitability
- Limited need for new asset investments support growth in free cash flow

5 Below mid-cycle profitability provides margin upside



EBITDA delivery

Covestro adj. EBITDA margin development (2005A – 2014A)



Peak margins
driven by high utilization rates in PUR and PCS

Mid-cycle margins
driven by solid PUR utilization rates. PCS margin decline driven by increasing APAC competition

Highly volatile margins
driven by economic crisis and massive inventory movements^(a)

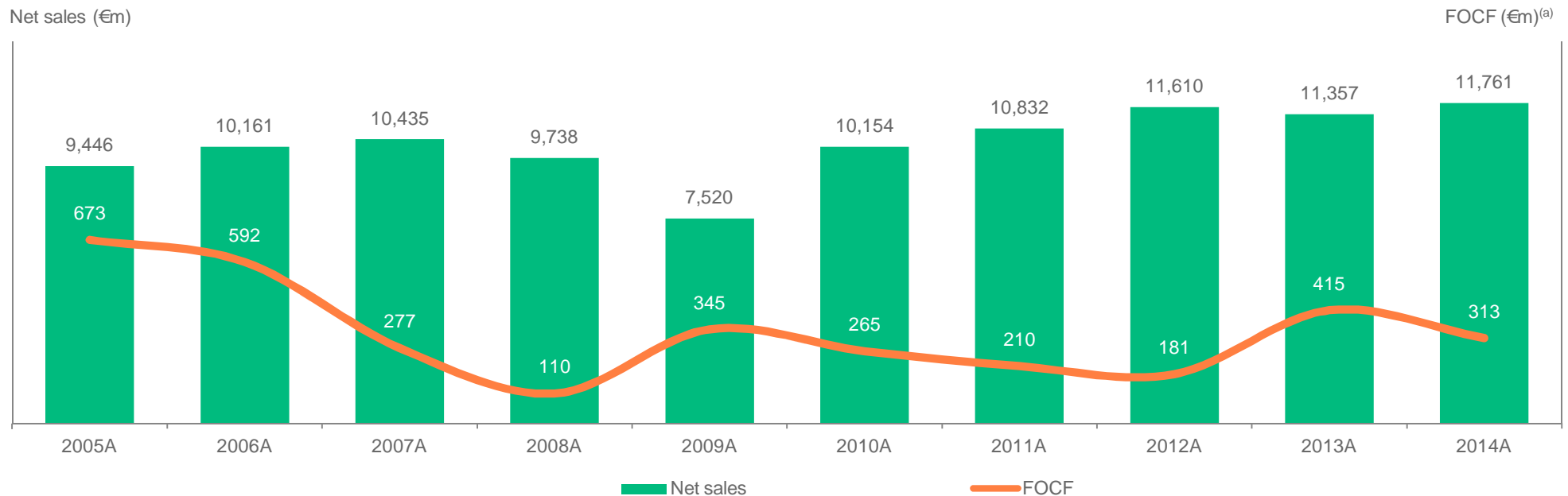
Below mid-cycle margins
due to low industry utilization rates driven by capacity overhang and ODS phase-out

5 Track record of positive free operating cash flows across the cycle



Cash flow delivery

Covestro net sales vs. FOCF (2005A – 2014A)



- Total of c. €3.4bn in free operating cash flow since 2005A
- Free operating cash flow positive every year including 2008A – 2009A 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



Section 4 – Covestro Strategy for Future Growth

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

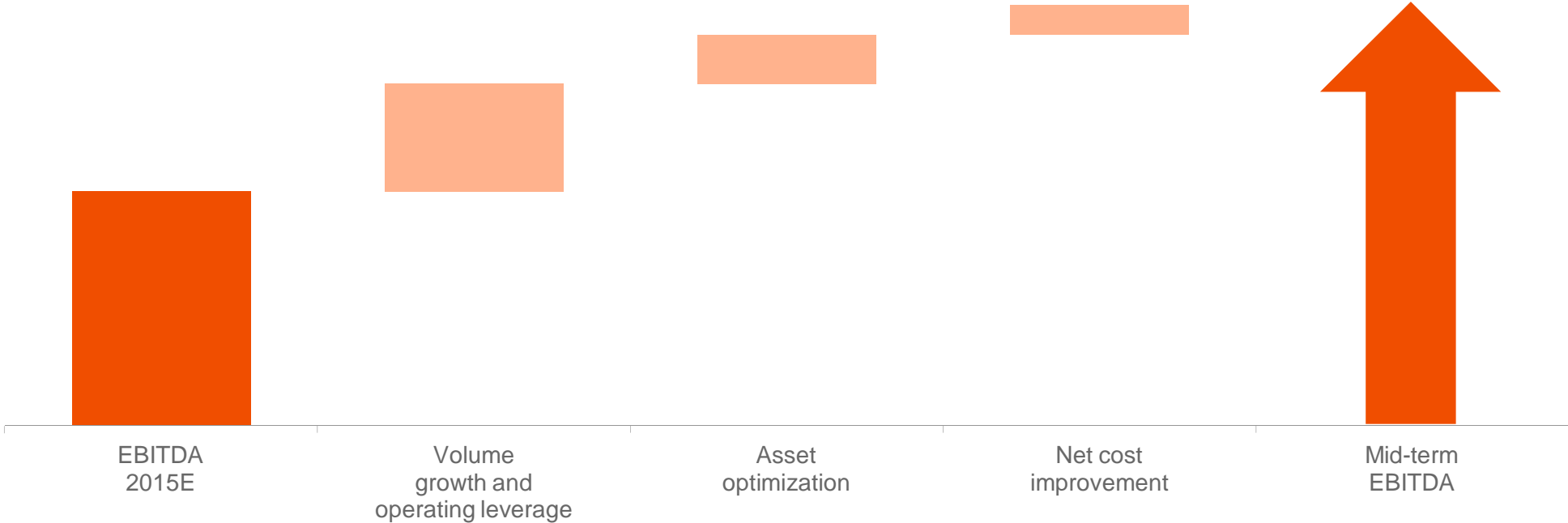


Covestro strategy

- 1 Capture market growth**
over the next 5 years with existing world-scale assets
- 2 Optimize asset footprint**
within 3 years through site consolidation, restructuring and efficiency projects
- 3 Improve cost position**
within 3 years and 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

Multiple levers for EBITDA growth in the future

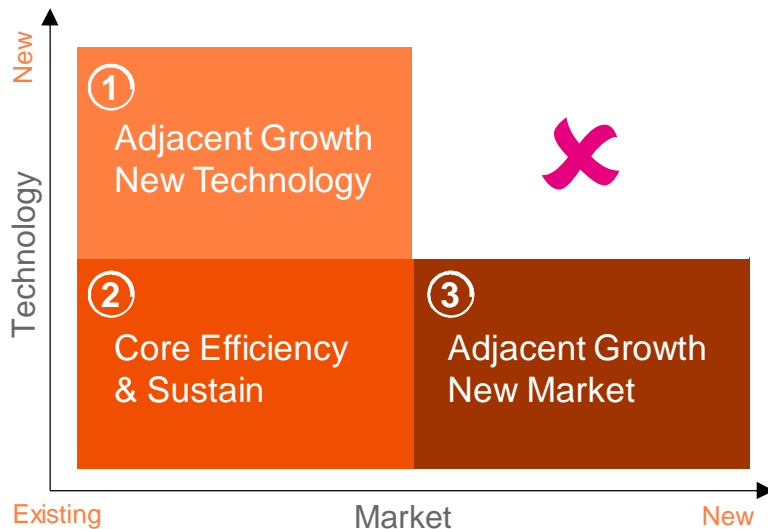
Building blocks for Covestro future profitability



4 Focused R&D to build and protect profitable competitive positions



R&D strategy



- Product R&D primarily in close collaboration with external partners in adjacencies, guided by stringent stage-gate process
- Process R&D critical to maintain cost leadership position; strengthened by insourced BTS^(a) competence
- Bolt-on acquisitions to boost R&D and business development

Examples

1

Product R&D:

- PDI
- CO₂ polyols
- PCS composites

Process R&D:

- IMPACT technology



2

- Automotive interior



3

- Wind blades
- LED lighting
- Ophthalmic lenses



5 Embed sustainability in every element of the strategy to further drive profitability



Covestro sustainability along the value-chain



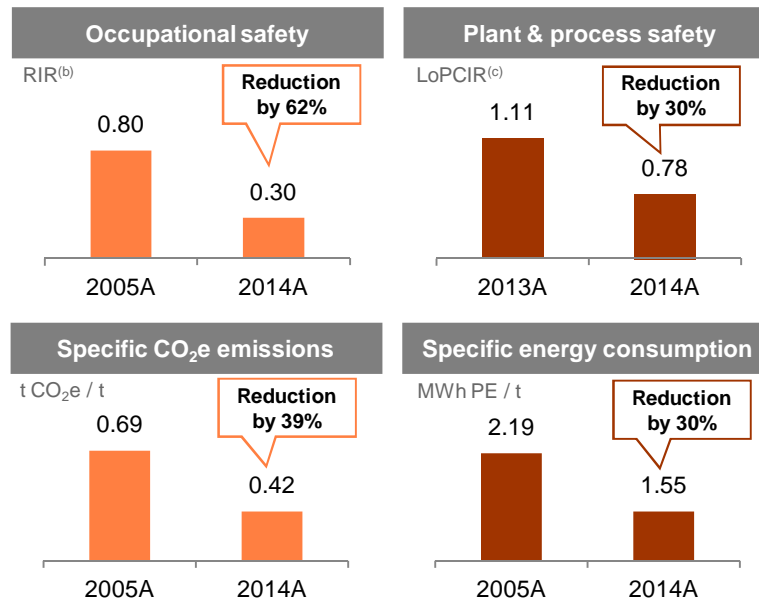
R&D resources allocated based on benefits for:

- People
- Planet
- Profit

More sustainable procurement addressing customer needs and profit improvement:

- Examples:
- C1 feedstock (e.g. CO₂)
 - Bio-based feedstock (e.g. BDO^(a))
 - Low carbon energy

- Best-in-class safety track record
- Cost efficiencies by energy efficient process



Address customer needs for more sustainable solutions (e.g. lightweight, durable, bio-based)

Examples:

- CO₂ Polyols
- INSQIN[®] (waterborne PU for synthetic materials)
- Desmodur[®] Eco (coating hardener)
- Baytherm[®] Microcell (insulation foam)
- Makrolon[®] (LED Lighting, Automotive)



Section 5 – Polyurethanes (PUR)

MDI

TDI

Polyether polyols

Summary, Strategy & Financial Outlook

Inventor of and leader in polyurethanes



PUR at a glance

- Inventor and producer of polyurethane raw materials and systems mainly for rigid and flexible foams^(a)
- Broad portfolio spanning MDI and TDI (isocyanates) and Polyether polyols
- Competitive integration from feedstock to systems
- Global production platform comprising 21 facilities located in Americas, EMEA and APAC^(b)
- Total production capacity of c. 3,400kt and globally c. 4,800 PUR employees^(c)
- Largest business unit generating approximately half of Covestro sales and EBITDA



Comfort / Furniture Upholstery



Construction Metal Panel



Automotive e.g. Instrument Panel



Cold Chain Refrigerator



Innovation Process Technology



Innovation CO₂-based polyether polyols

#1
Manufacturer
of PU
globally^(d)

€6.3bn
Sales 2014A

11%
avg. adj.
EBITDA
margin
L3Y

53%
of total
Covestro
sales in
2014A

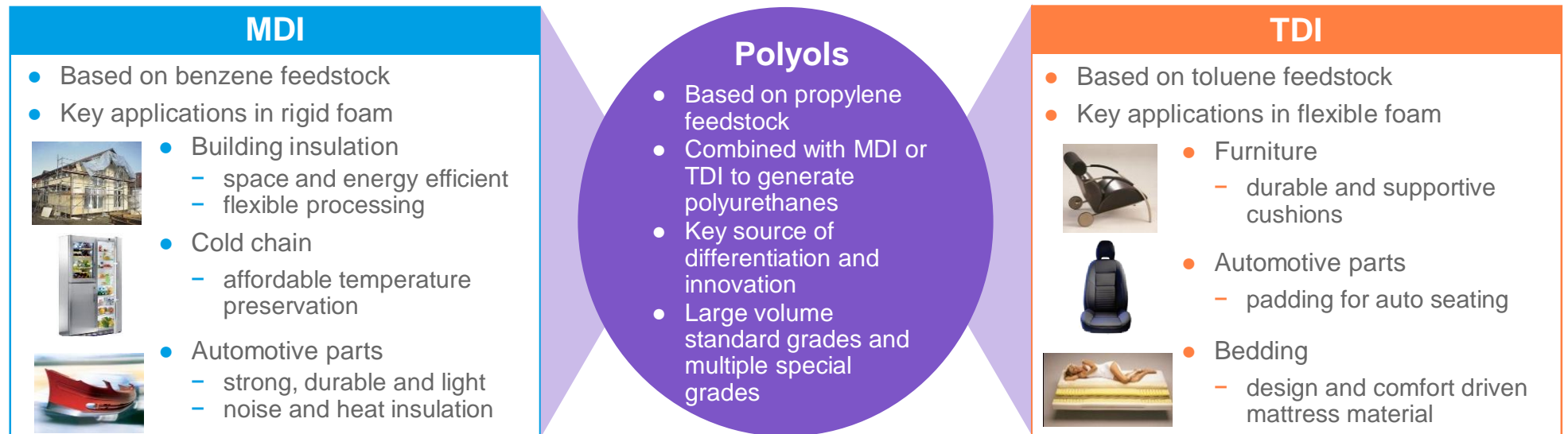
Versatile engineering plastic with unique combination of properties and wide range of applications



Introduction to polyurethanes

Polyurethanes

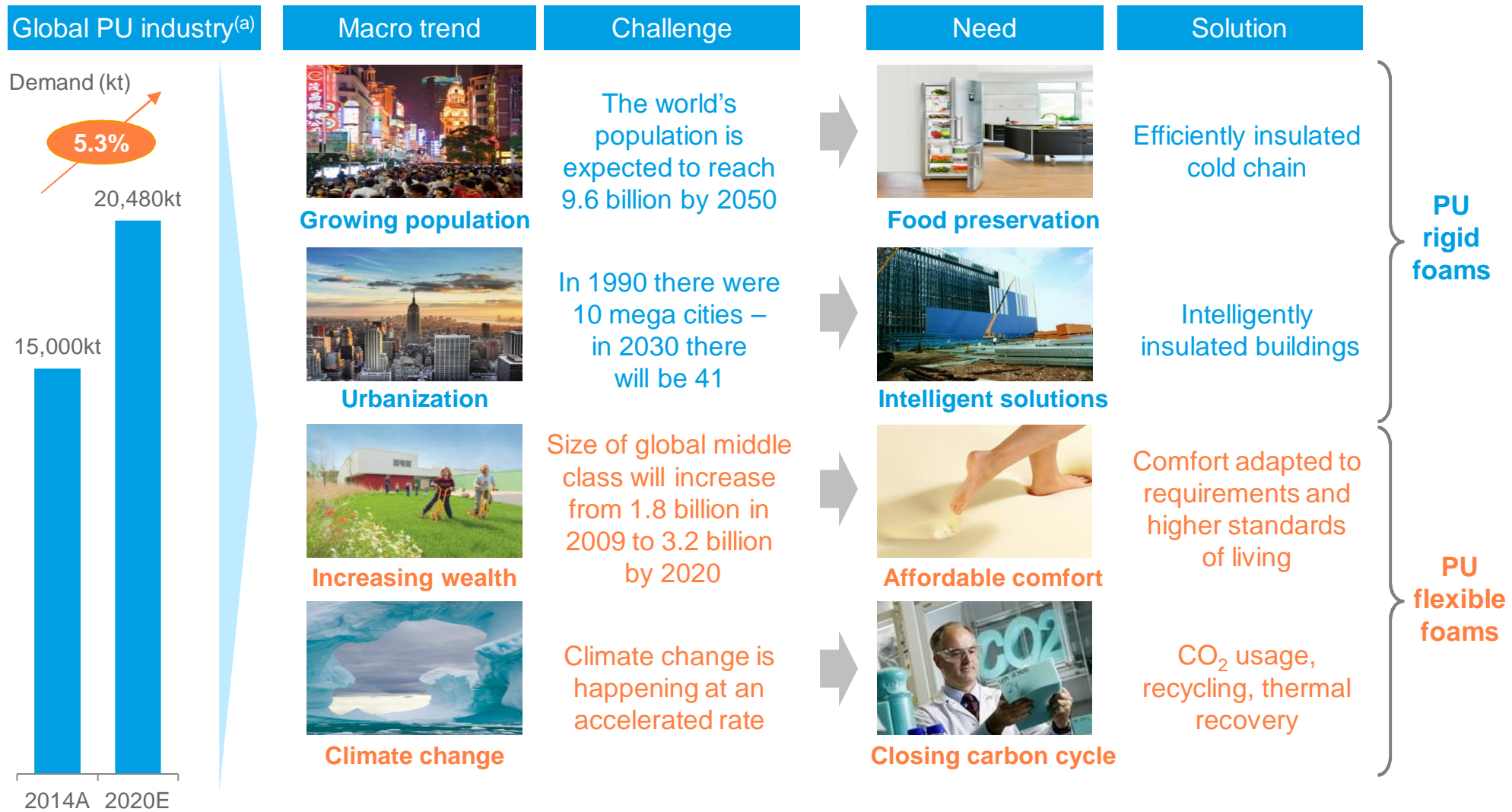
- Highly versatile polymer
 - Widely used for cushioning and insulating properties
 - Broad range of applications across multiple end-markets and industries
 - Typically formed from a reaction between two core components: an isocyanate (MDI and / or TDI) and a polyol
- Specific properties
 - ✓ Broad range of
 - density
 - hardness
 - elasticity
 - ✓ High durability
 - ✓ Low thermal conductivity
 - ✓ Strong adhesion
 - ✓ Highly flexible processability



Polyurethanes provide sustainable solutions to global challenges leading to above GDP growth



Tailwind from macro trends

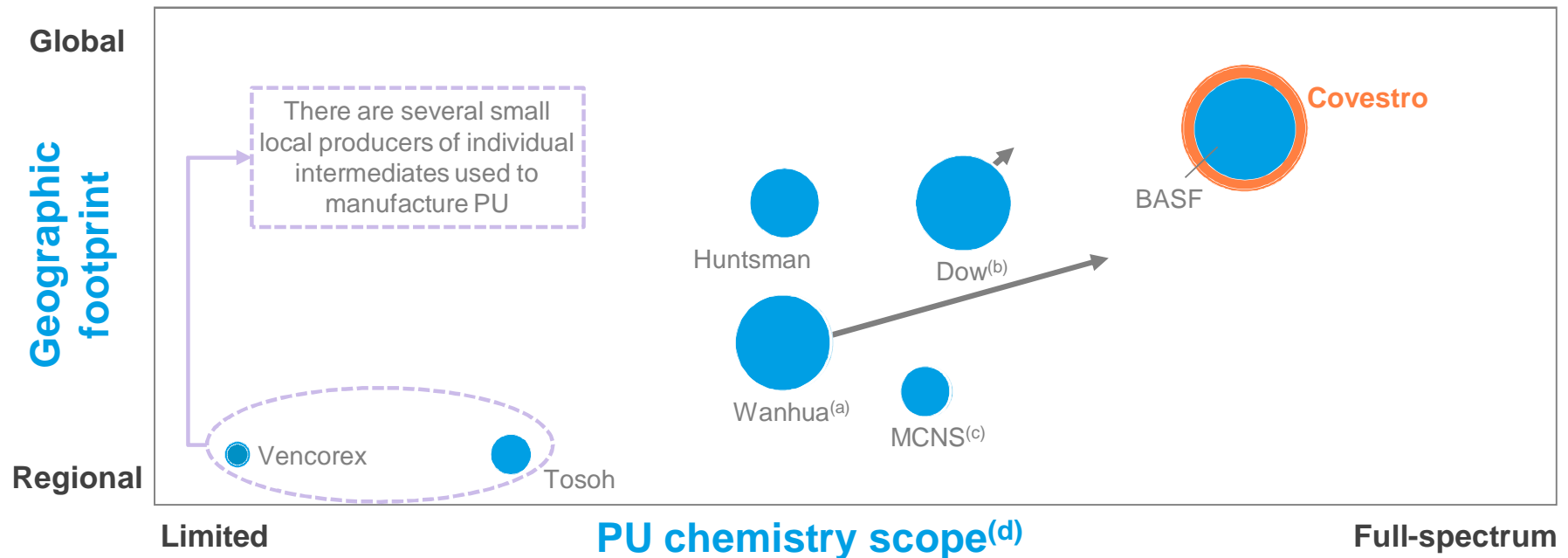


Covestro is one of two global leaders with full scope advantage as basis for innovation and growth



Industry structure and position

Competitive position of key PU players (2014A)



- Size of bubble represents total MDI, TDI and polyether polyols nameplate capacity (2014A)
- ➔ Expected change in position by 2020E

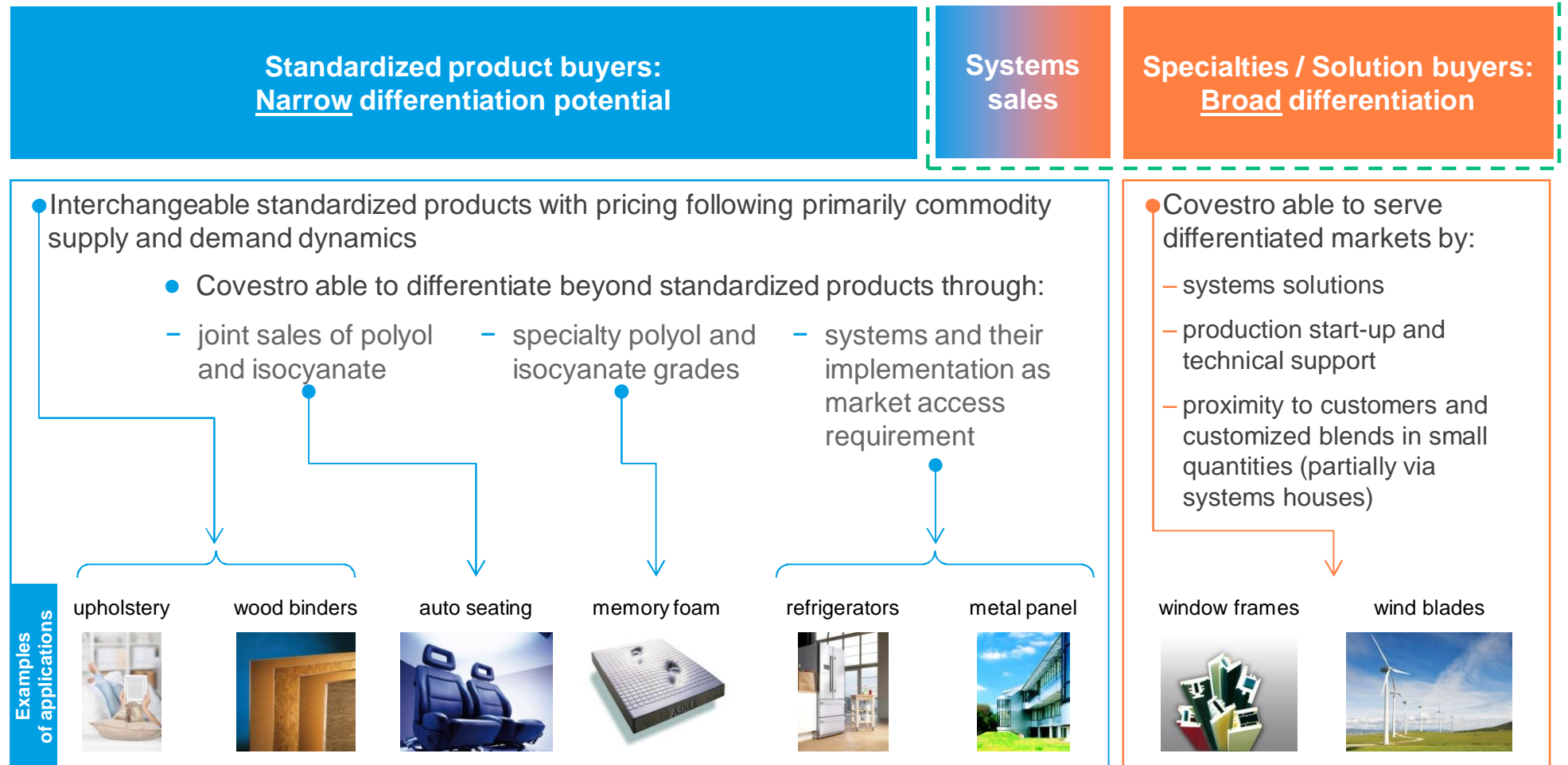
- Currently only two broad global polyurethanes suppliers: Covestro and BASF
- Wanhua and Dow (through Sadara) to complement product portfolio; however, lack of global and multi-regional scale compared to Covestro and BASF
- Polyol capabilities are key drivers of innovation and enable access to specific polyurethanes applications

Differentiation achieved across the customer spectrum



Breadth of Covestro offering

Covestro systems volumes



Distinct PU properties enable use in high-end thermoplastics for various applications



Example of customized systems solutions

What are Thermoplastic Polyurethanes (TPU)?

- High performance thermoplastic elastomer resin covering applications from hard plastics to soft elastomers / rubber
- Typically derived from mMDI (35%), polyester or polyether polyols (50%) and BDO (15%)(a)
- Estimated global demand of c. 450kt(b)

What makes TPU so special?

- PU chemistry with versatile plastic processing
- Broad portfolio (>400 products) of high performance plastics
- High mechanical resistance and comfortable haptics

Covestro well-positioned to capitalize on TPU opportunity

- ✓ Top 3 player with leading positions in all major regions
- ✓ Attractive internal synergies in chemistry, technology and end-markets
- ✓ <10% of Covestro MDI sales(c) out of 6 global production facilities

With applications in

Textiles



e.g. garments, breathable films, hotmelt adhesives

IT & Electronics



e.g. smartphone case, wearables

Sports & Leisure



e.g. footwear, ski boots & equipment

Agriculture



e.g. animal ear tags

Automotive



e.g. automobile interior and chassis

Industrial

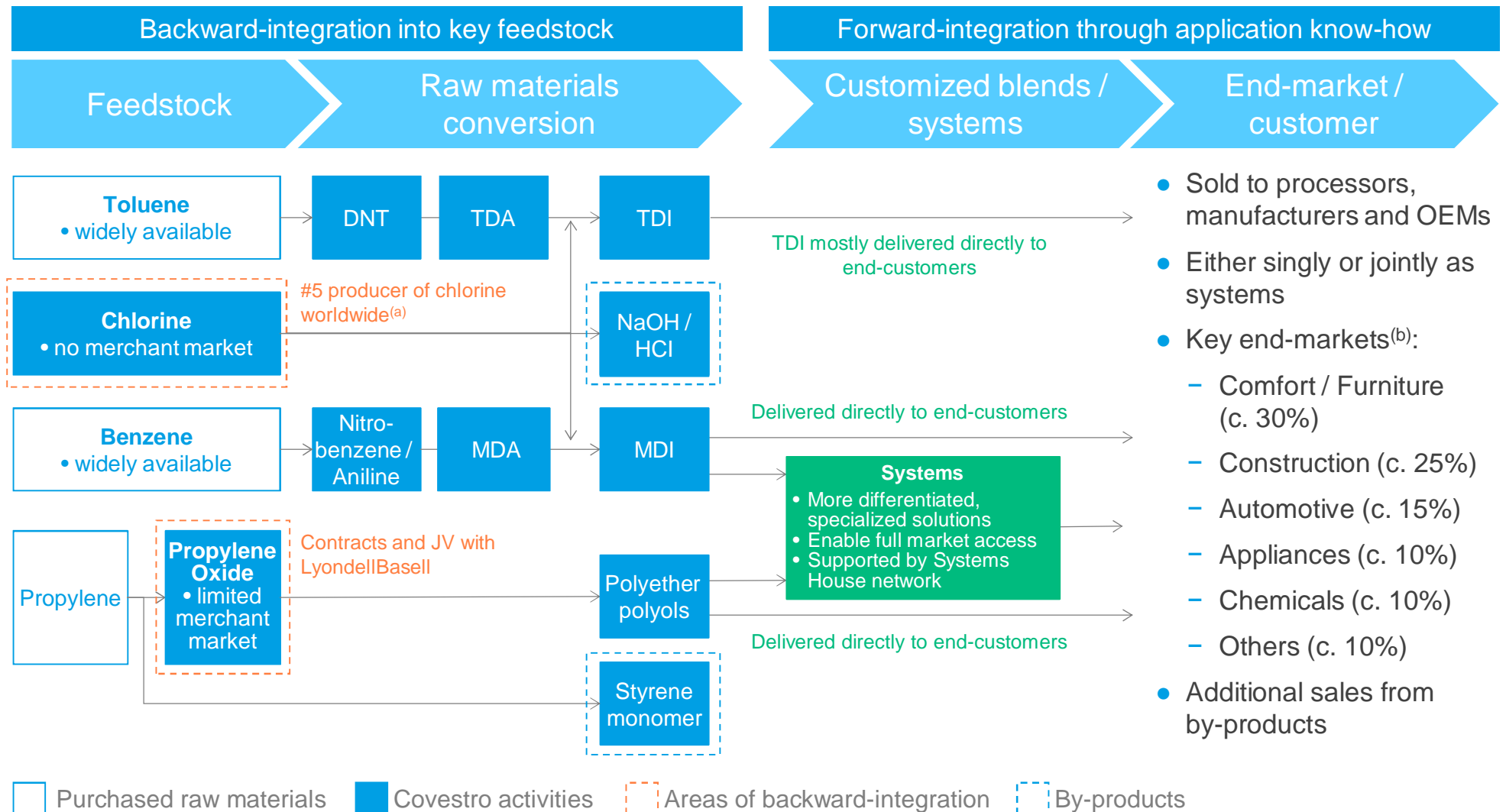


e.g. belts, castors, fire hoses

Backward-integration contributes to low cost position; forward-integration enhances customer proximity



Covestro value chain position



Balanced business with attractive growth invested for margin-improvements

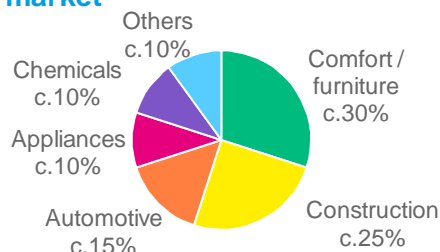


PUR in numbers

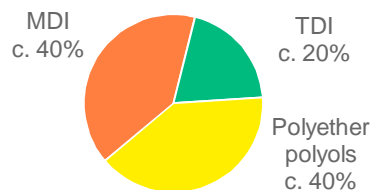
Sales split by

Sales split (%), 2014A

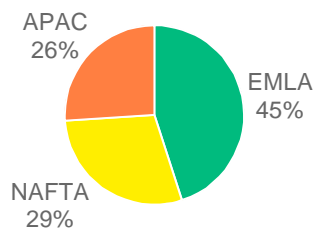
End-market



Strategic Business Entity^(b)



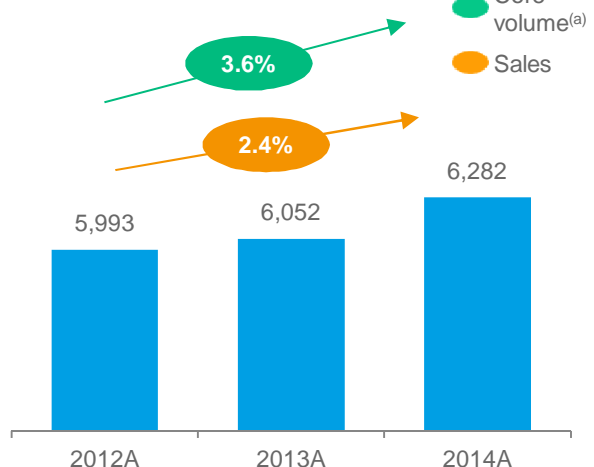
Region



Total sales: €6.3bn

Net sales

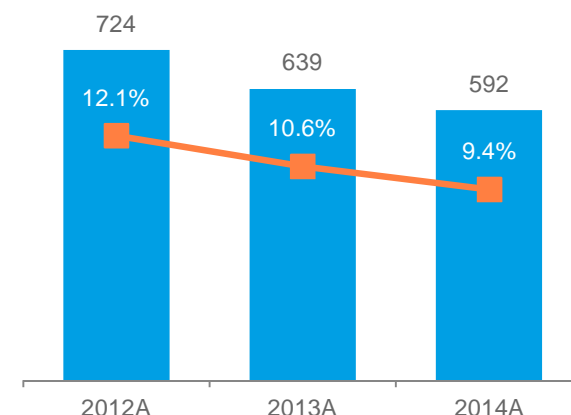
Net sales (€m)



Adj. EBITDA and margin

Adj. EBITDA (€m)

Adj. EBITDA margin (%)



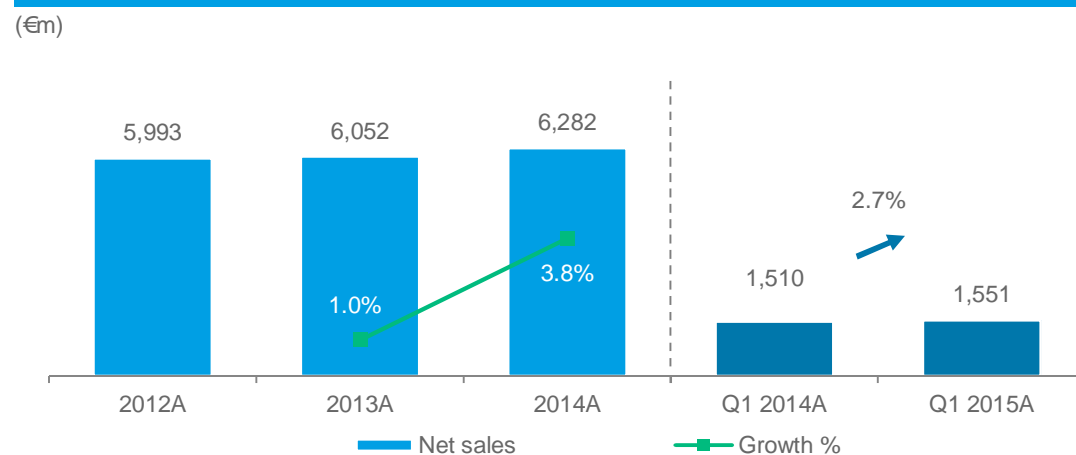
- PUR asset base has been strengthened by >€1bn capex in 2012A – 2014A
- Decline in adj. EBITDA attributable to increased manufacturing costs of expanded asset base
- Flat gross margin and SG&A development
- Volume growth limited by full propylene oxide utilization and force majeure

Continuous sales growth primarily driven by volume increase



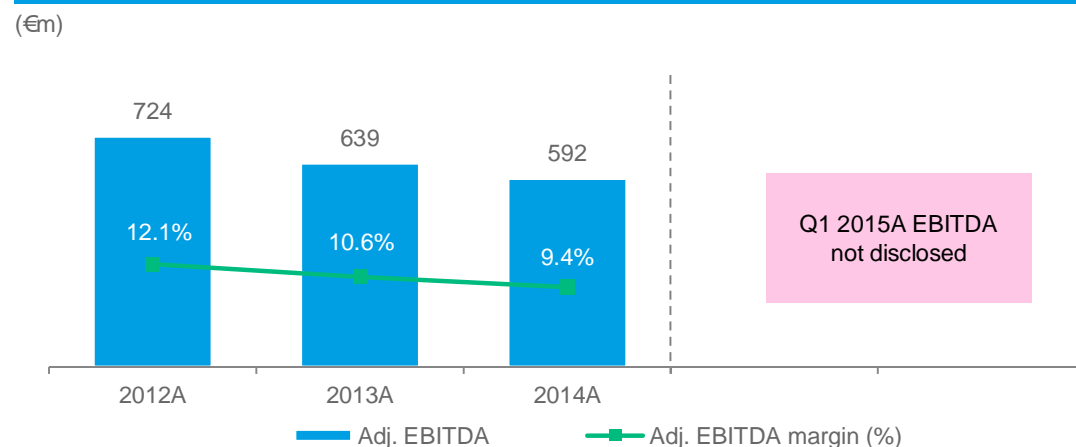
PUR historical financial performance

Net sales and growth



- Net sales primarily driven by volume growth following strong demand in key customer industries and increasing utilization of (expanded) MDI and TDI capacities in Shanghai
- From 2012A until 2014A, positive net sales volume effect (+9.0%) hampered by negative currency effect (-3.9%) and slightly weaker sales prices (-0.3%)
- Q1 2015A net sales growth driven by positive currency effects and volume increases partially offset by declining selling prices
- Declining adjusted EBITDA driven by higher raw material cost as well as higher manufacturing cost due to planned and unplanned outages and start-up cost for capacity expansions
- Declining adjusted EBITDA margin from 12.1% in 2012A to 9.4% in 2014A owing to increase in fixed manufacturing costs of expanded asset base

Adjusted EBITDA and margin



Global PU leader with strong cash generation and earnings growth potential



PUR Key Investment Highlights

- 1 #1 global producer of PU**
with leading and defensible industry positions owing to distinct barriers to entry, broad customer base / access and polyether polyols-driven innovation capabilities^(a)
- 2 Attractive industry outlook**
underlined by robust structural growth and favorable supply / demand dynamics
- 3 Well-invested assets as basis for top line driven profit growth**
through expected higher utilization of recently expanded MDI capacity and restructuring potential in MDI and TDI
- 4 Cost leadership in TDI and competitive cost position in MDI**
driven by proprietary process technologies, integrated production model and leading scale assets
- 5 Strong cash generation and earnings growth potential**
supported by limited need for growth capex in mid-term, intense focus on cost discipline and resilient polyols financial profile



Section 5 – Polyurethanes (PUR)

MDI

TDI

Polyether polyols

Summary, Strategy & Financial Outlook

Leading global player in c. 2x GDP growth industry

MDI at a glance

- **Top 2 positions in all key regions** make Covestro globally leading supplier of raw materials for MDI consuming industries
- **Robust expectation of c. 2x GDP demand growth** support stable industry utilization / margin outlook
- **Well-positioned to grow volumes** through increased utilization of fully invested Covestro asset base
- **World-scale integrated production facilities** support competitive cost position^(c)
- **Proven track record of cost discipline**; asset restructuring potential in Europe may deliver further efficiency upsides
- **Uplift in cash flow and margins** due to limited capital investment and operational leverage



#2
MDI player
globally^(a)

1,475kt
Capacity
2014A^(a)

c. 40%
of PUR sales
2014A

7
Production
facilities
globally^(b)

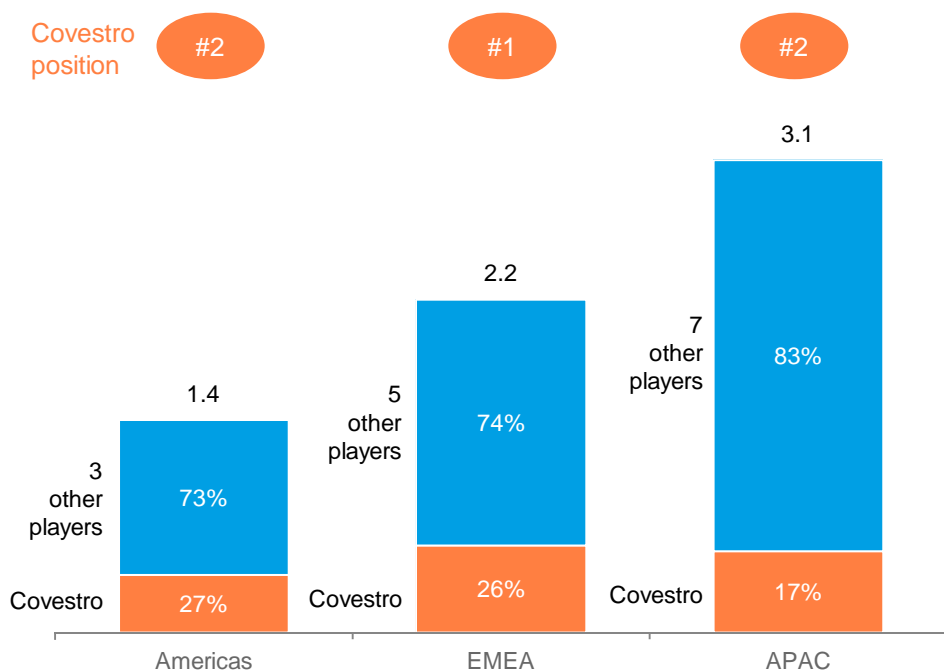
1 Leading position across all regions in consolidated industry



MDI competitive landscape

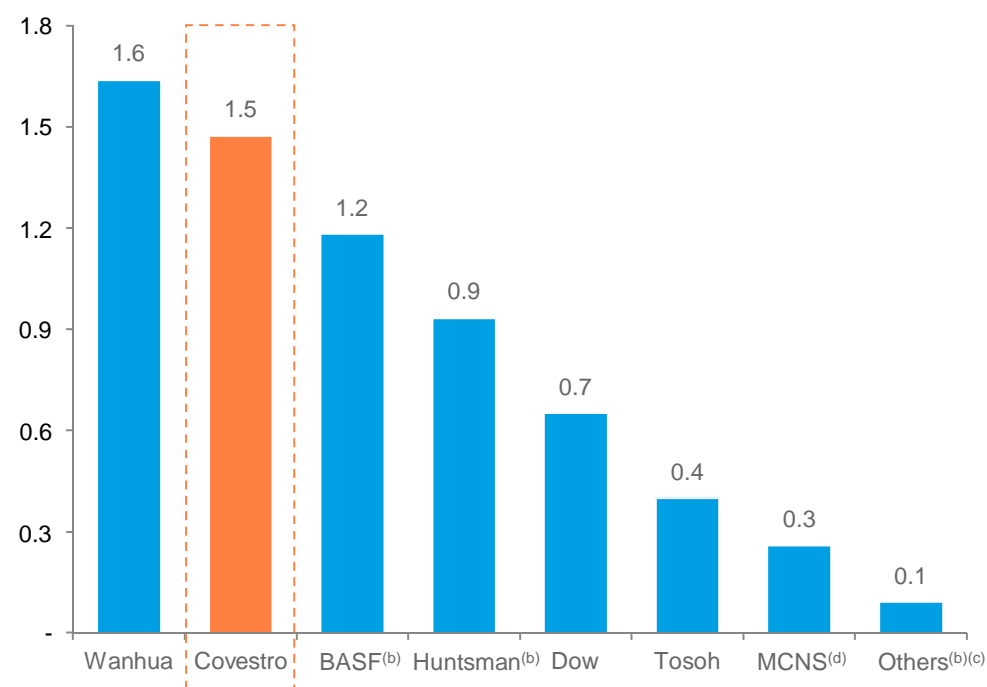
MDI industry capacity share by region^(a)

Capacity ('000kt), 2014A



Top MDI producers globally by capacity^(a)

Capacity ('000kt), 2014A



- Covestro is one of the largest producers of MDI globally; leading position in all major regions with double-digit capacity share
- High degree of consolidation; top 5 producers account for 88% of total worldwide capacity
- APAC marginally more fragmented vs. EMEA and Americas
- Key entry barriers: capital intensity, competitive process technology, global asset base to enable customer proximity

Notes: (a) Based on nameplate capacity

(b) Capacity attributed to SLIC JV has been allocated 35% BASF, 35% Huntsman, 15% Shanghai Chlor-Alkali, 8% Shanghai Hua Yi and 7% Sinopec

(c) Others include Karoon (20kt) and remaining 30% of SLIC attributed to Chinese JV participants

(d) Refers to JV between Mitsui Chemicals & SKC Polyurethanes Inc.

