



Establishing new levels

Roadshow Presentation

Global leader in high-tech material solutions

Covestro key investment highlights



- 1 Favorable industry environment**
with long-term, above GDP growth prospects in a diverse range of end markets
- 2 Portfolio with broad-based geographical and industry footprint**
with increasing share of differentiated, resilient business
- 3 Leading and defendable global industry positions**
as innovation and cost leader
- 4 Positioned to deliver future volume growth in line with industries**
through well-invested asset base and smart capex approach
- 5 Attractive cash flow growth outlook**
with use of cash focused on value creation

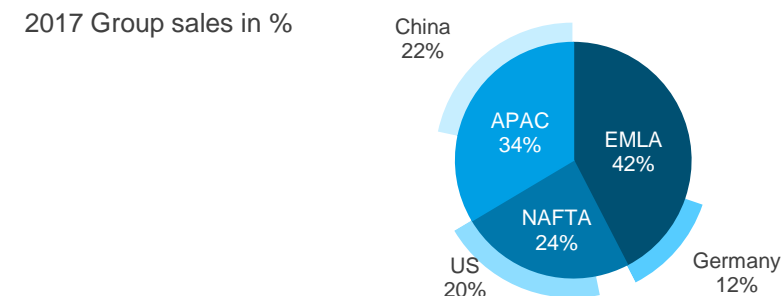
Covestro at a glance



Inventor and leader in high-tech material solutions

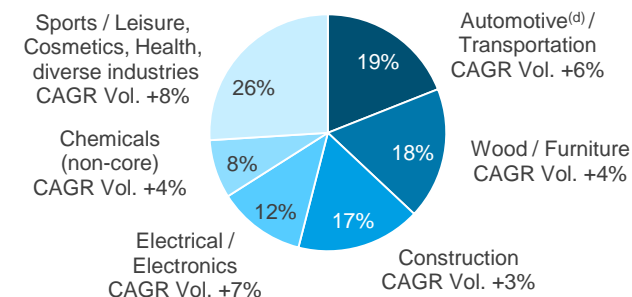
- Leading global polymer producer in polyurethanes and its derivatives as well as polycarbonates
- Proven track record of process and product innovation, customer proximity as well as market-driven solutions
- State-of-the-art asset base with leading process technology and total production capacity of approx. 5mt^(a) distributed across 30 production facilities around the world
- 8 main sites with world-scale production facilities located in Germany, Belgium, China, Thailand and the United States
- Backward-integration into chlorine, propylene oxide and other feedstock, aimed at sourcing critical raw materials internally with no or limited merchant market sales
- Headquartered in Leverkusen, Germany, with approx. 16,000 employees^(b) globally

Sales split by regions^(c)



Sales split by end-market

2017 Group sales in % / Core volume growth, CAGR 2015-2017






Key financials 2017	Sales	Core Vol. CAGR	EBITDA	FOCF	ROCE
	€14.1bn	2015-2017: +5.5%	€3.4bn	€1.8bn	33.4%

Covestro business units



Three industry-leading, structurally attractive business units

Business Units	Polyurethanes (PUR)	Polycarbonates (PCS)	Coatings, Adhesives, Specialties (CAS)
Global Position^(a)	Global #1 (3,530kt) <ul style="list-style-type: none"> • MDI: #3 (1,450kt) • TDI: #1 (750kt) • Polyether polyols: #2 (1,330kt) 	Global #1 (1,480kt) <ul style="list-style-type: none"> • EMEA: #2 (540kt) • NAFTA: #2 (230kt) • APAC: #1 (710kt) 	Global #1: <ul style="list-style-type: none"> • Aliphatic / Aromatic isocyanate derivatives • Polyurethane dispersions • Films (TPU #1, PC #2)
Sales 2017^(b)	€7.4bn or 52% of Covestro	€3.7bn or 26% of Covestro	€2.3bn or 16% of Covestro
EBITDA Margin 2017^(b)	29.5%	22.8%	20.9%
Key Applications	<p>Rigid foam:</p> <ul style="list-style-type: none"> • Building insulation • Cold chain • Automotive parts <p>Flexible foam:</p> <ul style="list-style-type: none"> • Furniture • Bedding / mattresses  	<ul style="list-style-type: none"> • Automotive parts • IT and electrical equipment, electronics • Consumer products (e.g. sports gear) • Medical • LED lighting and other applications  	<ul style="list-style-type: none"> • Surface coatings • Adhesives and sealants • Elastomers • Specialty films • Thermoplastic Polyurethanes (TPU)  

Global industry positions

Covestro is a leader across its entire portfolio



Polyurethanes

Polycarbonates

Coatings, Adhesives, Specialties

Capacity share in 2017^(a)

MDI

TDI

Polyether polyols

PC

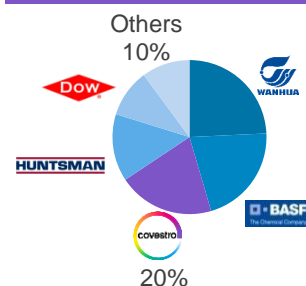
Aliphatic isocyanate derivatives

Polyurethane dispersions

#1 in PUR

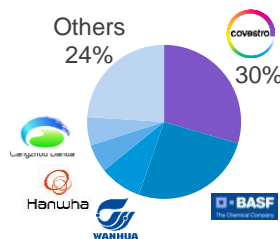
#1 in PC

#1 in CAS



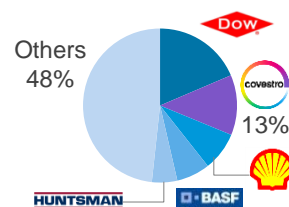
Top 5: 90%

2022e: Top 5 share expected to remain stable at 90%



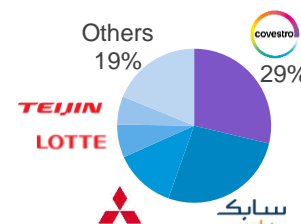
Top 5: 76%

2022e: Top 5 share expected to remain stable at 76%



Top 5: 52%

2022e: Further consolidation expected, especially in China



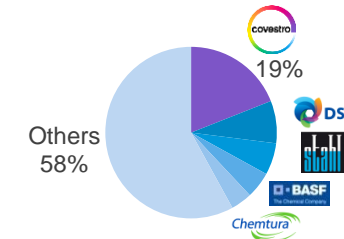
Top 5: 81%

2022e: Top 5 expected to account for ~70%



Top 5: 90%

2022e: Industry structure expected to remain stable



Top 5: 42%

2022e: Industry structure expected to remain stable

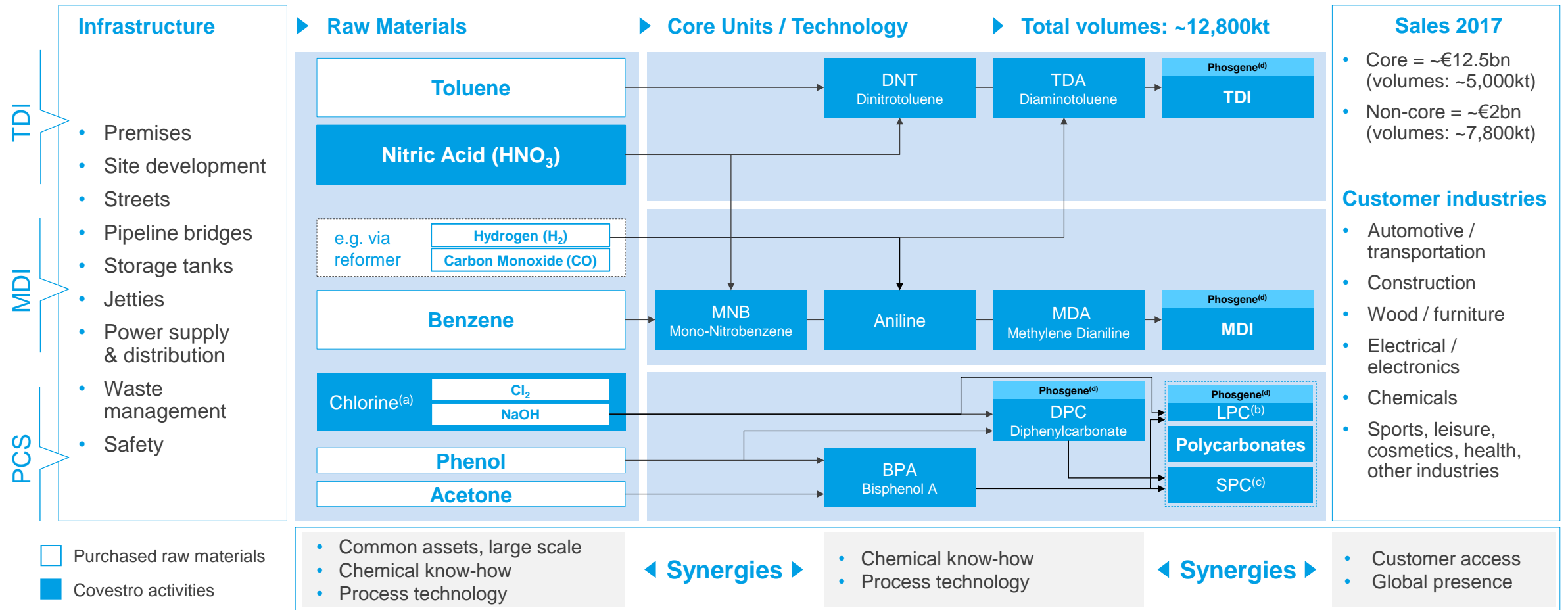
Entry requirements

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

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

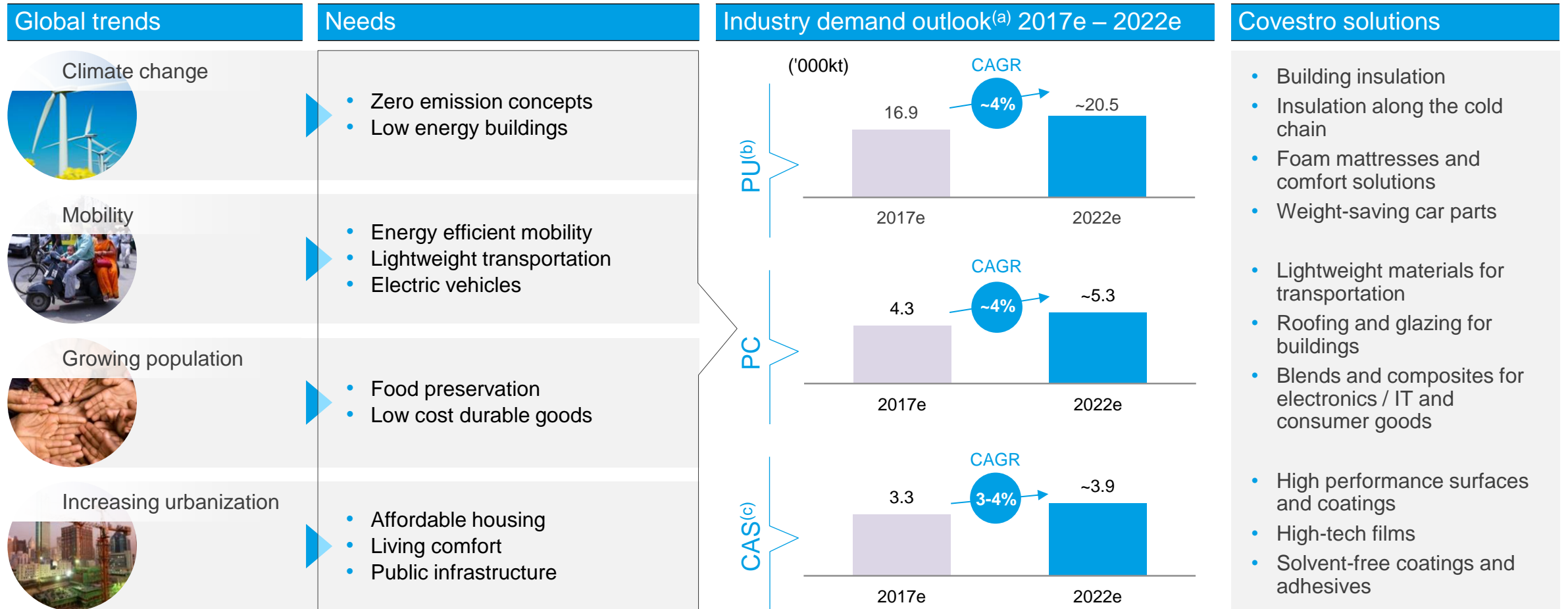
A common chemical backbone across all segments

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



Favorable industry environment

Long-term, above GDP industry growth supported by global trends



Notes: (a) Assumes global GDP CAGR 2017e–2022e of ~3%; (b) Comprises MDI, TDI and polyether polyols
 (c) Shows PU raw materials industry demand in coatings, adhesives and sealants; additionally TPU, elastomers and films
 Source: Covestro estimates and Orr & Boss 2016

Product innovation is long-term driver of growth

Addressing ever-changing customer needs for new material solutions



Need	Overall market	Relevant market	Covestro solutions
More durable and economical wind power plants	Energy consumption CAGR: ~3%	Offshore wind energy CAGR: ~19%	Novel components for wind power plants: PU resins for rotor blades, PU materials for coatings, Elastomers for sea cables
Energy- and cost-efficient buildings	Construction CAGR: ~2%	Polyurethane insulation CAGR: ~5%	Raw materials for PU foam (rigid and in spray form) enabling highly efficient insulation
Reduction of high energy consumption of lighting	Luminaire CAGR: ~3%	Luminaire LED CAGR: ~12%	Polycarbonates in LED lenses, light guides, heat sinks
Eco-friendly produced furniture	Coating industrial furniture CAGR: ~3%	Water-based industrial furniture CAGR: ~5%	New bio-based hardener for water-based wood coatings
Sustainable and functional fashion	Textile coating CAGR: ~6%	Covestro relevant textile coating CAGR: ~11%	Waterborne, solvent-free materials for functionalized textiles in diverse applications
More and better cooling devices	Refrigerators CAGR: ~3%	Refrigeration insulation foam CAGR: ~8%	Raw materials for particularly effective insulating foams: 40% smaller pores allow up to 10% better insulation
Perfect insulation for perishable products	Containers CAGR: ~4%	Reefer containers CAGR: ~9%	Rigid polyurethane foam components for temperature-controlled shipments
Reduced weight and increased comfort	Global car production CAGR: ~3%	Car applications CAGR: ~5%	Attractive alternatives to conventional materials: polymers to replace glass and metal

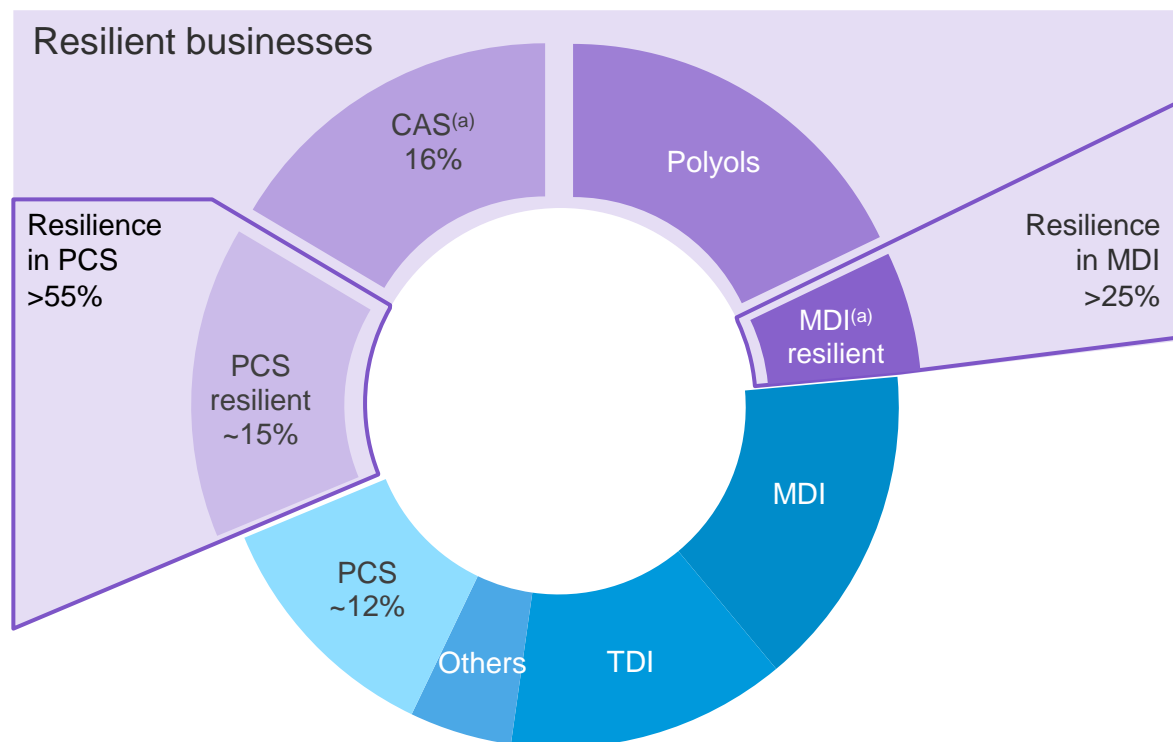
Portfolio geared towards differentiated products