Source: Nexant as at July 2015

1 Strong Covestro industry position supported by distinct entry requirements



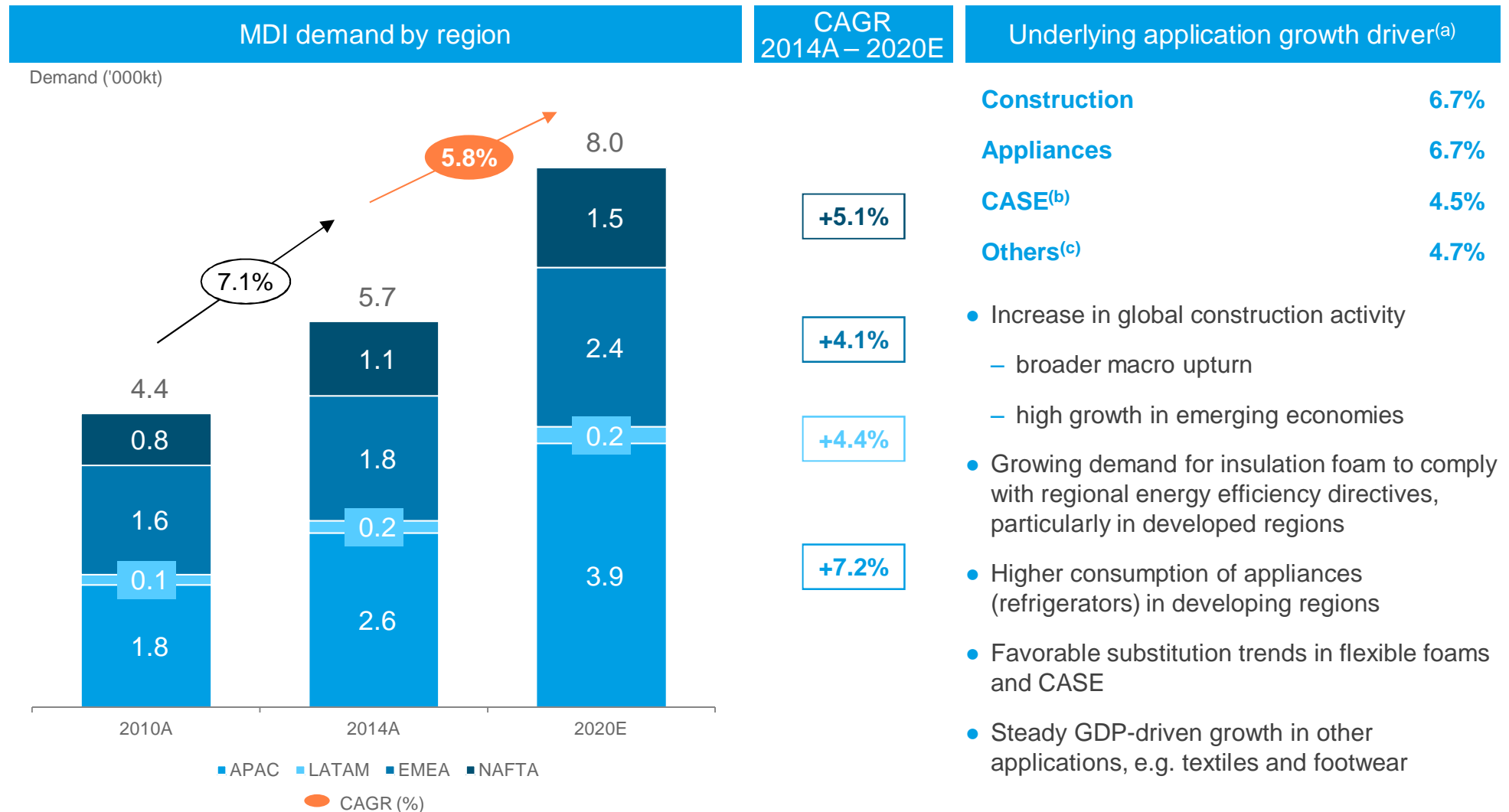
MDI barriers to entry

| Global capacity by producer | Industry | Covestro position |
|-----------------------------|--|---|
| <p>2005A</p> | <p>Capital intensity</p> <ul style="list-style-type: none"> • Considerable investment required to develop world-scale plants^(a) <ul style="list-style-type: none"> – US\$1.2 – 1.3bn (+ / - 30%) – 3 – 4 years to full operation | <ul style="list-style-type: none"> • Well-invested, large- to world-scale asset base • Economies of scale • Total capacity 1,475kt |
| <p>2014A</p> | <p>Process technology</p> <ul style="list-style-type: none"> • State-of-the-art technology along the process chain vital | <ul style="list-style-type: none"> • Competitive process technology • Cost leader in NAFTA and advantageous position in Asia • Restructuring potential in EMLA |
| <p>2014A</p> | <p>Feedstock integration</p> <ul style="list-style-type: none"> • Long-term supply contracts for precursors standard • Backward-integration as major value lever | <ul style="list-style-type: none"> • Favorable backward-integration and long-term contracts • Access to systems houses where required by industry |
| <p>2020E</p> | <p>Technical capabilities and expertise</p> <ul style="list-style-type: none"> • Systems demanding greater knowledge and expertise • Permits required to handle hazardous feedstock, e.g. phosgene | <ul style="list-style-type: none"> • Superior expertise and know-how in application development and customer insight • Reputation cemented through 60+ years experience |
| | <p>Proximity to markets</p> <ul style="list-style-type: none"> • Importance of proximity to markets • Global asset base critical to support ambitions of global customer base | <ul style="list-style-type: none"> • Diverse, global footprint • Plants in all core regions • Ability to service all key areas of demand |

2 Diverse end-markets across all regions support robust growth outlook



MDI industry demand



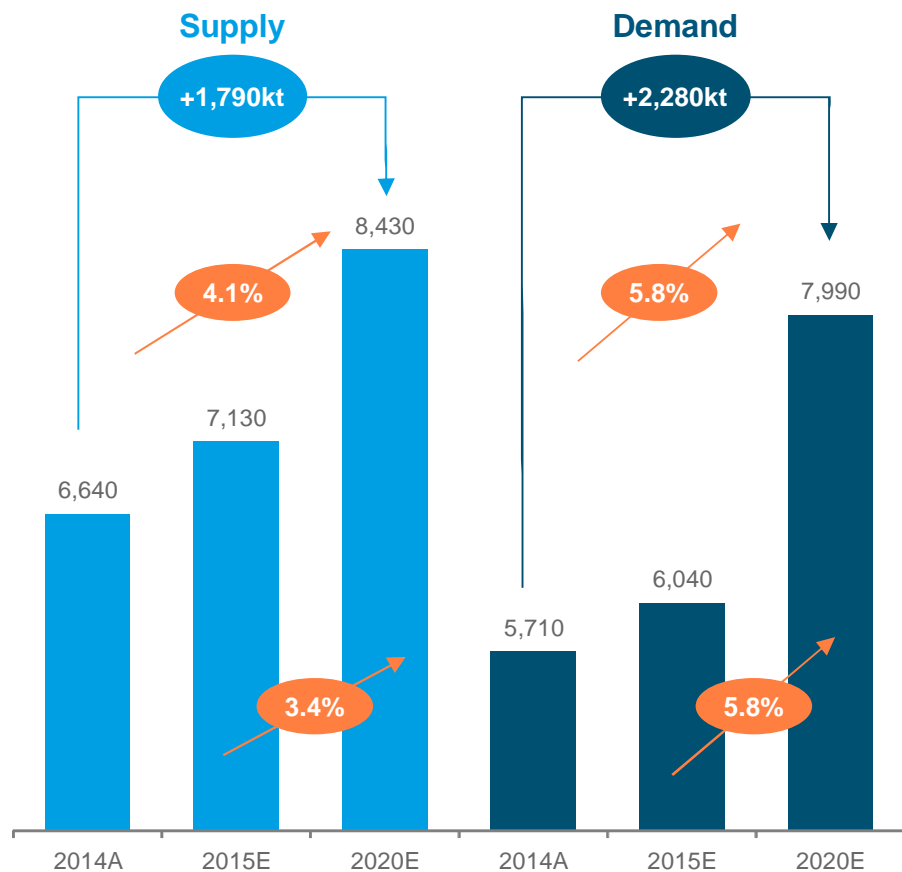
2 Demand growth outpaces forecasted supply additions



MDI industry demand and supply

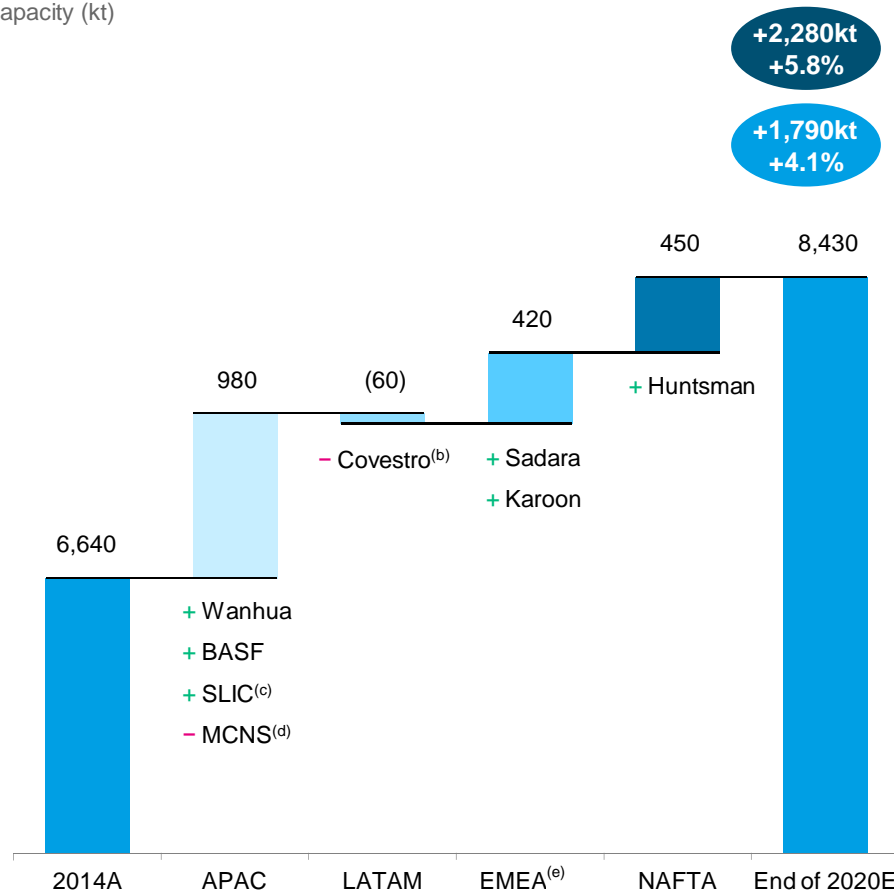
MDI net capacity expansion vs. demand growth

Supply^(a) / demand (kt)



MDI capacity development by region 2014A – 2020E^(a)

Capacity (kt)



Legend: ● CAGR (%) ● Demand growth (kt / CAGR %) ● Supply growth (kt / CAGR %)

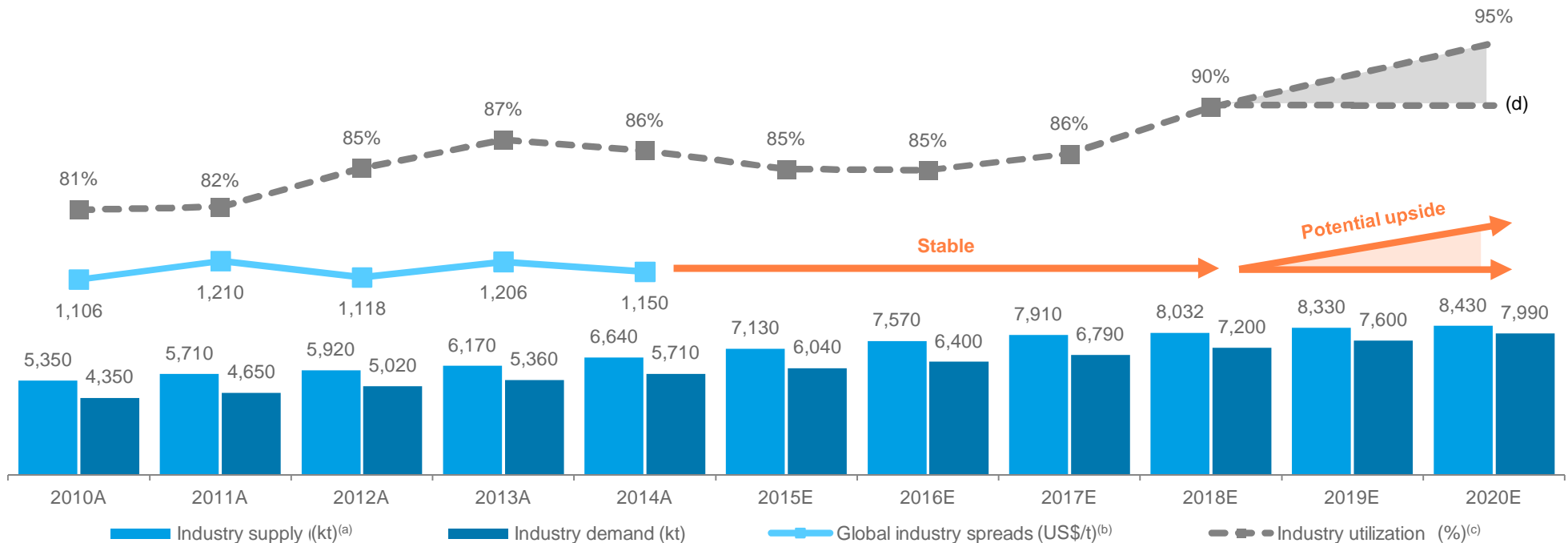
Notes: (a) Based on historical global nameplate capacity for 2014A and announced future nameplate capacity additions as at July 2015 based on Nexant analysis
 (b) Closure of 55kt p.a. Belford Roxo facility in Brazil
 (c) Refers to Shanghai Lianheng Isocyanate JV (BASF 35%, Huntsman 35%, Shanghai Chlor-Alkali 15%, Shanghai Hua Yi 8% and Sinopec 7%)
 (d) Refers to JV between Mitsui Chemicals & SKC Polyurethanes Inc.
 (e) For Covestro EMLA restructuring potential see page 53
 Source: Nexant as at July 2015

2 Stable utilization and margins expected

MDI industry utilization rates vs. spreads outlook



MDI spread over raw materials, MDI industry supply / demand and utilization



- MDI spreads historically correlated to industry utilization rates
- Spreads expected to remain relatively stable, supported by benign supply / demand dynamics
- Potential upside should industry utilization rates materially exceed 90%

Notes: (a) Based on historical and announced future nameplate capacity as at July 2015 based on Nexant analysis

(b) Global average margin calculated based on margin over raw materials in Europe, US and China and weighting this average against demand in those regions. Qualitative statements based on Nexant data

(c) Industry demand divided by industry nameplate capacities as announced (as per Nexant estimates), not adjusted for actual / physical availability

(d) Management estimates additional capacity (not captured in the Nexant data) may come online post-2018E if prevailing industry dynamics make it economically rational. These capacity estimates have been included in this analysis and represent the lower end of the range post-2018E

Source: Nexant as at July 2015

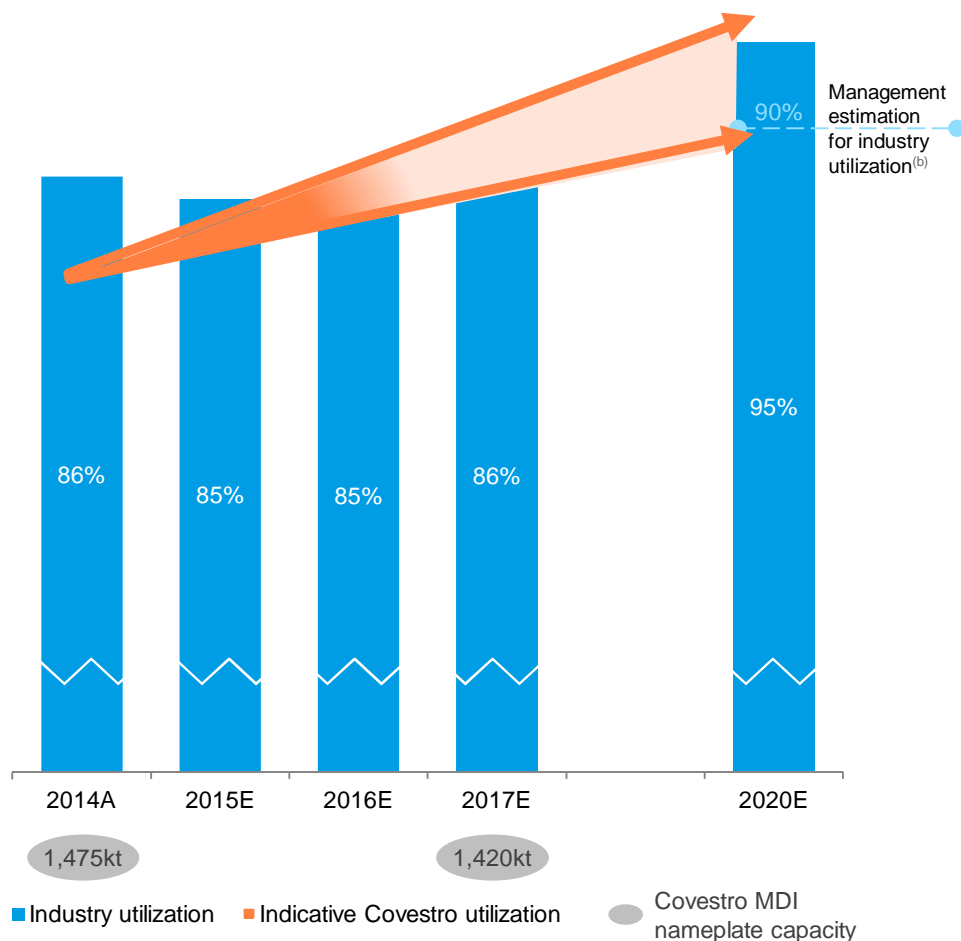
3 Higher utilization of well-invested asset base expected to lead to profitability expansion



Covestro utilization rate outlook

Indicative Covestro MDI utilization rate potential

Utilization rate (%)^(a)



- Covestro utilization levels trailed industry in 2014A due to
 - ramp-up of new asset in Shanghai coming on-stream
 - multiple major turnarounds
 - production curtailments
- Covestro utilization expected to exceed industry levels by 2016E and beyond due to
 - no material net capacity expansions coming on-stream
 - switch to longer turnaround cycles completed
 - additional security in raw materials supply
 - selected swap agreements

Leverage under-utilized assets

3 Well-positioned production network to supply customer demand globally



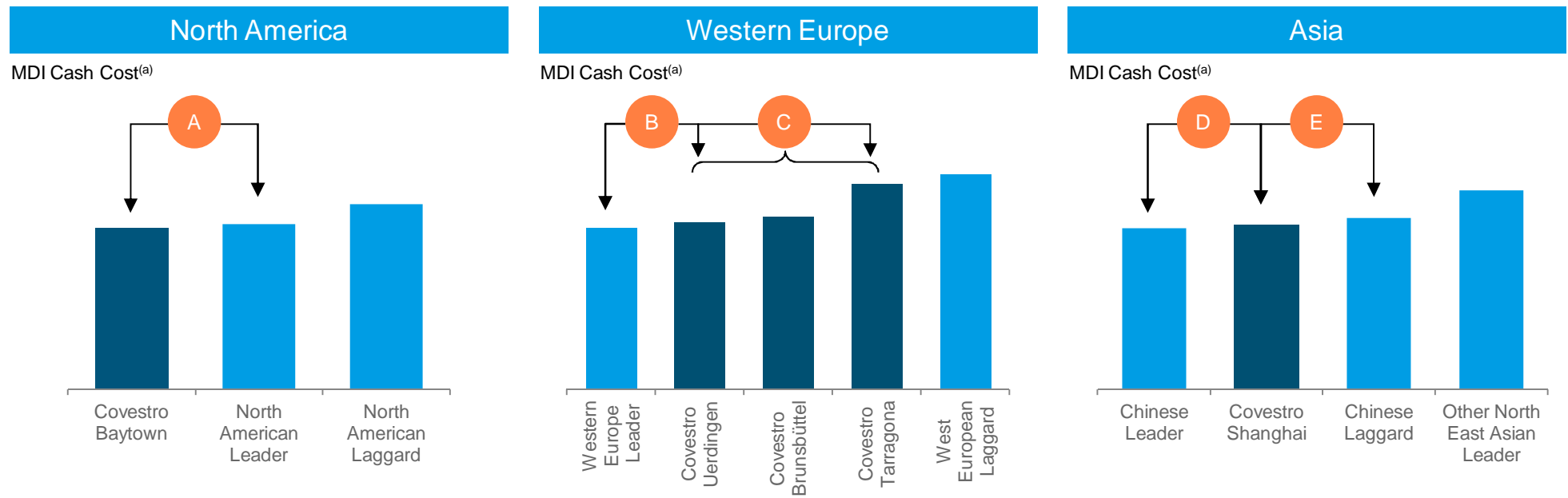
Covestro MDI operations



4 Leading cost position in US and China; efficiency potential in Europe



MDI regional industry cost curve



- A** Covestro cost leadership through backward-integration
- B** Western European leader with larger MDI and precursor capacity
- C** Uerdingen more cost efficient relative to other Covestro facilities in Europe due to level of backward-integration and economies of scale
- D** Chinese leader with larger backward-integration and different energy source
- E** Shanghai ahead due to larger MDI train capacity and energy efficiency

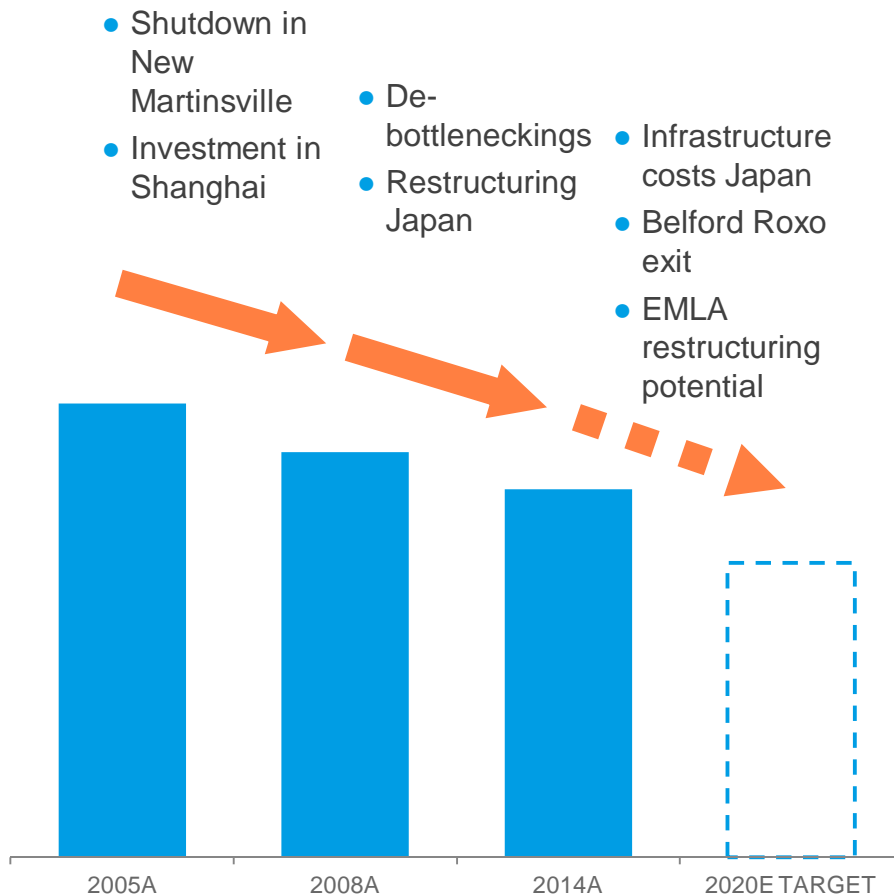
5 Competitive cost position through continuous efficiency improvements



Covestro asset efficiency

Track record of improving cost position in MDI

Global average MDI cash costs driven by structural and technology improvements without benzene^(a)
Indexed to 2005A



Infrastructure costs in Niihama, Japan

- Adjustment of site infrastructure costs

Closure of Belford Roxo, Brazil

- Decision announced on 3rd March 2015, operations to be discontinued from July 2015
- Decision driven by relative cost competitiveness vs. other production sites
- Brazil to be served through imports post-closure of the site

EMLA restructuring potential

- Possible re-usage of idle TDI infrastructure and precursors in Brunsbüttel enable economic doubling of MDI capacity by 200kt p.a.
- Considered to be implemented without a material net capacity expansion of Covestro globally



Section 5 – Polyurethanes (PUR)

MDI

TDI

Polyether polyols

Summary, Strategy & Financial Outlook

Global leader in long-term growth industry

TDI at a glance



- **#1 producer of raw materials for TDI consuming industries globally** with leading positions in all major regions
- **Demand growth above GDP** driven by all key end-markets and regions, particularly in APAC
- **Anticipated recovery in industry operating rates / margins** post-2015 trough
- **Superior cost position** through backward-integration, proprietary gas-phase technology and world-scale, integrated asset base^(b)
- **Cost savings and increased cash flows** out of ongoing restructuring of European asset base
- **Growth into recently expanded world-scale asset base** and recovery of margins expected to deliver uplift in financials

#1
TDI player
globally^(a)

660kt
Capacity
2014A^(a)

c. 20%
of PUR sales
2014A

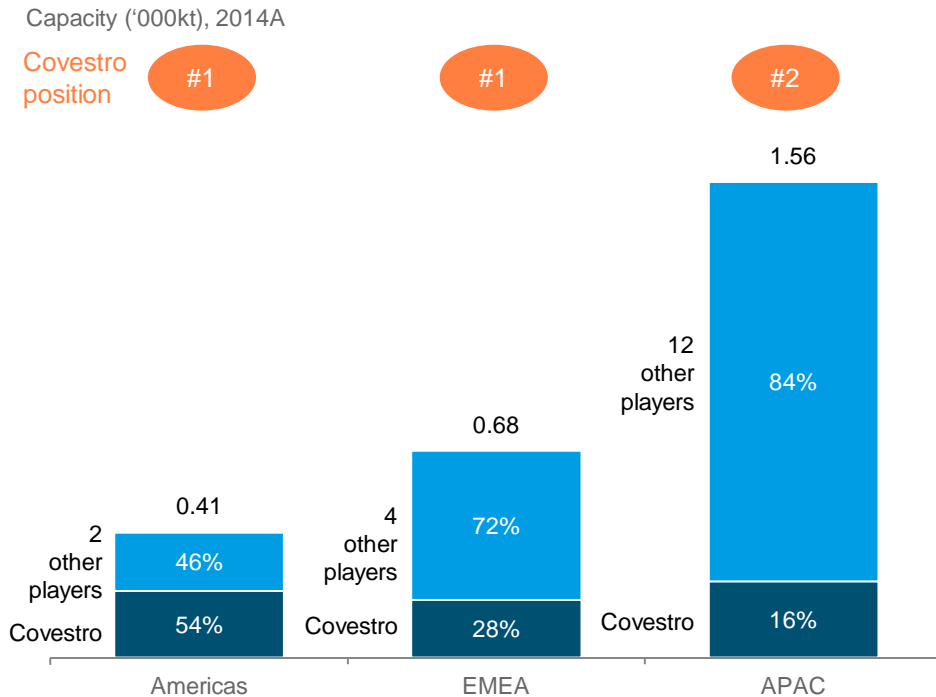
4
Production
facilities
globally^(c)

1 Covestro is #1 producer globally with leading positions across all regions

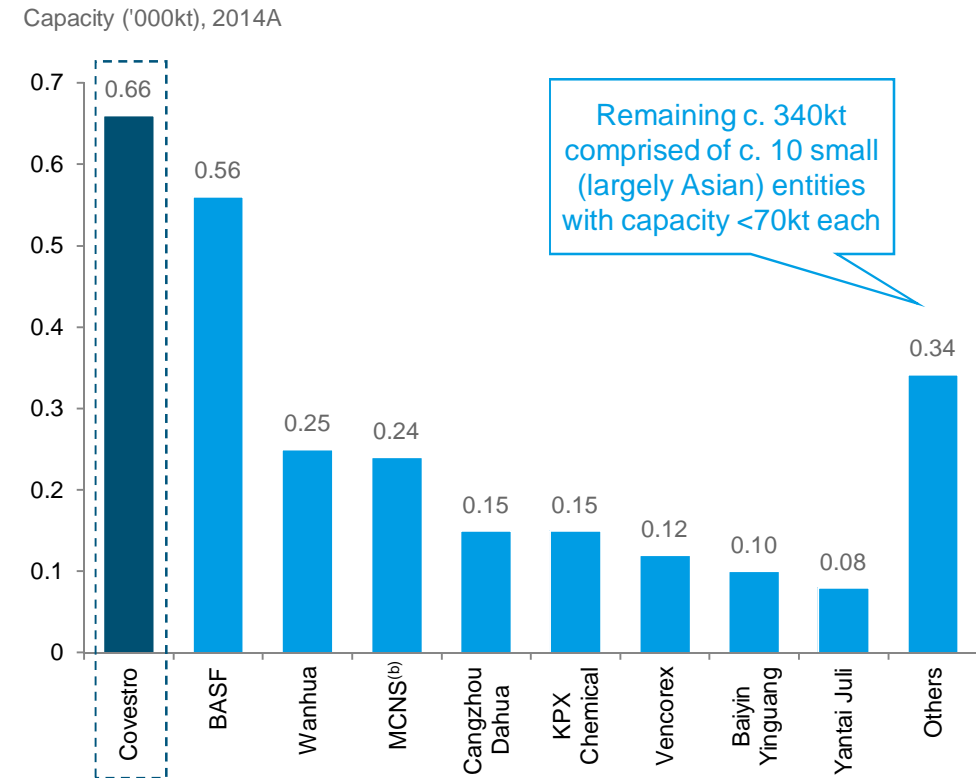


TDI competitive landscape

TDI industry capacity share by region^(a)



Top TDI producers globally by capacity^(a)



- Covestro is leading producer of TDI globally; #1 or #2 position in all core regions
- Covestro and BASF hold c. 50% of total capacity; remainder more fragmented and composed primarily of smaller producers in APAC
- Intense price competition affecting short-term profitability in APAC
- Key entry barriers: capital intensity, competitive process technology, global asset base to enable customer proximity

1 Strong Covestro position safeguarded by distinct entry requirements plus state-of-the-art GPP technology



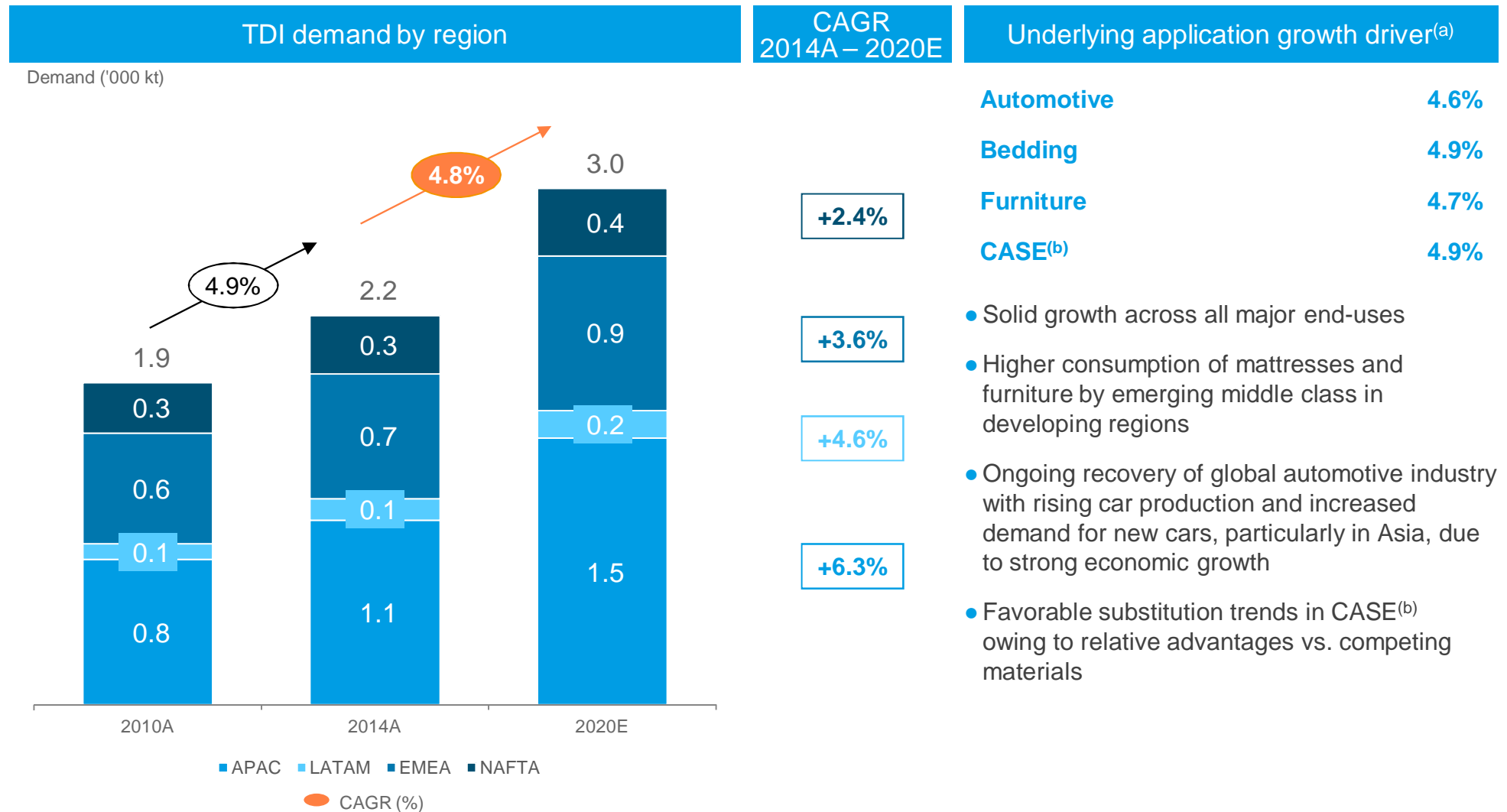
TDI barriers to entry

| Global capacity by producer | Industry | Covestro position |
|-----------------------------|---|--|
| <p>2005A</p> | <p>Capital intensity</p> <ul style="list-style-type: none"> World-scale plant^(a) requires: <ul style="list-style-type: none"> >US\$1bn investment in full train 3 – 4 years to full operations | <ul style="list-style-type: none"> 3 large- to world-scale production facilities and total capacity of 770kt post completion of asset restructuring by the end of 2015^(b) Benefits from economies of scale |
| <p>2014A</p> | <p>Process technology</p> <ul style="list-style-type: none"> Advanced technology along the process chain critical Limited options for licensing | <ul style="list-style-type: none"> State-of-the-art gas-phase phosgenation (GPP) technology leading to global cost leadership^(c) <ul style="list-style-type: none"> highly cost efficient and eco-friendly |
| <p>2014A</p> | <p>Feedstock integration</p> <ul style="list-style-type: none"> Supply contracts as standard option Backward-integration advantageous | <ul style="list-style-type: none"> Favorable backward-integration and long-term contracts |
| <p>2020E</p> | <p>Technical capabilities and expertise</p> <ul style="list-style-type: none"> Permits required to handle hazardous feedstock, e.g. phosgene Track record and suitable infrastructure important | <ul style="list-style-type: none"> World class expertise and know-how in customer-centric application development Proven reputation with 60+ years experience Impeccable safety record |
| <p>2020E</p> | <p>Proximity to markets</p> <ul style="list-style-type: none"> Benefits for established global players Required to service large-scale multi-nationals with diverse operations | <ul style="list-style-type: none"> Global footprint and customer insight Facilities in all core regions |

2 Growth above GDP driven by all key end-markets and regions, particularly in Asia



TDI industry demand



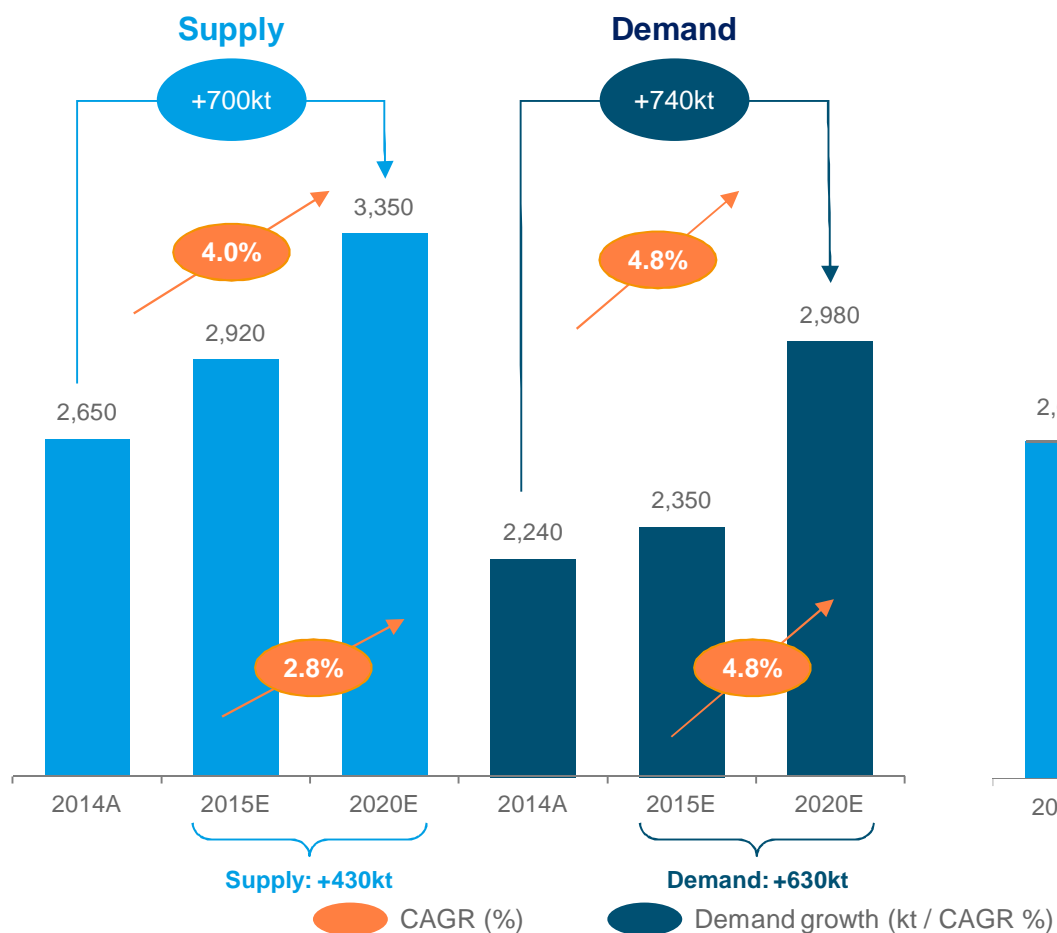
3 Limited net capacity additions post-2015 below expected demand growth



TDI industry demand and supply

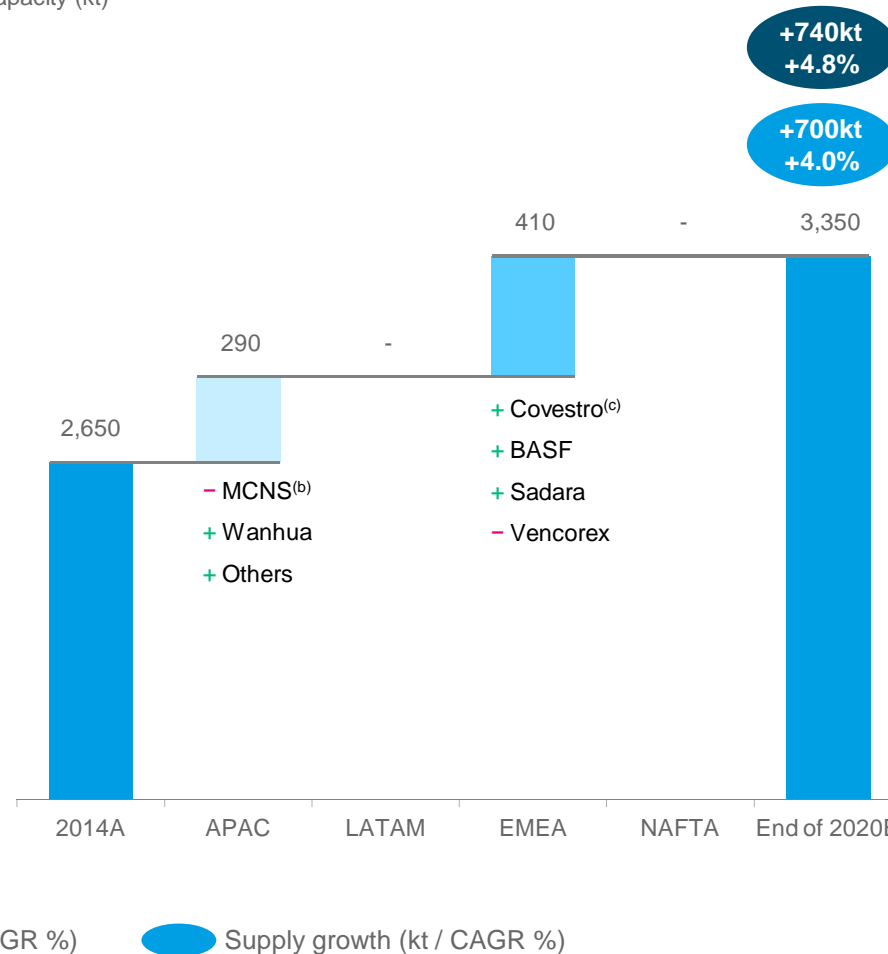
TDI net capacity expansion vs. demand growth

Supply^(a) / demand (kt)



TDI capacity development by region 2014A – 2020E^(a)

Capacity (kt)



Notes: (a) Based on historical global nameplate capacity for 2014A and announced future nameplate capacity additions as at July 2015 based on Nexant analysis

(b) Refers to JV between Mitsui Chemicals & SKC Polyurethanes Inc.