Over 50% of sales generated with resilient businesses



Sales by segments

% of 2017 Group sales



Highlights

- CAS viewed as resilient on both sales and earnings due to characteristics of niche coating / ingredients chemicals
- Polyols viewed as resilient on both sales and earnings as demonstrated over the last decade
- PCS business with increasing share of resilient business (reaching ~55% of volume) through product mix shift to differentiated, high-value industry applications (e.g. automotive, medical, electrical)
- In MDI, differentiation potential beyond standardized products in ~25% of product portfolio
- Shift of Elastomers business from MDI / PUR to CAS lowers resilient part of MDI by ~5pp
- TDI fly-up margins increased share of non-resilient earnings in 2017

Margin resilience in CAS

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



Global leading supplier of high performance materials to the coatings, adhesives and sealants industries



6+
Monomers

2,300+
Products

4,300+
Customers^(a)

#1
Producer of aliphatic isocyanates^(b)

€2.3bn
Sales 2017^(c)

19.3%
EBIT margin 2017^(c)

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

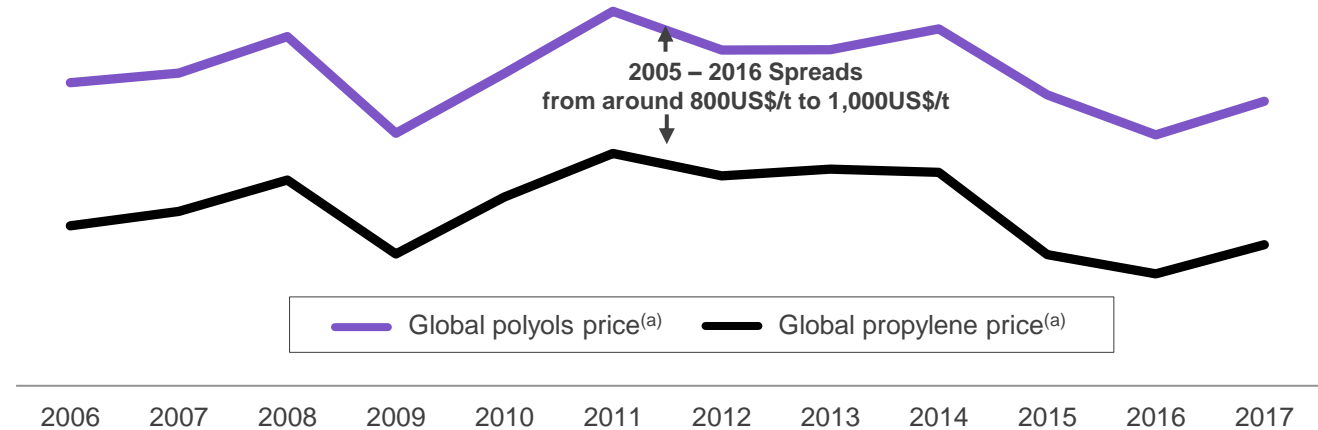
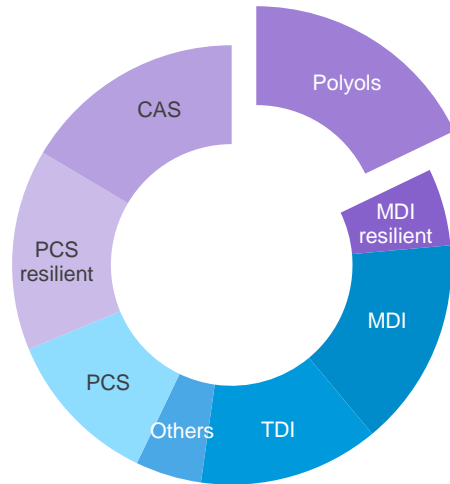
- ✓ High value-add materials
- ✓ Priced on the basis of performance, high level of margin resilience
- ✓ Competition with other players based on performance, distinct entry requirements
- ✓ Small proportion of cost to end-customer
- ✓ Low volumes and large number of niche-customized products sold
- ✓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

Margin resilience in polyols

Polyether polyols demonstrate inherently stable margins

Resilience of polyether polyols business confirmed in 2017

% of 2017 Group sales



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

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

Competitive cost position



Leading cash costs across business segments and regions



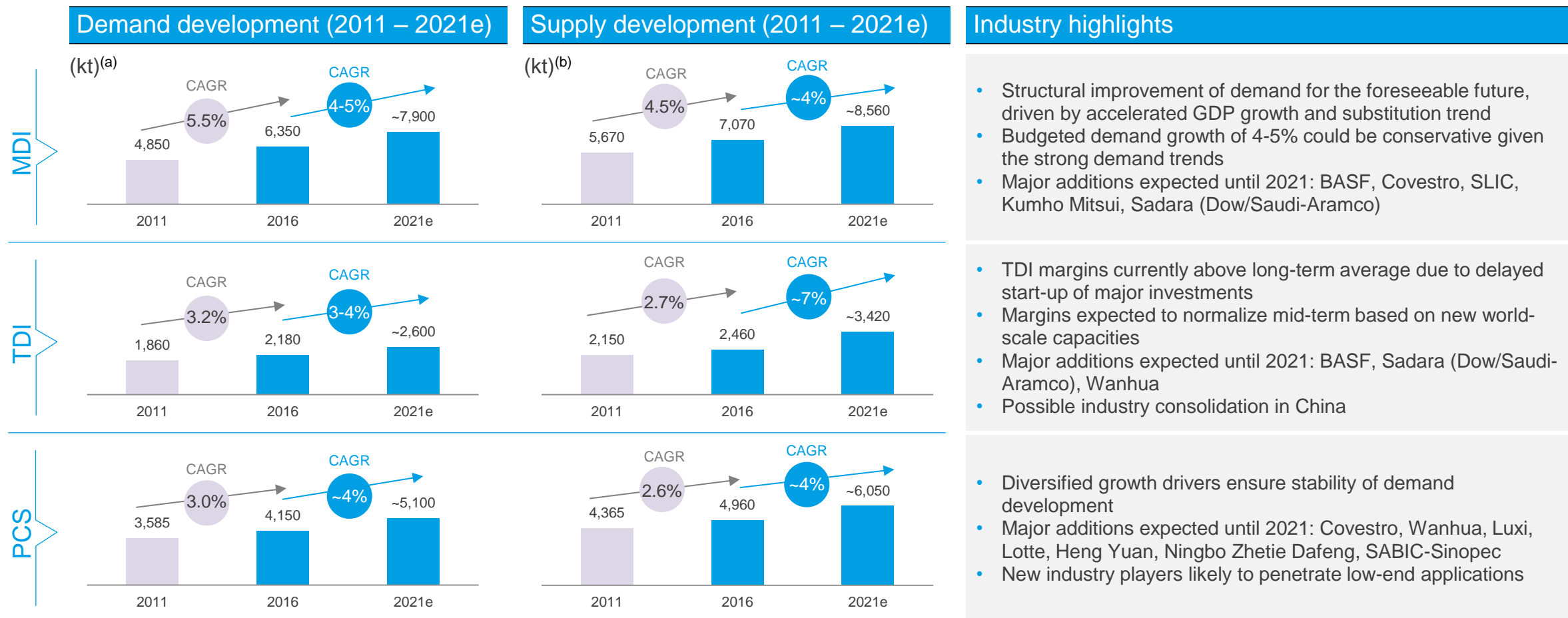
Highlights

- MDI / TDI are mainly regional industries due to relatively high transportation costs, whereas PC is a rather global industry
- In the US, there are only 2-4 producers, whereas APAC is most fragmented with around a dozen players for each product
- Covestro is the global low-cost producer in TDI / PCS with a cash cost advantage of ~50% / ~30% compared to the average of the 5 least competitive plants
- Covestro is one of the low-cost producers in MDI, which has a relatively flat cost curve reflected by the limited cash cost advantage of only ~20% between the average of the best and worst 5 plants

Historical industry development and outlook



Above GDP growth driving industry capacity utilization and supporting stable margins