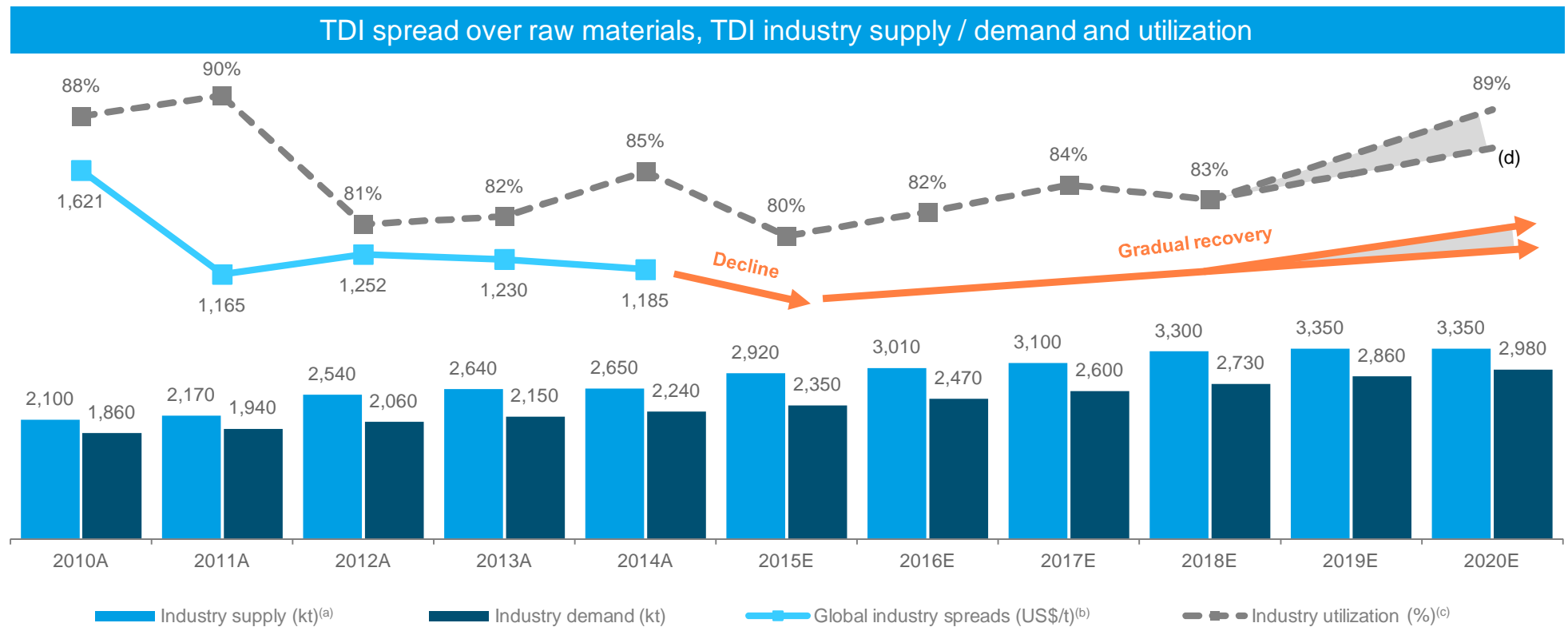
(c) New Dormagen facility (inaugurated in December 2014) with capacity of 300kt assuming full ramp-up offset by reduction in capacity owing to (i) shutdown of old Dormagen facility in 2014A and (ii) shutdown of Brunsbüttel facility in 2015E

Source: Nexant as at July 2015

3 Improving industry utilization rates post-2015 support recovery of industry margins



Industry utilization rates vs. spreads



- Short-term pressure on industry margins in 2015E owing to wave of new capacity resulting in trough conditions
- Improvement from 2016E onwards, consistent with higher utilization rates
 - however, margin recovery may be volatile based on levels of competition and plant availabilities
- Possible upside from potential capacity exits / delays as near-term pressure weighs on higher cost producers

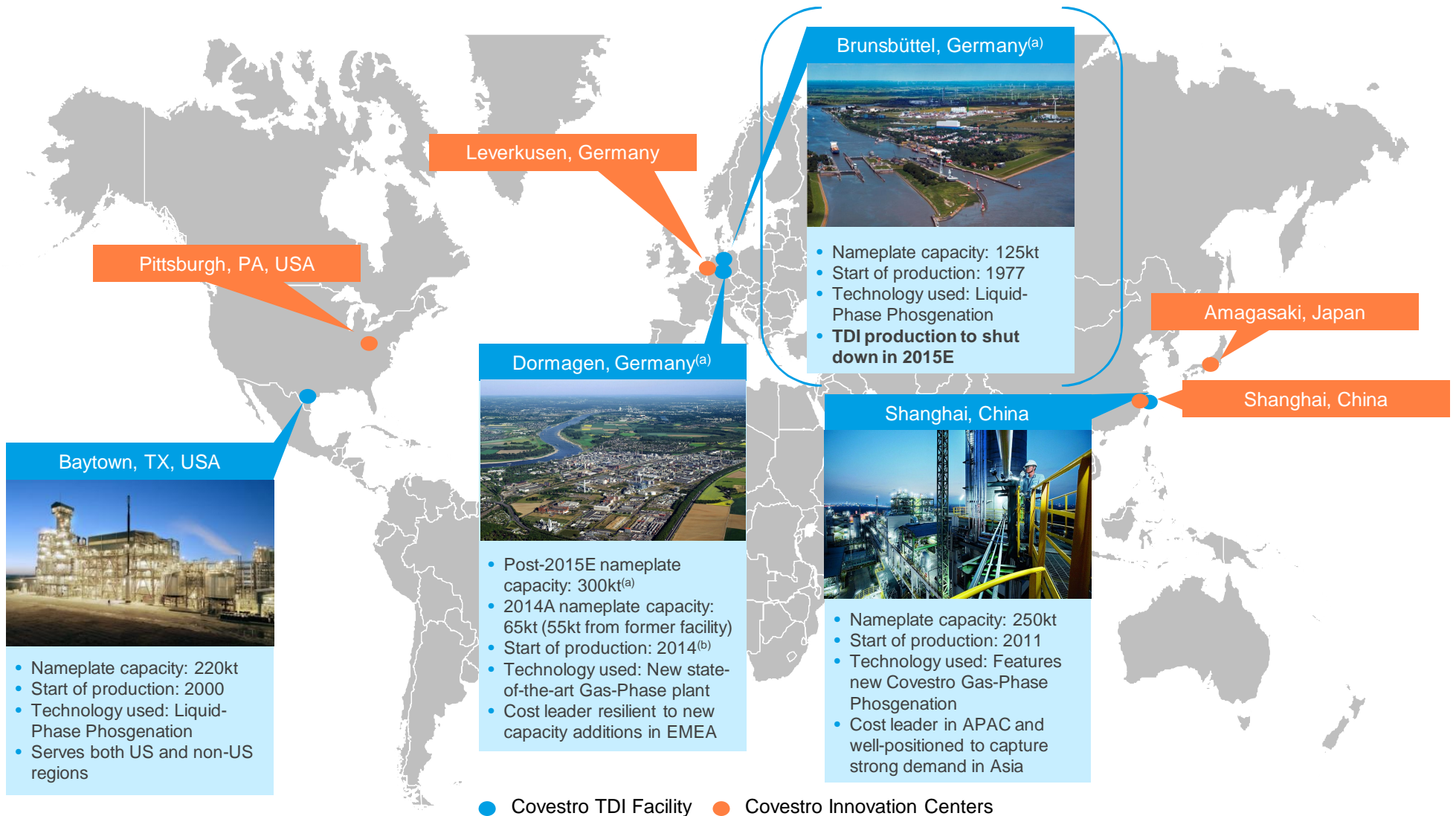
Notes: (a) Based on historical global nameplate capacity for 2014A and announced future nameplate capacity additions as at July 2015 based on Nexant analysis
 (b) Global average margin calculated based on margin over raw materials in Europe, US and China and weighting this average against respective demand in those regions. Qualitative statements based on Nexant data
 (c) Industry demand divided by industry nameplate capacities as announced (as per Nexant estimates), not adjusted for actual / physical availability
 (d) Management estimates additional capacity (not captured in the Nexant data) may come online post-2018E if prevailing industry dynamics make it economically rational. These capacity estimates have been included in this analysis and represent the lower end of the range post-2018E

Source: Nexant as at July 2015

3 Ongoing European efficiency program to further enhance quality of existing world class assets



Covestro TDI operations



Notes: All nameplate capacities based on 2014A

(a) Existing capacities at Dormagen (55kt in 2014A) and Brunsbüttel (125kt) facilities to be shut down by end of 2015E; Dormagen reflecting nameplate capacity of new facility. Dormagen facility currently in ramp-up phase to c. 250kt p.a. in 2015E / 2016E; additional investment in low double-digit €m-range may be required to secure a sustainable nameplate capacity of 300kt p.a.

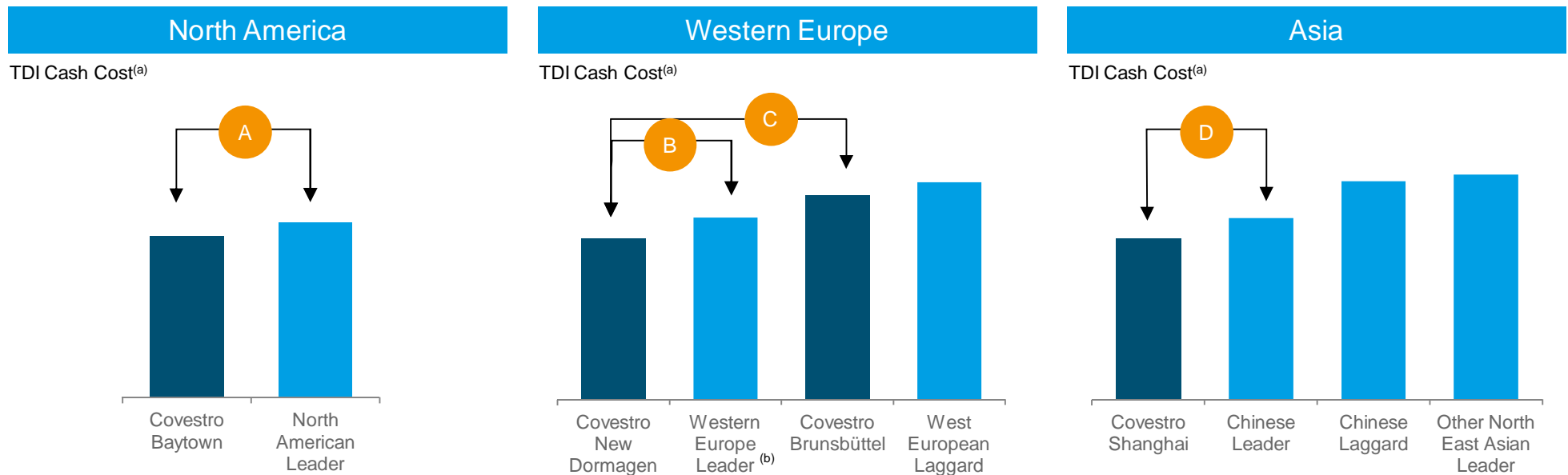
(b) Reflects date of inauguration for new facility which has replaced the former 90kt p.a. facility

Source: Company information

4 Combination of scale, integration and technology provides global cost leadership



TDI regional industry cost curve



- A** Chlorine and nitric acid integration supporting Covestro cost leadership
- B** Covestro cost advantage through superior process technology in terms of energy consumption and raw material yield
- C** Economies of scale and gas-phase technology in new Dormagen facility
- D** Raw material integration and advantages from gas-phase technology driving superior cost position for Covestro

4 Proprietary gas-phase production technology sets industry standards in efficiency and sustainability



TDI process technology

Innovative gas-phase technology for TDI



How it works

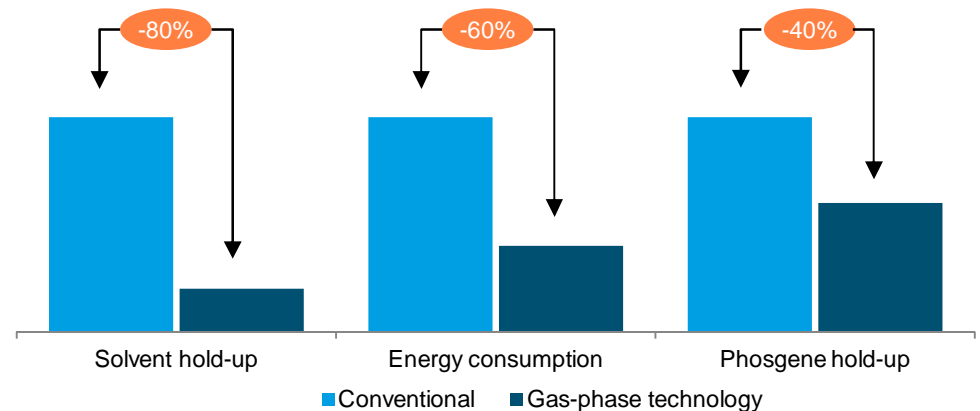
- TDA and phosgene heated
- Subsequently transferred in a gaseous form to the reaction
- Condensed to a liquid and distilled to yield purified TDI with recovered solvent and phosgene

Status

- First introduced in 2011A
- Shanghai facility first to implement gas-phase in full scale
- Applied in all Covestro facilities in regions with high energy costs (EMLA & APAC) from 2015E

Significant economic improvements^(a)

Cost indexed to 100



Key benefits of gas-phase technology for TDI

- ✓ Major source of competitive advantage and cost leadership position in TDI
- ✓ Lower energy consumption vs. liquid phase technology
- ✓ Shorter reaction time vs. conventional processes with significantly higher throughput

5 Restructuring of European assets expected to lead to significant cost savings



TDI operational improvements

New world-scale Covestro TDI facility in Dormagen

| | |
|------------------------|---|
| Location | • Dormagen, Germany |
| Investment | • €400m ^(a) |
| Order year | • December 2008 |
| Construction | • 30 months (permit granted late 2012) |
| Capacity | • 300kt p.a. ^(b) |
| Start-up | • December 2014 |
| Technology | • Gas-phase phosgenation technology |
| Other key facts | <ul style="list-style-type: none"> • Replaces facilities in Dormagen and Brunsbüttel • Well-integrated into key raw materials • Lower energy requirement production process • Highly cost efficient |

- ✓ Most modern gas-phase TDI facility in the world
- ✓ Variable cost savings due to lower steam consumption
- ✓ Fixed cost savings through consolidation of European platform
- ✓ Additional synergies through connectivity with other businesses in the value chain (e.g. chlor-alkali)
- ✓ Accelerates cost advantage in Europe vs. peers and reinforces global leadership position

Estimated cash cost savings for the Group
in mid double-digit €m-range^(c)

Notes: (a) Including infrastructure and suppliers at the Chempark Dormagen

(b) Dormagen facility currently in ramp-up phase to c. 250kt p.a. in 2015E / 2016E; additional investment in low double-digit €m-range may be required to secure a sustainable nameplate capacity of 300kt p.a.

(c) Once idle TDI infrastructure and precursors will be used for MDI expansion potential in Brunsbüttel

Source: Company information



Section 5 – Polyurethanes (PUR)

MDI

TDI

Polyether polyols

Summary, Strategy & Financial Outlook

Leading position in polyether polyols a key differentiator



Polyether polyols at a glance

- **Leading global supplier of polyether polyols** with focus on NAFTA and EMEA
- **Broad range of standardized products, specialities and technologies** offered by Covestro to customers
- **Sustainable cost position** through backward-integration into propylene oxide^(a) and best-in-class process technology in polyether polyols
- **Key source of differentiation and critical “enabler”** in terms of providing market access and driving product innovation in polyurethanes
- **Resilient profitability and cash generation** backed by stable historic and forecasted industry margins

#2
Polyether
polyols
player
globally^(b)

1,280kt
Capacity
2014A^(b)

c. 40%
of PUR sales
2014A

10
Production
facilities
globally^(c)

1 Covestro global #2 producer with strong positions in NAFTA and EMEA

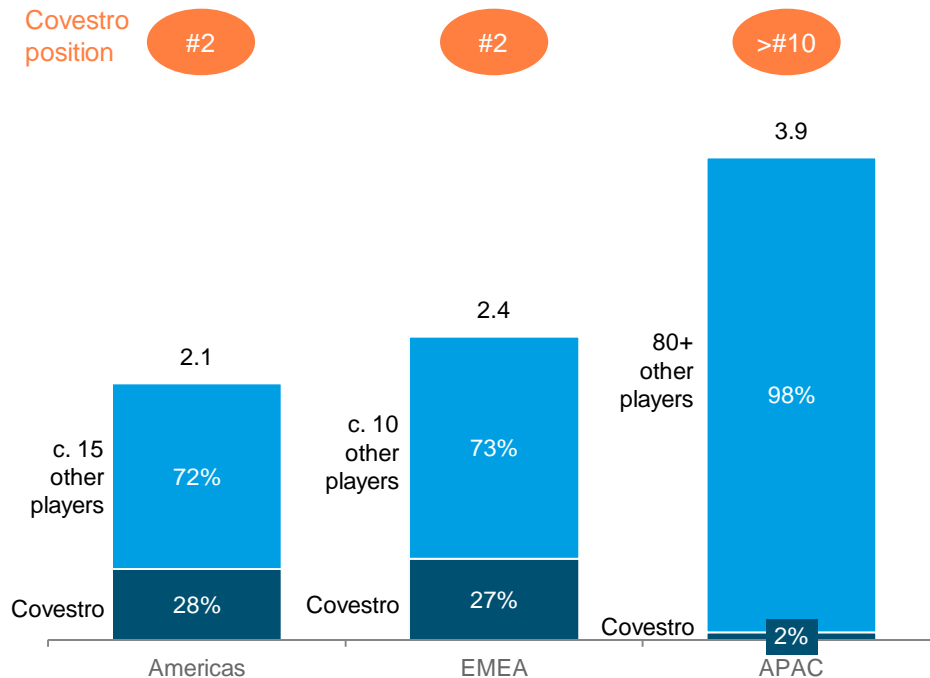


Polyether polyols competitive landscape

Polyether polyols industry capacity share by region^(a)

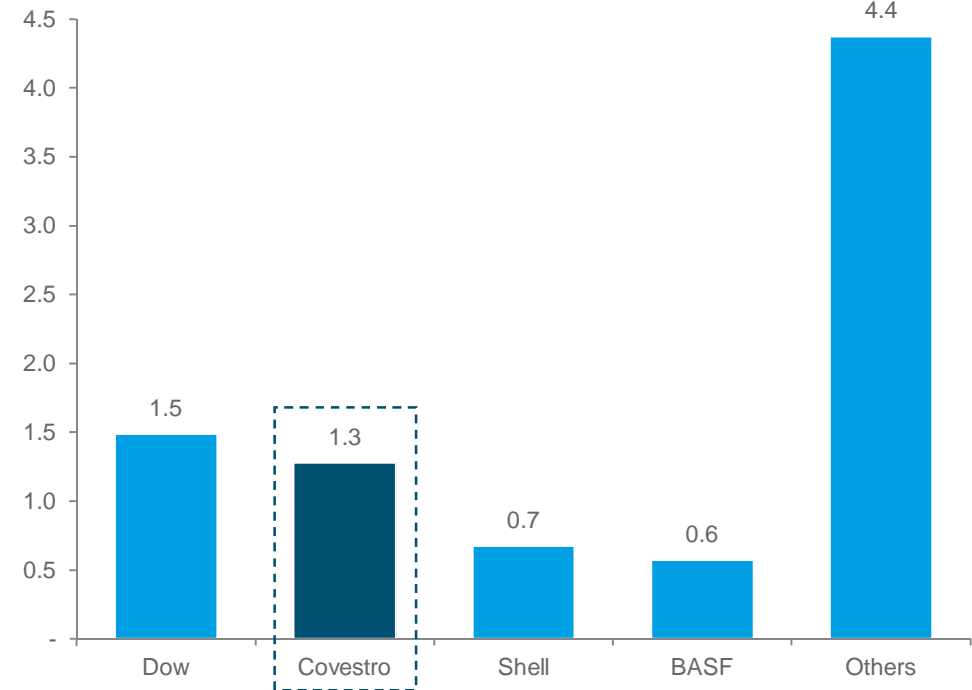
Capacity ('000kt), 2014A

Covestro position



Top polyether polyols producers globally by capacity^(a)

Capacity ('000kt), 2014A



- Polyether polyols landscape comprising 4 major players; Covestro is #2 producer globally with strong positions in NAFTA and EMEA
- APAC is highly fragmented with a large merchant propylene oxide market; 50+ small producers^(b) accounting for c. 15% share
- Higher margins and barriers to entry for the business model of propylene oxide backward-integrated polyols vs. stand-alone polyols business
- Key entry barriers: capital intensity, propylene oxide access, competitive polyols process technology; R&D and technical infrastructure

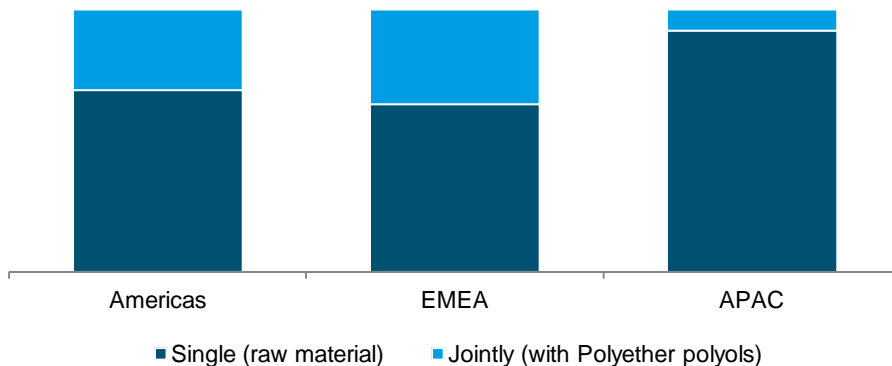
1 Polyols enable access to entire customer base and provide platform to drive innovation



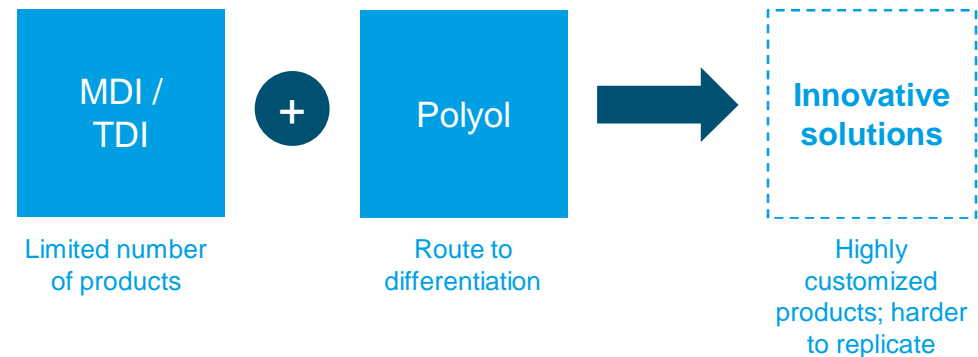
Role of polyether polyols in Covestro portfolio

Enabling access to whole PU customer base

Indicative share of Covestro MDI & TDI sales jointly with Polyether polyols^(a)



Foundation for innovation



- Strong polyether polyols position in regions with highest ratio of joint sales of isocyanates and polyols (EMEA / NAFTA), providing:
 - broader application and customer base
 - access to niche applications with differentiation potential
 - reduced impact from changes in isocyanate industry supply / demand
- Highly fragmented polyether polyols industry in APAC

- Key role in innovation and driving underlying properties of PU
- Essential chemistry needed to develop unique and harder to replicate solutions
- Innovation crucial to maintaining leading position in PU
- Enabling commercialization of product innovations such as Baytherm Microcell and viscoelastic foam

1 Competitive cost position through propylene oxide backward-integration with strong partner



Covestro JV with LyondellBasell

LyondellBasell agreements^(a)

- US propylene oxide Joint Venture
 - Started in 2000
 - Long-term off-take of propylene oxide from JV plants
- EMEA propylene oxide Joint Venture
 - 50 / 50 manufacturing JV for world-scale facility in Rotterdam
 - Propylene oxide output used captively by Covestro as feedstock; sells styrene monomer in merchant market

Key benefits to Covestro

- Secure access of propylene oxide
- Producer cost economics vs. market price in a limited merchant market for propylene oxide
- US propylene oxide JV not exposed to propylene oxide co-product volatility (TBA / MTBE or styrene monomer)
- Covestro exposed to styrene monomer co-product volatility out of EMEA joint venture

1 Distinct requirements to entry and Covestro competitive edge supporting sustainable position



Polyether polyols barriers to entry

| Industry structure | Industry | Covestro position |
|--|---|--|
| <p>Global capacity by producer (%)</p> <p>2014A</p> <ul style="list-style-type: none"> • Top 5 players account for 51% of global polyether polyols capacity • With the exception of China the common business model is based on an integrated propylene oxide / polyether polyols value chain • Consolidation expected to occur in Asia (mostly China) • Excluding China, nearly all announced capacity projects are with involvement of top 5 players | <p>Capital</p> <ul style="list-style-type: none"> • World-scale 300kt p.a. propylene oxide / polyether polyols plant requires sizable investment of up to US\$0.8bn – 1.2bn (+ / - 30%) | <ul style="list-style-type: none"> • Operating global network of assets with main positions in NAFTA and Europe |
| <p>Feedstock</p> | <ul style="list-style-type: none"> • Integrated supply of propylene oxide for a propylene oxide / polyether polyols value chain | <ul style="list-style-type: none"> • Long-term supply ensures propylene oxide / polyether polyols value chain |
| <p>Process technology</p> | <ul style="list-style-type: none"> • Access to technology through own innovation or licensing from mostly competitors | <ul style="list-style-type: none"> • Leading polyols technology position, licensor of IMPACT technology to major competitors |
| <p>Economy of scale</p> | <ul style="list-style-type: none"> • World-scale operation for low cost position | <ul style="list-style-type: none"> • World-scale operations in Channelview, Antwerp and Dormagen |
| <p>Proximity to markets</p> | <ul style="list-style-type: none"> • Application related know-how and right product portfolio to support customers as needed | <ul style="list-style-type: none"> • Broad product portfolio and innovation competence to support and develop end-markets and PU applications |
| <p>R&D infrastructure</p> | <ul style="list-style-type: none"> • R&D largely based on <ul style="list-style-type: none"> – labs and testing facilities – expertise and know-how – joint collaboration with customers | <ul style="list-style-type: none"> • Highly developed infrastructure with proven expertise and state-of-the-art facilities |

1 Cost leadership through proprietary IMPACT technology and next generation polyols CO₂-based



Polyether polyols process technology development

IMPACT catalysts for efficient polyether polyol production



- Start-up in 2003A (Dormagen)
- Covestro able to run continuous production of polyether polyols through IMPACT technology
- Highly efficient catalyst
 - 10 tonnes sufficient to produce c. 400kt of polyether polyols
 - ecological and economic benefits
- Successfully out-licensed to major polyether polyols producers

Carbon dioxide as raw material for polyols production



- New technology to co-polymerize CO₂
- Overcomes key industry challenges and provides superior technology in core of polyurethanes
 - reduced carbon footprint
 - replaces petrochemicals
 - improves performance of end-products
- Potential to revolutionize industry
- Scope to start commercializing by 2016E
- Driver of polyether polyols growth in mid-term

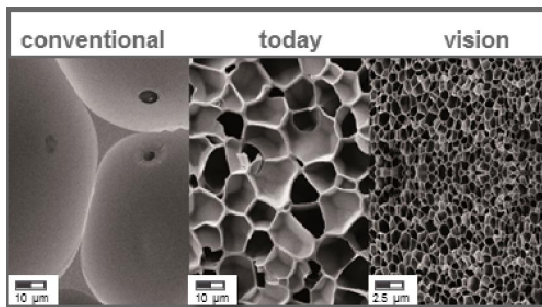
1 Polyether polyols and application know-how delivers growth



Product innovation in PUR

1

Nano PU insulation foam



- Increase presence in PU insulation, i.e. building, construction and cold chain
 - enhanced thermal performance as well as supporting CO₂-footprint improvement
 - simplified building envelope design
 - optimal space utilization due to minimal insulation thickness
- Enabled by advanced polyols formulation design and new processing technology

2

PU rigid foam with improved resistance to fire



- Introduction of new chemistry for enhanced flame retardancy in construction insulation
 - starting with best-in-class PU fire performance
 - breakthrough to non-combustibility leading to broader accessible market
- Enabled by new polyols building blocks

3

Wind blades



- Replacing Epoxy resins by PU resins in blades or large blade parts
 - faster production cycle
 - increased performance due to improved mechanical properties
- PU system design leading to superior processing behavior and material properties

Pipeline of potential step-change innovations

1 PU-Solutions enable world's first refurbished commercial building with "Energy plus" standard



Covestro "Building of the Future"



Hannelore Kraft
Premier of the State of
North Rhine-Westphalia

"Hannelore Kraft promotes Bottrop in Davos [...]"

[...] she speaks at the "future of urban development" forum about the Innovation City in Bottrop.

The ecological major rebuild of an existing district in co-operation of public, private and research have arisen the interest of the organizers.

Der Westen, 22nd January 2015



Covestro "Building of the Future"

Additional examples for sustainable construction with PU

Covestro offices in Greater Noida, India



Highest-rated LEED^(a) new construction project in the world

Covestro conference center in Sao Paulo, Brazil



First building in Brazil to reach LEED^(a) Platinum standard

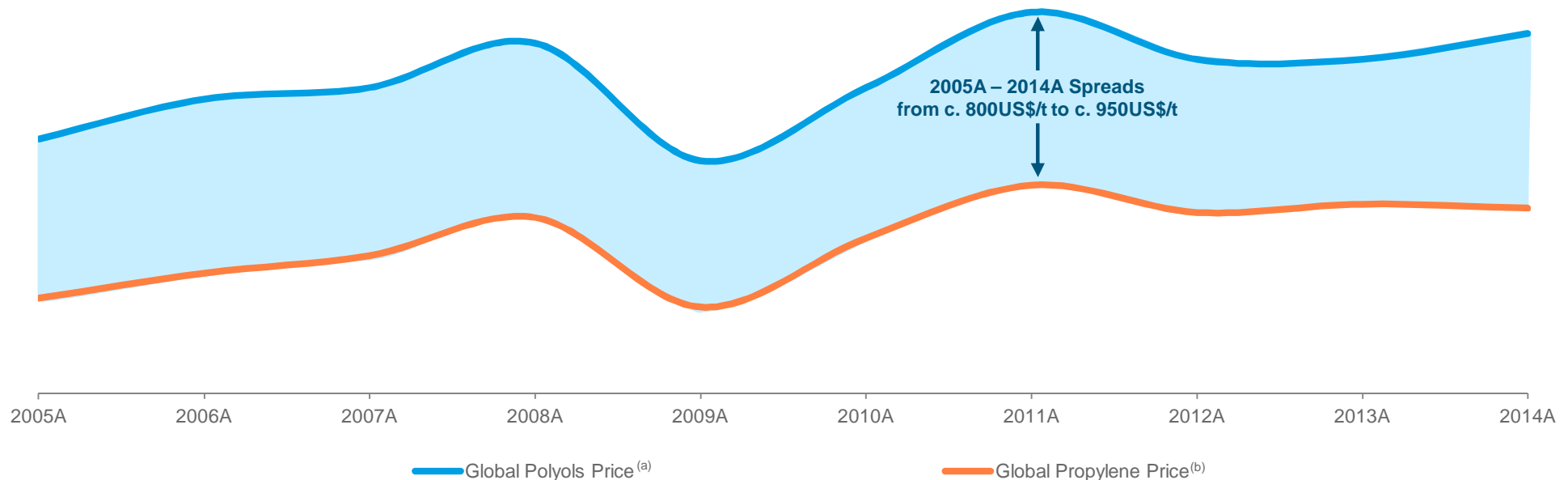
5 Polyether polyols – an inherently stable margin business



Polyols industry spreads

Historic global polyols price over propylene price

Global average price (US\$/t)



- 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



Section 5 – Polyurethanes (PUR)

MDI

TDI

Polyether polyols

Summary, Strategy & Financial Outlook

Innovative global PU leader with competitive asset base in a fundamental growth industry



PUR summary

| MDI | TDI | Polyether polyols |
|---|---|--|
| <ul style="list-style-type: none">• Leading supplier of MDI globally• Robust expectation of c. 2x GDP demand growth support stable industry utilization / margin outlook• Covestro well-positioned for volume growth through increased utilization of fully invested asset base• World-scale integrated production facilities support competitive cost position• Proven track record of cost discipline; announced closure of Belford Roxo and asset restructuring potential in Europe• Uplift in cash flow and margins due to limited capital investment and operational leverage | <ul style="list-style-type: none">• #1 producer of TDI globally• Demand growth above GDP• Anticipated recovery in industry operating rates and profitability expected post-2015 trough• Superior cost position through proprietary gas-phase technology and world-scale, integrated asset base• Cost savings and increased cash flows out of ongoing restructuring of European asset base• Growth into recently expanded world-scale asset base and recovery of margins expected to deliver uplift in financials | <ul style="list-style-type: none">• Leading supplier of polyether polyols with focus on NAFTA and EMEA• Broad range of standardized products, specialties and technologies offered by Covestro to customers• Sustainable cost position through backward-integration into propylene oxide and best-in-class process technology in polyether polyols• Key source of differentiation and critical “enabler” in terms of providing market access and driving product innovation in polyurethanes• Resilient profitability and cash generation underpinned by stable industry margins |

Leverage well-invested asset base and practice disciplined cost control to drive bottom line



PUR business strategy

Key pillars of PUR strategy

Capture market growth

Optimize asset footprint

Improve cost position

Implementation

Grow into asset base with an optimized product portfolio:

- Leverage broad and global portfolio position and innovation capabilities
- Grow with core industries and strategic accounts
- Explore potential partnering options for efficiency and growth

Deliver on cost efficient and reliable asset base:

- Complete TDI asset consolidation in EMLA
- Restructure EMLA MDI asset base
- Focus capex on sustain measures

Establish Fit-For-Purpose operations:

- Cost management through lean operating model
- Projects leading to concentrated footprint in core regions
- Effectiveness and efficiency improvements in innovation

Growth driven by higher MDI volumes and operating leverage



Financial outlook for PUR

| Financial metric | MDI drivers | TDI drivers | Polyether polyols drivers | Outlook ^(a) | Impact on cash flow |
|------------------|---|--|--|------------------------|---------------------|
| Volumes | <ul style="list-style-type: none"> Higher utilization of recently expanded asset base Continuous growth based on sustainable macro trends | <ul style="list-style-type: none"> New Dormagen facility contributing to higher overall net capacity Consistently high Covestro utilization post decline in 2015E | <ul style="list-style-type: none"> Marginal volume increase Limited growth due to fully utilized propylene oxide contract | | |
| EBITDA | <ul style="list-style-type: none"> Industry utilization rates to remain in 85 – 90% corridor, supporting a stable industry spread environment Strong operational leverage Restructuring, e.g. closure of high cost Belford Roxo operation Continued cost discipline | <ul style="list-style-type: none"> Near-term price / margin pressure driven by APAC Gradual recovery of industry operating rate from 2016E onwards Finalization of EMLA asset optimization, i.e. shift to lower cost GPP in Dormagen Continued cost discipline | <ul style="list-style-type: none"> Stable outlook, supported by proven resilience of industry spreads High margin stability Ongoing cost optimization | | |
| Capex | <ul style="list-style-type: none"> Well-invested asset base limiting need for future growth capex in the planning period Focus on sustain capex | | | | |

Section 6 – Polycarbonates (PCS)

Global leading producer of polycarbonates serving key growth end-markets



PCS at a glance

- Joint global leader in polycarbonates together with SABIC and expected to become #1 in Asia in 2016E / 2017E^(a)
- Inventor of polycarbonates chemistry
- Offers products and solutions for a wide range of applications comprising automotive, IT, electronics, architectural glazing, industrial lighting, medical technology as well as eyewear
- Optimally integrated production processes along the value chain
- Global platform with 5 production sites, 5 R&D centers, 7 compounding centers with business unit headquarters in China
- Total current primary production capacity of c. 1,300kt and globally c. 3,600 PCS employees^(e)
- Current trough industry margin with upward trajectory as a result of increasing industry utilization rates^(a)



Construction
Stadium Roofing



Transportation
Railway Glazing



Consumer Products
Robot Housing



Mobility
Automotive Glazing



Information Technology
LED Street Lamp



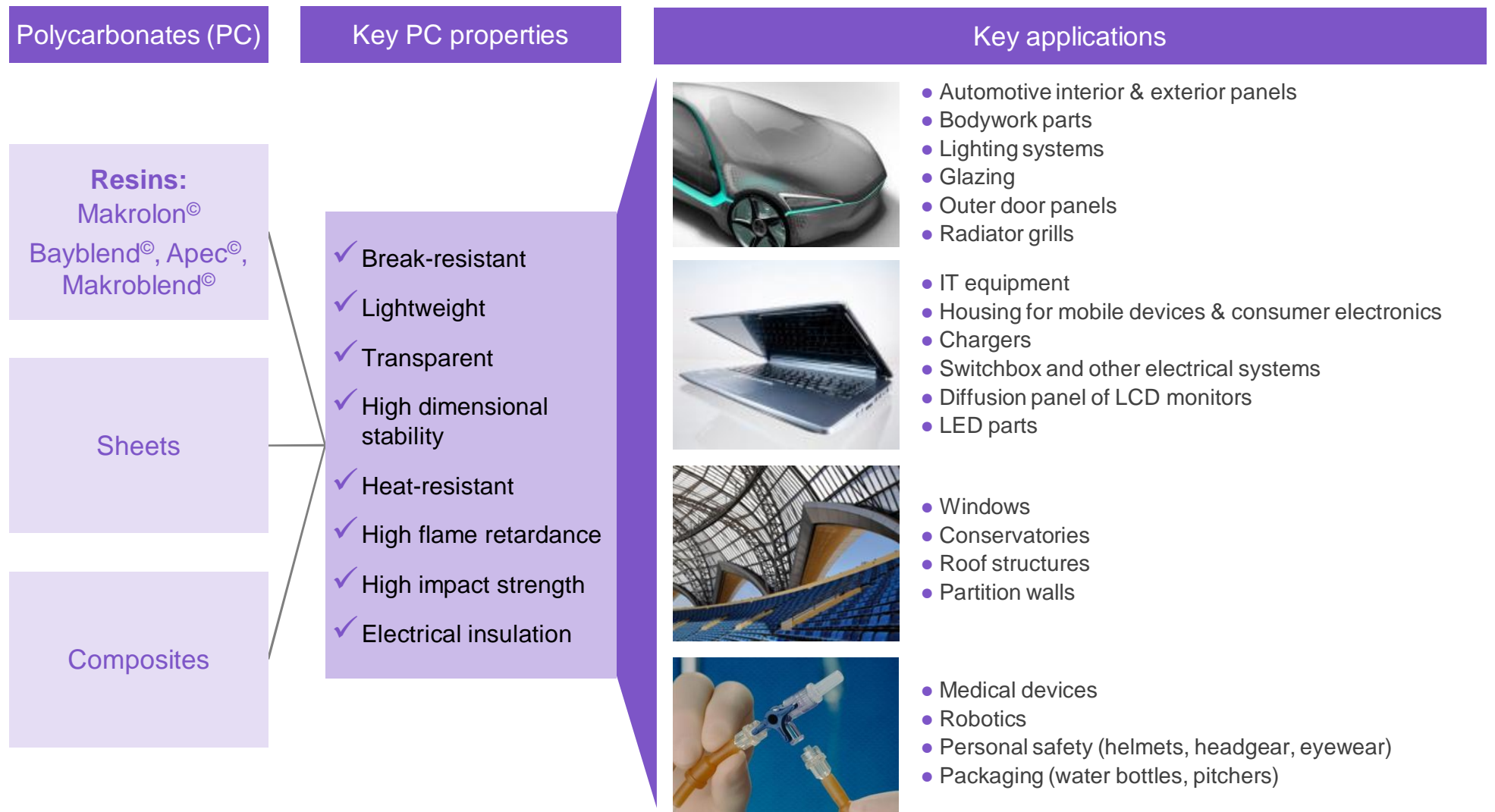
Medical
Dialyzer Housing



Engineering thermoplastics with a unique combination of properties serving numerous industries



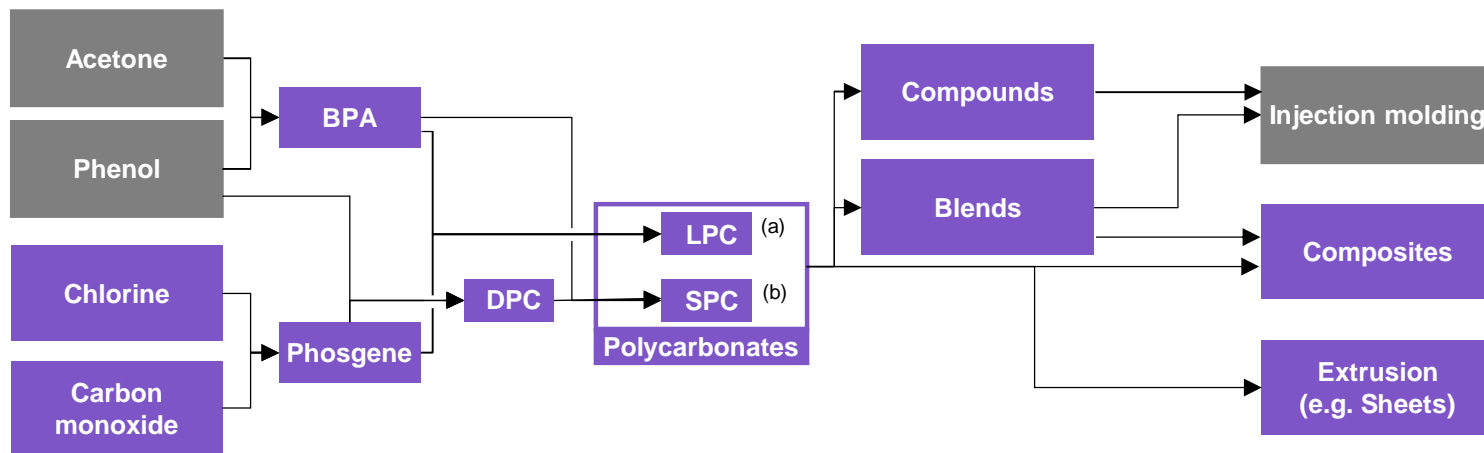
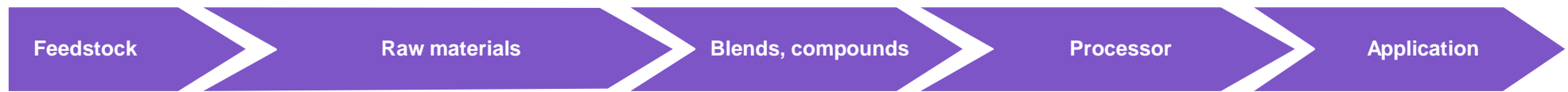
Introduction to polycarbonates



Value capture through selective backward- and forward-integration



PCS value chain position



Covestro activities

Phenol / Acetone:

- Easy to transport
- Dedicated production lines for phenol, by-product acetone
- Long and highly liquid merchant market

Chlorine / CO:

- Preferably on site due to safety, transport logistics and economies of scale
- Used by other consumers on site (i.e. isocyanates) and thus ability to leverage economies of scale and balance demand fluctuation
- No merchant market



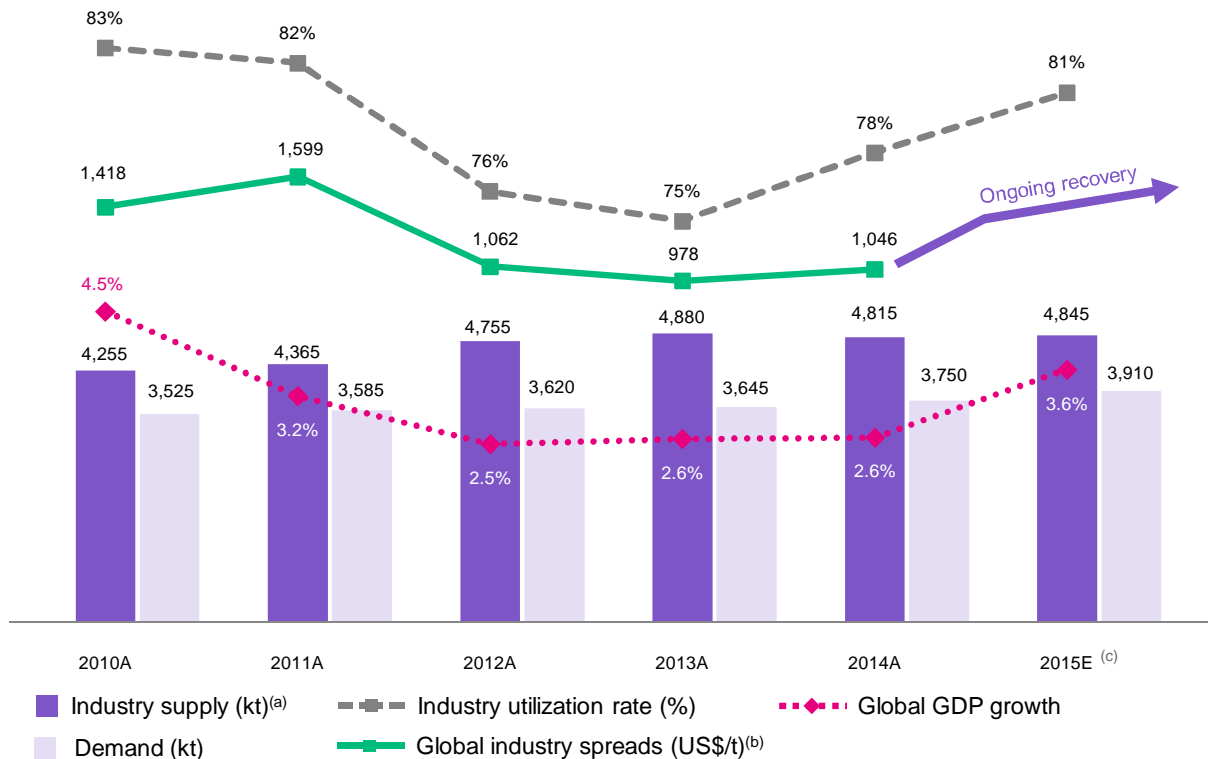
Polycarbonates industry recovering from a trough



Recent developments in the polycarbonates industry

Historical polycarbonates industry dynamics

| | 2010A-2014A CAGR | Absolute change (kt) |
|--|------------------|----------------------|
| Polycarbonates demand growth | +1.6% | +230 |
| Polycarbonates demand growth (excl. optical media) | +3.5% | +420 |
| Polycarbonates supply growth | +3.1% | +560 |
| Global real GDP growth | +2.7% | |



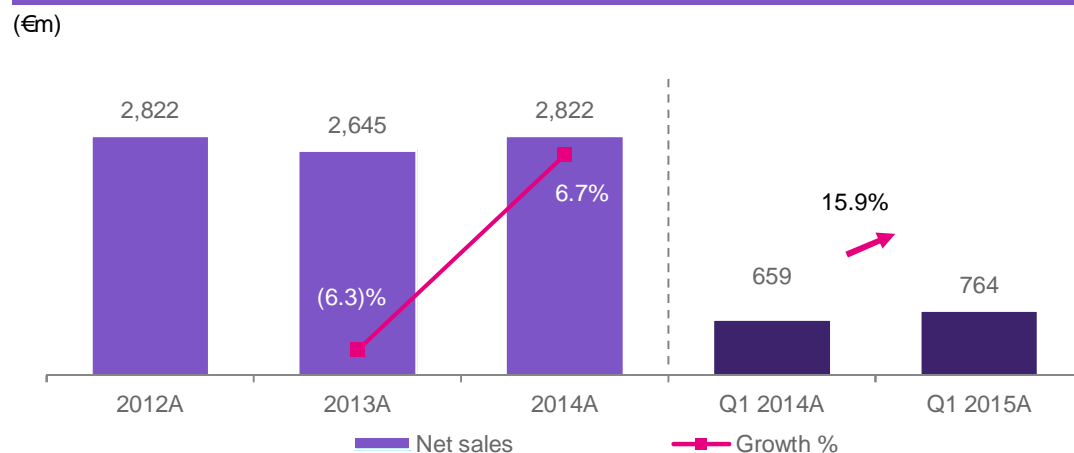
- Polycarbonates demand growth in 2010A-2014A negatively impacted by weaker economic growth and significant decline in optical media demand
- Significant capacity additions, especially in 2012A, coming mainly from:
 - Saudi Kayan in the Middle East (more than 250kt)
 - Asian players (Samsung, Mitsubishi)
- This supply / demand imbalance led to decline in industry utilization rates and margins
- With 2013A as the trough, polycarbonates industry is set to recover:
 - Higher GDP growth as Europe recovers
 - Lower dependency on optical media as an application for polycarbonates
 - Announced capacity additions lower than demand growth

Strong growth and margin recovery in 2014 driven by higher industry utilization



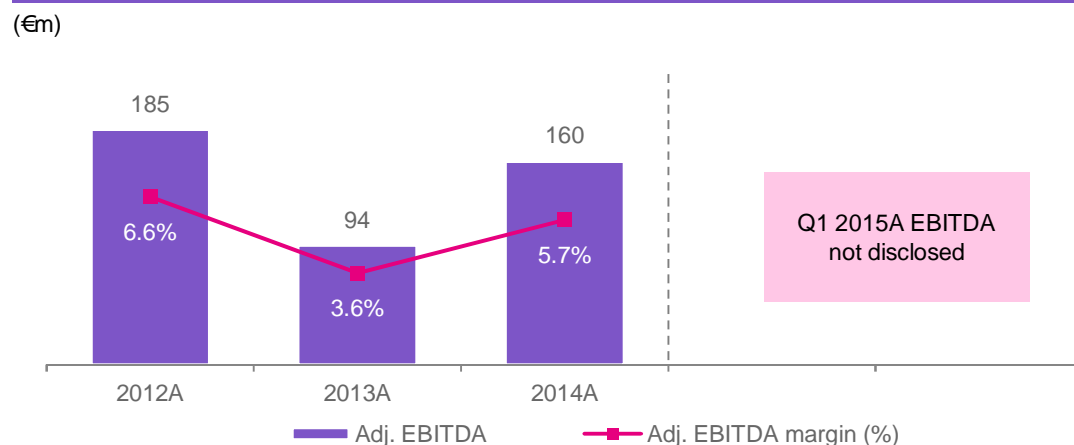
PCS historical financial performance

Net sales and growth



- Lower net sales in 2013A driven by lower volumes and price pressure due to new industry capacities in Asia. Improved market environment on the back of increased demand in 2014A led to volume growth in automotive, electronics and construction industries in all regions
- From 2012A to 2014A, positive net sales volume effect (+5.5%) offset by negative sales price (-3.2%) as well as negative currency effect of (-2.3%)
- Q1 2015A strong net sales growth driven by higher volumes based on continuously improved market environment following higher demand, fully offsetting lower selling prices

Adjusted EBITDA and margin











- Decline in adj. EBITDA affected by price pressure following a lower industry utilization and increasing raw material cost partially offset by volume growth in 2014A on the back of improved market environment
- Recovery in adj. EBITDA margin from 3.6% to 5.7% in 2014A mainly driven by volume increases, while lower selling prices followed lower raw material prices

Strong future demand supported by tailwind from fundamental macro trends



Key macro trends in polycarbonates

| Global Trends | Needs | Polycarbonates Solutions |
|---|--|--|
|  <p style="text-align: center;">Mobility</p> | <ul style="list-style-type: none"> • Size reduction • Dimensional stability • Mechanical performance • Ignition resistance in electronic devices | <ul style="list-style-type: none"> ✓ Polycarbonates are able to address all these requirements and are suitable for smaller devices  |
|  <p style="text-align: center;">Increasing prosperity and population</p> | <ul style="list-style-type: none"> • New concepts and products needed in order to improve living conditions, urban architecture, mobility and the food supply | <ul style="list-style-type: none"> ✓ Lightweight, stable and transparent polycarbonate sheets used in building sector ✓ Suitable for home appliances  |
|  <p style="text-align: center;">Scarce resources</p> | <ul style="list-style-type: none"> • Need for increased resource and fuel efficiency | <ul style="list-style-type: none"> ✓ Weight reduction and fuel saving in the automotive industry ✓ Energy-saving LED lighting systems  |
|  <p style="text-align: center;">Safety and security</p> | <ul style="list-style-type: none"> • Higher emphasis on personal safety (e.g. helmet requirements) • Higher safety and security requirements in electronic and medical devices | <ul style="list-style-type: none"> ✓ Polycarbonates have required safety characteristics: lightweight, contact safety, transparency and strength  |

Well positioned to capture global demand growth, leading to attractive financial outlook



PCS Key Investment Highlights

- 1 Leading player in an increasingly attractive industry**
with above GDP growth driven by broad application range that favors large-scale global players
- 2 Favorable supply / demand outlook**
with increasing industry utilization rates supporting higher industry margins
- 3 Well-invested own global asset base**
with competitive cost position in all key regions
- 4 Best-in-class market access to a broad customer base**
due to globally proven market reputation of product and application development
- 5 Attractive financial upside potential**
supported by favorable industry development, start-up of own new capacity, broad market access, and customer-driven innovation

1 Macro trends support above GDP demand growth across diverse customer industries and regions

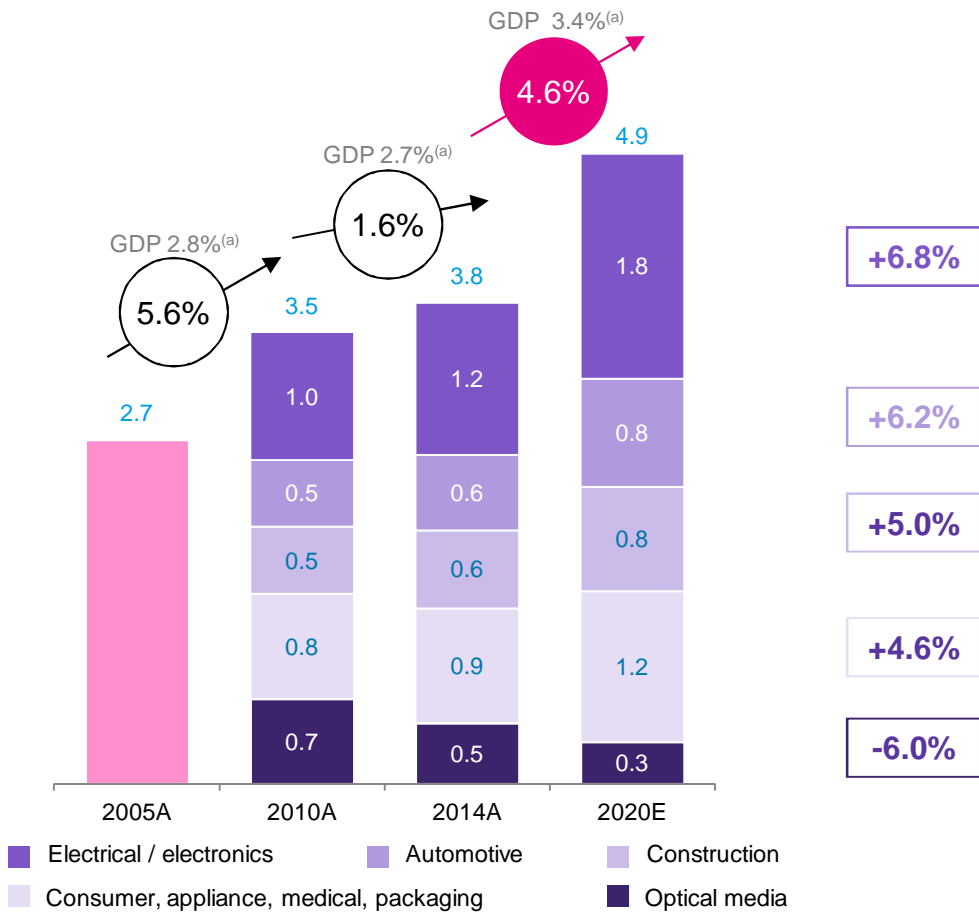


Polycarbonates industry demand

| | | |
|-------------------------------|--------------------|--------------------------------|
| Polycarbonates by application | CAGR 2014A – 2020E | Accelerated growth 2014A-2020E |
|-------------------------------|--------------------|--------------------------------|

('000kt)

CAGR 2014A-2020E



| | |
|-------|------|
| APAC | 5.4% |
| EMEA | 3.2% |
| NAFTA | 3.0% |

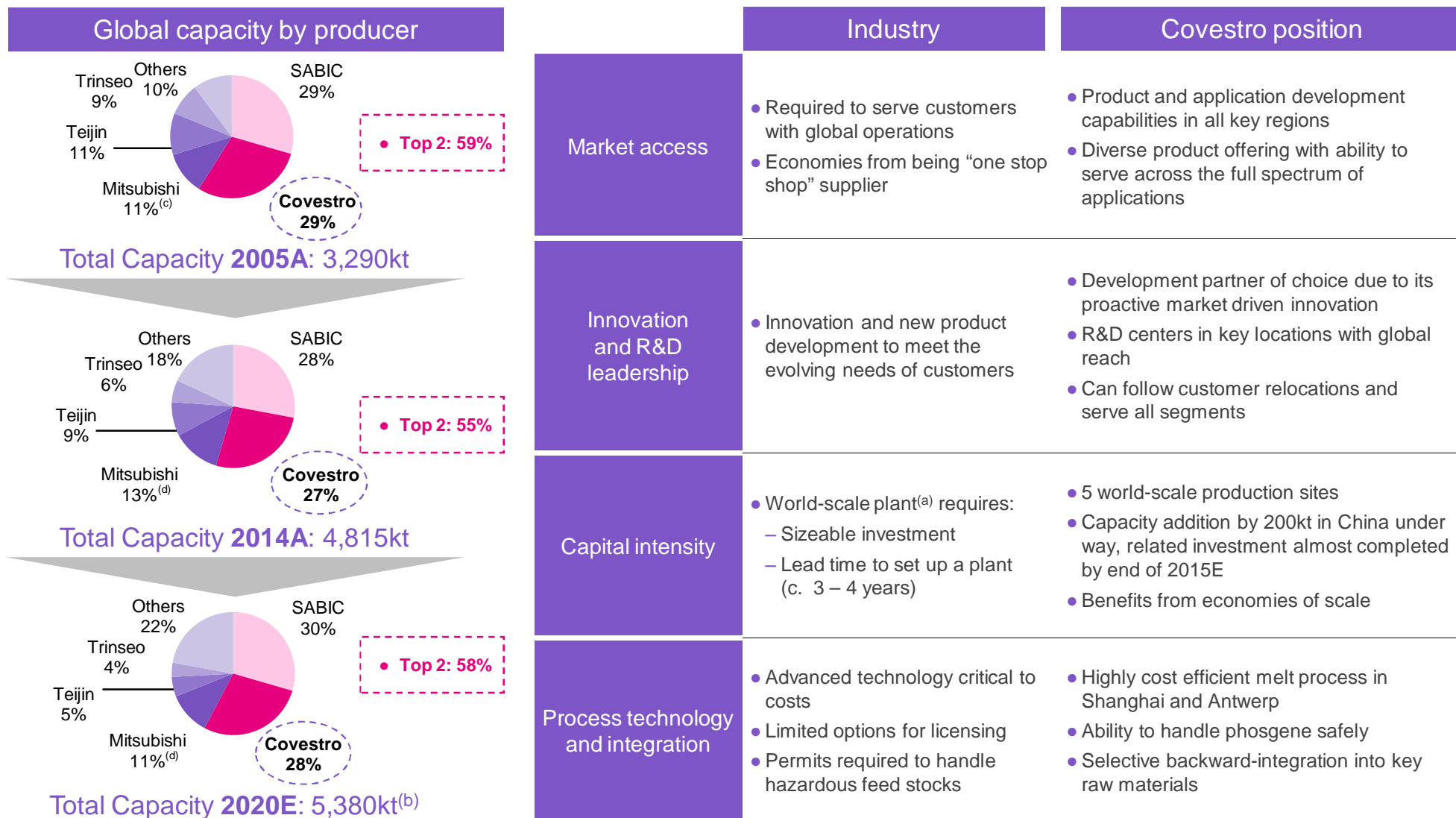
Underlying drivers

- Continuous upgrade, substitution and new application development; selected examples:
 - Upgrade to “smart” electronics and new device class, e.g. smartphones / TV
 - New revolutionary technologies, e.g. wearable computing and sensors, service robots
 - Penetration of LED luminaires
 - Upgrade of automotive interior and exterior
 - Medical device applications, e.g. disposable surgical instruments and as glass substitutes

Ⓢ CAGR

1 Top 2 players with stable industry positions

Competitive environment of polycarbonates industry

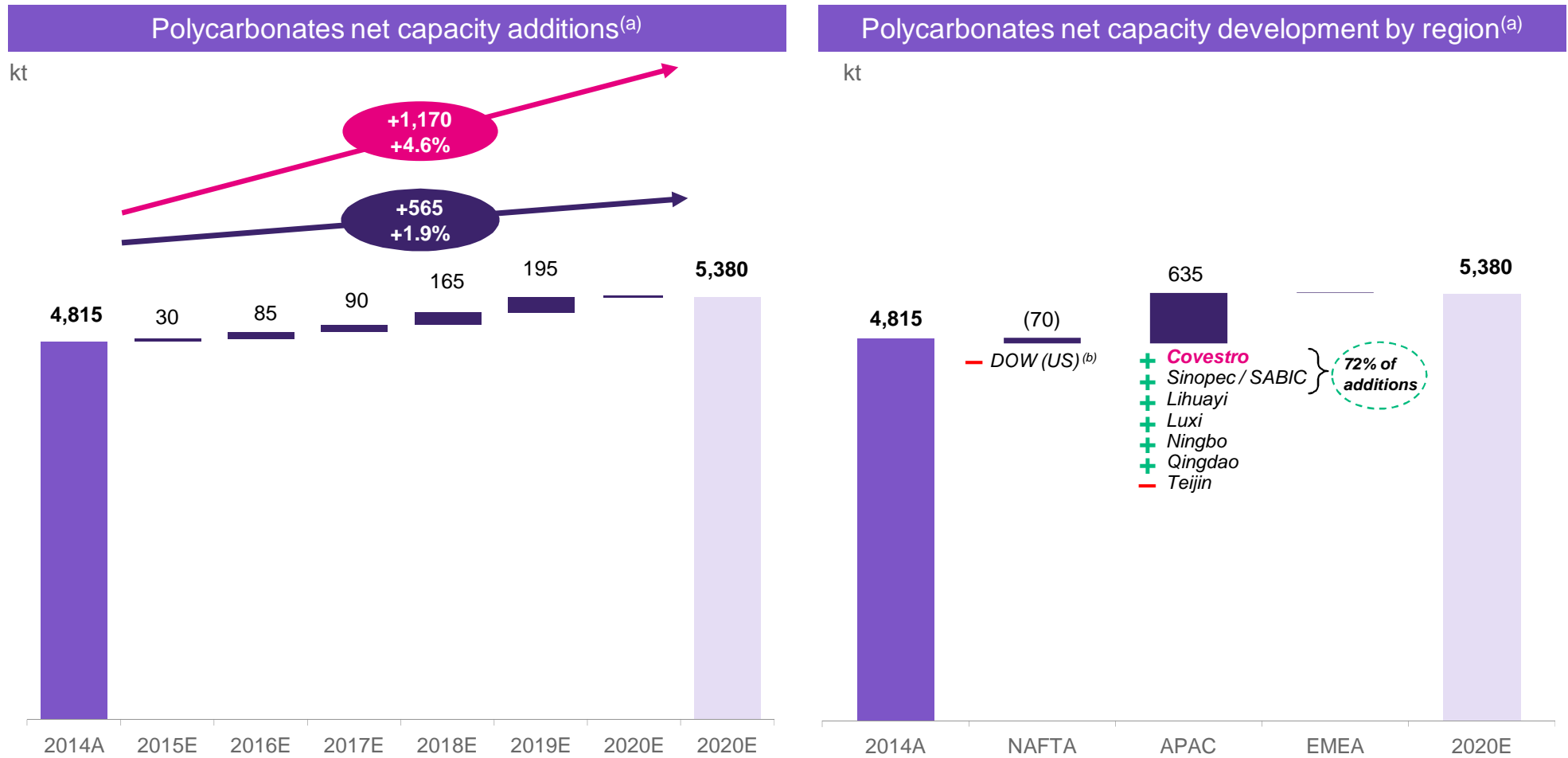


Notes: (a) Defined as a plant consisting of single lines with capacities of 100kt or more each
 (b) Capacity forecasts include all publicly announced capacity additions as at July 2015 based on Nexant analysis
 (c) Includes capacities as per Nexant analysis from Mitsubishi Gas Chemicals (MGC), Mitsubishi Chemical Company (MCC), Thai Polycarbonate (JV), Samyang Kasei (JV)
 (d) Includes capacities from MCC, MGC (incl. Shanghai), Thai Polycarbonate (JV), Samyang Kasei (JV), Sinopec Mitsubishi Chemical Polycarbonate
 Source: Nexant as at July 2015, Company Information

2 Expected demand to outgrow industry capacity development



Polycarbonates industry supply



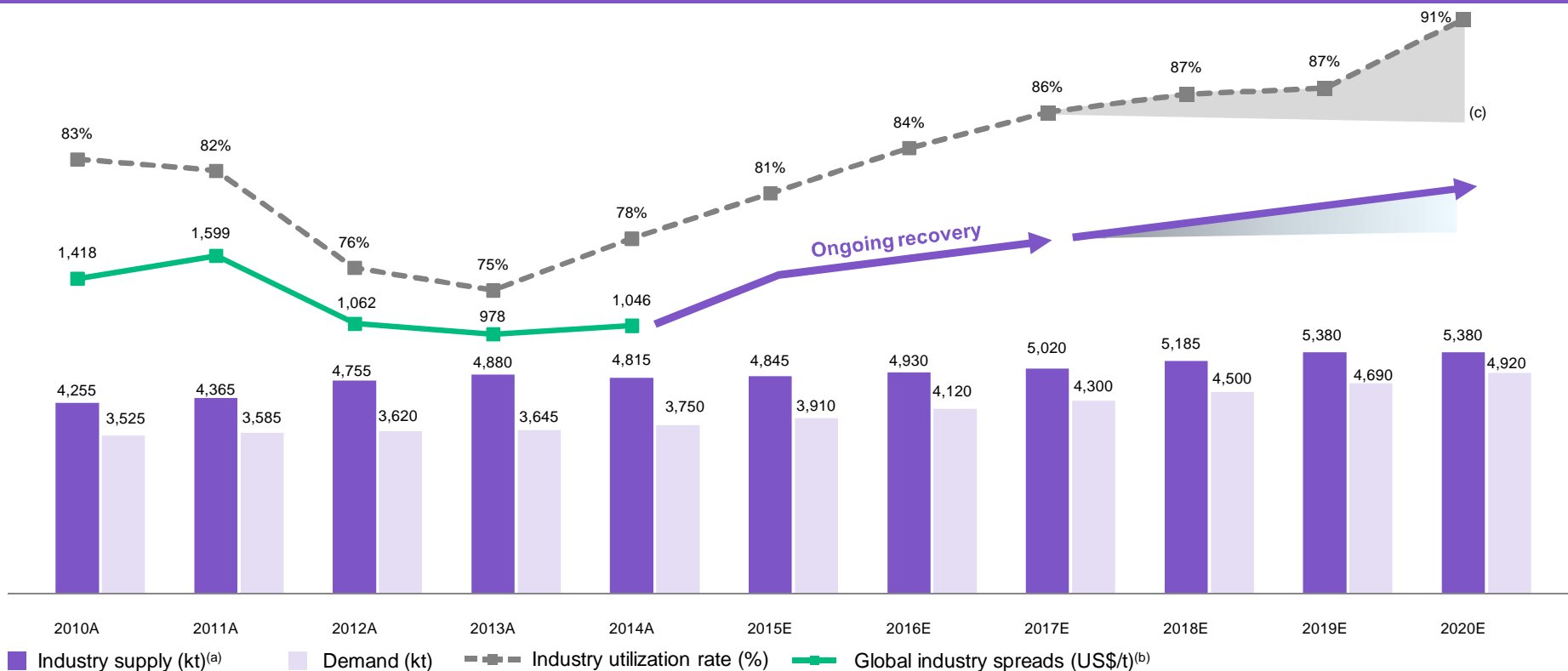
● Demand growth (kt / % CAGR)
 ● Supply growth (kt / % CAGR)
 + Capacity additions
 - Capacity reduction

2 Increasing utilization rates expected to drive positive margin development



Polycarbonates industry utilization outlook

Polycarbonates industry supply / demand



- Polycarbonates spreads historically correlated to industry utilization rates
- Spreads expected to recover strongly from recent trough levels over the medium term
- Based on historical supply / demand balance trends, utilization rates >80% in polycarbonates would suggest improved industry spreads
- Wanhua expected to launch domestic facility in China, however, no clear indication around timing and capacity

Notes: (a) Capacity forecasts include all publicly announced capacity additions as at July 2015 based on Nexant analysis; Wanhua capacity addition not included given uncertainties around timing and capacity

(b) Global industry spreads calculated as polycarbonate margin over raw material costs in Europe, US and China weighted resp. by polycarbonate demand in Europe, US and China

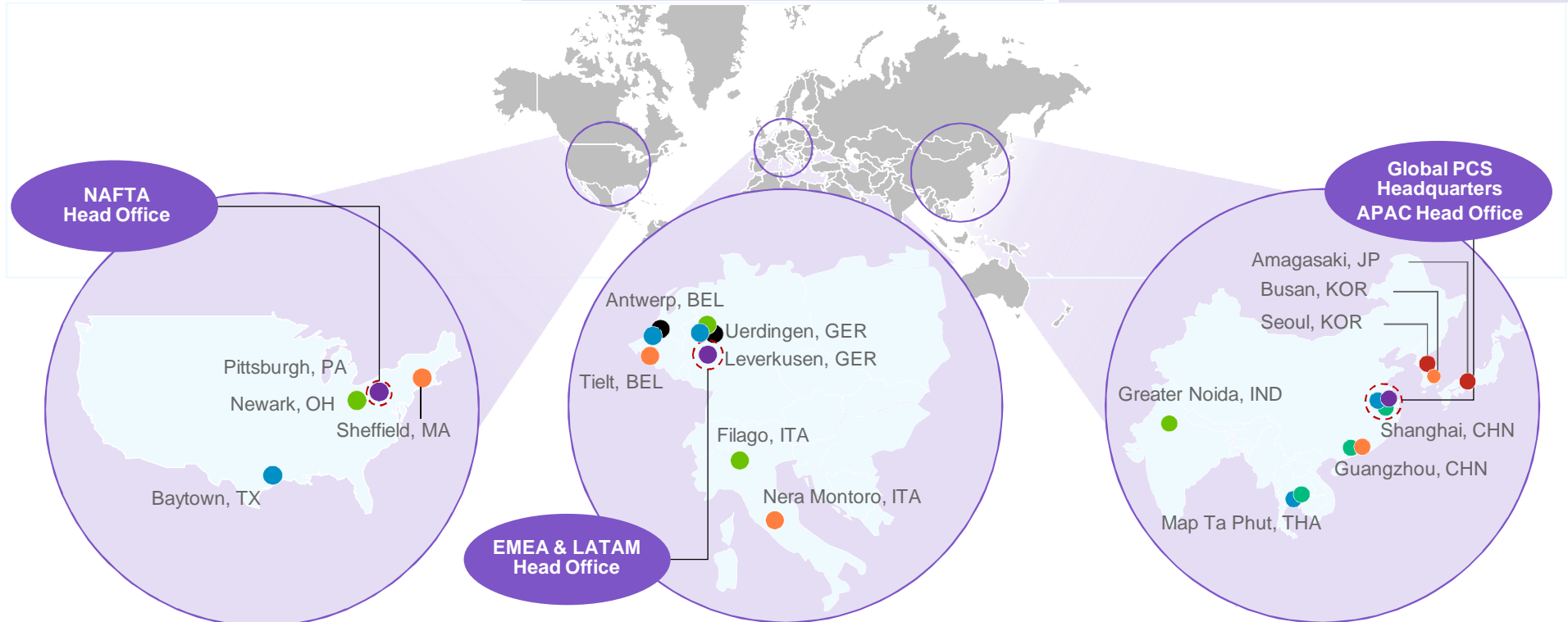
(c) Management estimates additional capacity (not captured in the Nexant data) may come online post-2017E if prevailing industry dynamics make it economically rational; Wanhua capacity addition reflected in management estimates

Source: Nexant as at July 2015

3 Positioning and access to customers is key

PCS global asset footprint and world-scale plants^(a) in all key regions

| Primary production plants | Compounding plants | Sheet plants |
|--|---|---|
| <ul style="list-style-type: none"> Production of polycarbonate resin for either external sales or internal feedstock for compounding and sheet plants Capacities by site: <i>Baytown (230kt), Antwerp (240kt), Map Ta Phut (310kt), Uerdingen (300kt), Shanghai (200kt, additional 200kt coming online in 2016 / 2017)</i> | <ul style="list-style-type: none"> Refinement of polycarbonate resin with color and / or other additives (e.g. ABS) Color matching, technical service and small-scale production capabilities | <ul style="list-style-type: none"> Production and sales of solid sheet in all regions and multi-wall sheet in EMEA and APAC Main applications: Roofing systems, machine housing, signage, and luggage |



- Polycarbonate resin production
- Polycarbonate sheet companies
- Compounding plants
- Innovation center
- Business development center
- Process research center

3 State-of-the art production site securing leading position in largest growth region



Covestro production site in Shanghai, China



Capacity

- Currently 200kt with additional 200kt coming on-stream in 2016E / 2017E

Start-up

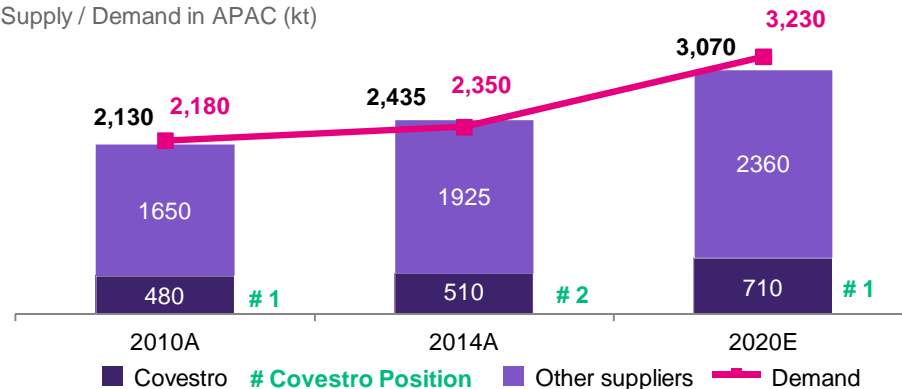
- 2006A: phase 1
- 2016E / 2017E: phase 2
- Majority of capex on the project to be spent by end 2015E

Differentiating facts

- ✓ **Economies of scale:** Currently the only world-scale PC plant (100kt per single line or more) in China
- ✓ **Benefit from raw material integration:** Fully integrated into BPA and partially into chlorine
- ✓ **Process technology advantage**
 - Benefit from lower cost melt technology, compared to interfacial technology
 - Solvent free product for key industries

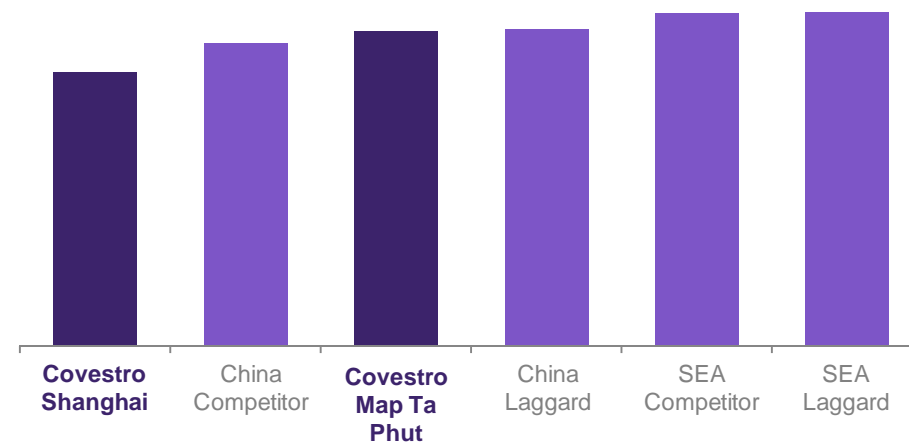
Expansion in Shanghai sufficient to support demand growth without new world-scale plant until 2020E in APAC^(a)

Supply / Demand in APAC (kt)



Covestro is lowest cost polycarbonates producer in Asia^{(b)(c)}

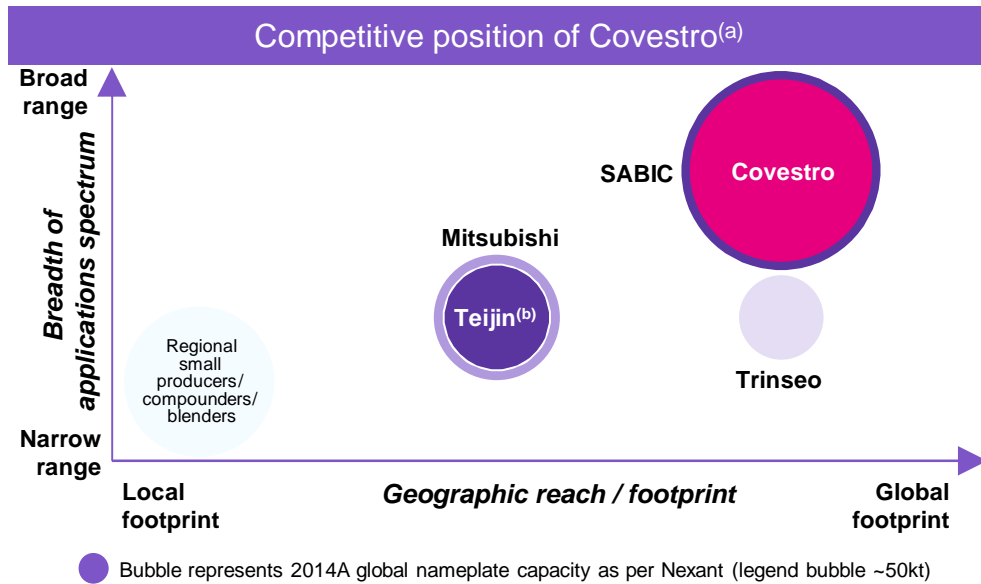
Polycarbonates Cash Cost



4 Broad access to customer applications and regions allows for optimized risk distribution and asset utilization



Covestro market access



Advantages of broad play

Full market access

- Reduced exposure to cyclical of single customer industries
- Access to high growth end-markets
- Optimized risk distribution
- Optimized asset utilization

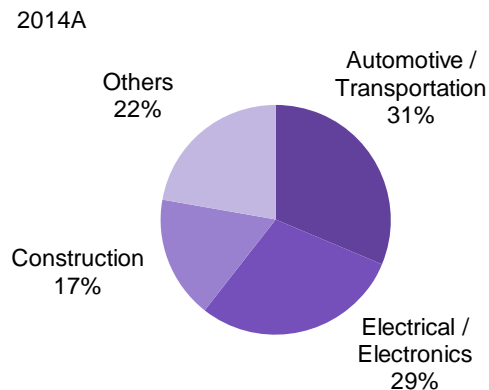
High value applications and segments

- Greater technical specification requirement
- Comprehensive technical service is key
- Premium pricing in selected segments (e.g. automotive)

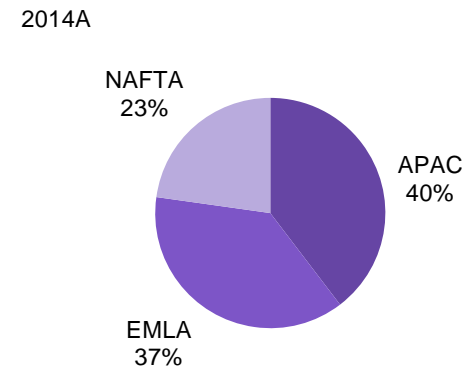
Limited disruptions from new capacity additions

- Niche applications with limited competition
- Customer loyalty and distinct barriers to entry
- Room to maneuver

PCS sales split by end-markets



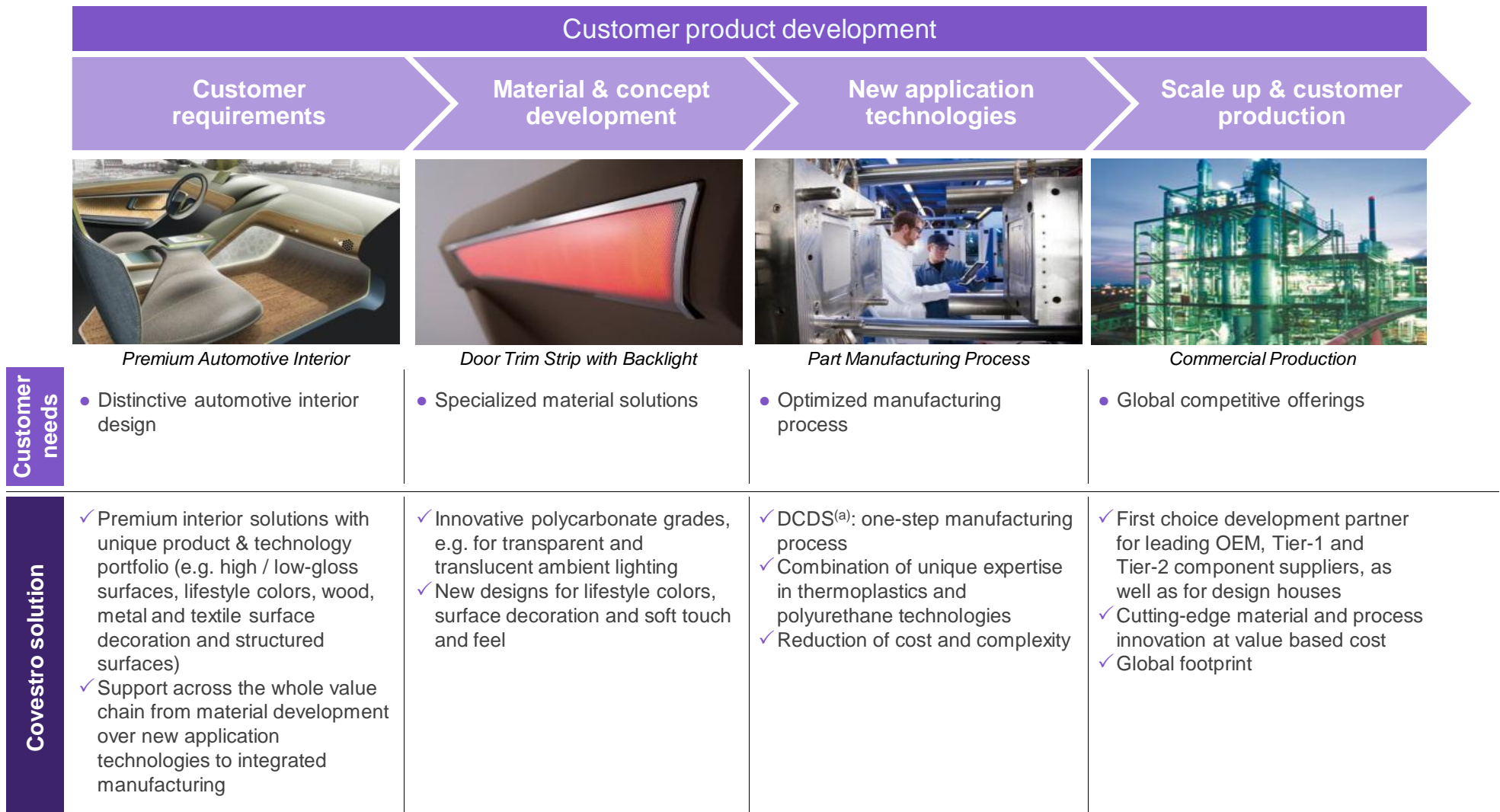
PCS sales split by region



4 Material, application, and production know-how ensure leading market access and development



PCS innovation case study



4 Recent acquisition is critical step to building a leading position in automotive and IT industries

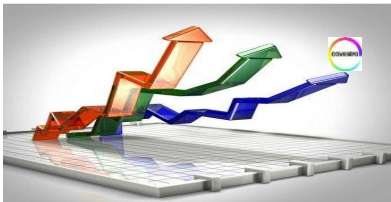


Polycarbonate composites

What customers have been looking for



High performance material to support broad application requirement



Affordable process substitutes of metal



Energy saving solution

What Covestro aspires to provide

Important material for high-end IT, automotive, and consumer products applications^(a)