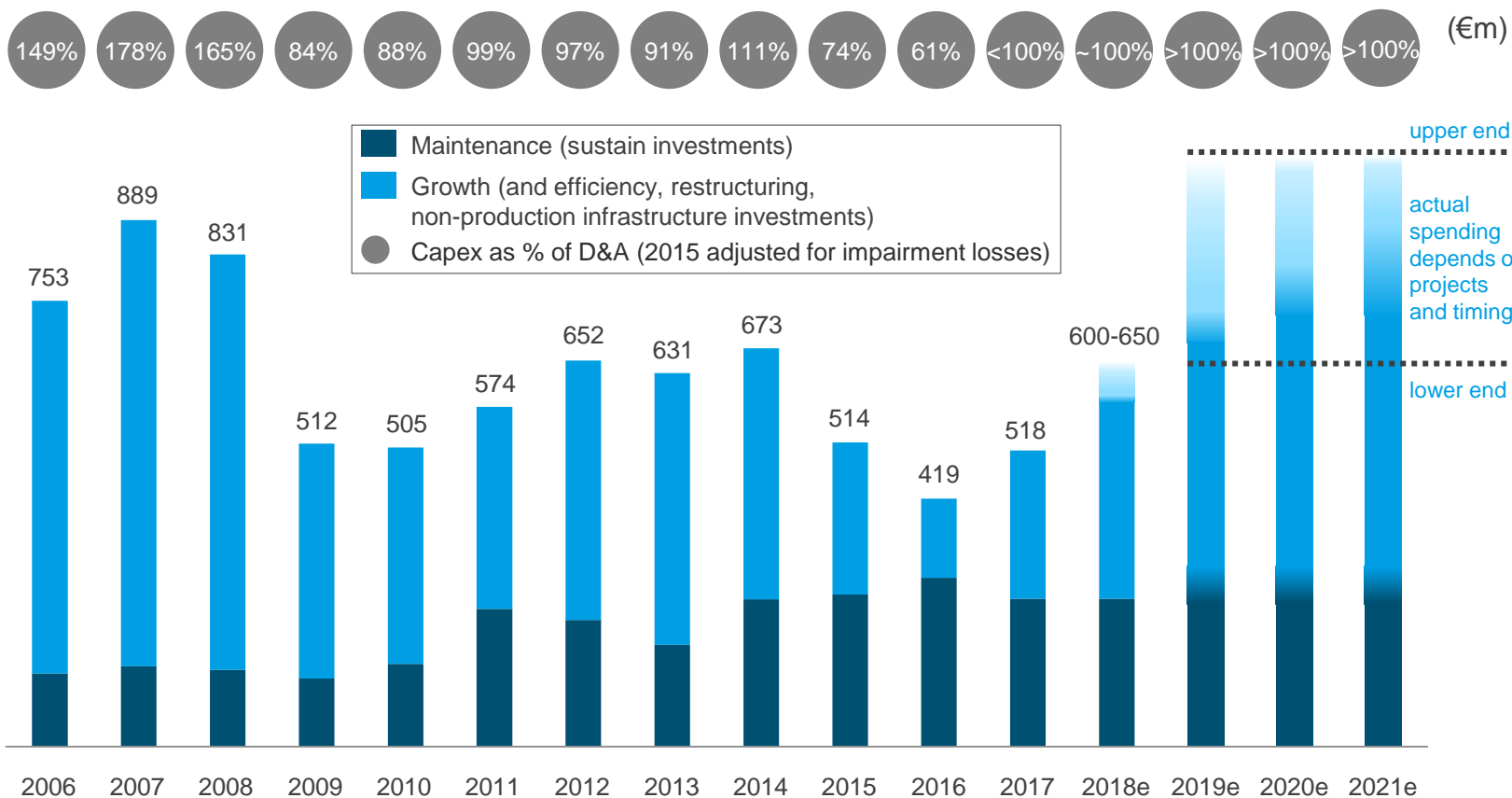


Smart capex approach

Expand existing asset base through capital-efficient growth investments



Investments following strict criteria catalogue



Highlights

Until 2008

- Capacity expansion through growth investments
- Building up an integrated, multi-BU, world-scale site in Caojing, China, as APAC production hub

2009 to 2016

- Continue expansion of Caojing site
- Increasing utilization of underutilized assets
- Optimize regional production network

2017e to 2021e

- Accompany industry growth by adding capacity through smart capex approach

2022e and beyond

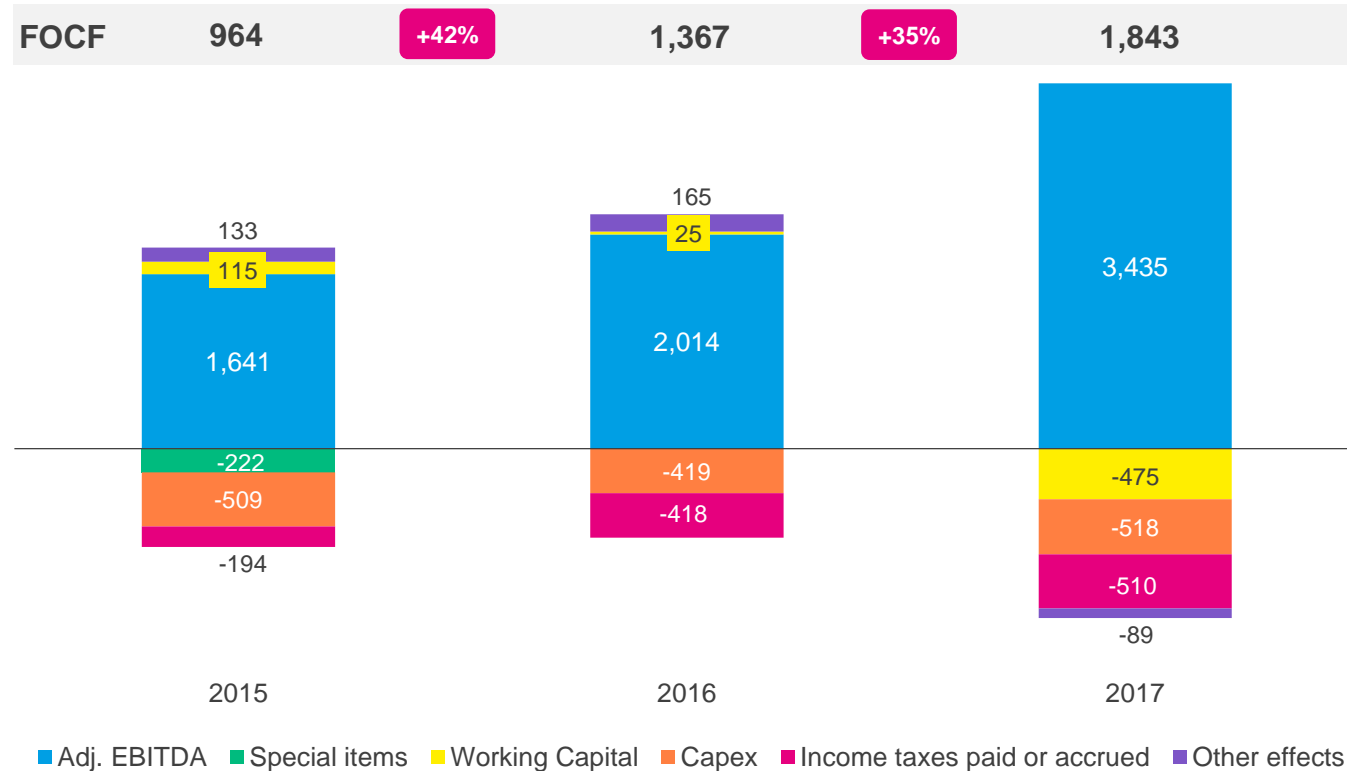
- New growth investments lead to capacity expansions
- Strengthen leading industry positions

FY 2017 – Free Operating Cash Flow

Record FOCF despite higher working capital

Free operating cash flow development 2015-2017

in € million



Highlights

- The FOCF to EBITDA conversion rate decreased from 68% in 2016 to 54% in 2017 due to higher working capital needs
- Working capital to sales ratio almost unchanged at 15.4% in 2017 vs. 15.6% in 2016, within the target range of 15-17%
- Capex of €518m up Y/Y inline with smart capex approach; capex below D&A of €627m

Accelerated delivery of €5bn cumulative FOCF now until 2019



Use of free cash flow – focus on value creation and cash return to shareholders

Dividend policy



- FY 2017 dividend of €2.20 per share proposed to AGM on April 13, 2018
- Increase of dividend payment of 63% and dividend yield of 2.4%^(a)
- Total payout amounting to more than €400m
- Policy: focus on increasing or at least stable dividends going forward

Portfolio



- Disciplined & focused approach
- Acquisitions with focus on high margin and differentiated business areas
- Ongoing portfolio optimization including evaluation of potential disposals

Return to shareholders



- Share buy-back for up to €1.5bn^(b) started in Q4 2017, running until mid-2019
- 4 million shares bought back by February 2018
- Commitment to return further excess cash to shareholders

Attractive cash flow profile

Focus on value creation



- 1 Strong cash generation history and future commitment**
driven by volume growth, operational leverage and profitability enhancement measures
- 2 Smart capex approach**
balances required capacity additions and capital-efficient growth investments
- 3 Disciplined M&A strategy with focus on value creation**
follows clear strategic direction, defined process and strict financial criteria
- 4 Return of excess cash to shareholders started in Q4 2017**
via share buy-back of up to €1.5bn or up to 10% of stock capital
- 5 Attractive dividend policy**
with focus on increasing or at least stable dividends going forward