Efficient production process to provide easy-to-use material solution

Lightweight materials, e.g. 1/5 of the weight of stainless steel

Current status

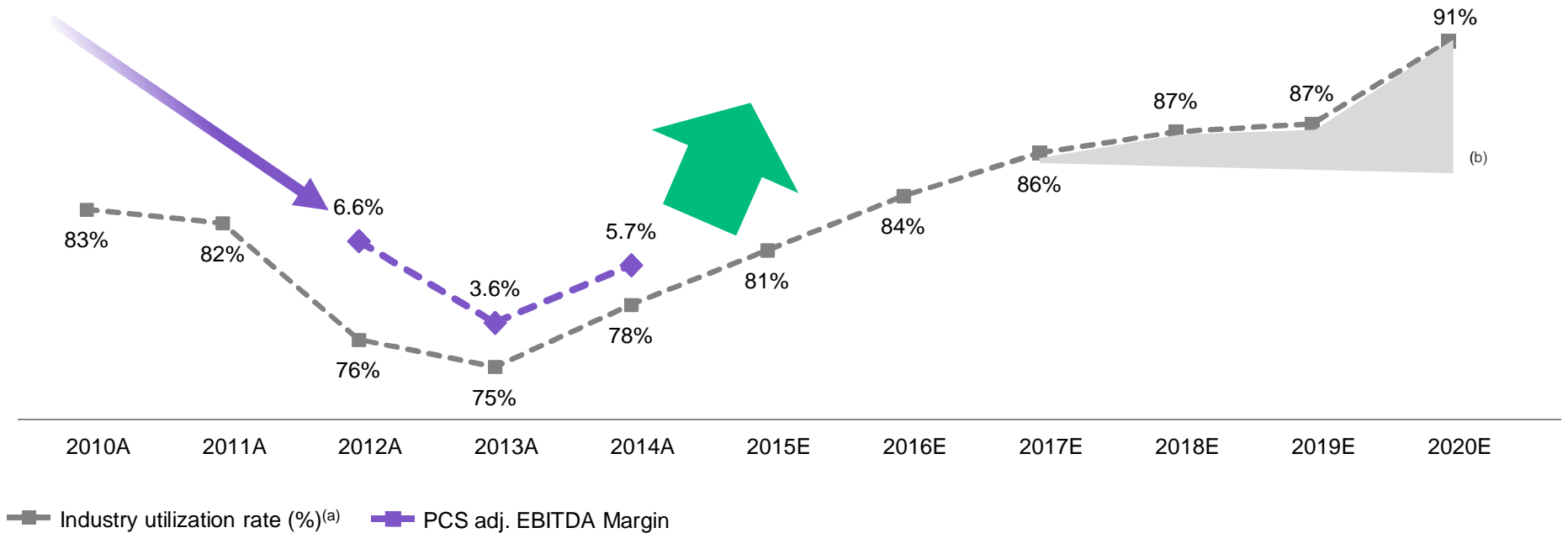
- Acquired Thermoplast Composite GmbH (TCG) to have proprietary access to superior production technology
- Working together with leading brands and tiers component suppliers towards new product and application launch in market

5 PCS margins linked to industry utilization rates

PCS EBITDA trajectory



PCS adj. EBITDA Margin and industry utilization rates

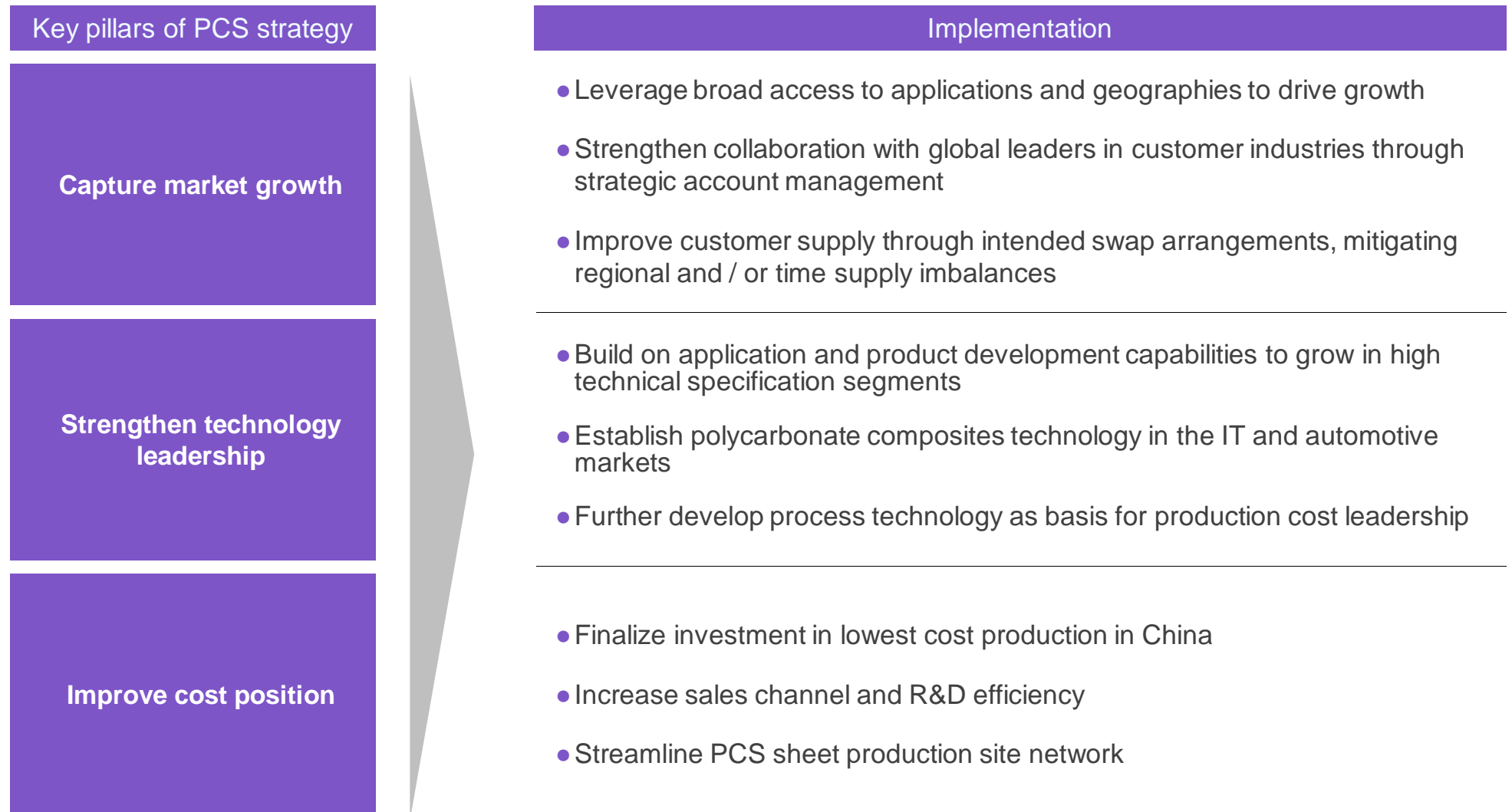


- PCS adj. EBITDA margin historically correlated to industry utilization rates
- Adj. EBITDA expected to recover strongly from recent trough levels over the short- and medium-term
 - Further supported by improved asset utilization and ongoing disciplined cost optimization

Utilize superior market access and technology leadership for profitable growth



PCS business strategy



Prepared for strong recovery in financial profile and cash flow generation



PCS financial outlook

| Financial metric | Business plan drivers | Outlook ^(a) | Impact on cash flow |
|------------------|--|------------------------|---------------------|
| Volumes | <ul style="list-style-type: none"> • Above GDP demand growth driven by automotive, electrical and electronics, and construction • Covestro volumes expected to outpace demand growth <ul style="list-style-type: none"> – Ramp-up of new capacity in China – Increasing focus on higher technical specification applications – Outlet for additional capacity to be supported by opportunistic swap and co-producer sales and a broad play | ↑ | ↑ |
| EBITDA | <ul style="list-style-type: none"> • Expected recovery in industry utilization rates supporting higher industry margins • Focus on diversified applications / segments • Covestro utilization rates to recover in line with industry, driving improved asset utilization and hence operating leverage • Ongoing disciplined cost optimization | ↑ | |
| Capex | <ul style="list-style-type: none"> • Well-invested asset base with limited need for additional growth capex in the planning period • Majority of growth capex on Shanghai expansion spent by end 2015E | ↓ | |



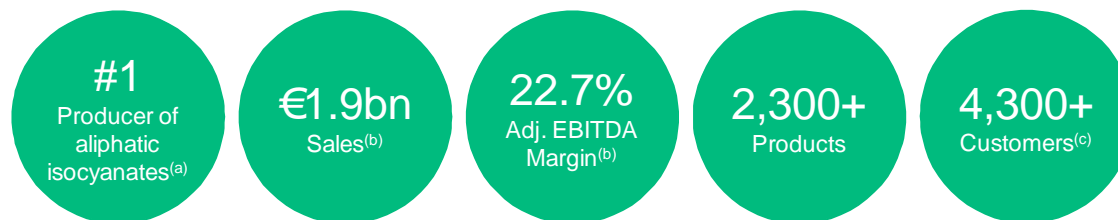
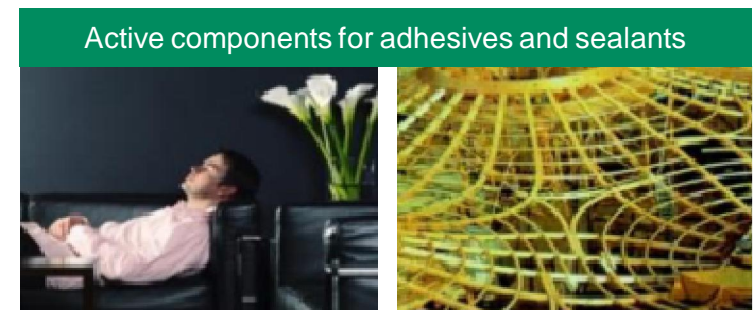
Section 7 – Coatings, Adhesives and Specialties (CAS)

Niche enablers business focused on the high-end of the value chain



CAS at a glance

- Global leading supplier of high performance materials to the coatings and adhesives industry and other specialties (films, elastomers, textiles, medical, cosmetics)
- Inventor of and technology leader in isocyanate derivatives for coatings, adhesives, sealants and specialties
- More than 2,300 products based primarily on six monomers, serving over ten high-end industries and over 4,300 customers
- Product pricing driven by value-added to end-customer, as CAS materials are critical to the performance of the final product, but form a small proportion of the overall cost
- Market-driven innovation in close collaboration with all partners in the value chain, developing customized solutions for specific problems (“forward marketing”)
- Efficient production processes benefitting from low cost technology and integration
- Has delivered high, resilient margins and strong cash flow and returns



Solving multi-dimensional, complex problems in a diverse and fragmented application landscape



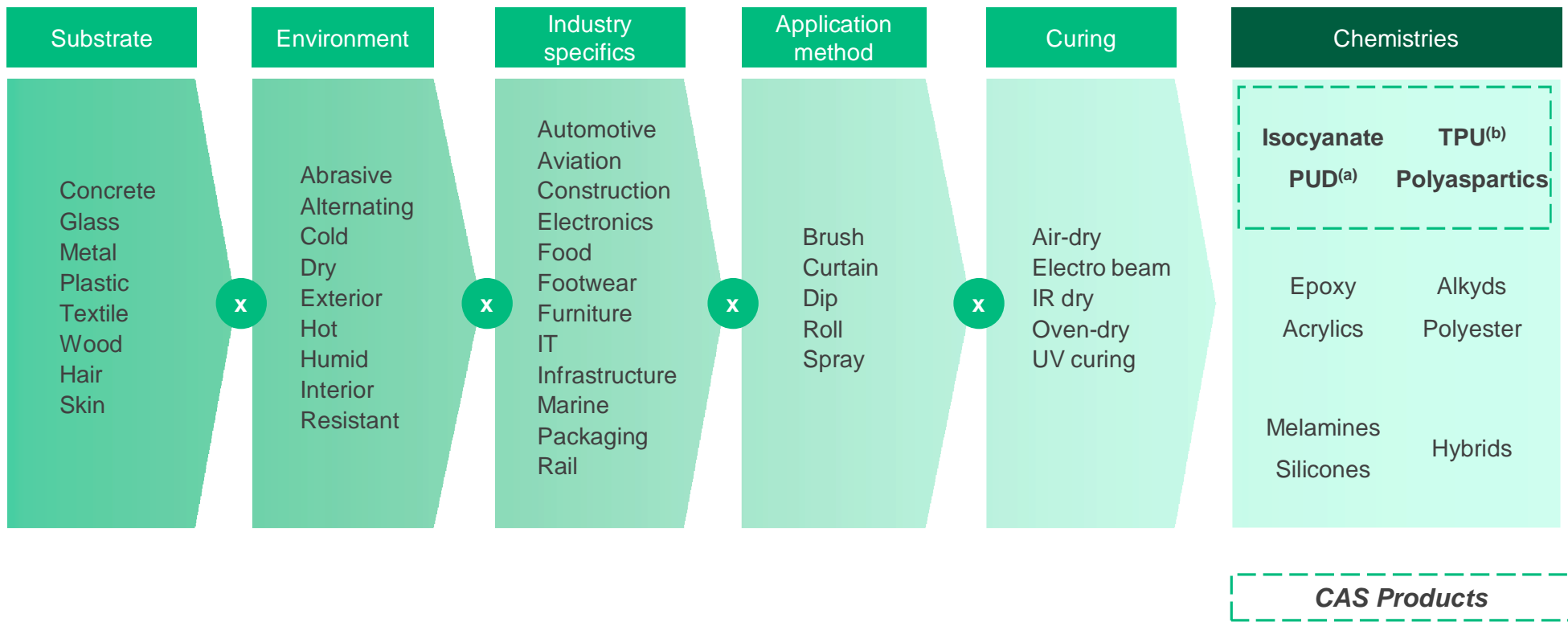
Industry challenge

Coatings, Adhesives, Sealants and Specialties

Protect – Bond – Seal – Decorate – Functionalize surfaces

Provide potential for wide variety of solutions depending upon specific situation

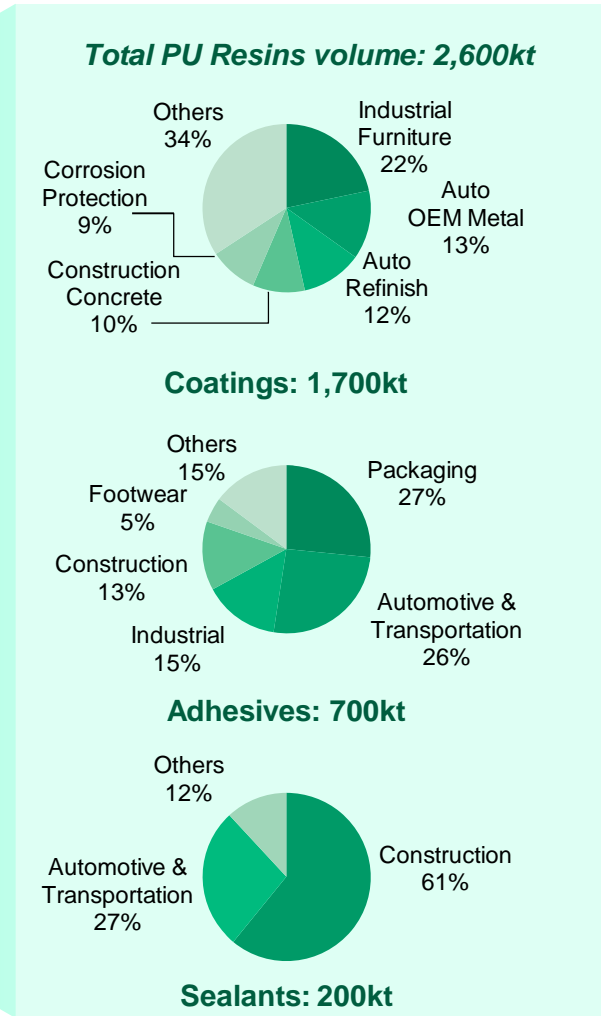
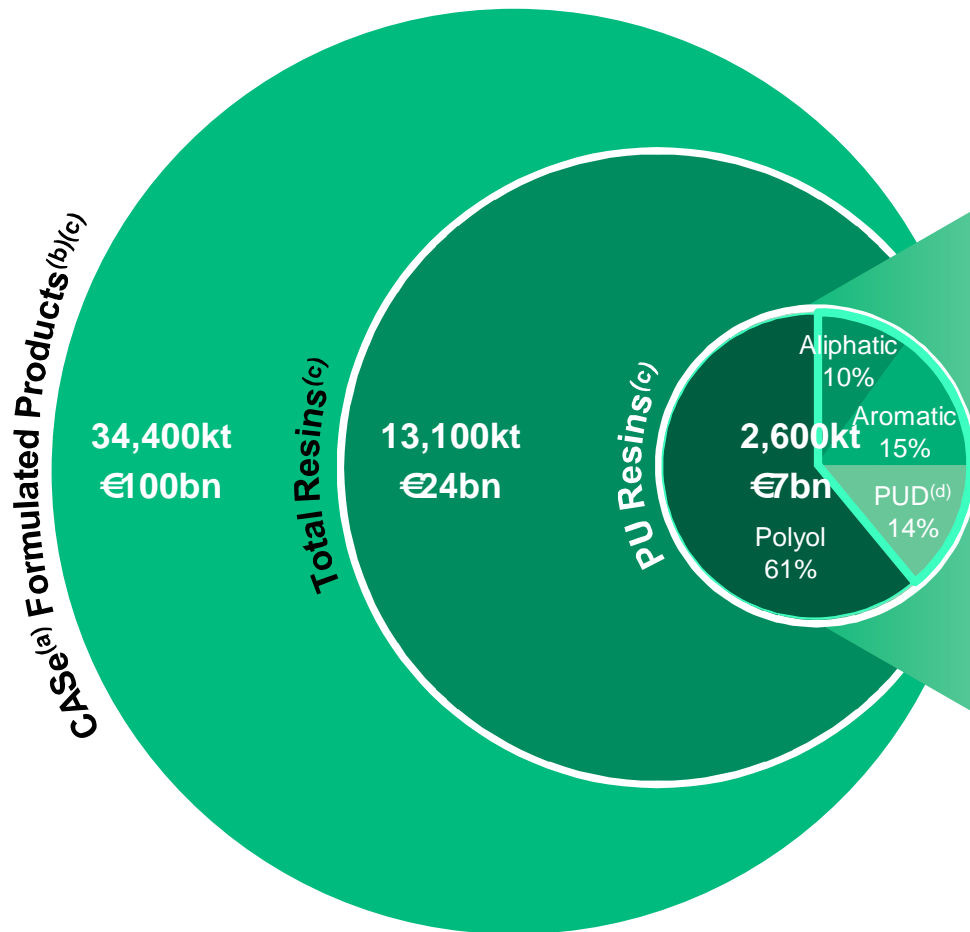
Addressed by different chemistries



Focused on selected high-value part of PU resins industry



CAS product lines

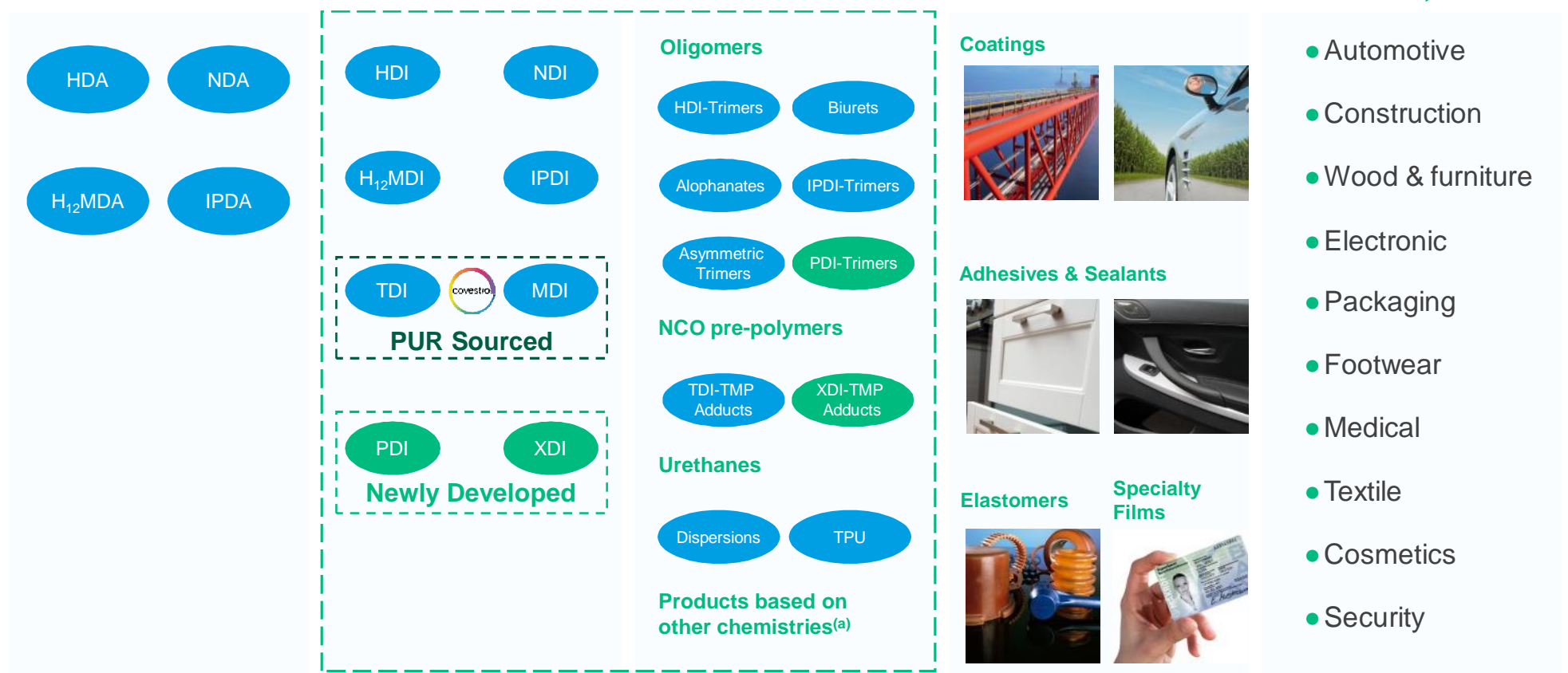


ISOCYANATE DERIVATIVES + POLYOLS = POLYURETHANE RESINS

Key Industrial Applications

Managing complexity in a capex-light industry

2,300+ products derived from 6+ monomers

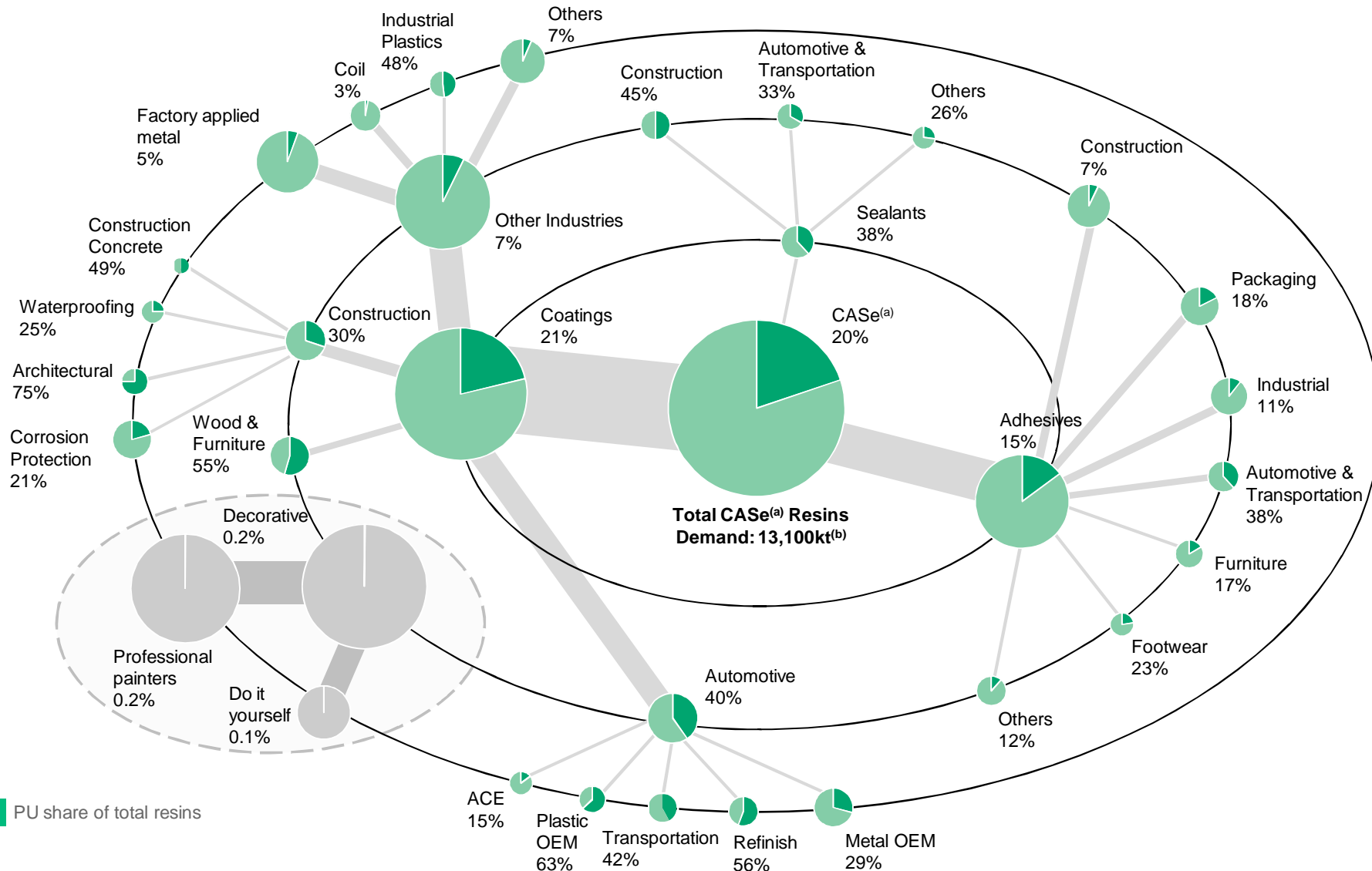


CAS Products

Competitive advantages from ability to serve profitable niches in diverse end-markets



CASe^(a) application portfolio diversity



■ PU share of total resins

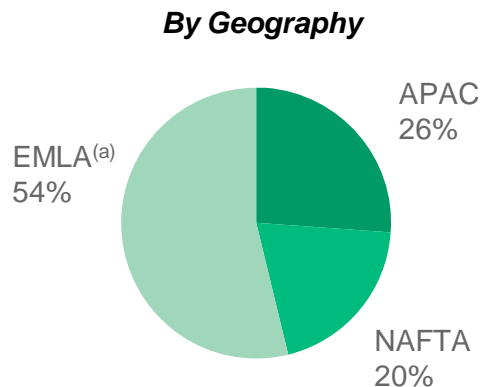
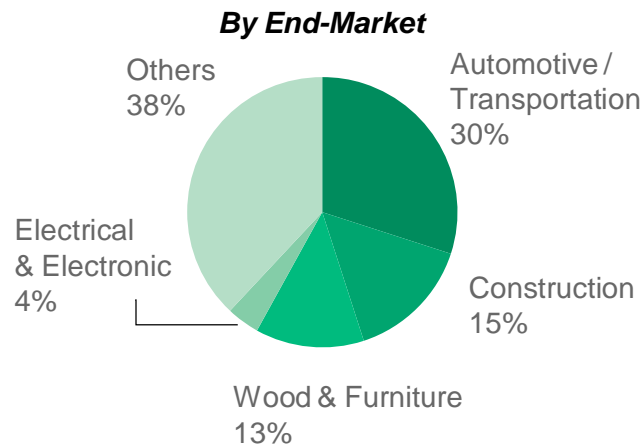
Diverse end-markets are served through only 4 key product groups



CAS product portfolio

CAS sales breakdown

2014A, %



Revenue: €1.9bn

Overview of CAS products^(b)

Description

Aliphatic isocyanates and derivatives

- Polyurethane resins derived from aliphatic monomers including **HDI, IPDI, H₁₂MDI**
- Applied mainly to coatings

Aromatic isocyanate derivatives

- Polyurethane resins derived from aromatic monomers including **TDI and MDI**

Polyurethane dispersions

- Polyurethane polymers dispersed in water and mainly used in coatings and adhesives

Specialties

- Polyurethane and polycarbonate-based specialty films, hot cast elastomers and other specialties^(c) (e.g. textile, cosmetics and medical)

Global industry leader with high and resilient profitability



CAS Key Investment Highlights

- 1 High-end solution provider to intrinsically complex customer industries**
unlocking above-average growth potential
- 2 Market-driven innovation capability and customer proximity**
help create new application space and maintain leadership
- 3 Global leading and defensible position**
in an industry with distinct barriers to entry
- 4 Strong financial profile due to high margin resilience and low capex requirements**
represent solid platform for future business expansion

1 PU-based materials expected to outgrow industry based on unique characteristics



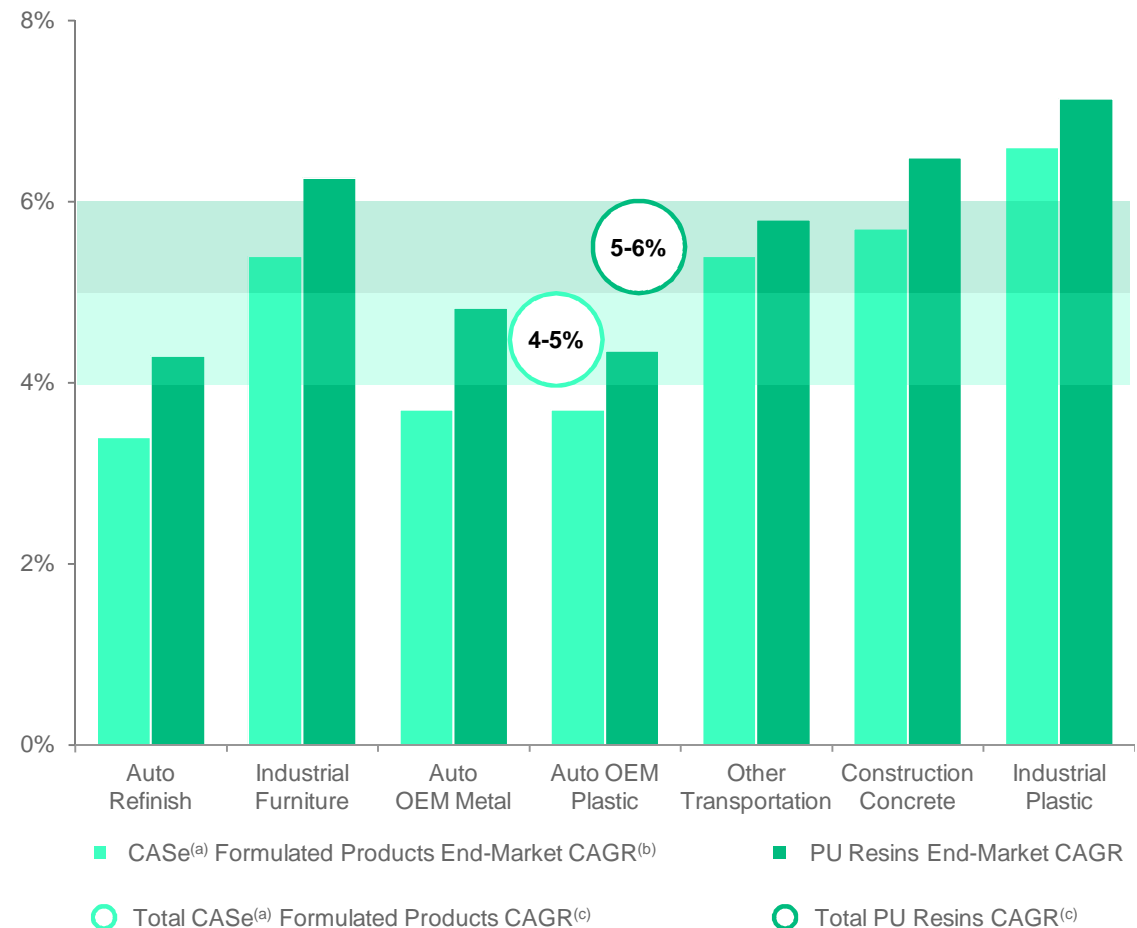
CASe^(a) industry growth

Characteristics of PU-based coatings / adhesives

- Highly versatile chemistry; allows tailor-made applications in formulations and solvent nature
- Unique characteristics include:
 - Abrasion resistance
 - Outdoor weathering
 - High flexibility
 - Low-temperature curing
 - Corrosion and chemical resistance
 - Durability
 - Gloss retention
 - Hydrolytic stability
- Offers solutions for environmental challenges (e.g. low VOC)
- Superior combination of performance and price

Polyurethane products are growing above average across selected key end-markets

Volume CAGR 2014A – 2020E

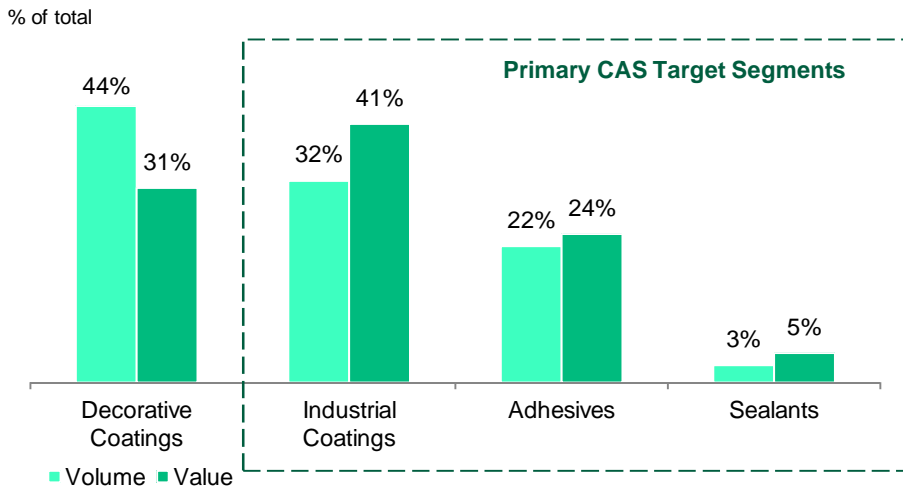


1 PU-based products' performance allow premium pricing

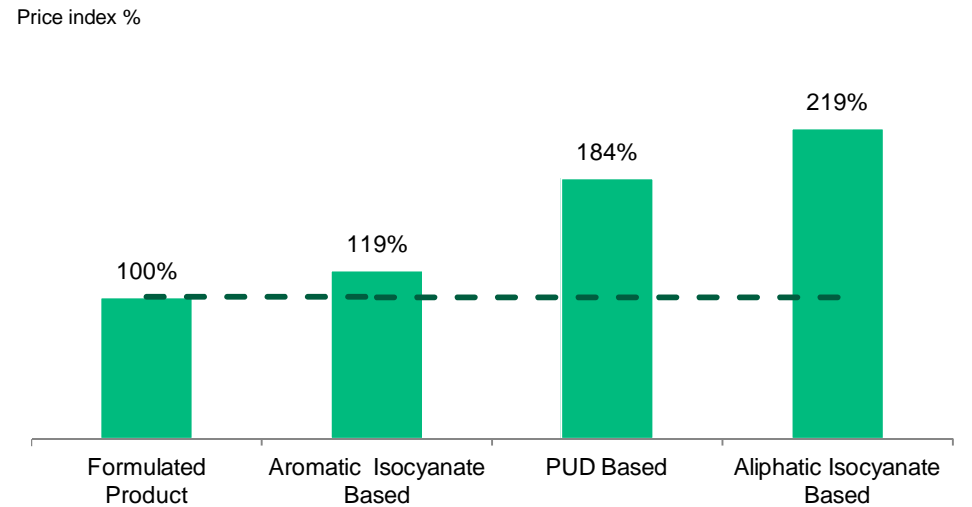


Focus on higher value-added applications

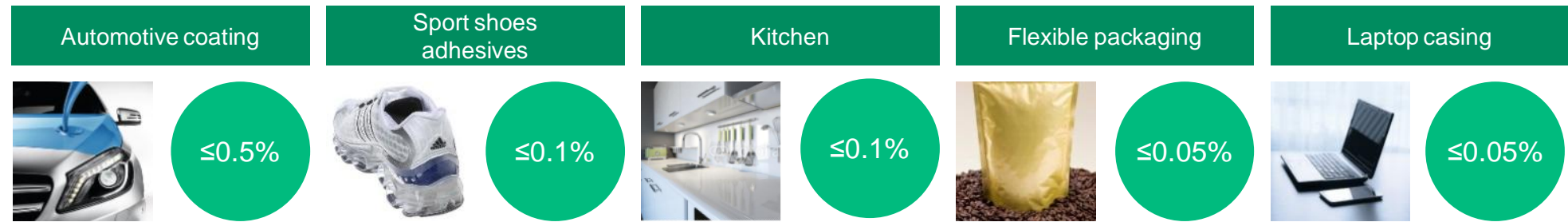
CASe^(a) volume and value breakdown by application



Price index of coatings (end-products)



CAS products: critical to customers but small portion of final product price



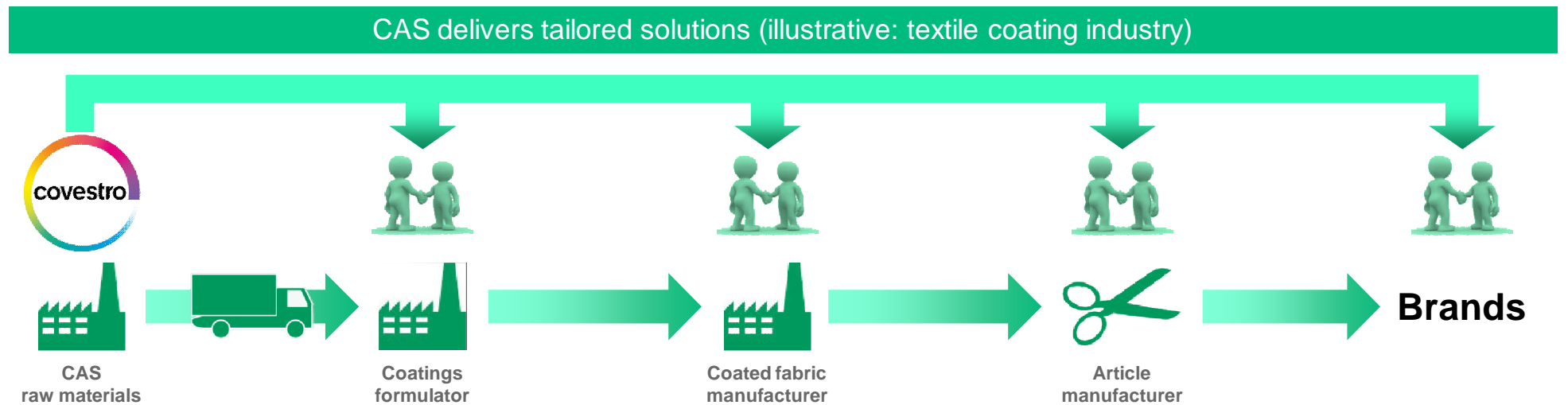
● CAS raw materials as a % of final product price

Note: (a) Coatings, adhesives and sealants
Source: Orr & Boss as at July 2015, Company information for raw materials as a % of final product price

2 Long-term relationships with each link of the value chain



CAS forward marketing



Development partners account for almost half of CAS revenue

| Customer Type | Share in Revenue | Comments |
|----------------------|------------------|--|
| Development partners | High | <ul style="list-style-type: none"> Innovation champions in their industries Drive innovation together with CAS |
| Global key accounts | High | <ul style="list-style-type: none"> Market leaders Limited scope to be innovation partners |
| Distributors | Low | <ul style="list-style-type: none"> Limited joint development |

Quote from 2014 H&M Conscious Actions Sustainability Report^(a)

- “[...] We have been working for the past few years with several partners to find the required innovation
- In 2014, we tested two new products made with a new water-based PU that Bayer Material Science developed in close collaboration with us. The results were very promising
- Moving forward, our goal is to scale up the use of waterbased PU materials to over ten products, including bags and shoes
- This will guide us in setting future goals and milestones towards a full phaseout of solvent-based PU”

2 Global site set-up provides proximity to end-markets and customers



CAS global asset base

| Selected customers | Comments |
|---|---|
| Development partners | |
| Wörwag Votteler Hemmelrath Mankiewicz Nippon paint Red spot Kansai Paint | <ul style="list-style-type: none"> Active in selected countries |
| Global key accounts | |
| Axalta PPG BASF Sherwin-Williams Henkel AkzoNobel H.B. Fuller | <ul style="list-style-type: none"> Global asset base Require global marketing and technical service |
| Distributors | |
| CSC Jäklechemie Quimidroga WhitChem M.F. Cachat | <ul style="list-style-type: none"> Important channel to markets |

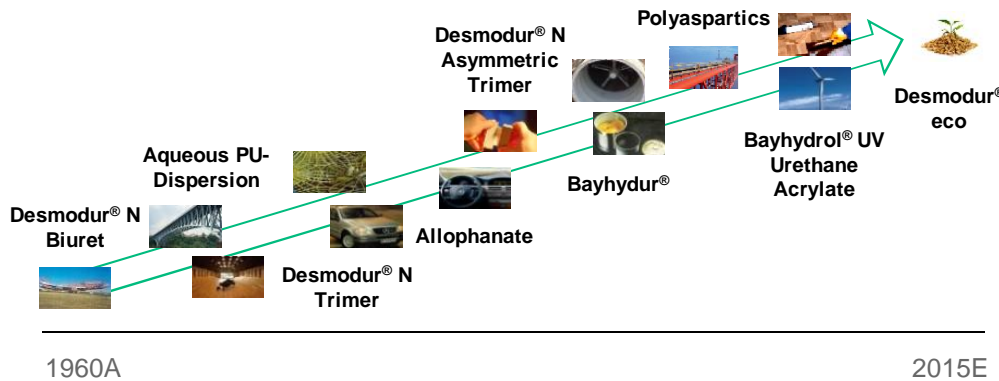
| Production | Technical centers | Specialties |
|--|---|--|
| <ul style="list-style-type: none"> Three world-scale monomer production hubs in all key regions complemented by regional derivative plants Efficient production processes benefitting from low cost technology and integration | <ul style="list-style-type: none"> Technical centers in all key regions ensure proximity to customers Superior technical support capabilities help to build long-term relationships | <ul style="list-style-type: none"> Specialty films, elastomers and other specialties facilities allow to capture high growth in adjacent applications Global footprint provides for leadership in a fragmented industry across regions |

2 Strong track record of product innovation leads to continued competitive differentiation



CAS innovation strategy

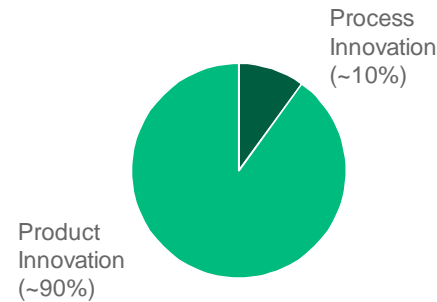
History of robust product innovations



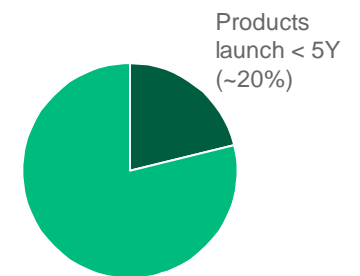
Innovation expenditure and revenue from new products

2014A, %

Innovation spend



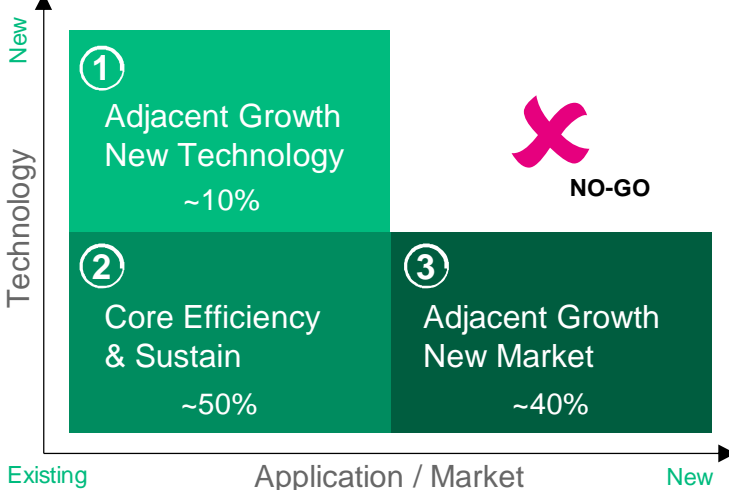
Split of revenue by launch date



Revenue: €1.9bn

CAS innovation strategy

2014A, % of innovation spend



- Expand CAS application base in coatings and adhesives e.g. by bio-based raw materials and developing new crosslinking methods using PU chemistry
- Maintain and grow core business
- Expand into adjacent markets beyond CAS core applications (coatings and adhesives) e.g. in ophthalmic lenses, digital printing, composites and further grow specialties businesses

2 Recent successful launches underscore innovation leadership in isocyanate derivatives industry



Selected CAS innovation projects

1 Desmodur® eco – PDI: bio-based PU-crosslinker

- Pentamethylene diisocyanate (PDI) contains **70% renewable carbon^(a)** derived from non-fossil based inputs, and is not in direct competition with the food chain
- Its raw material can be produced in an efficient way from biomass
- This crosslinker is produced by the most energy efficient technology: gas-phase technology in existing assets
- PDI can potentially be used in all applications that use HDI
- Current status: initiated market introduction
- Start year: 2015



2 BLULOGIQ – New thermolatent hardener

- Might enable **temperature reduction** of the coatings process from **140 to below 100°C**, **15% energy saving** and up to **10% less CO₂ emission**
- **Game changing technology development** requires support by various stakeholders along the value chain
- Patented technology
- Current status: initiated market introduction
- Start year: 2015

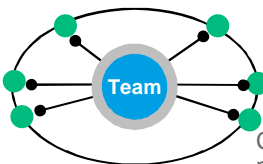


Contract car manufacturer

Equipment supplier



Coating system expert



Life Cycle Simulation



Coatings raw materials (CAS)



STABILITY & PROFESSIONALISM IN WORK

3 INSQIN® Waterborne PU

- **INSQIN® Waterborne PU** for synthetic materials and other coated fabrics
- Enabling apparel & footwear design and manufacturing innovation with an entirely new level of material sustainability
- New process raises worker safety, eliminates pollution risk and reduces water / energy consumption by 95% and 50%, respectively
- CAS works in projects directly with brand owners and integrates value-chain stakeholders
- Start year: 2014

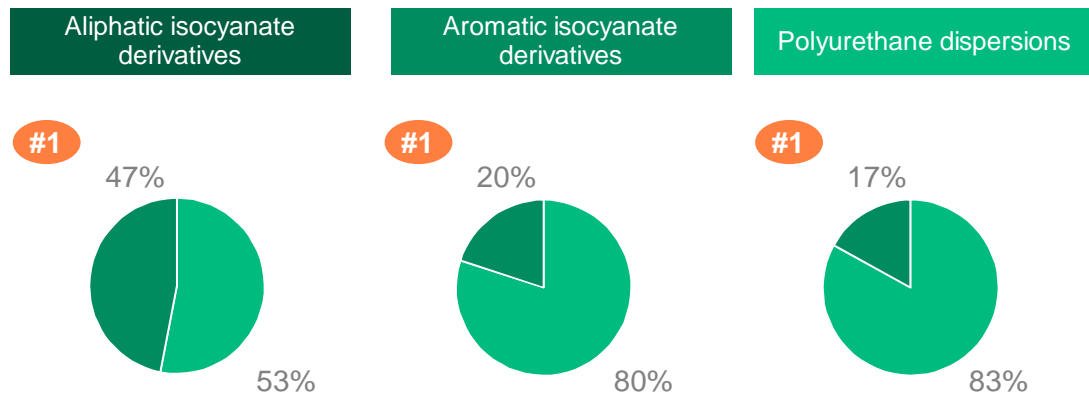


3 Holding global leadership positions across entire portfolio

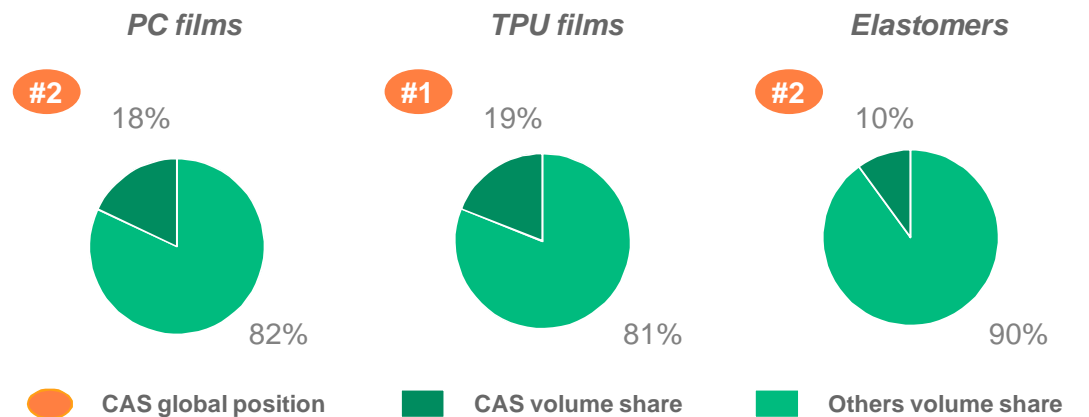


CAS competitive positions

Competitive global landscape in derivative products^(a)



Specialties



Highlights

- CAS is the inventor of aliphatic isocyanate derivatives for the CASE^(b) industry, and the global leader with 47% share in a consolidated environment, and #1 player in EMEA, NAFTA and APAC
 - NAFTA and EMEA relatively consolidated with only 3 competitors in each region
 - APAC relatively fragmented with only 5 key players with shares higher than 5% and multiple others
- Industry of aromatic isocyanates is more fragmented
 - Global players like CAS compete in the more specialized segment, while regional players compete in the lower value segments
- CAS is also the leading player in the PUD industry
 - 5 other global players account for 22% share
 - Remaining industry is fragmented with smaller regional players that compete in the low-cost, commodity-type products where CAS does not compete
- Industry for specialties is quite fragmented
 - CAS is one of the two leaders in PC films
 - TPU films can be viewed as a regional business rather than global
 - 8 other major players in elastomers account for c. 60% share

3 Critical success factors underpin CAS strong position



Barriers to entry for derivative products

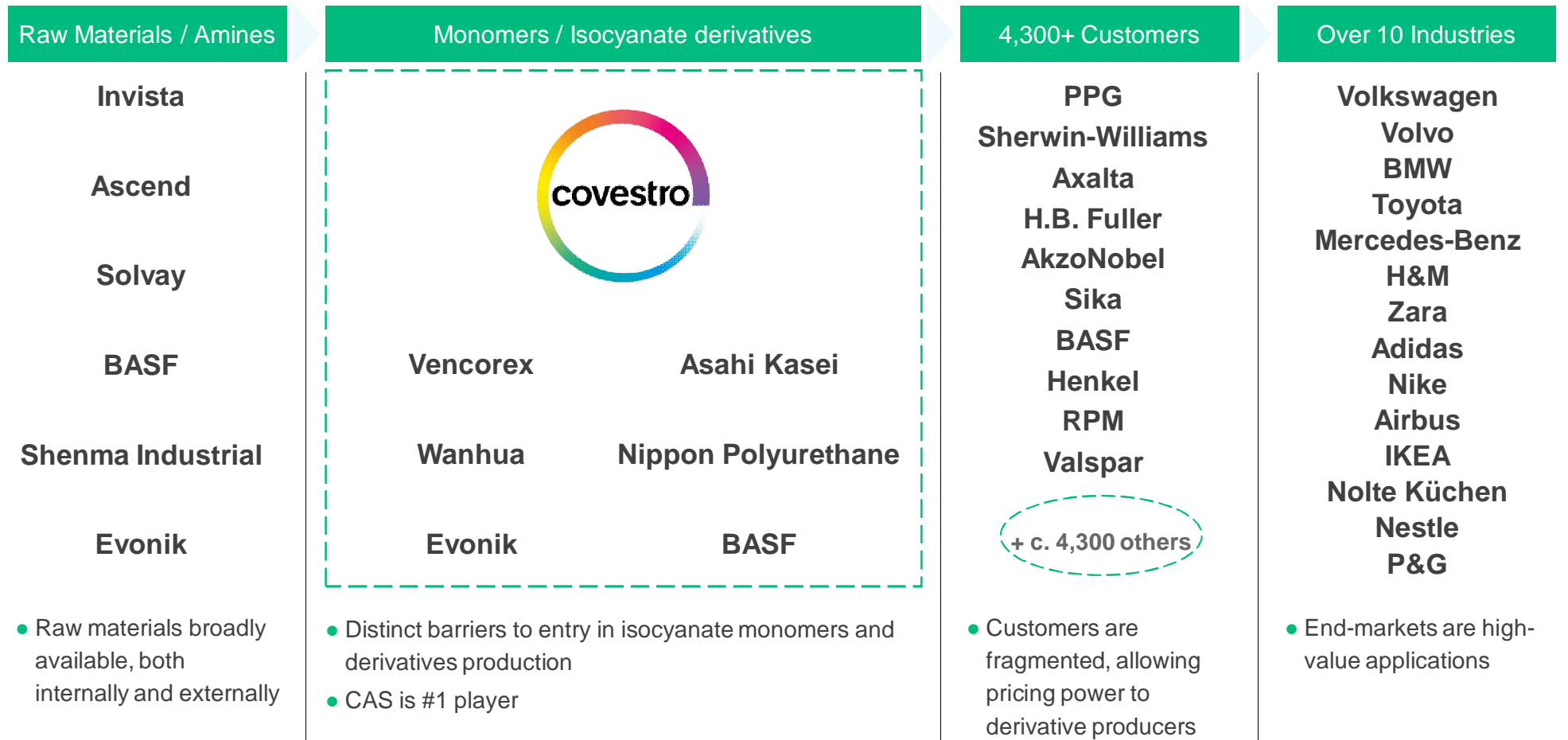
| Barriers to entry in derivatives | CAS position |
|---|---|
| Economies of scope | <ul style="list-style-type: none"> ● Diversity of end-markets and products offered ● Niche applications with customized solutions |
| Formulation know-how and technical expertise | <ul style="list-style-type: none"> ● Expertise required to address customers needs with specific formulations |
| Long-term customer relationships | <ul style="list-style-type: none"> ● Long-term relationships with customers are key |
| R&D, market-driven innovation | <ul style="list-style-type: none"> ● Innovation and R&D are important to continuously address customers' needs |
| Global platform | <ul style="list-style-type: none"> ● Global network to supply customers on a reliable basis |

- ✓ More than 2,300 products supplied to over 4,300 customers
- ✓ Focus on high value-add products
- ✓ Complementary product offering
- ✓ Inventor of isocyanate derivative chemistry
- ✓ Unique formulation capabilities
- ✓ Solutions provider
- ✓ Proximity to customers
- ✓ Superior technical support
- ✓ Leader in new product development
- ✓ Recently developed a new thermolatent hardener
- ✓ CAS has a strong international footprint with presence across all regions
 - 3 world-scale HDI plants
 - 11 other production units
 - 9 technical centers

3 Global leadership position supported by an attractive industry structure



CAS value chain position for isocyanate derivatives



CAS Products

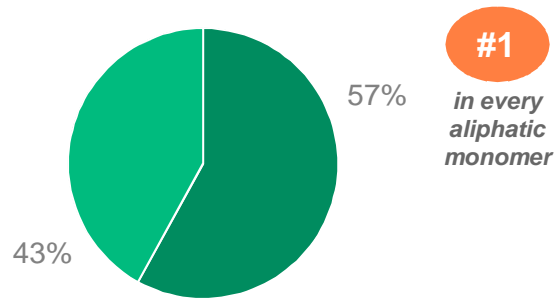
3 Best-in-class production technology

CAS backward-integration into monomers

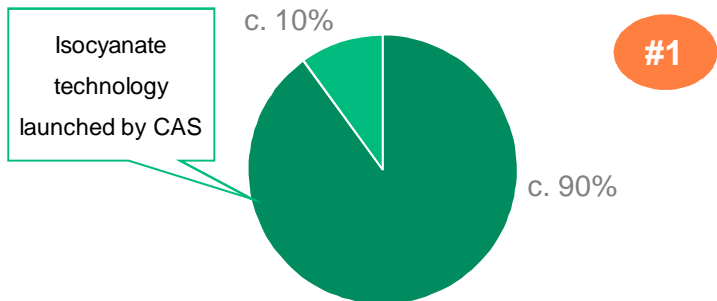


Global aliphatic monomer capacities

HDI, IPDI, H₁₂MDI



PDI^(b)



● CAS global position
 ■ CAS capacity share
 ■ Others capacity share

Barriers to entry in monomers

CAS position

Engineering capability to build monomer plant

- Financial resources and know-how required to build world-scale isocyanate monomer plants

- ✓ CAS operates 3 world-scale HDI plants across NAFTA, EMEA, APAC at integrated CAS sites

Economies of scale

- Cost efficiency achieved by enjoying global manufacturing footprint

- ✓ CAS is the global leader in HDI production

Phosgene handling and environmental permits

- Phosgene requires important know-how and legal permits before being handled

- ✓ Unique expertise in handling phosgene and has been one of the pioneers in its industrial use

Technology and cost leadership

- Technology know-how and capabilities to produce isocyanates

- ✓ Proprietary gas-phase technology
- ✓ On average 30%^(a) less expensive than competing technologies

Innovation in launch of new monomers

- Innovation is key to avoid commoditization

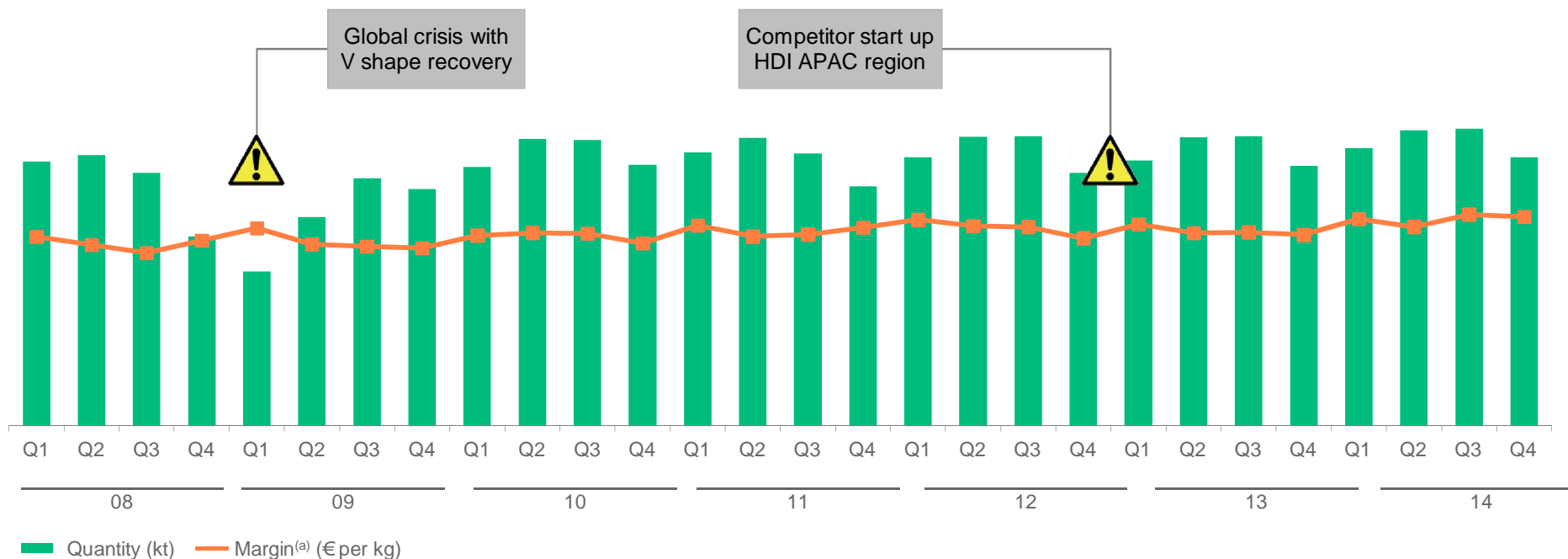
- ✓ Launch of Desmodur[®] eco based on biomass raw materials

4 High margin resilience over time demonstrates specialty nature of business



CAS financial performance

Through the cycle production and profitability overview

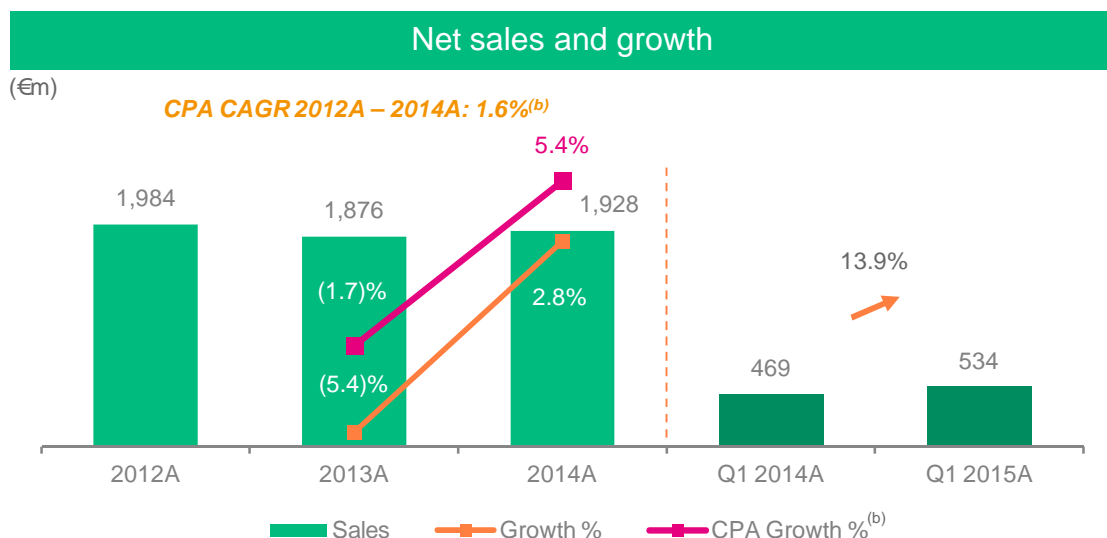


- Value-add to customers and diversified application profile secures stable margins
- Gross margin driven by high value portfolio as well as low cost technology

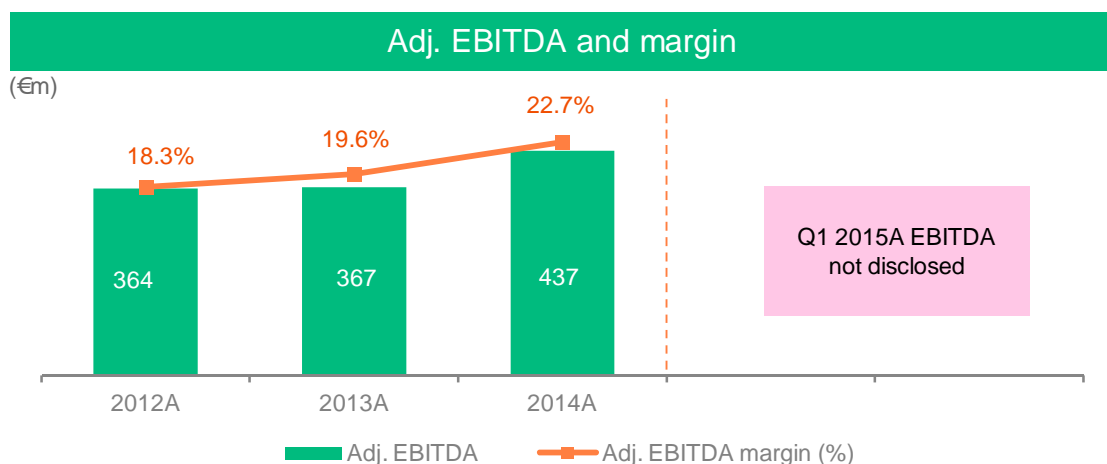
4 Growing portfolio-adjusted revenues and EBITDA margin



CAS historical financial performance^(a)



- From 2012A until 2014A, net sales primarily driven by positive volume effect (+4.9%) offset by negative sales price (-1.6%) as well as negative currency effect of (-2.9%) and negative portfolio effect (-3.2%)
- Demonstrated volume growth in 2012A-2014A is below CAS long-term growth trajectory
- 2013A net sales lower due to divestments and new competitor capacity in HDI in APAC
- In 2014A, sales increase resulted from higher volumes in all regions, fully offsetting further divestments
- Q1 2015A strong sales growth driven by volume growth and positive currency effects

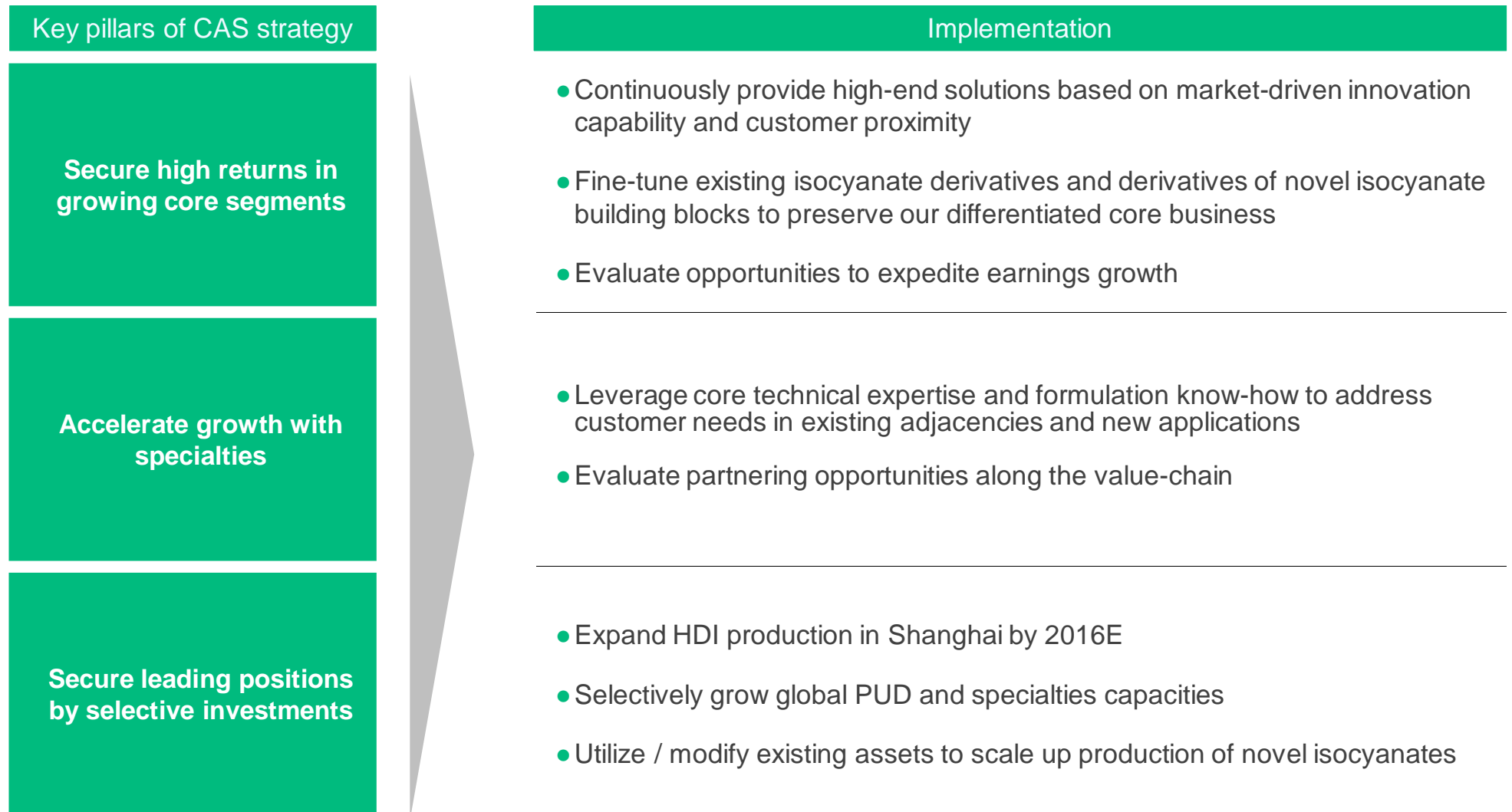


- Adj. EBITDA increase supported by volume growth and raw material price development
- Adj. EBITDA margin increase from 18.3% in 2012A to 22.7% in 2014A despite new entrants driven by:
 - selected portfolio optimizations
 - increased revenue from new innovations
 - favorable raw material price impact

Building on strengths to further grow the bottom line



CAS business strategy



Delivering sustainable, strong cash flows to Covestro



CAS financial outlook

| Financial metric | Business plan drivers | Outlook ^(a) | Impact on cash flow |
|------------------|--|------------------------|---------------------|
| Sales | <ul style="list-style-type: none"> • Driven by above GDP growth end-markets • Substitution of other chemistries through continued innovation at CAS • Increased quality requirements for coatings / adhesives in APAC | ↗ | ↗ |
| EBITDA margin | <ul style="list-style-type: none"> • Historically stable adj. EBITDA margin supports stable margin outlook • Leading production cost position • Continued focus on higher value segments and innovations | → | |
| Capex | <ul style="list-style-type: none"> • Recently initiated HDI capacity expansion (production platform backbone) in Shanghai • Capex level to revert to normalized historical levels in 2016E improving cash conversion potential • Continued minor capex requirement for additional derivative and specialties capacity | ↘ | |

Section 8 – Financials

Covestro live and stand-alone on 1st September 2015



Organizational overview

Organizational structure and corporate functions

| Business Units | PUR | PCS | CAS | Others / Consolidation | |
|-------------------------------------|-------------------|------------------|---------|------------------------|---------------------|
| Strategic Business Entities | MDI | PC and PC-blends | BMI | Industrial Operations | Corporate Functions |
| | TDI | | RES | | Reconciliation |
| | Polyether polyols | | SF | | |
| Net Sales 2014A €11,761m | €6,282m | €2,822m | €1,928m | €729m | |
| Adj. EBITDA 2014A €1,161m | €592m | €160m | €437m | €(28)m | |

Basis of financial preparation



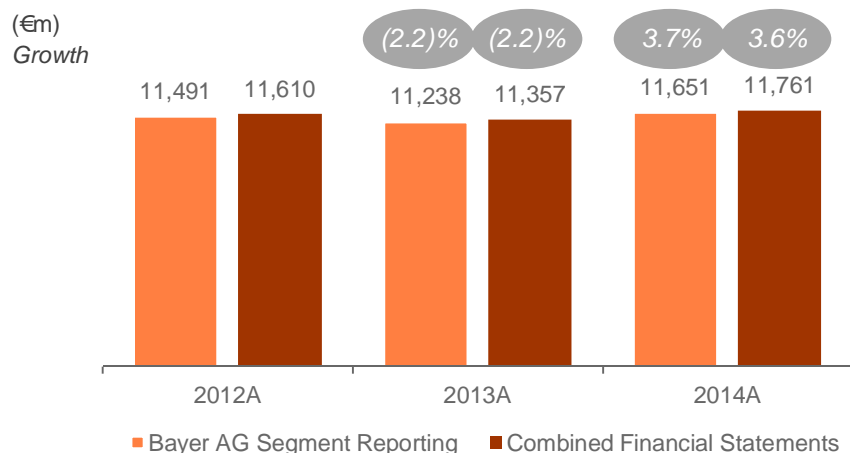
- IPO financials based on 2012A – 2014A audited^(a) Combined Financial Statements for Covestro
- Group accounts prepared in accordance with IFRS for the years 2012A, 2013A and 2014A
- Covestro Combined Financial Statements for IPO, to a limited extent, deviate from historical Bayer Group Segment Reporting figures for Covestro based on certain carve-out adjustments
- Accounts reflect 3 operating segments, Polyurethanes (PUR), Polycarbonates (PCS) and Coatings, Adhesives and Specialties (CAS), as well as Others / Consolidation
- For Q1 2014A / 2015A financials, Bayer Group Segment Reporting figures are used in this presentation
- Unaudited Covestro Combined Financial Statements for H1 2015 to be provided to syndicate analysts on 17th August 2015
- Financial year-end December

Limited carve-out adjustments compared to historical Bayer AG Segment Reporting

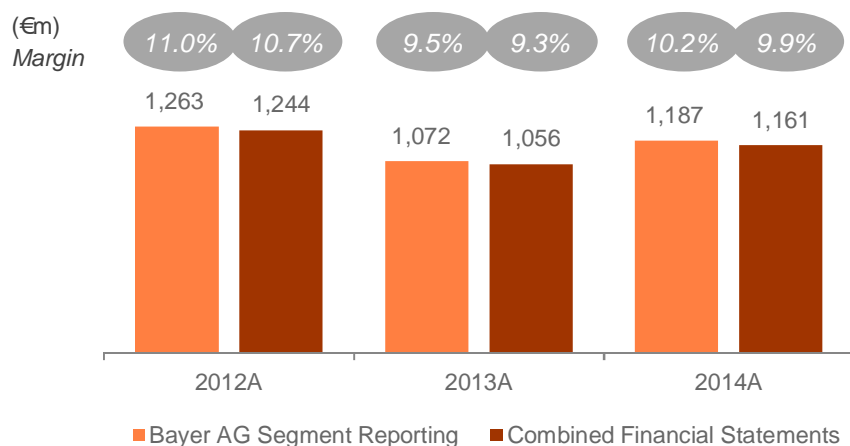


Covestro Combined Financial Statements

Net sales and growth



Adj. EBITDA and margin



Comments

- Limited deviations from publicly available Bayer Segment Reporting financials on Covestro
- Main carve-out adjustments relate to several accounting items with positive as well as negative effects:
 - Reclassification of internal (Bayer Group sales) to external sales
 - Allocation of additional holding costs which historically have not been charged to Covestro segment in Bayer Segment Reporting
 - Changes in combination / consolidation scope
 - Minor other accounting adjustments

Independent setup of Covestro without major additional costs and with mid-term savings potential



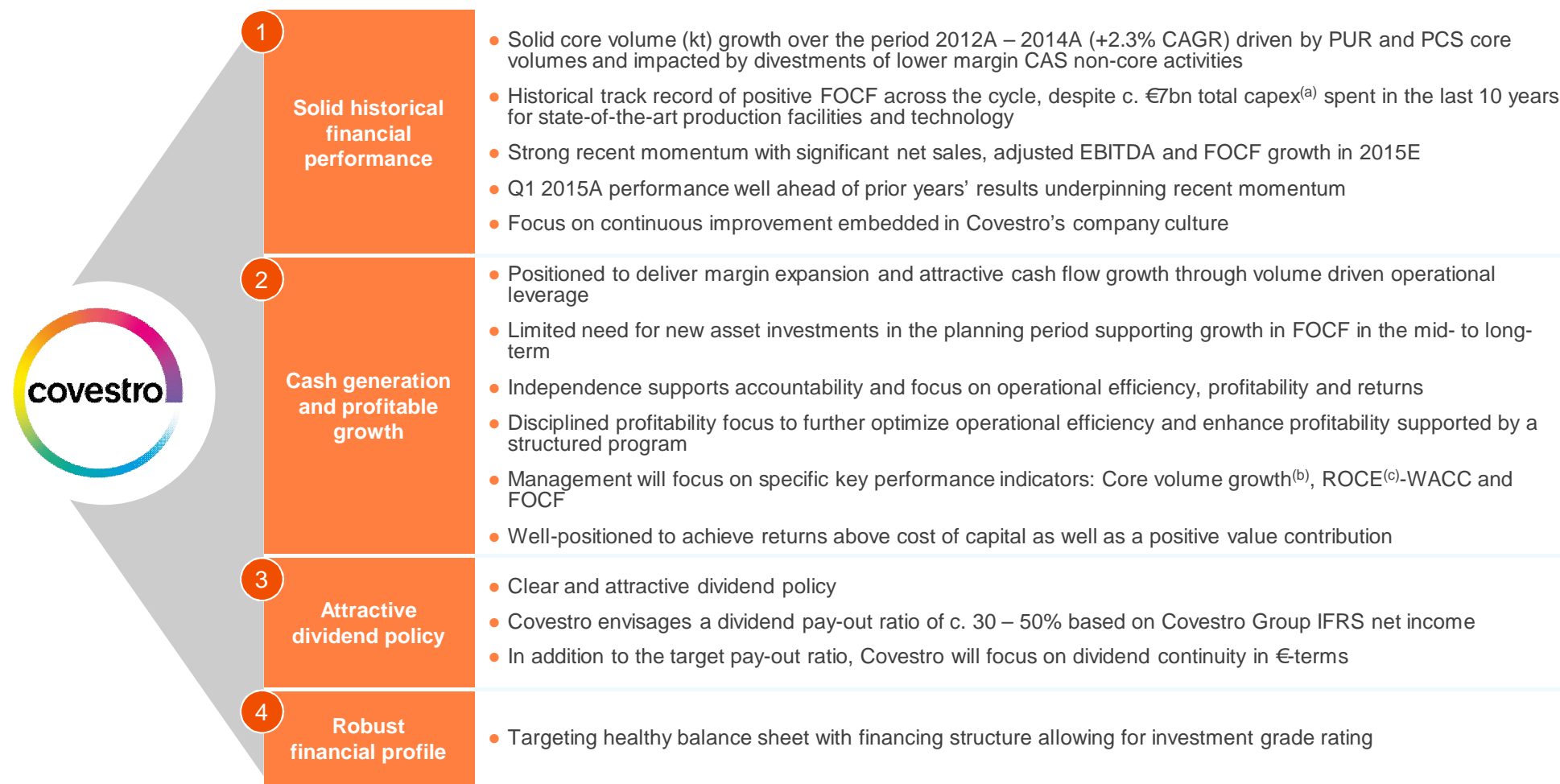
Carve-out from Bayer Group

| Services provided by Bayer pre carve-out | | Replacement during carve-out |
|--|---|---|
| Service provider | Services | |
| Bayer AG | <ul style="list-style-type: none"> • Corporate services | <ul style="list-style-type: none"> • Termination of several intra-group service agreements and corporate center allocations ('Konzernumlage') |
| Bayer Business Services (BBS) | <ul style="list-style-type: none"> • Agency business services | <ul style="list-style-type: none"> • Reduction from 120 legal entities globally to c. 70 own Covestro legal entities, thereby reducing complexity and streamlining group structure significantly |
| Bayer Group Platform (BGP) | <ul style="list-style-type: none"> • Administrative services • Information technology and management • Services / solutions for business processes • Technology development | <ul style="list-style-type: none"> • Transfer of c. 1,800^(b) historically Covestro dedicated employees^(c) from Bayer Group service companies to Covestro |
| Bayer Technology Services (BTS) | <ul style="list-style-type: none"> • Project management and engineering • Operations support and safety | <ul style="list-style-type: none"> • Hiring of c. 500^(b) additional employees^(c) at Covestro of which c. 100^(b) for Corporate and Global Functions (mainly HR, Controlling, Accounting, Finance, IT, Procurement) and c. 400^(b) to build-up country organizations • Transitional Service Agreements ('TSA') with Bayer Group (max. period of 3 years at current pricing model) relating to IT, accounting and technology services |
| Currenta^(a) | <ul style="list-style-type: none"> • Chempark operations in Leverkusen, Dormagen and Uerdingen • Energy, utilities, environmental, security services • Management, analytics, training and development | <ul style="list-style-type: none"> • Currenta services remain in place • No change in cost / service charge triggered by Covestro IPO |

Covestro positioned to deliver margin expansion and cash flow growth



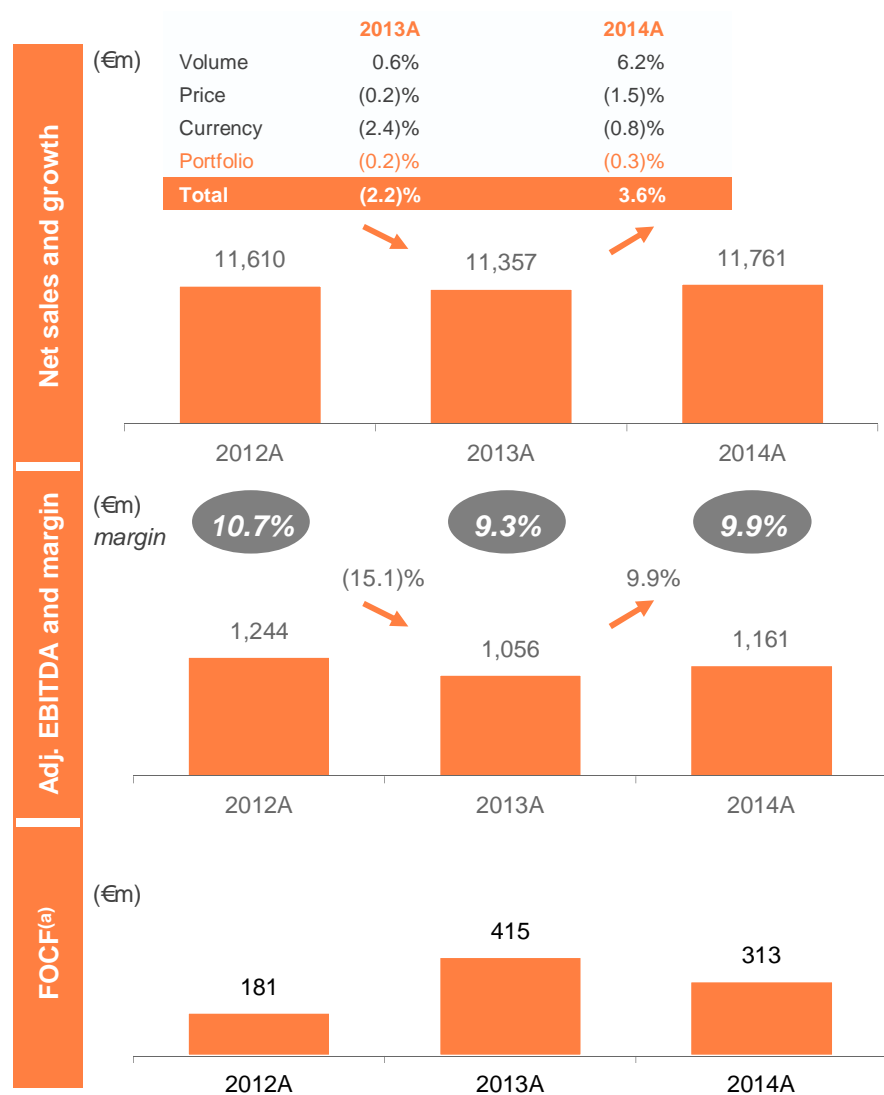
Key financial highlights



Margin expansion and cash flow growth through combination of volume driven operational leverage, asset optimization and cost improvement

1 Solid historical financial performance

2012A-2014A historical financial performance



Performance 2012A-2014A

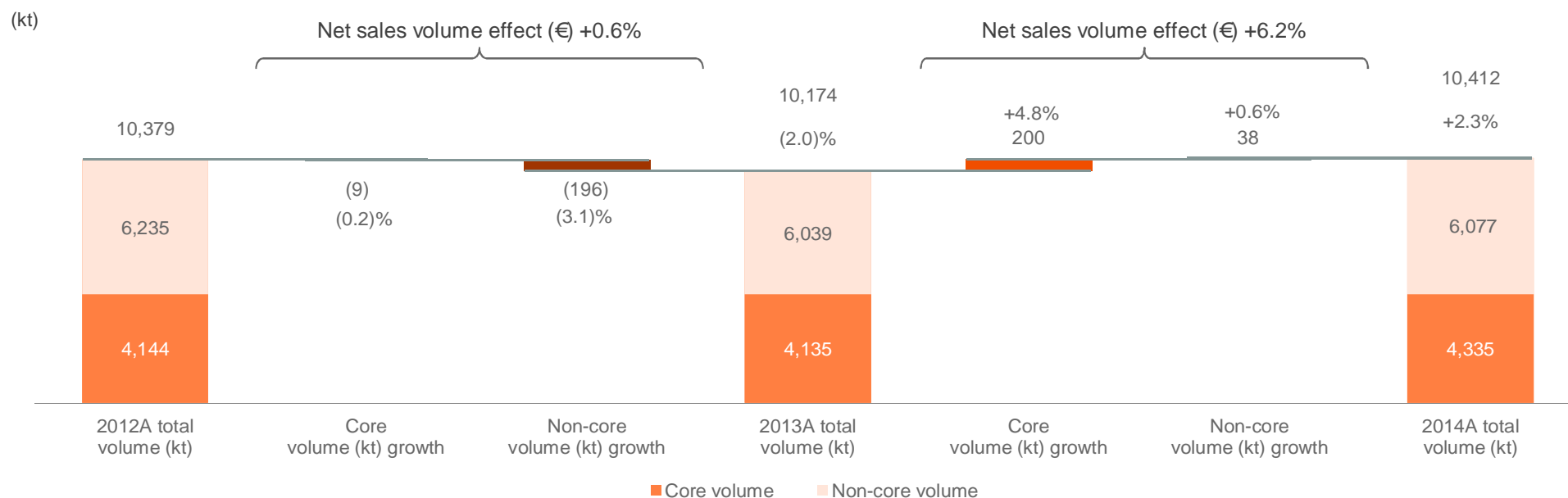
- Net sales primarily driven by volume growth utilizing available capacities, in particular in APAC, following demand growth. Moderate selling price reductions and negative currency effects partially offsetting volume growth
- Adj. EBITDA impacted by increase in raw material costs not being compensated by price given supply / demand conditions and volume developments on the back of capacity expansions in all segments impacting industry utilization rates
- FOCF positive in every year with proven ability to adapt to earnings volatility through short-term measures
- FOCF over the last years affected by capex and fluctuations in net working capital driven by scheduled plant turnarounds
- Well-invested asset base with historically substantial levels of total capex^(b) (on average approx. c. €670m p.a. in total capex^(b) over the last 10 years)