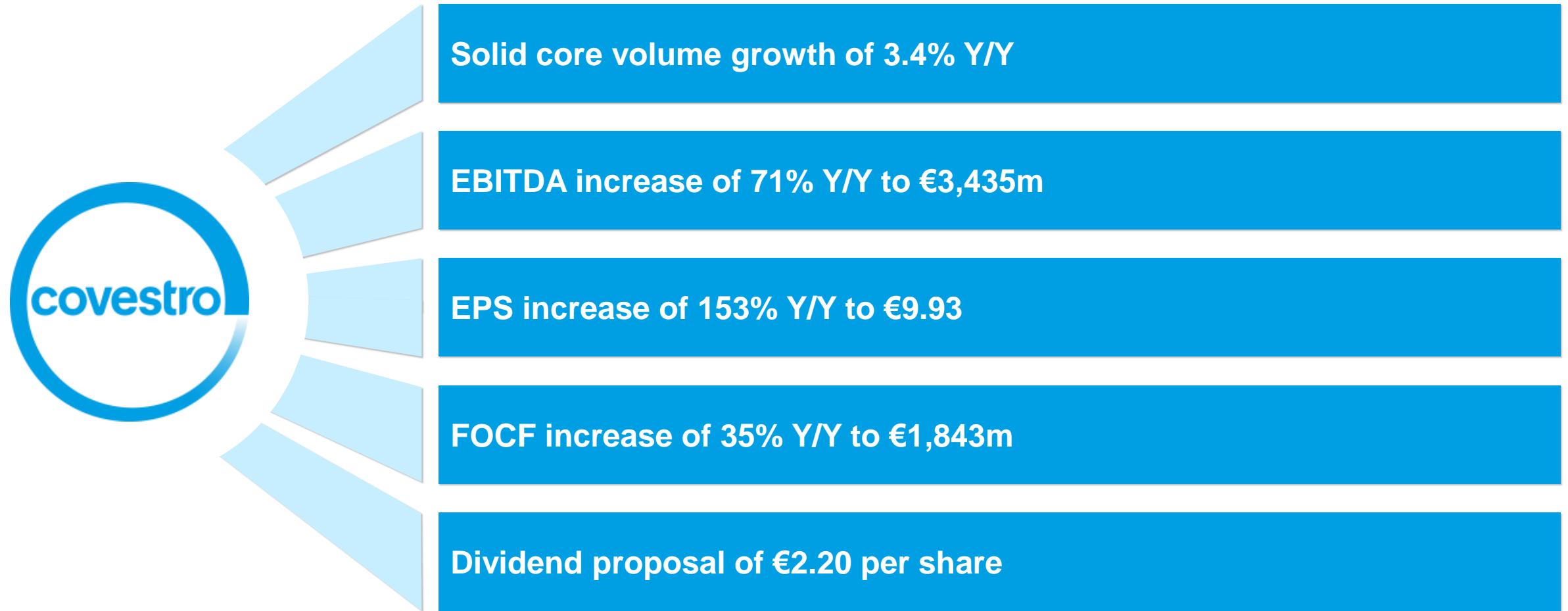


Financial Highlights

Q4 & FY 2017

FY 2017 Key Highlights

Establishing new levels



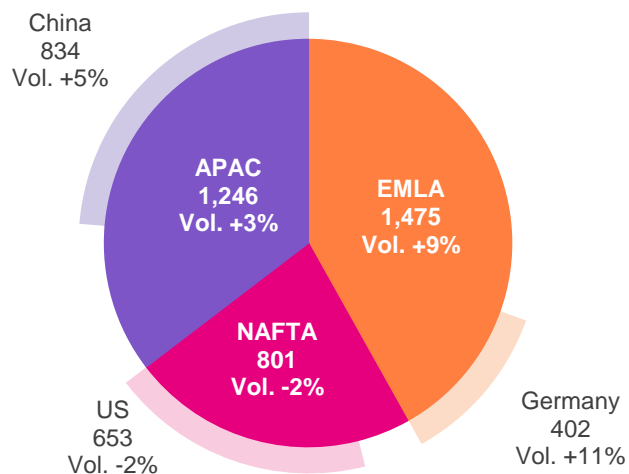
Q4 2017 & FY 2017 – Sales per Region

Regional core volume growth determined by product availability



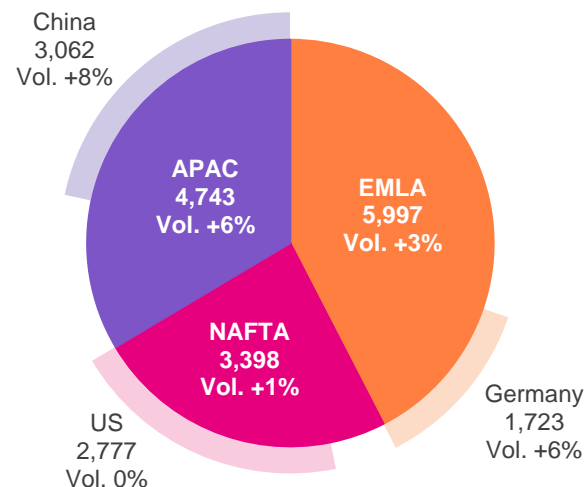
Solid growth in Q4 2017

in € million /
Core volume
growth Y/Y



Solid growth in FY 2017

in € million /
Core volume
growth Y/Y



Q4 2017 Highlights

- Core volume growth of 4.1% Y/Y despite constrained product availability
- US and NAFTA still impacted by Hurricane Harvey
- Double-digit core volume growth in Germany due to low prior-year basis
- Strong core volume growth in auto/transport and wood/furniture

FY 2017 Highlights

- Solid core volume growth of 3.4% Y/Y
- Significant core volume growth in Germany with 6% Y/Y
- Flat volumes in US despite Hurricane Harvey impact
- Strong core volume growth in auto/transport
- Double-digit core volume growth in medical and niche industries

2017 Guidance fully achieved



	Initial guidance FY 2017	Updated guidance FY 2017*	FY 2017	Achievement
Core Volume Growth	Low- to mid-single-digit percentage increase Y/Y	Low- to mid-single-digit percentage increase Y/Y	+3.4%	
FOCF	Slightly above the average of the last three years	Significantly above the average of the last three years	€1,843m versus €881m	
ROCE	Slightly above the 2016 level	Significantly above the 2016 level	33.4% versus 14.2%	

All financial targets achieved

*Guidance for FY 2017 updated & presented at Q2 2017 results call on July 25, 2017

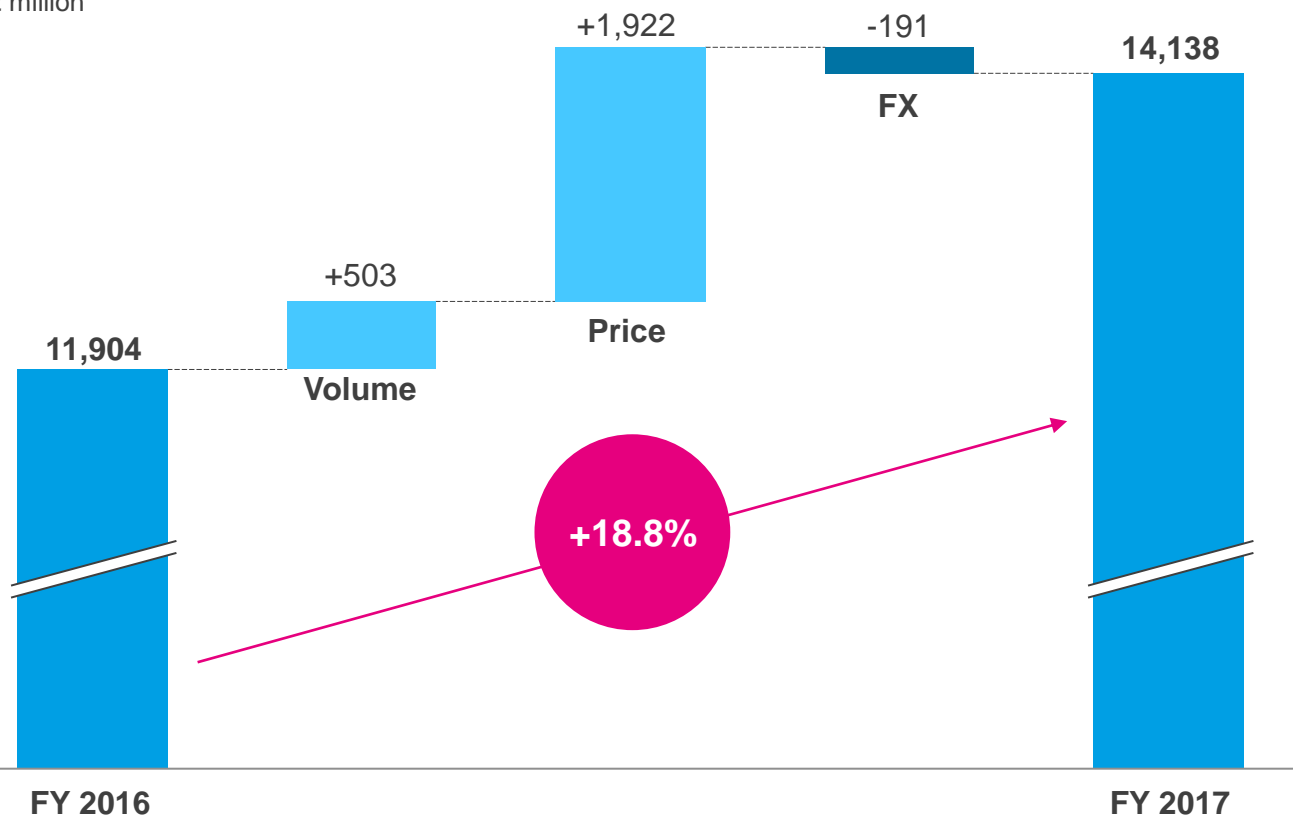
FY 2017 – Sales Bridge

Solid volume growth and strong pricing



Sales Bridge

in € million



Highlights

Strong pricing and higher industry utilization

- Higher selling prices positively impacted sales by 16.1% Y/Y
- Solid increase in volumes of 4.3% Y/Y, yet constrained by product availability

Negative FX impact

- FX effects burdened sales by 1.6% Y/Y mainly due to weaker CNY and USD

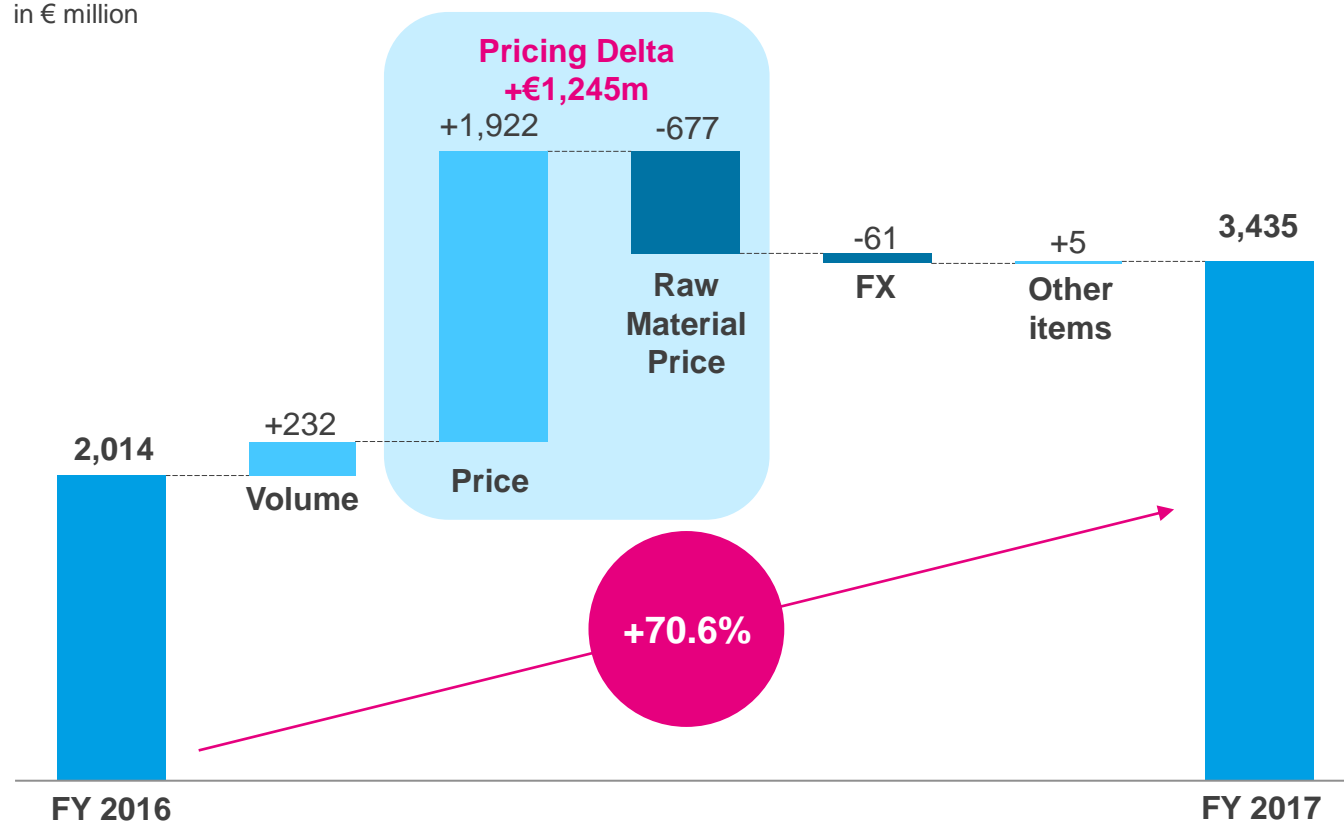
FY 2017 – EBITDA Bridge

Expanded pricing delta



EBITDA Bridge

in € million



Highlights

Improving cash margin

- Positive pricing delta in all segments
- Selling price increases more than compensated for higher raw material prices

Strong positive volume leverage

- EBITDA volume/sales volume at 46%

Slight FX headwind

Other items

- Higher operational costs counterbalanced by positive one-time items of €146m

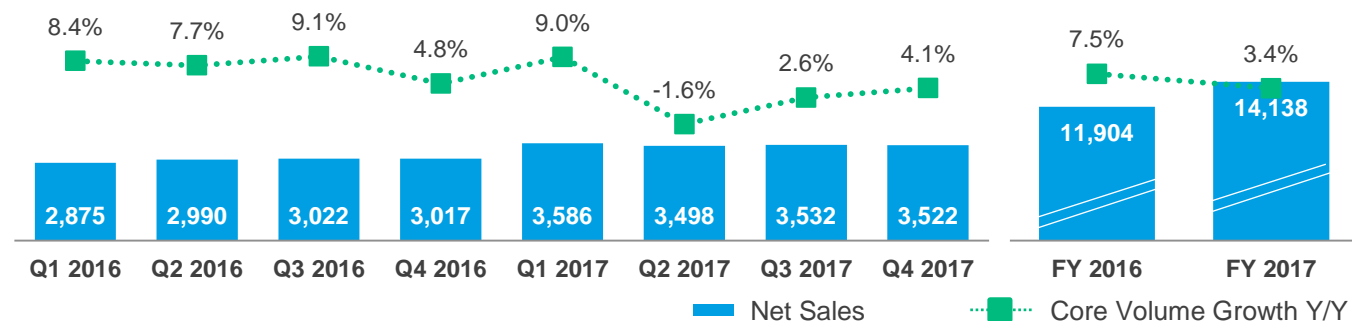
FY 2017 – Group Results

Continued margin expansion



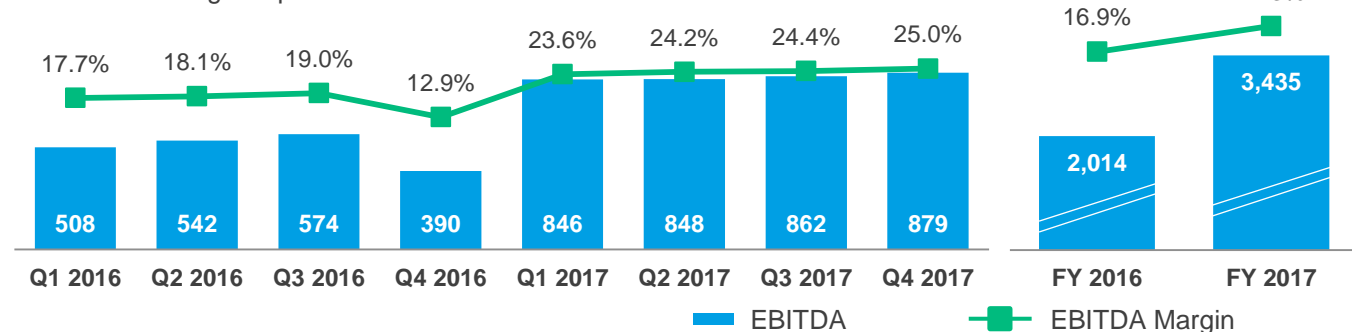
Net Sales and Core Volume Growth

in € million / changes Y/Y



EBITDA and Margin

in € million / margin in percent



Highlights

- Solid core volume growth (in kt) of 3.4% in 2017, across regions and key industries
- Solid core volume growth of 4.1% in Q4 despite limited product availability
- Sales increased by 16.7% Y/Y in Q4 2017 mainly driven by higher prices

Highlights

- In 2017, EBITDA margin improved significantly to 24.3% vs. 16.9% in 2016
- Excluding TDI fly-up and one-time items, margin increased to c.20% in 2017
- Q4 2017 represents 12th consecutive quarter with Y/Y EBITDA increase