1 Solid historical core volume growth

2012A-2014A historical volume progression



Volume growth bridge (2012A – 2014A)

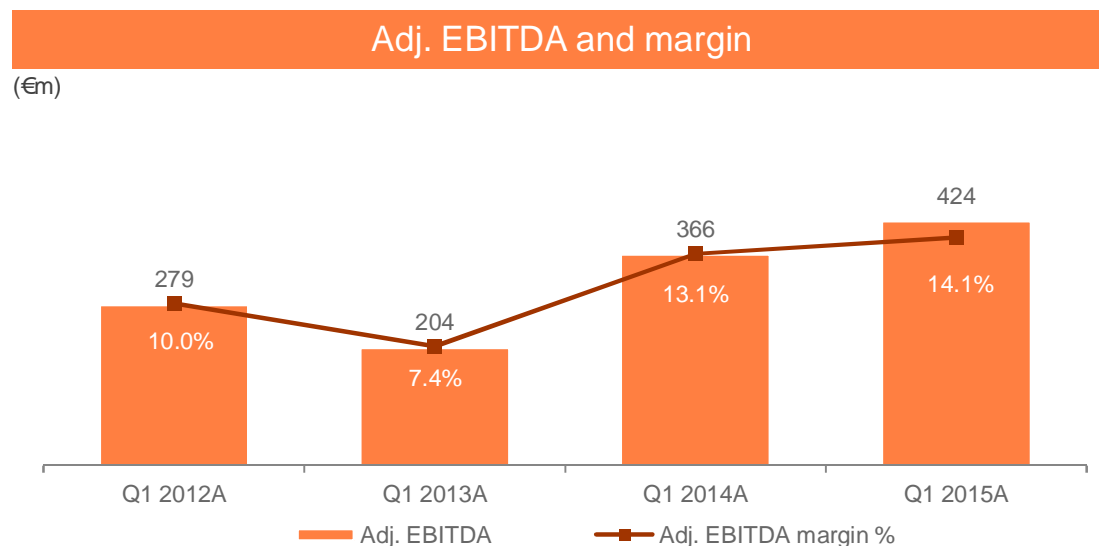
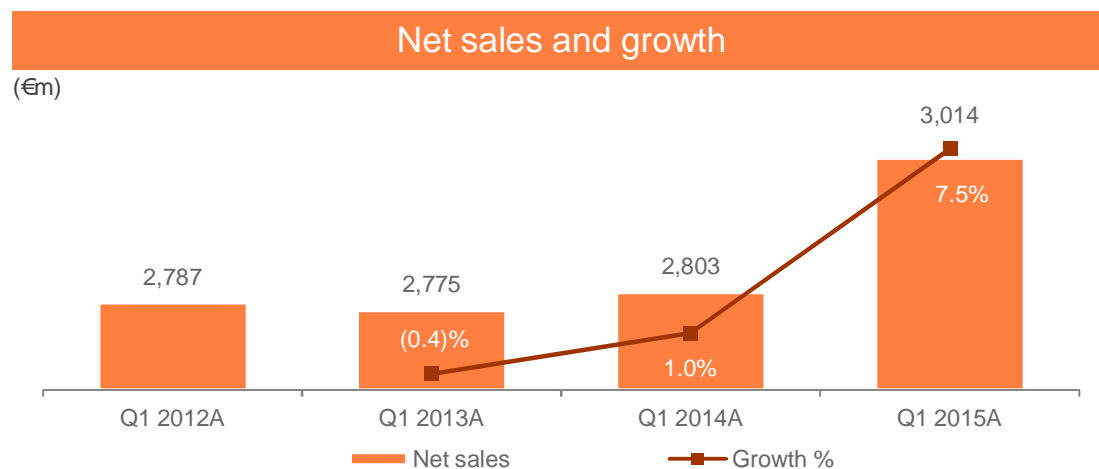


- Core volumes are the focus of business operations and are defined as all PUR, PCS and CAS volumes not initiated by opportunistic business opportunities through sales of e.g. raw materials and intermediates (such as styrene and caustic soda)
- Flat core volume (kt) development in 2013A (-0.2%) negatively impacted by CAS core volume effects following several divestments in 2013A (global powder polyester resins business, liquid polyester business, Desmolux resins business)
- Solid core volume (kt) growth in 2014A of (+4.8%) especially driven by PUR (TDI) and PCS volumes
- Higher net sales volume effects (in €) relate to the fact that core volume (kt) growth primarily triggered by higher priced products

1 Strong recent momentum illustrating profitability potential



Q1 2015A financial performance



- Significant net sales increase in Q1 2015A driven by positive currency effects and volume growth partially offset by lower selling prices
- PUR net sales volumes slightly increased, PCS net sales volumes grew significantly mainly driven by greater demand especially in the automotive industry and CAS showed solid net sales volume growth in APAC and NAFTA
- Lower selling prices at PUR and PCS followed a decrease in raw material prices. CAS showed stable selling prices
- Core volume (kt) growth (+1.7%) primarily driven by PCS and CAS
- Q1 2015A adj. EBITDA significantly ahead of respective quarters in 2012A / 2013A
- Adj. EBITDA in Q1 2015A mainly impacted by lower raw material cost which compensated declining selling prices, given favorable supply / demand conditions as well as increasing other manufacturing costs
- Q1 2015A adj. EBITDA additionally supported by positive currency effects of approximately €50m
- Q1 2015A adj. EBITDA affected by negative balance of operational one-time effects versus 2014A (-€14m)

1 Improving performance in functional cost supporting profitability



Profit and loss statement

| Key P&L items | | | |
|------------------------------------|--------------|--------------|--------------|
| (€m, except stated otherwise) | 2012A | 2013A | 2014A |
| Net Sales | 11,610 | 11,357 | 11,761 |
| % growth | n/a | (2.2)% | 3.6% |
| Cost of goods sold | (9,306) | (9,390) | (9,609) |
| % of sales | 80.2% | 82.7% | 81.7% |
| Gross profit | 2,304 | 1,967 | 2,152 |
| % margin | 19.8% | 17.3% | 18.3% |
| Selling expenses | (1,120) | (1,094) | (1,097) |
| % of sales | 9.6% | 9.6% | 9.3% |
| Research and development expenses | (255) | (243) | (212) |
| % of sales | 2.2% | 2.1% | 1.8% |
| General administration expenses | (351) | (322) | (343) |
| % of sales | 3.0% | 2.8% | 2.9% |
| Other operating income / (expense) | (36) | 83 | 17 |
| % of sales | 0.3% | 0.7% | 0.1% |
| EBIT | 542 | 391 | 517 |
| % margin | 4.7% | 3.4% | 4.4% |
| D&A | 669 | 693 | 605 |
| % of sales | 5.8% | 6.1% | 5.1% |
| EBITDA | 1,211 | 1,084 | 1,122 |
| % margin | 10.4% | 9.5% | 9.5% |
| Add back of special items | 33 | (28) | 39 |
| % of sales | 0.3% | (0.2)% | 0.3% |
| Adj. EBITDA | 1,244 | 1,056 | 1,161 |
| % margin | 10.7% | 9.3% | 9.9% |

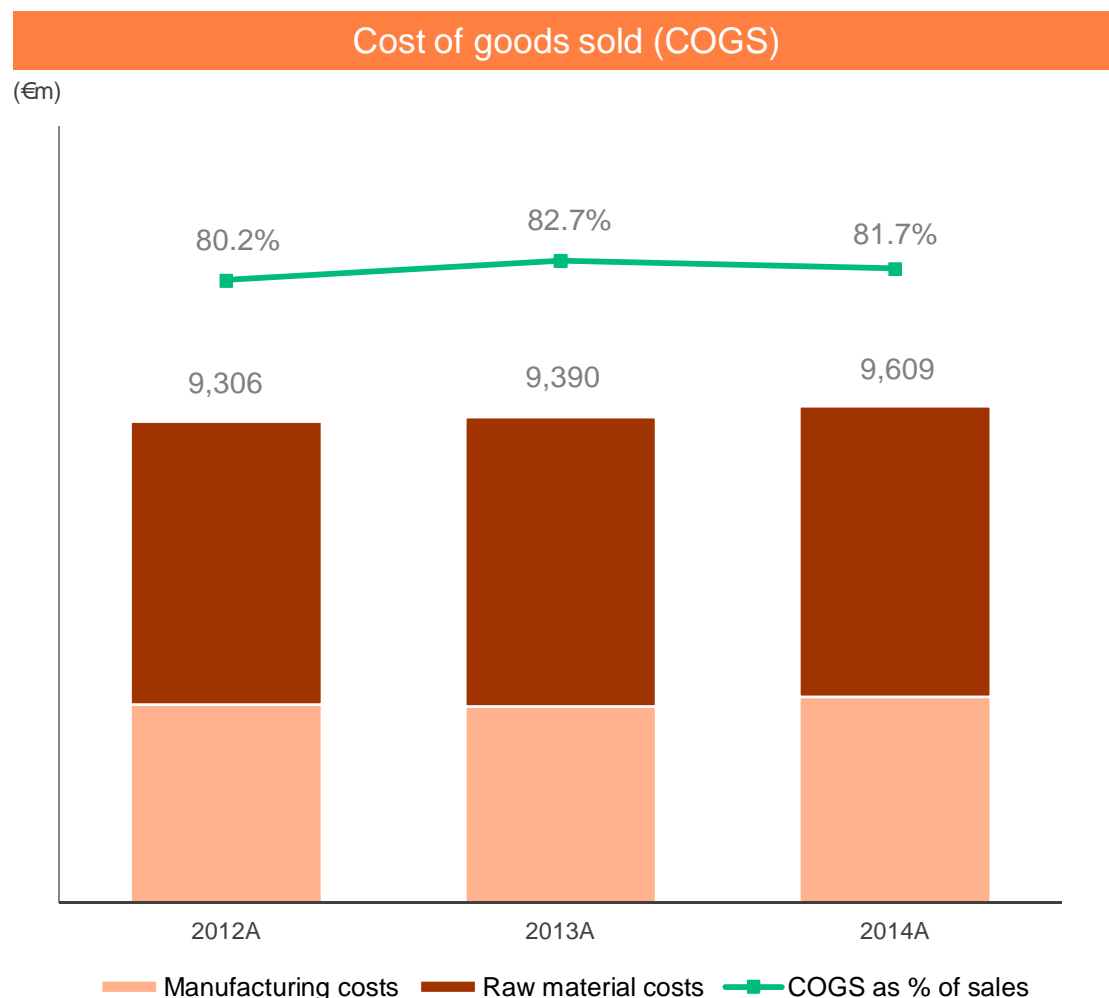
Highlights

- Overall, decline of functional costs driven by continuous improvement measures:
 - **Selling expenses:** volume driven cost increase for freight and warehousing compensated by strict cost discipline and efficiency improvement initiatives in marketing costs
 - **R&D expenses:** reassessment of R&D strategy leading to focus on core areas while discontinuing non-strategic activities. In addition streamlining of R&D process leading to further efficiencies
 - **General administration expenses:** G&A cost managed to remain stable over period by multiple small continuous improvement measures
- Other operating income / (expense) in 2013A driven by CAS divestments of global powder polyester resins business, liquid polyester business and Desmolux product line

1 Cost of goods sold driven by increases in raw material cost, capacity expansions and volume growth



Cost of goods sold



Comments

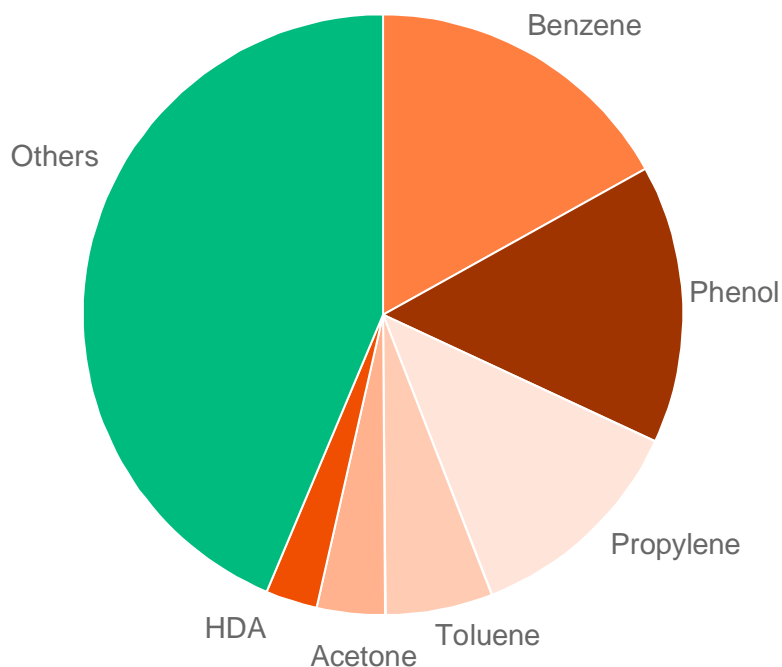
- Changes in raw material costs / prices generally passed on to customers depending on supply / demand situation of the industry and overall industry utilization rates
- COGS in 2013A increased driven by raw material price increases partially offset by currency effects
- COGS as percentage of sales in 2013A increased as sales prices did not fully compensate the raw material price development driven by supply / demand situation
- COGS in 2014A driven by volume growth which is partially compensated by lower raw material prices and currency developments
- COGS as percentage of sales in 2014A declined driven by strong volume growth and greater fixed cost coverage

1 Key raw materials secured through long-term contracts



Raw material exposure

Major raw material split (2014A)



Total raw material exposure €5,612m^(a)

Comments

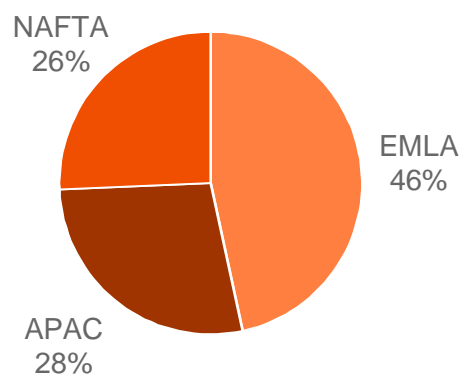
- Crude oil defines floor price for majority of raw materials used, additional charges on crude oil price depend on the specific supply / demand dynamics in relevant raw material market segments
- Key raw materials mostly secured through contracts with purchasing prices typically fixed on a monthly basis
- Contracts include defined volumes and in some exceptional cases take-or-pay obligations (e.g. carbon monoxide and chlorine)
 - phenol supply secured through longer-term contracts based on combination of cost plus and / or market prices in a structurally liquid market
 - other Aromatics (benzene / toluene) secured through shorter-term contracts and spot purchases. Purchasing prices are fixed on a monthly basis
 - the Group primarily secures its supply of propylene oxide through its joint ventures with LyondellBasell. Co-product styrene out of Rotterdam JV directly sold to the market as non-core sales
- Chlorine, carbon monoxide and hydrogen (if no own production facility is available) sourced from on-site partners (at cost plus) or externally via long-term contracts
- Energy sourcing secured by long-term contracts covering access to crucial assets on-site or over-the-fence (steam generation, supply grids) while fuels are sourced close to the market, however, respective costs are not included in raw material expenses but in manufacturing costs
- 'Others' contains more than 300 raw materials with each less than 3% of total raw material costs

1 Covestro benefitting from recent depreciation of Euro against major currencies



Currency exposure

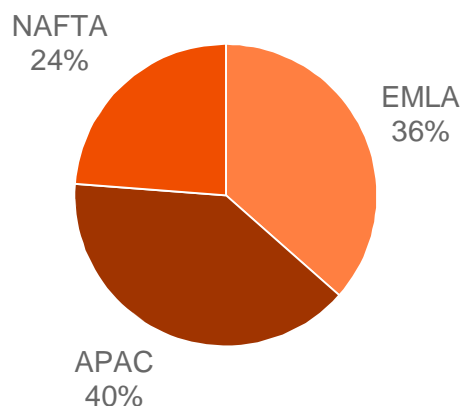
Sales by region (2014A)



Comments

- According to Bayer practice c. 50% of anticipated and 100% of booked transactional currency exposure has been hedged
- Covestro will hedge 100% of its booked foreign currency exposure (transactional currency exposure), as of 1st September 2015 anticipated transactional currency exposure will no longer be hedged
- The positive currency development for Covestro in Q1 2015A relates primarily to translational currency effects

Assets by region (2014A)^(a)



Major currency exposure (2014A)^(b)

| | |
|--------|-----|
| EUR | 43% |
| USD | 24% |
| CNY | 12% |
| HKD | 9% |
| Others | 12% |

1 Historical financial performance including minimal special items



Overview of historical special items

| EBITDA impact of special items | | | | Comments |
|--------------------------------|---------------|-------------|---------------|---|
| (€m, except stated otherwise) | 2012A | 2013A | 2014A | |
| PUR | (24) | (4) | (9) | <ul style="list-style-type: none"> Mainly related to severance payments in 2012A due to closure of two production lines of spray foam business in the US and headcount reduction at PUR in Germany |
| Restructuring | (31) | (4) | (9) | |
| Post-employment benefits | 7 | – | – | <ul style="list-style-type: none"> Plan adjustment in other post employment benefits in the US led to a gain in 2012A |
| PCS | – | (4) | (28) | |
| Restructuring | (3) | (4) | (28) | |
| Post-employment benefits | 3 | – | – | <ul style="list-style-type: none"> Mainly related to severance payments in 2014A due to divestments and closures (e.g. closure of PCS sheets business in Darmstadt, Germany) |
| CAS | (9) | 37 | (1) | |
| Restructuring | (11) | (5) | (1) | |
| Post-employment benefits | 2 | – | – | <ul style="list-style-type: none"> Divestment of Covestro's global powder polyester resins business led to a book gain in 2013A |
| Divestments | – | 42 | – | |
| Others | – | (1) | (1) | |
| Total special items | (33) | 28 | (39) | |
| <i>% of sales</i> | <i>(0.3)%</i> | <i>0.2%</i> | <i>(0.3)%</i> | |

1 Historical cash flow influenced by operating performance and growth investments



Cash flow statement

| Key free cash flow items | | | |
|--|--------------|------------|--------------|
| (€m, except stated otherwise) | 2012A | 2013A | 2014A |
| EBIT | 542 | 391 | 517 |
| Depreciation, amortization and impairment | 669 | 693 | 605 |
| EBITDA | 1,211 | 1,084 | 1,122 |
| Income taxes paid | (135) | (85) | (84) |
| Change in pension provisions | (51) | (16) | (23) |
| (Gains) / losses on retirements of noncurrent assets | (19) | (42) | 1 |
| Gross cash flow | 1,006 | 941 | 1,016 |
| Decrease / (Increase) in inventories | (317) | 179 | (164) |
| Decrease / (Increase) in trade accounts receivable | (20) | 17 | (110) |
| (Decrease) / Increase in trade accounts payable | 189 | (78) | 117 |
| Changes in other working capital, other non-cash items | (44) | (61) | 66 |
| Net operating cash flow | 814 | 998 | 925 |
| Cash relevant capex ^(a) | (633) | (583) | (612) |
| % of sales | 5.5% | 5.1% | 5.2% |
| FOCF | 181 | 415 | 313 |
| % growth | | 129.3% | (24.6)% |

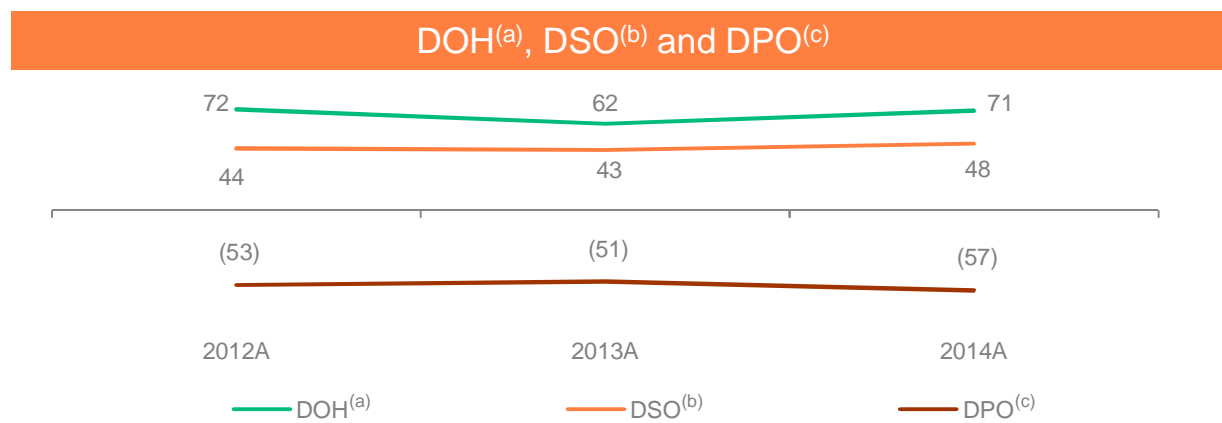
Comments

- FOCF affected by investments in asset base as well as changes in net working capital
- Inventories mainly driven by scheduled PUR / PCS plant turnarounds in Shanghai and Baytown in 2012A / 2013A and build-up of safety stocks in finished goods due to external raw material curtailments in 2014A
- Trade accounts payable movements closely linked to build-up of inventory levels
- Trade accounts receivable increase in 2014A as a result of increased sales volumes
- Changes in other working capital in 2014A resulting from increase in short-term incentive (bonus) provisions
- Capex levels affected by single large projects such as building / ramp-up of plant in Shanghai (PCS, CAS and MDI) and TDI Dormagen
- In 2013A, D&A charges affected by one-time effects such as divestments and site closures (e.g. several measures within CAS and PUR Systems house South China)
- D&A in 2012A / 2013A above capex as propylene oxide JV with LyondellBasell in EMEA was partially consolidated as of 2013A (restated for 2012A) and has been depreciated over 10 years only (until end of 2013A)

1 Well-managed working capital with upside potential

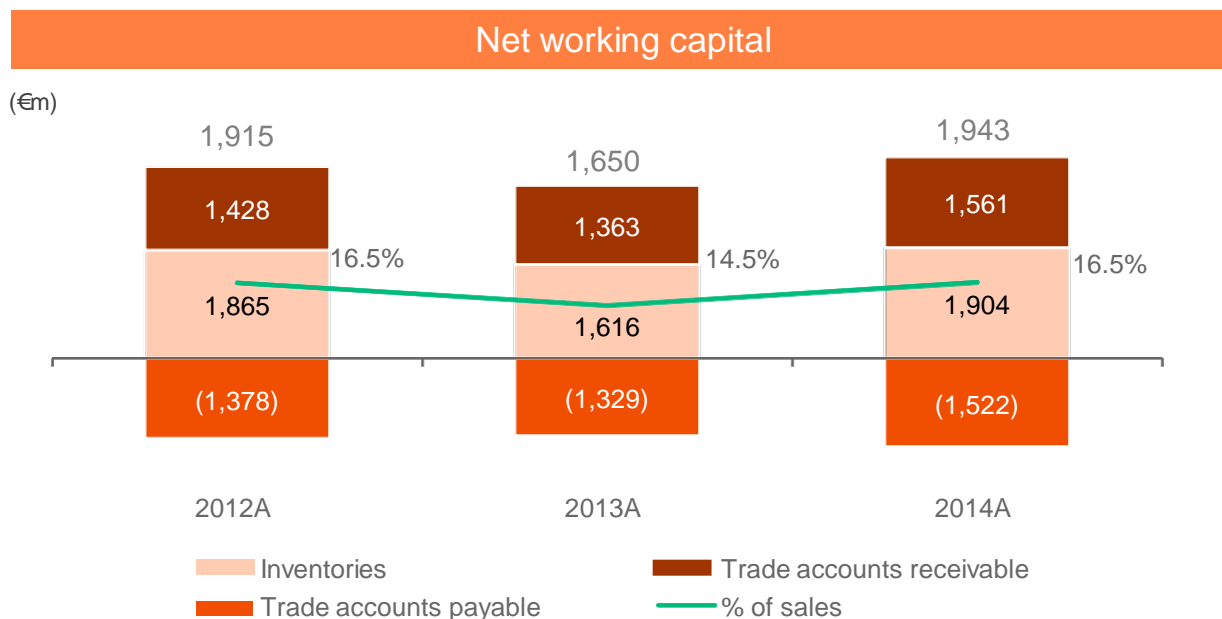


Working capital development



Comments

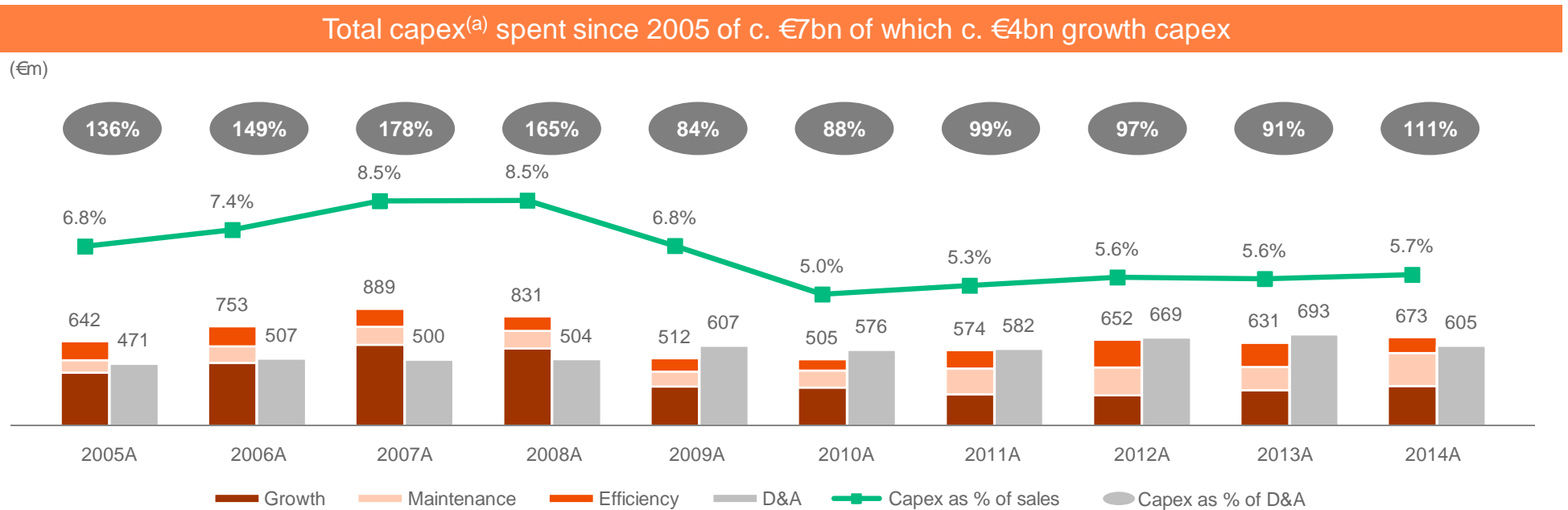
- Net working capital averaged €1.8bn in the period 2012A-2014A, representing 15% – 17% of net sales
- Net working capital is monitored at segment level based on monthly KPIs (DOH^(a), DSO^(b), DPO^(c))
- Seasonality from summer and Christmas / Chinese New Year periods
- Movements are mainly driven by changes in inventories and trade accounts payable related to the scheduled plant turnarounds in PUR and PCS
- Increased trade accounts receivable in 2014A driven by increased sales volumes especially in November and December as well as positive currency effects. Inventory levels increased due to build-up of safety stocks in finished goods given external raw material curtailments and currency effects
- Current net working capital levels leave potential for further improvements



2 Limited need for additional capital investment in the planning period



Historical capex investments



- Total capex^(a) spend of c. €7bn in last 10 years
- Well-invested, high quality asset base
- Majority of capex required to fund current / planned expansions already spent
- Benefits to be captured in mid- to long-term
- Limited need for further investments into new Covestro capacity in the planning period

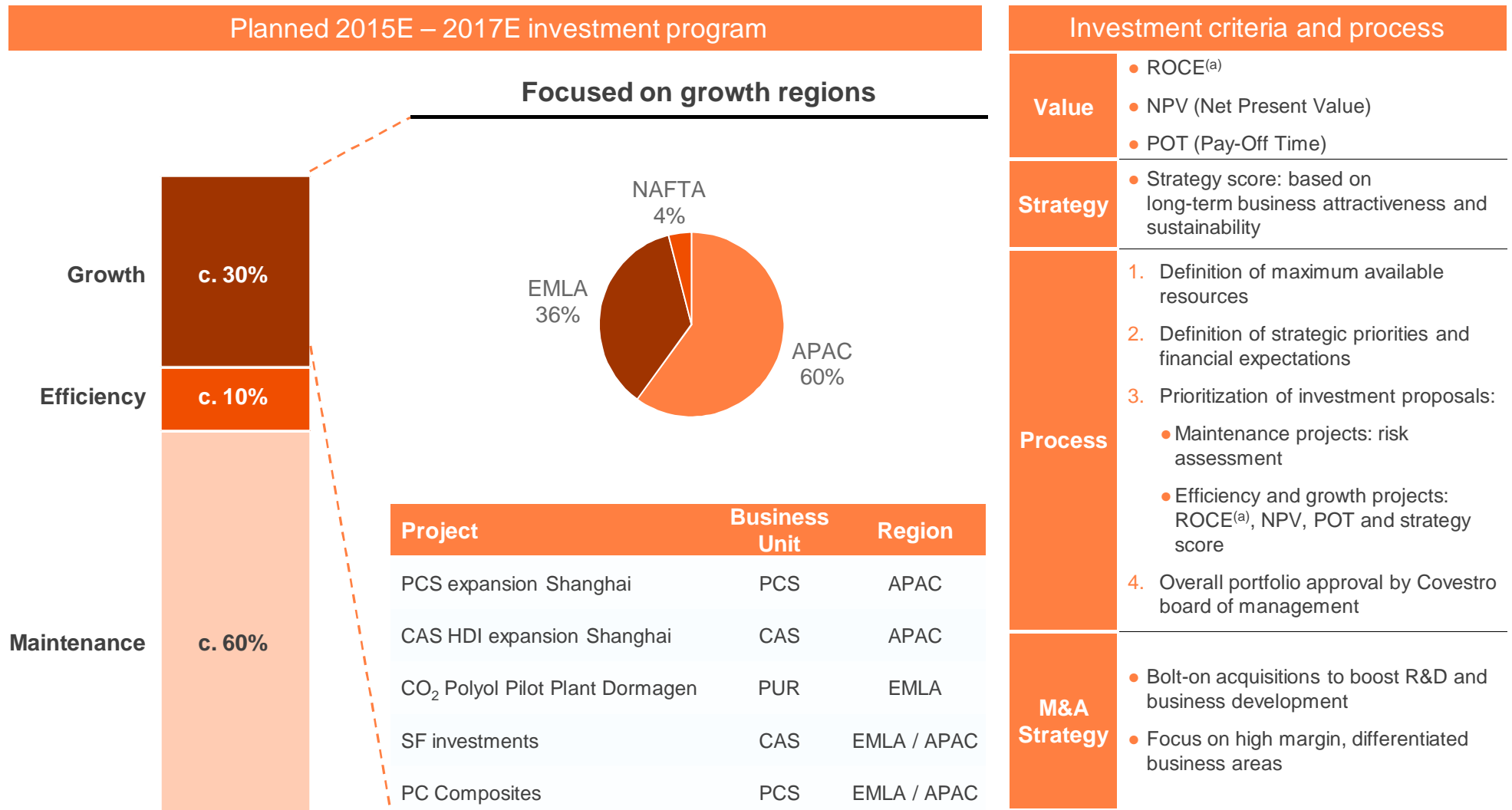


- Fewer turnarounds
- Underscoring technology leadership
- Approx. 50% of assets with average age below 10 years

2 Disciplined future investments in growth regions



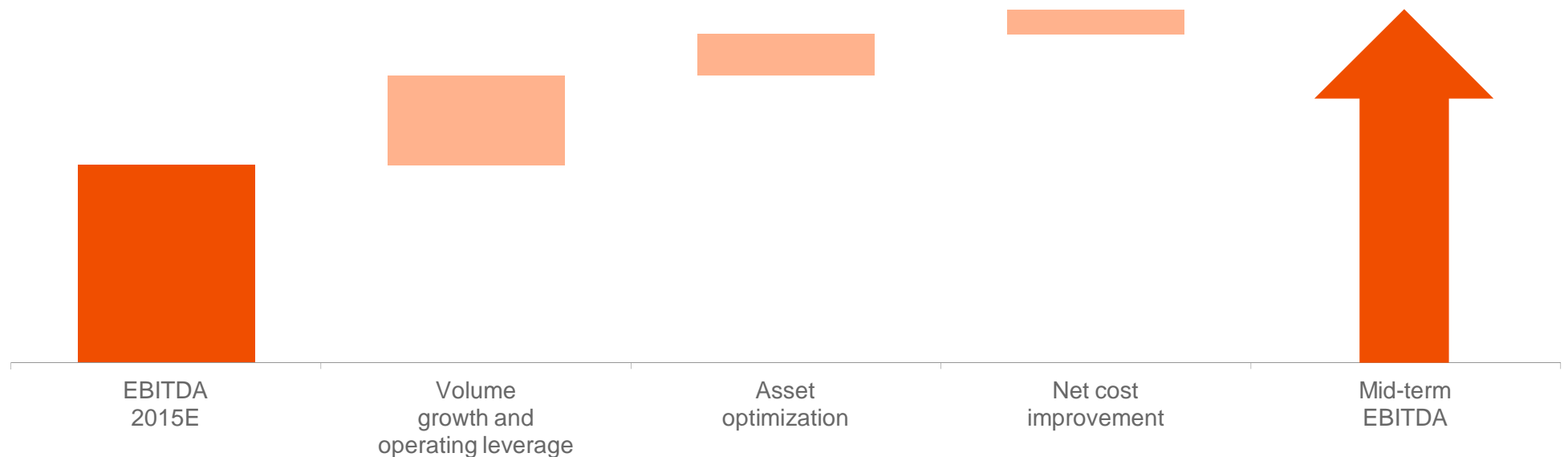
Planned investments



2 Multiple levers for EBITDA growth in the future



Building blocks for Covestro future profitability



1

- Ramp-up of world-scale asset base allows for volume expansion at largely flat fixed cost
- Growth initiatives support outlet of additional volumes and drive top line growth

2

- Fixed asset management cost improvement supports project execution and drives further optimization
- Asset restructuring and efficiency projects accompanied by ongoing site consolidation

3

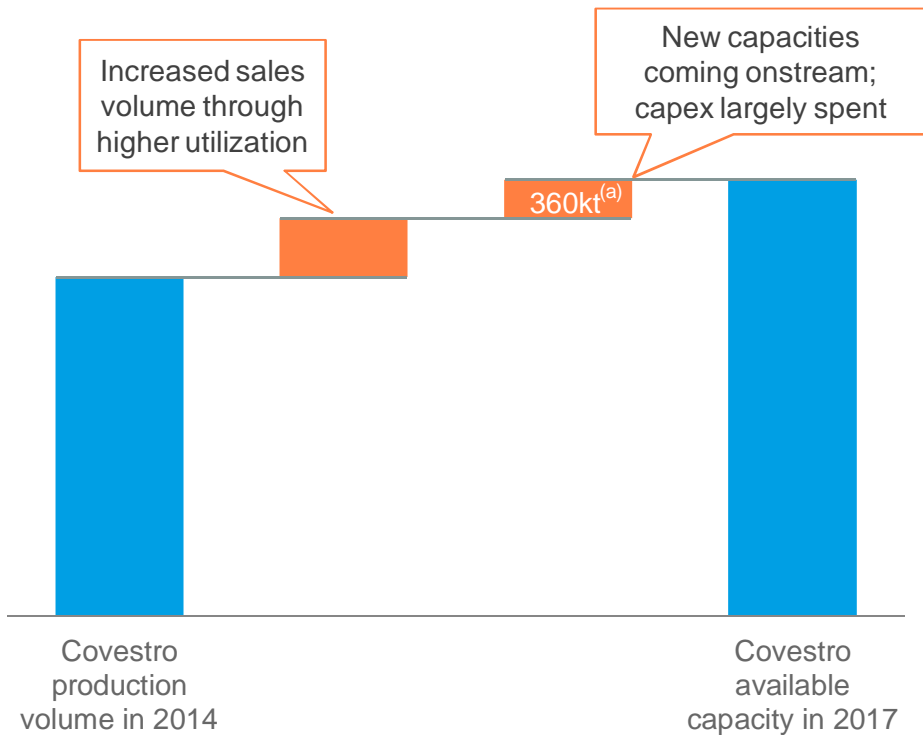
- Overhead cost savings driven by service functions and IT infrastructure optimization
- BU-level specific cost savings include streamlining sales forces, focus on core areas and consolidation across various business functions

2 Capture market growth through well-managed ramp-up of world-scale assets



Capacity outlook and growth initiatives

Covestro capacity outlook



Covestro growth initiatives

Leverage existing customer proximity and market access to achieve growth

Explore partnering options, including swap arrangements

Grow in adjacencies and new applications

Ramp-up of world-scale asset base allows for volume expansion at largely flat fixed costs

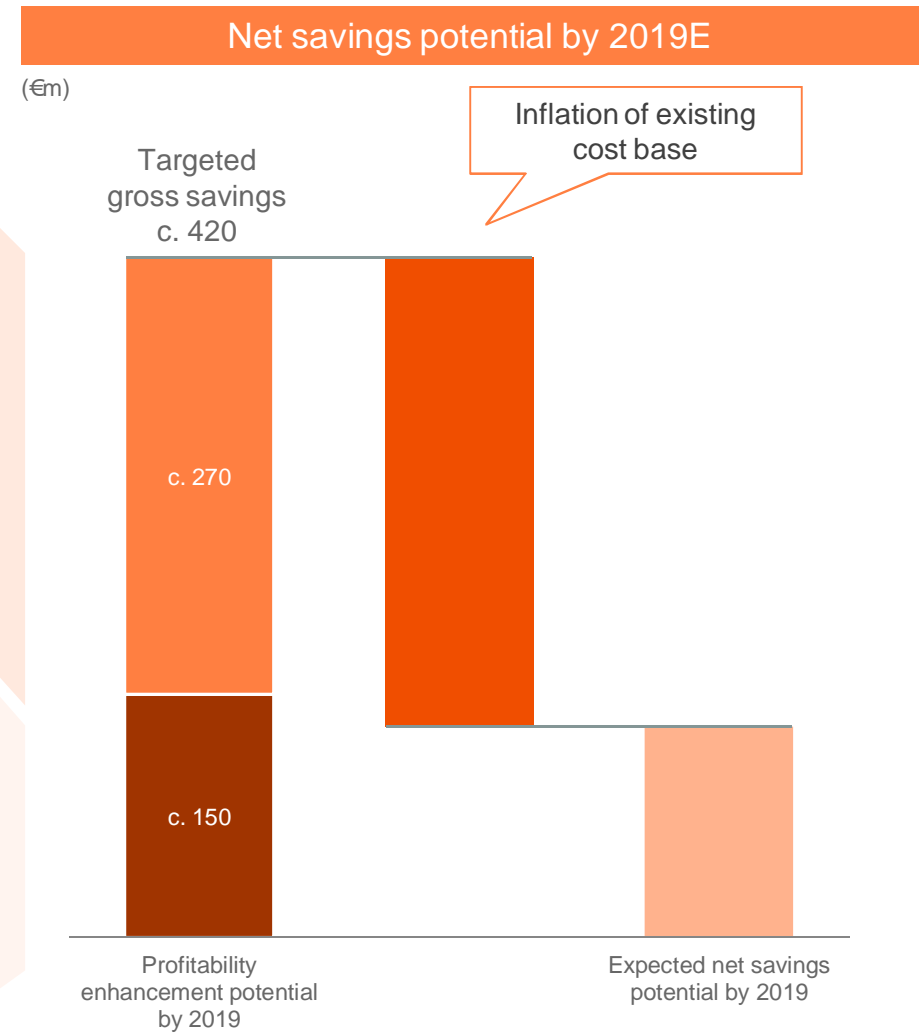
Growth initiatives support outlet of additional volumes and drive top line growth