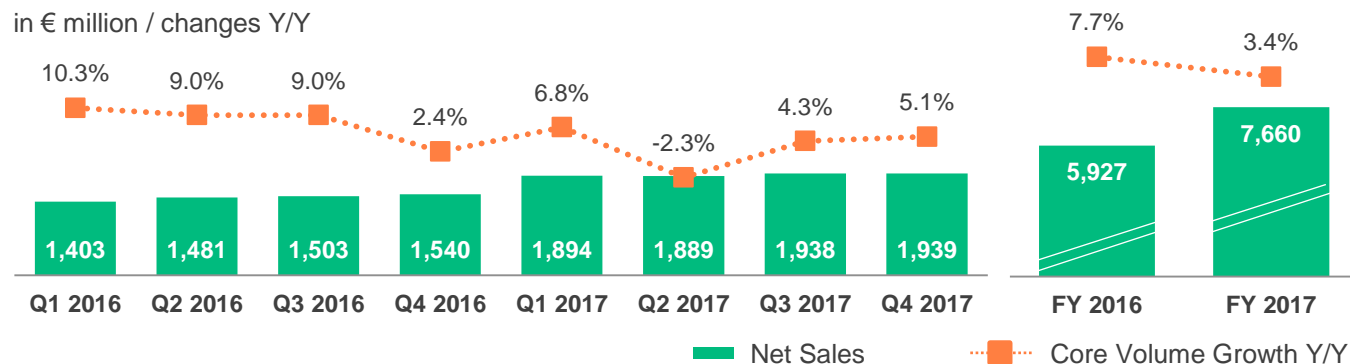
FY 2017 – PUR Segment Results



Polyurethanes – improving MDI margins in structurally tight industry

Net Sales and Core Volume Growth

in € million / changes Y/Y

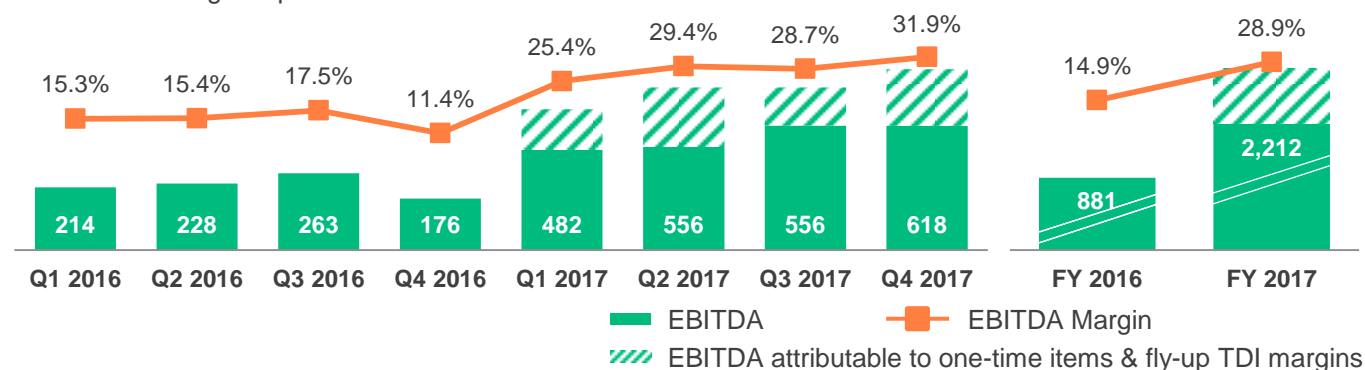


Highlights

- Solid core volume growth of 3.4% Y/Y in 2017 despite limited product availability
- Solid core volume growth of 5.1% Y/Y in Q4
- Sales increased by 25.9% Y/Y in Q4 2017, driven by volume and price

EBITDA and Margin

in € million / margin in percent



Highlights

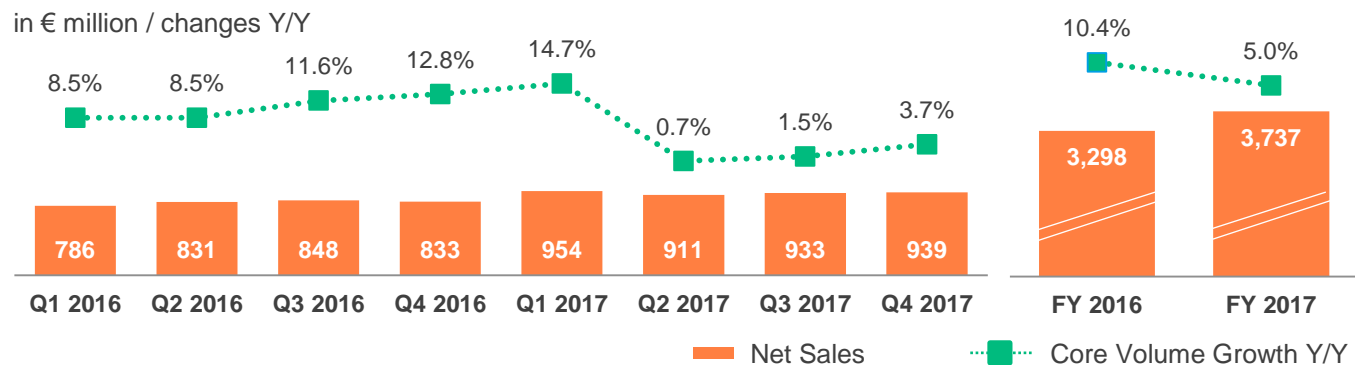
- EBITDA increased by 151.1% Y/Y with a margin of 28.9% in 2017 vs. 14.9% in 2016
- In 2017, underlying EBITDA margin expanded to c.20% driven by volume leverage and structurally higher margins in MDI

FY 2017 – PCS Segment Results

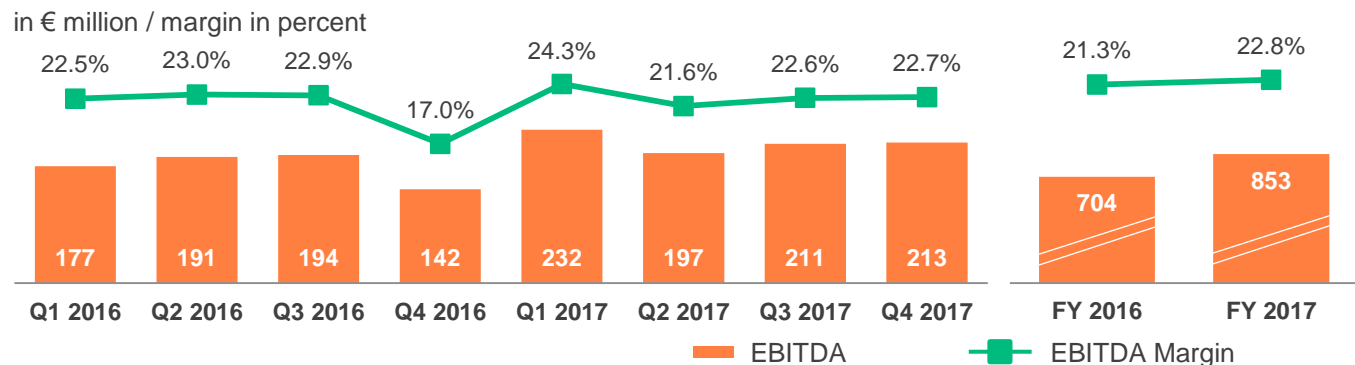
Polycarbonates – Favorable product mix improvement



Net Sales and Core Volume Growth



EBITDA and Margin



Highlights

- Strong core volume growth of 5.0% Y/Y in 2017
- Fourth consecutive year of share gains
- Solid core volumes of 3.7% Y/Y in Q4 2017
- Sales increased by 12.7% Y/Y in Q4 2017, driven by price and volume

Highlights

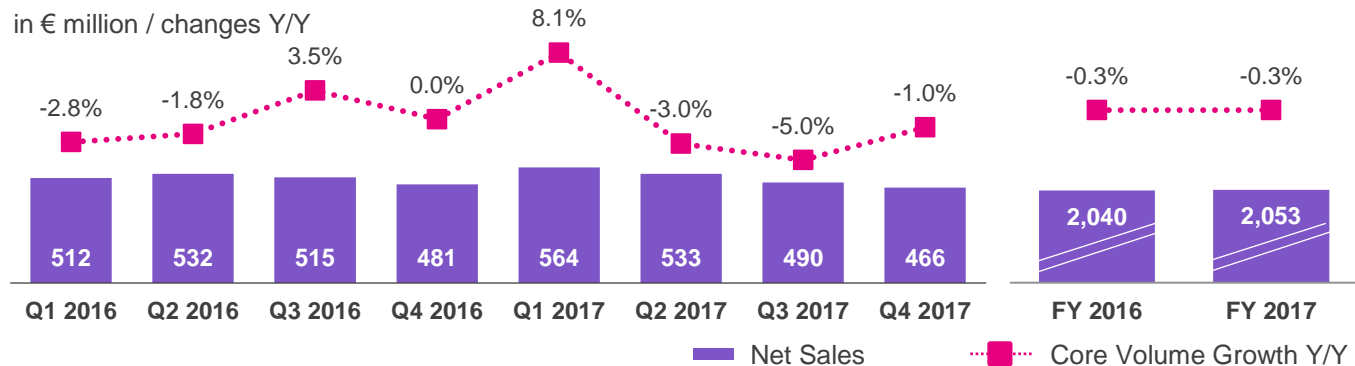
- EBITDA increased by 21.2% Y/Y with a margin of 22.8% in 2017 vs. 21.3% in 2016 due to product mix improvements
- Price increases balanced out negative raw material impact