2 Targeted gross savings of c. €420m well above expected inflation



Structured profitability program

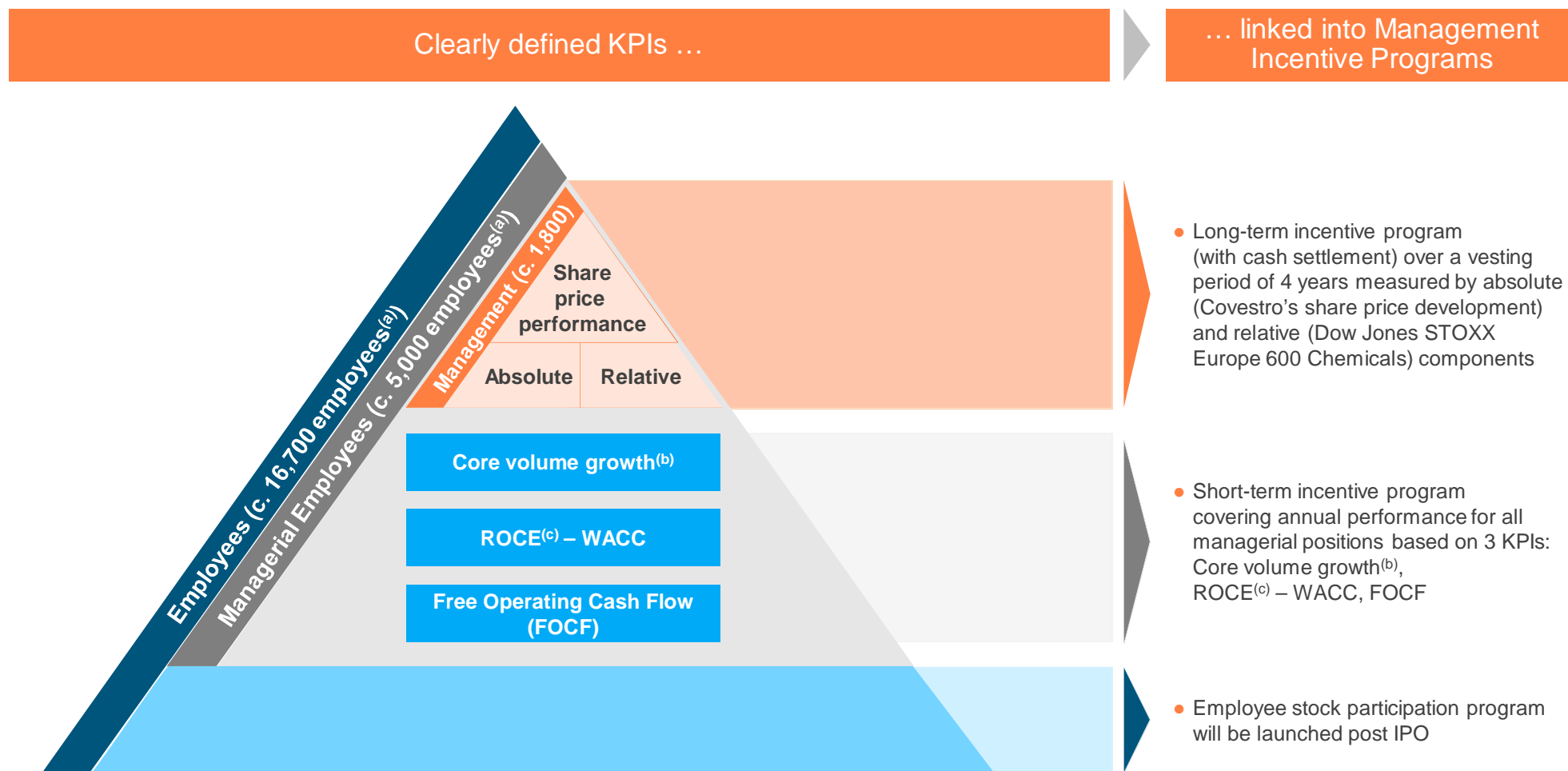
| Key measures | | |
|---------------------------|---|--|
| Asset optimization plan | Fixed assets management cost improvements | <ul style="list-style-type: none"> Rolling out fixed asset management cost initiatives More efficient turnaround execution Further operational optimizations |
| | Asset restructuring / efficiency projects | <ul style="list-style-type: none"> Closure of Belford Roxo TDI EMEA restructuring Ongoing site consolidation MDI EMEA restructuring potential |
| | Continuous improvement | <ul style="list-style-type: none"> In manufacturing area |
| 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 |
| | 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 |
| | Continuous improvement | <ul style="list-style-type: none"> In non-manufacturing area |



2 Performance culture led by clear performance indicators



Incentive programs and key performance indicators



C. 5,000 employees^(a) (30% of Covestro employees^(a)) participating in Management Incentive Programs

3 Attractive and stable dividend policy

Dividend policy



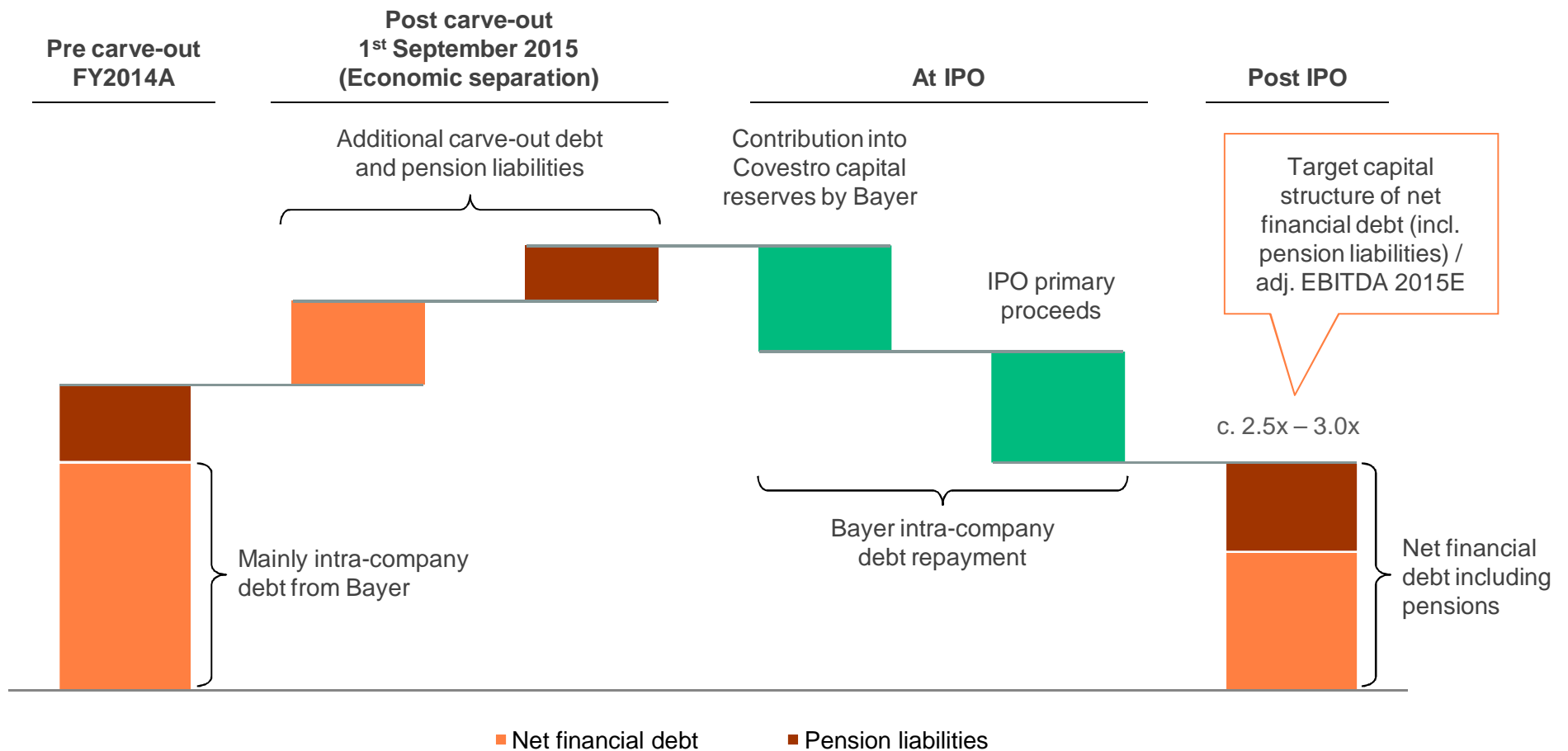
- Efficient capital structure and strong free cash flow allowing for sustainable dividend policy
- Target dividend pay-out aimed to be largely in line with peers
- Covestro envisages a dividend pay-out ratio of c. 30 – 50% based on Covestro Group IFRS net income from 2016 onwards
- For FY 2015, Covestro envisages to propose a total dividend payment of around €100 – 150m at the AGM in 2016E given that IPO is expected for Q4 2015E
- Clear commitment to a sustainable dividend policy with focus on dividend continuity in €-terms

4 All primary IPO proceeds to repay Bayer intra-company debt



Offer Structure

Covestro net debt development



4 Target financial profile post IPO allowing for investment grade credit rating



Target capital structure


| | |
|-------------------------|---|
| Target leverage | <ul style="list-style-type: none">• Covestro pre-IPO primarily funded via intra-company loans (ICLs) from Bayer AG• Target post IPO capital structure: 2.5x – 3.0x 2015E adj. EBITDA (net financial debt including pension liabilities)• Primary IPO proceeds and contribution into capital reserve by Bayer AG designed to facilitate target leverage post IPO• Remaining ICLs to be refinanced via debt capital markets or loan package following the listing of Covestro |
| Funding security | <ul style="list-style-type: none">• Liquidity to be secured via 5Y Revolving Credit Facility and 3Y Term Loan Facility to be provided by banking consortium• Underwriting of loan agreement planned for time of Intention-to-Float• Syndication to a larger bank group will follow Intention-to-Float date with expected completion before listing• Loan agreement consists of two facilities:<ul style="list-style-type: none">– 5Y+1+1 Revolving Credit Facility (RCF) and Working Capital Facility (WCF)– 3Y Term Loan Facility (TLF) as liquidity backup until debt capital markets take-out (via bonds) of remaining Bayer intra-company loans |
| Rating process | <ul style="list-style-type: none">• Target financial profile allowing for investment grade credit rating post IPO• External rating to be confirmed by one major credit rating agency |

Medium-term financial outlook confirms Covestro's growth momentum



Financial outlook

| | | 2013A | 2014A | Q1 2015A | 2015E target ^(c) | Mid-term target ^(c) | Mid-term outlook |
|-----------------|---|--------|--------|----------|-----------------------------|--------------------------------|--|
| Profit and loss | Net sales (growth) | 11,357 | 11,761 | 3,014 | | | <ul style="list-style-type: none"> • Robust GDP+ growth driven by core volume growth (kt) and growth into asset base • Continuous volume growth driving asset utilization and greater fixed cost coverage • Focus on cost discipline and efficiency measures • In line with Covestro's international business mix • Significant exceptional one-off items expected due to the IPO and restructurings in 2015E |
| | | (2.2)% | 3.6% | 7.5% | → | ↗ | |
| | Adj. EBITDA (margin) | 1,056 | 1,161 | 424 | | | |
| | | 9.3% | 9.9% | 14.1% | ↗ | ↗ | |
| | Effective tax rate | 29.8% | 27.3% | n/a | | | |
| | | | | | → | → | |
| | Special items (EBITDA) | 28 | (39) | (21) | | | |
| | | | | | ↑ | ↓ | |
| Cash flow | Cash relevant capex ^(a) (% of sales) | 583 | 612 | 89 | | | <ul style="list-style-type: none"> • Limited need for further growth capex in the mid-term • In line with historical levels with some improvement potential |
| | | 5.1% | 5.2% | 3.0% | → | ↘ | |
| | NWC ^(b) (% of sales) | 1,650 | 1,943 | n/a | | | |
| | | 14.5% | 16.5% | n/a | | | |
| | | | | | → | → | |



Section 9 – Update on H1 2015A Financials

H1 2015A performance fully on track for 2015E outlook



Key highlights H1 2015A



Strong core volume (kt) growth of +4.3% y-o-y across all regions

Net sales development of +9.5% y-o-y benefitting from solid volume expansion and positive currency effects

Substantial increase in profitability with H1 2015A adjusted EBITDA margin of 14.6%

Excellent FOCF development with >€300m FOCF in H1 2015A

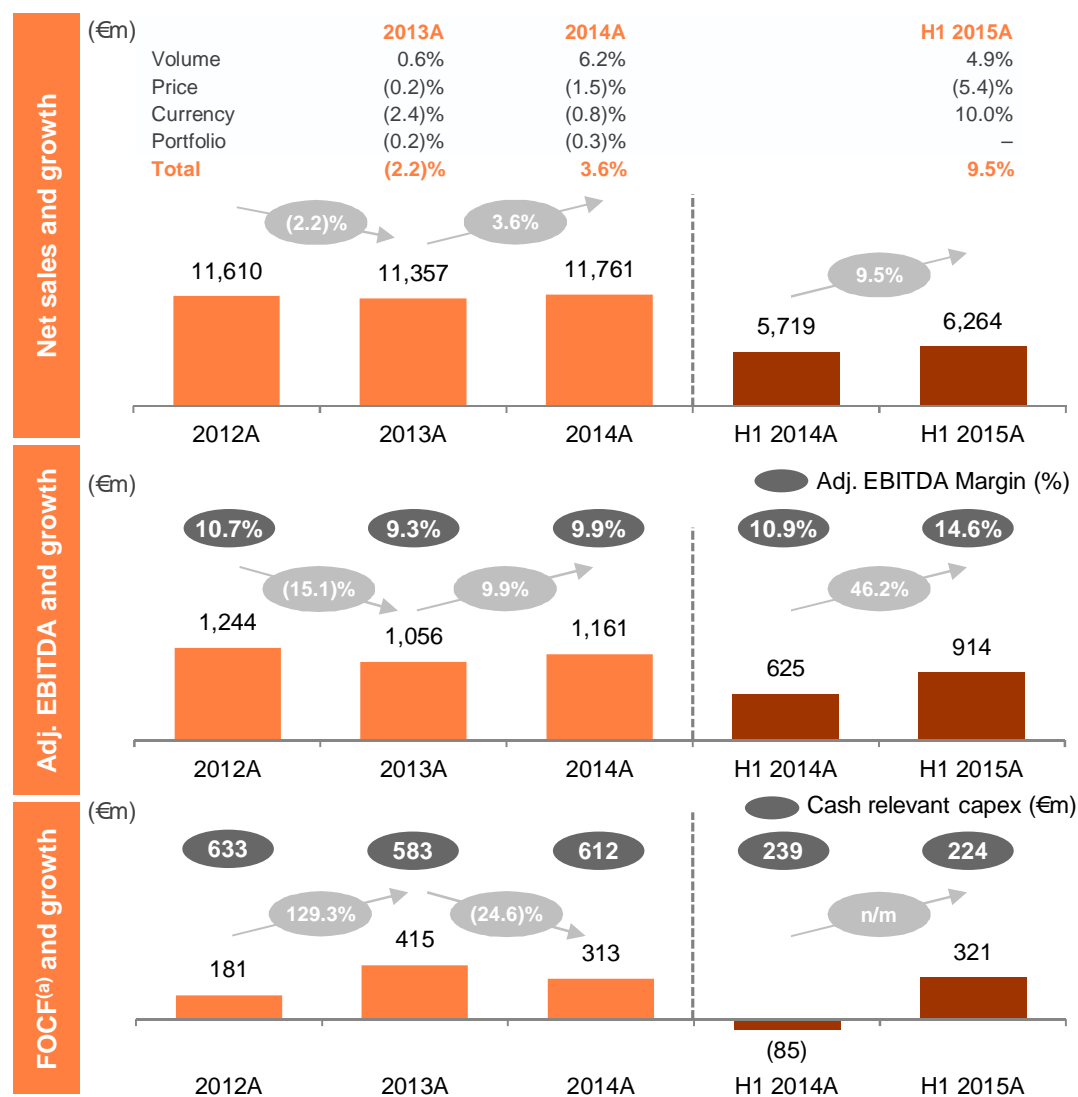
Covestro performance fully on-track for 2015E targets

New Board membership announced

Strong recent momentum illustrating profitability potential



H1 2015A financial performance



Performance H1 2015A

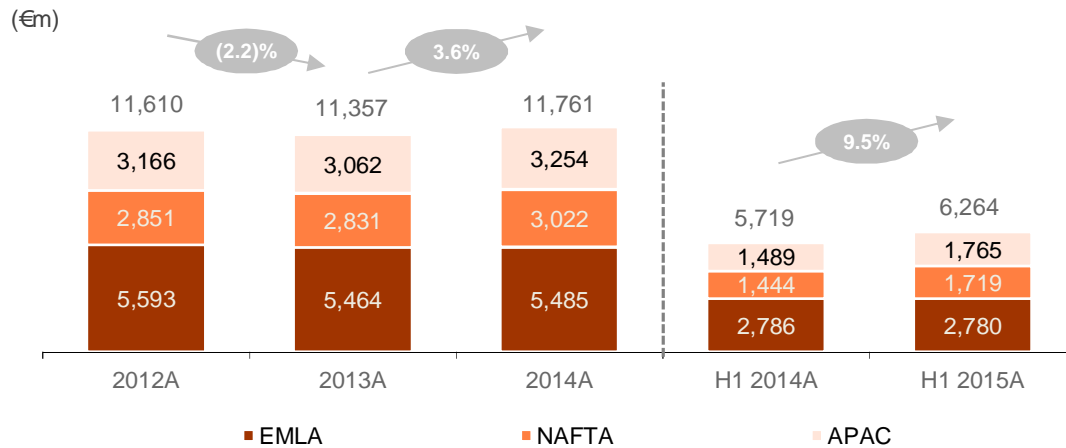
- Significant net sales increase in H1 2015A driven by positive currency effects and volume growth in all regions, partially offset by lower selling prices owing to a decline in raw material prices, partially passed on to customers
- Robust demand in largely all key end-markets across regions, primarily in APAC and NAFTA
- H1 2015A adj. EBITDA impacted by lower raw material cost which more than compensated declining selling prices given favorable supply / demand conditions as well as volume growth (in particular in PCS, CAS and TDI) driven by demand growth leading to greater fixed cost coverage
- Improvement in supply / demand dynamics in PCS contributing to significant margin uplift
- H1 2015A adj. EBITDA to a large extent supported by positive currency effects of approximately €130m
- Increased FOCF compared to H1 2014A primarily based on stronger operating result

Positive volume development across all regions



H1 2015A regional developments

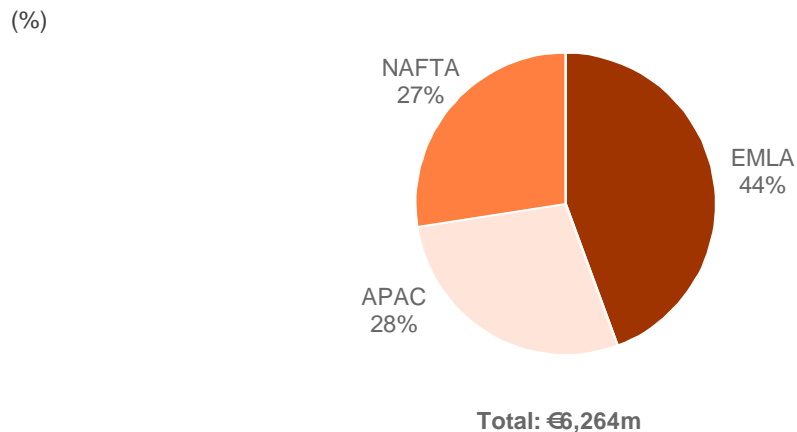
Net sales by region



Performance H1 2015A

- H1 2015A net sales development driven by double-digit growth rates in NAFTA (+19.0%) and APAC (+18.5%)
- H1 2015A net sales increase primarily based on positive currency effects (for APAC and NAFTA) as well as on volume growth across all regions, partially offset by lower selling prices owing to a decline in raw material prices
- While APAC to a larger extent consists of China (55% in 2014A), the overall contribution of China to net sales accounts for 15% only (in 2014A)
- China with strong H1 2015A core volume (kt) growth largely supported by all businesses
- The impact of the devaluation of the Yuan is mitigated by the fact that we have local production and sales

H1 2015A net sales by region^(a)

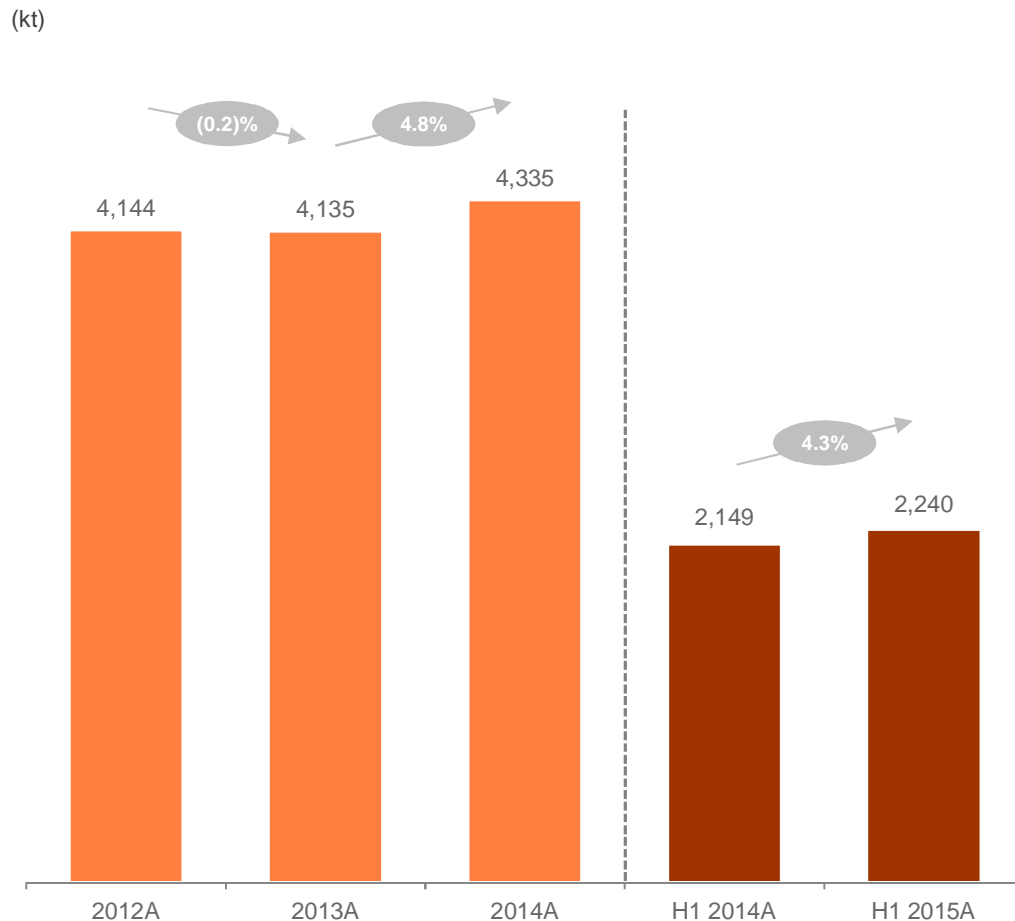


Financial performance driven by positive core volume development



H1 2015A volume progression

Core volume (kt) progression



Development H1 2015A

- Core volumes are the focus of business operations and are defined as all PUR, PCS and CAS volumes not initiated by opportunistic business opportunities through sales of e.g. raw materials and intermediates (such as styrene and caustic soda)
- Core volume (kt) growth (+4.3%) primarily driven by PCS as well as CAS and to a lower extent by PUR
- PCS core volumes with increasing momentum in H1 2015A across all regions driven by solid market growth
- Higher net sales volume effects (in €) relate to the fact that core volume (kt) growth primarily triggered by higher priced products

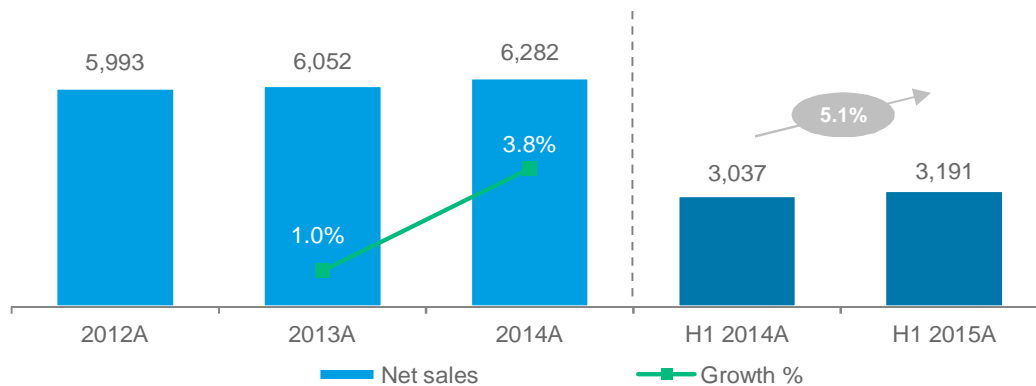
PUR – Continuous solid performance in challenging environment



PUR H1 2015A financial performance

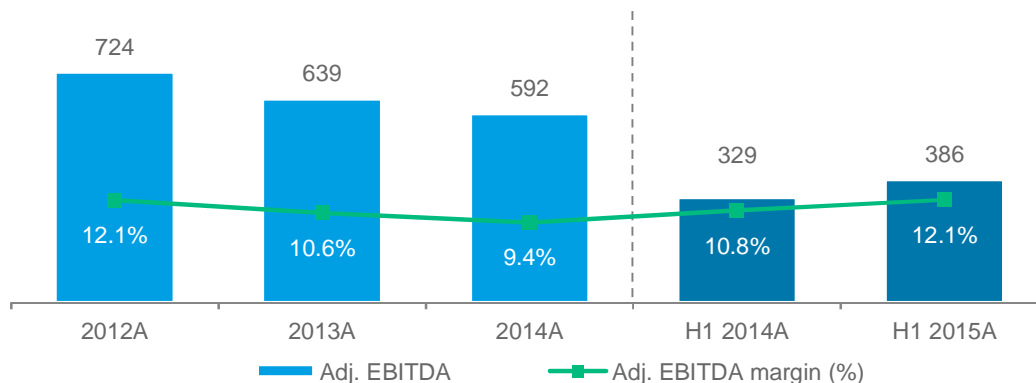
Net sales and growth

(€m)



Adjusted EBITDA and margin

(€m)



Performance H1 2015A

- H1 2015A net sales growth driven by positive currency effects (+9.6%) and volume increases (+4.1%), primarily in APAC and EMLA, partially offset by lower overall selling prices (-8.6%) mainly in TDI and MDI owing to a decline in raw material prices
- All regions contributed to higher net sales volumes which were mainly attributable to solid core volume (kt) growth with strongest increase in TDI due to expanded capacities in Germany
- Continued competitive pressure, especially in China, impacting overall MDI performance
- Polyether polyols benefitted from solid core volume (kt) growth combined with positive margin development of the by-product styrene
- H1 2015A adj. EBITDA primarily benefitted from positive currency effects as well as lower raw material cost which only partially had to be passed on to customers

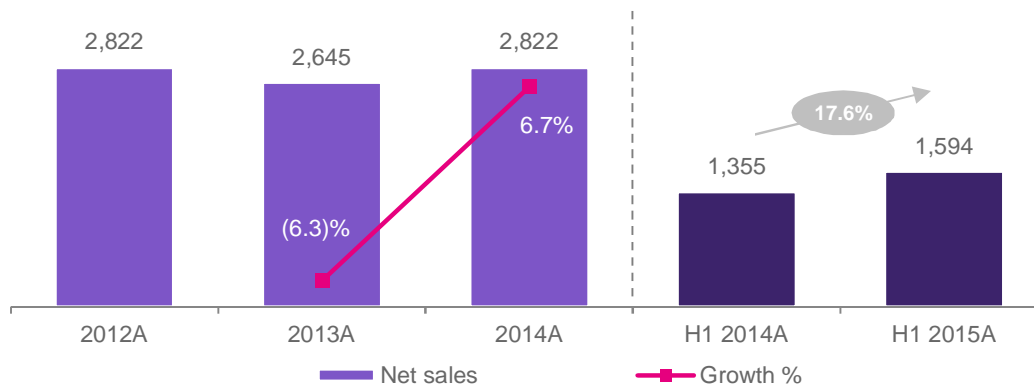
PCS – Strong volumes growth and significant margin improvement in H1 2015A under favorable market situation



PCS H1 2015A financial performance

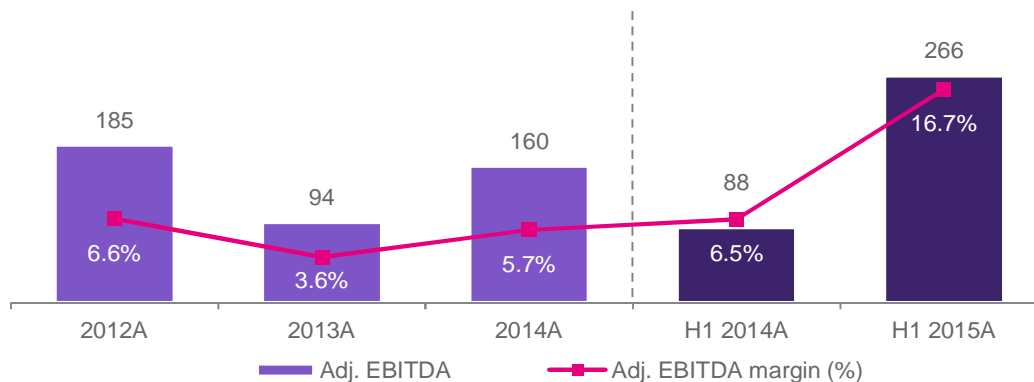
Net sales and growth

(€m)



Adjusted EBITDA and margin

(€m)



Performance H1 2015A

- H1 2015A strong net sales growth driven by significantly higher volumes (+7.6%) in all regions and positive currency effects (+12.9%) partially offset by slightly lower selling prices (-2.9%)
- PCS net sales driven by temporarily short market supply and greater demand especially in the automotive / transport industries in all major regions
- H1 2015A adj. EBITDA significantly benefitting from lower raw material cost which more than compensated declining selling prices, given favorable supply / demand conditions in all major regions
- H1 2015A adj. EBITDA improvement to a large extent supported by positive currency effects and volume expansion leading to greater fixed cost coverage

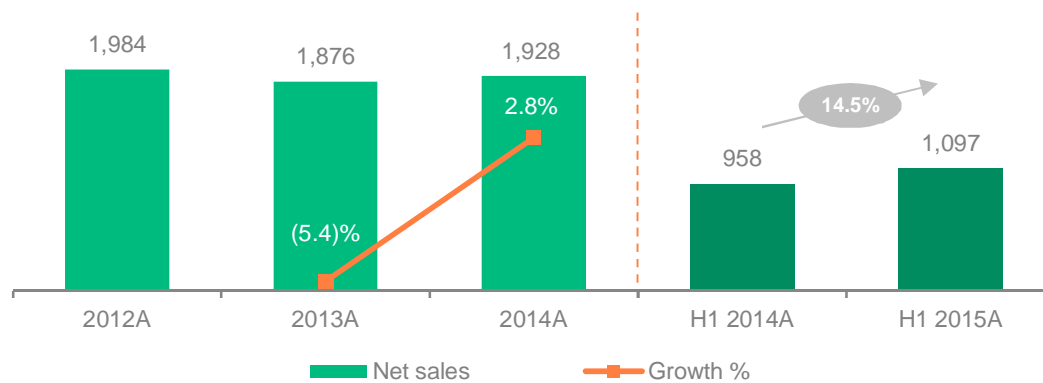
CAS – Growing portfolio-adjusted revenues and EBITDA margin



CAS H1 2015A financial performance

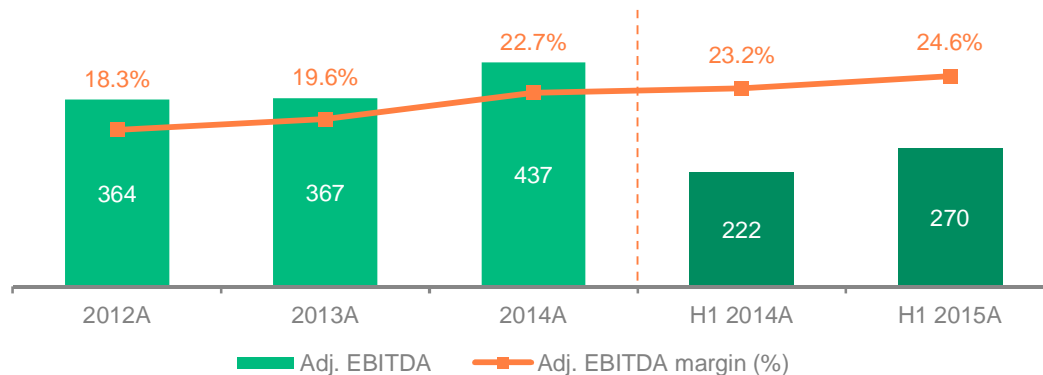
Net sales and growth

(€m)



Adjusted EBITDA and margin

(€m)



Performance H1 2015A

- H1 2015A strong net sales growth driven by volume growth (+5.6%) and positive currency effects (+9.5%), partially offset by slightly lower selling prices (-0.6%) mainly in APAC
- Volume growth reflecting solid demand, especially in NAFTA and APAC regions
- Overall selling prices declined slightly driven by APAC, while NAFTA selling prices increased and EMLA selling prices remained stable
- H1 2015A adj. EBITDA increased on the back of larger volumes as well as lower raw material cost which only partially had to be passed on to customers

Glossary

- **ABS** refers to acrylonitrile butadiene styrene
- **Adj.** refers to adjusted
- **AGM** refers to Annual General Meeting
- **APAC** refers to the Asia Pacific region
- **Automotive OEM coatings** refers to all factory applied coatings for new automobiles, light trucks, vans and sport utility vehicles (SUVs). This category includes coatings applied by original equipment manufacturers for both plastic and metal substrates for interior, exterior and underbody applications. While the coating on the main body is applied at the factory of the vehicle manufacturer, oftentimes, independent parts manufacturers paint their components at their own facilities. This category encompasses electrodeposition and other primers, primer surfacers, colorcoats, basecoats and clearcoats. This category only includes coatings for new transportation equipment applied by original equipment manufacturers or their suppliers. Coatings for refinish, refurbishment, or aftermarket applications are excluded
- **Automotive refinish** paints are used to repair and refurbish passenger vehicles and vans, sport utility vehicles (SUV), light trucks and commercial vehicles. Included in the “commercial vehicle” category are the refinish applications for conventional medium – heavy duty trucks and buses. It should be noted that automotive refinish paints are different from automotive OEM paints in that refinish paints are applied and dried usually at ambient or low temperature conditions and in non-production (non-factory) environments
- **BBS** refers to Bayer Business Services
- **BDO** refers to 1,4-butanediol, a solvent used to manufacture some types of plastic, elastic fibers and polyurethanes
- **BGP** refers to Bayer Group Platform
- **BMI** refers to base and modified isocyanates
- **BPA** refers to bisphenol A, a raw material for the production of polycarbonates
- **BTS** refers to Bayer Technology Services
- **CAGR** refers to compound annual growth rate
- **Capex** refers to capital expenditures
- **CAS** refers to Covestro Coatings, Adhesives and Specialties business unit
- **CASe** refers to coatings, adhesives and sealants
- **Cash relevant capex** refers to cash outflows for additions to property, plant, equipment and intangible assets
- **Chlor-alkali** refers to the electrolysis of sodium chloride which results in co-products of chlorine and caustic soda
- **CNY** refers to Chinese Yuan Renminbi
- **CO₂** refers to carbon dioxide
- **CO** refers to carbon monoxide
- **COGS** refers to cost of goods sold
- **Construction sealants** are those used for new construction and renovation of residential, commercial, and industrial properties. Also included are subcomponent fabrication applications such as countertops, prefabricated trusses, and curtain walls. Insulating glass, glazing and heavy construction applications (highways, airfields, bridges, tunnels, etc.) are also included
- **Core volumes** refers to all PUR, PCS and CAS volumes not initiated by opportunistic business opportunities through sales of e.g. raw materials and intermediates
- **CPA CAGR** refers to compound annual growth rate adjusted for currency and portfolio effects
- **D&A** refers to depreciation and amortization

Glossary (cont'd)



- **DCDS** refers to DirectCoating / DirectSkinning, cost efficient one-step PCS processes used to manufacture premium parts with tailor-made surface properties
- **DOH** refers to days inventory on hand
- **DPC** refers to diphenyl carbonate, a raw material for the production of polycarbonates
- **DPO** refers to days payables outstanding
- **DSO** refers to days sales outstanding
- **EBITDA** refers to earnings before interest, taxes, depreciation and amortization
- **EMLA** refers to the Europe, Middle East and Latin America (without Mexico) region
- **Elastomers** refer to hot cast elastomers
- **Epoxy resins** refers to polyepoxides, a class of thermoset materials
- **EUR** refers to Euro
- **FOCF** refers to free operating cash flow
- **Footwear adhesives** consists of adhesives used for soling / sole attaching, lasting, box toes and counters, as well as adhesives for other leather goods such as handbags, travel goods, purses, etc
- **FTE** refers to employees who are full-time-equivalents
- **GDP** refers to gross domestic product
- **GPP** refers to gas-phase phosgenation technology to manufacture TDI. In this process TDA and phosgene are each heated to greater than 300°C and then transferred in a gaseous form to the reaction via a specially designed nozzle. They are condensed to a liquid and distilled to yield purified TDI with recovered solvent and phosgene
- **H₁₂MDI** refers to hydrogenated MDI
- **HDA, H₁₂MDA, NDA, IPDA** refer to amines used as a raw materials in monomer production
- **HDI** refers to hexamethylene diisocyanate
- **HKD** refers to Hong Kong Dollar
- **ICIS** refers to the Independent Chemical Information Service, the world's largest petrochemical market information provider
- **ICL** refers to intra-company loans between Covestro and Bayer AG
- **IFRS** refers to International Financial Reporting Standards
- **IMPACT** refers to catalyst process technology for polyether polyols synthesis
- **Industrial furniture finishes** are factory applied coatings used to finish furniture, cabinets, and fixtures. These finishes are used to both enhance the beauty of the wood as well as provide protection. Included in this segment are finishes for household furniture, office furniture, public building furniture, kitchen and bath cabinets, radio and television cabinets, interior paneling, exterior siding, trim board, moldings, shelving and case goods
- **Industry spread** refers to margin over raw materials
- **Industry utilization** refers to industry demand divided by industry nameplate capacities as announced (as per Nexant estimates), not adjusted for actual / physical availability
- **IPDI** refers to isophorone diisocyanate
- **IPO** refers to initial public offering
- **IR** refers to infrared
- **IT** refers to information technology
- **ITF** refers to intention to float
- **JV** refers to joint venture
- **KPI** refers to key performance indicator
- **kt** refers to thousand tons

Glossary (cont'd)



- **LCD** refers to liquid-crystal-displays
- **LED** refers to light-emitting diode
- **LEED** refers to Leadership in Energy & Environmental Design, a green building certification program awarded by the U.S. Green Building Council that recognizes best-in-class building strategies and practices
- **LoPCIR** denotes number of LoPC (Loss of Primary Containment) incidents per 200,000 hours worked by operational employees
- **LPC** refers to the interface process production of polycarbonates
- **MCNS** refers to joint venture between Mitsui Chemicals (50%) and SKC Polyurethanes Inc. (50%)
- **MDA** refers to 4,4'-Methylenedianiline which is primarily used to produce 4,4'-methylenedianiline diisocyanate and other polymeric isocyanates
- **MDI** refers to diphenylmethane diisocyanate
- **mMDI** refers to monomeric diphenylmethane diisocyanate
- **mt** refers to million tons
- **MTBE** refers to methyl tert-butyl ether
- **MWh PE / t** refers to the energy consumption in megawatt-hours per produced ton
- **M&A** refers to mergers & acquisitions
- **NAFTA** refers to the countries USA, Canada and Mexico
- **NASA** refers to National Aeronautics and Space Administration
- **NCO pre-polymers** refers to Isocyanate-functional pre-polymers
- **NDI** refers to naphthalene diisocyanate
- **NPV** refers to net present value
- **NWC** refers to net working capital which is calculated as inventories plus trade accounts receivable less trade accounts payable
- **ODC** refers to oxygen depolarized cathode
- **ODS** refers to Optical Data Storage
- **OEM** refers to original equipment manufacturer
- **PAC** refers to powdered activated carbon
- **Packaging Adhesives** are those used for flexible packaging such as laminating adhesives and end seal adhesives
- **PAS** refers to Polyaspartics (Amine-functional coreactants)
- **PC** refers to polycarbonates
- **PCS** refers to polycarbonates business unit
- **PDI** refers to pentamethylene diisocyanate
- **PES** refers to Polyester
- **Phosgenation** refers to the process of treating amines with phosgene to produce isocyanates (MDI and TDI)
- **POT** refers to pay-off time
- **PP** refers to polypropylene
- **PS** refers to polystyrene
- **PU** refers to polyurethane
- **PUD** refers to polyurethane dispersions
- **PUR** refers to polyurethanes business unit
- **p.a.** refers to per annum
- **P&L** refers to profit and loss statement

Glossary (cont'd)



- **RCF** refers to revolving credit facility
- **RES** refers to resins
- **RIR** denotes number of incidents recordable after Occupational Safety & Health Administration (OSHA) regularities per 200,000 hours worked
- **ROCE** refers to return on capital employed
- **R&D** refers to research and development
- **Sadara** refers to joint venture between Dow Chemical (35%) and Saudi Aramco (65%)
- **SEA** refers to South East Asia
- **SF** refers to specialty films, which include thermoplastic polyurethanes films (TPU films) and polycarbonate films (PC films)
- **Site** refers to production locations where multiple facilities may partially reside
- **SLIC** refers to Shanghai Lianheng Isocyanate Joint Venture (BASF 35%, Huntsman 35%, Shanghai Chlor-Alkali 15%, Shanghai Yha Yi 8%, Sinopec 7%)
- **SPC** refers to the melt process production of polycarbonates
- **STP** refers to silane-terminated prepolymers
- **Sumika Bayer Urethane** refers to joint venture between Covestro (60%) and Sumitomo (40%)
- **Systems House** refers to locations where customized polyurethane solutions are delivered as complete, full blown units with research and development and technical services
- **TBA** refers to tertiary butyl alcohol
- **TCG** refers to Thermoplast Composite GmbH
- **t CO₂e / t** refers to the CO₂e emission in tons per produced ton
- **TDA** refers to toluenediamine
- **TDI** refers to toluene diisocyanate
- **Tier-1 suppliers** refer to the most important members of a supply chain, which directly supply original equipment manufacturers
- **Tier-2 suppliers** refer to the second layer of suppliers, which are serving Tier-1 suppliers
- **Tight industry** refers to when MDI and TDI average operating rates are c. 90% and polycarbonates average operating rates are c. 80%
- **TLF** refers to term loan facility
- **TMP** refers to trimethylolpropane
- **Total capex** refers to additions to property, plant, equipment and intangible assets as per statement of changes in property, plant, equipment and intangible assets
- **TPU** refers to thermoplastic polyurethanes
- **TSA** refers to transitional service agreements
- **USD** refers to US Dollar
- **UV** refers to ultraviolet
- **VOC** refers to volatile organic compounds
- **WACC** refers to weighted average cost of capital
- **WCF** refers to working capital facility
- **World-scale plant** refers to MDI facility with capacity of 400kt p.a.; TDI facility with capacity of 300kt p.a.; polyether polyols facility with capacity of 300kt p.a.; polycarbonates facility consisting of single lines with capacities of 100kt p.a. or more
- **XDI** refers to xylylene diisocyanate

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