FY 2017 – CAS Segment Results



Coatings, Adhesives, Specialties – Average selling price increases achieved

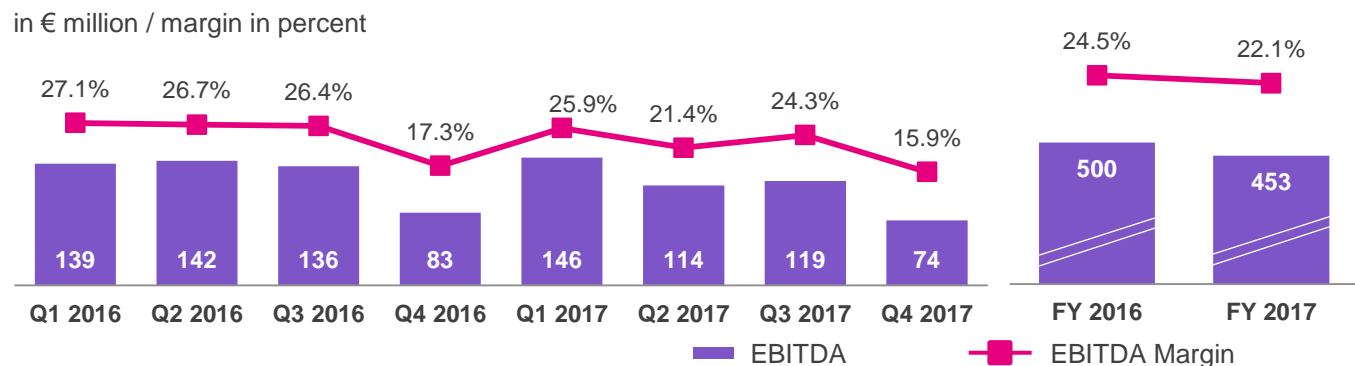
Net Sales and Core Volume Growth



Highlights

- Stable core volume growth in 2017 due to destocking and force majeure in US
- Higher average selling prices positively impacted sales by 3.2% Y/Y in Q4 2017 and by 1.8% in 2017

EBITDA and Margin



Highlights

- EBITDA decreased by 9.4% Y/Y due to lower sales volumes
- CAS remains an attractive, resilient business despite pressure from higher raw material prices

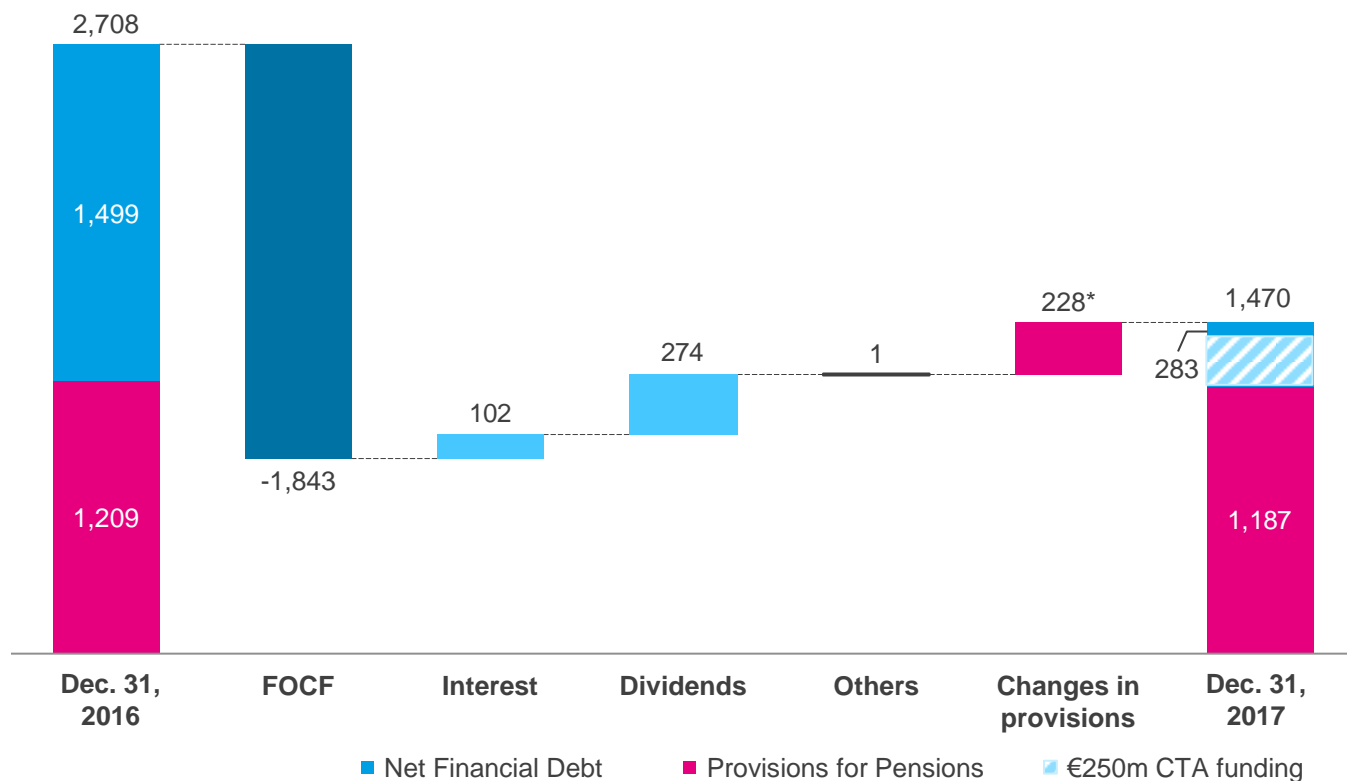
FY 2017 – Robust balance sheet

Net financial debt reduction of €1.2bn



Total net debt

in € million



* Excluding contribution to plan assets (transfer of government bonds) of €250m

Highlights

- Total net debt to EBITDA ratio of 0.4x end of 2017 vs. 1.3x end of 2016
- Strong decrease of net financial debt by €1,216m to €283m
- Pension provisions without CTA funding increased by €228m due to remeasurements
- CTA funding reduced pension provisions by €250m in Q4 2017
- Equity ratio further improved to 47% end of 2017 vs. 41% end of 2016
- Long-term commitment to a solid investment grade rating by Moody's

Guidance 2018

Continuing on high levels



	FY 2017	Guidance FY 2018
Core Volume Growth	+3.4%	Low- to mid-single-digit percentage increase Y/Y
FOCF	Ø 2015-2017: €1,391m	Significantly above the average of the last three years
ROCE	33.4%	Approaching previous year's level
Additional financial expectations	FY 2017	Guidance FY 2018
EBITDA FY	€3,435m	Around previous year's level
EBITDA Q1	Q1 2017: €846m	Significantly above the Q1 2017 level
D&A	€627m	€600-620m
Financial results	€-150m	€-100-120m
Effective tax rate	24.1%	25-27%
Capex	€518m	€600-650m

Basic Assumptions FY 2018: Exchange rate of USD/EUR ~1.20 and a similar macroeconomic environment as in 2017

Upcoming IR Events

Find more information on investor.covestro.com



Reporting dates

- | | |
|--------------------|---------------------------------|
| • April 26, 2018 | Q1 2018 Interim Statement |
| • July 26, 2018 | Half-Year Financial Report 2018 |
| • October 25, 2018 | Q3 2018 Interim Statement |

Annual General Meeting

- | | |
|------------------|------------------------------|
| • April 13, 2018 | Annual General Meeting, Bonn |
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Capital Markets Day

- | | |
|-----------------|--------|
| • June 28, 2018 | London |
|-----------------|--------|

Broker conferences

- | | |
|------------------|---|
| • March 20, 2018 | Raymond James, Chemical Industry Leaders Conference, London |
| • March 22, 2018 | Mainfirst, 3 rd Corporate Conference, Copenhagen |
| • March 28, 2018 | Barclays, Chemical ROC Stars Conference, New York |



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