



Delivering on promises

Roadshow Presentation

Covestro key investment highlights

Global leader in high-tech material solutions



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

Headed by experienced management with full commitment to value creation

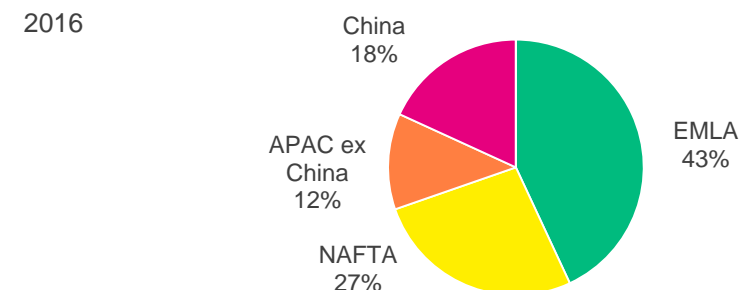
Covestro at a glance



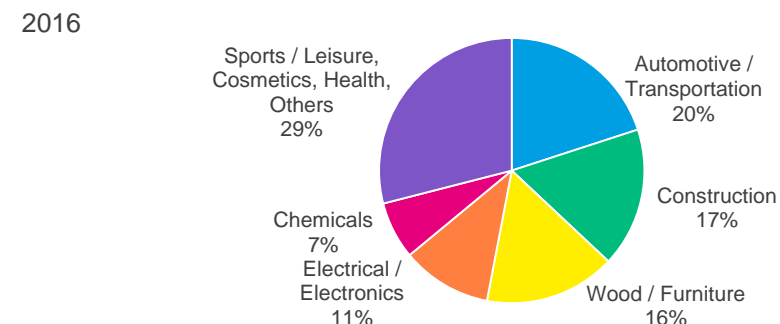
Inventor and leader in high-tech material solutions driven by global trends

- Leading global polymer producer in polyurethanes and its derivatives as well as polycarbonates
- Proven track record of process and product innovation, customer proximity as well as market-driven solutions
- State-of-the-art asset base with leading process technology and total production capacity of 4,950kt^(a) distributed across 8 world-scale production facilities in three main regions
- Backward-integration into chlorine, propylene oxide and other feedstock, aimed at sourcing critical raw materials internally with no or limited merchant market sales
- Headquartered in Leverkusen, Germany, with 15,600 employees^(c) globally

Sales split by geography^(b)



Sales split by end-market



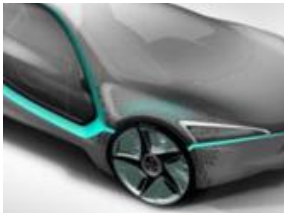





Key financials	Sales 2016 €11.9bn	Adj. EBITDA 2016 €2.0bn	Adj. EBITDA margin 2016 16.9%

Covestro business units

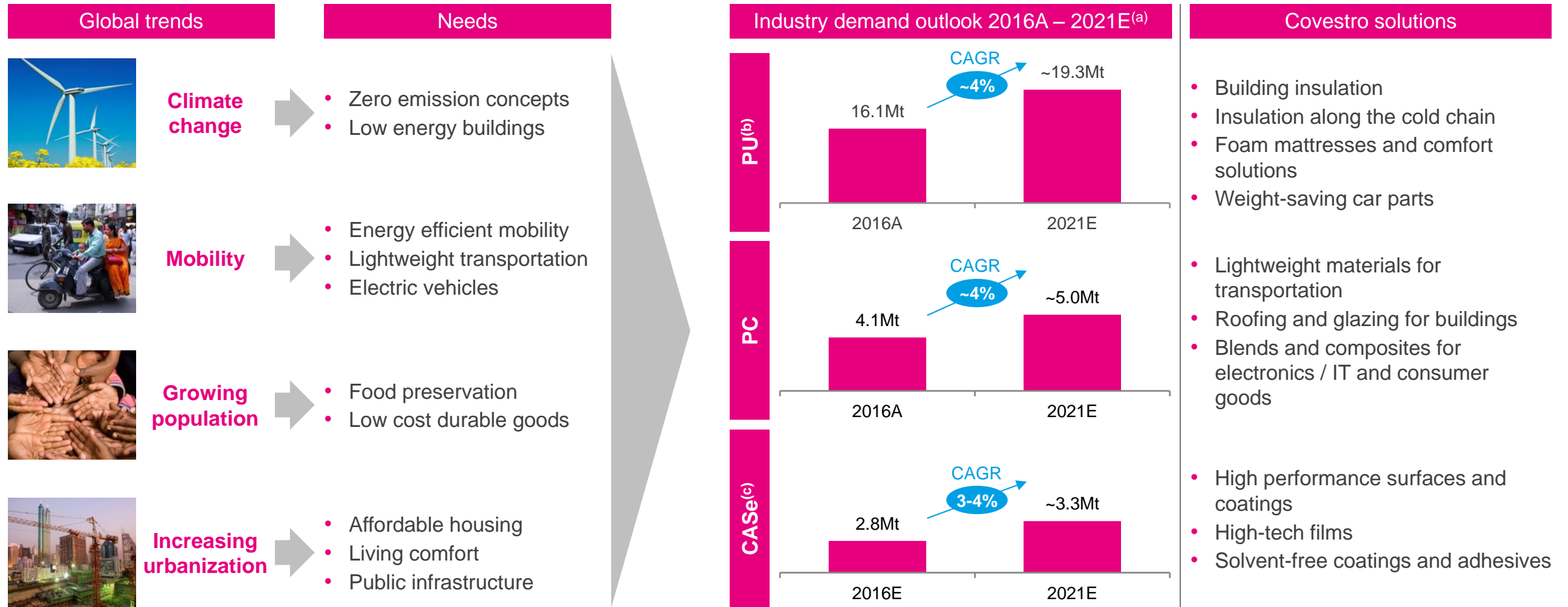


Three industry-leading, structurally attractive business units

Business Units	Polyurethanes (PUR)	Polycarbonates (PCS)	Coatings, Adhesives, Specialties (CAS)
Global Position^(a)	Global #1 (3,470kt) <ul style="list-style-type: none"> MDI: #3 (1,420kt) TDI: #1 (720kt) 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 isocyanate derivatives Aromatic isocyanate derivatives Polyurethane dispersions
Sales 2016	€5.9bn or 50% of Covestro	€3.3bn or 28% of Covestro	€2.0bn or 17% of Covestro
Adj. EBITDA Margin 2016	14.9%	21.3%	24.5%
Key Applications	<p>Rigid foam:</p> <ul style="list-style-type: none"> Building insulation Cold chain Automotive parts <p>Flexible foam:</p> <ul style="list-style-type: none"> Furniture Bedding/mattresses  	<ul style="list-style-type: none"> Automotive parts IT and electrical equipment, electronics Construction (windows, roof structure) Consumer products, medical and other applications  	<ul style="list-style-type: none"> Surface coatings Adhesives and sealants Elastomers Specialty films  

Exposure to fundamental macro trends

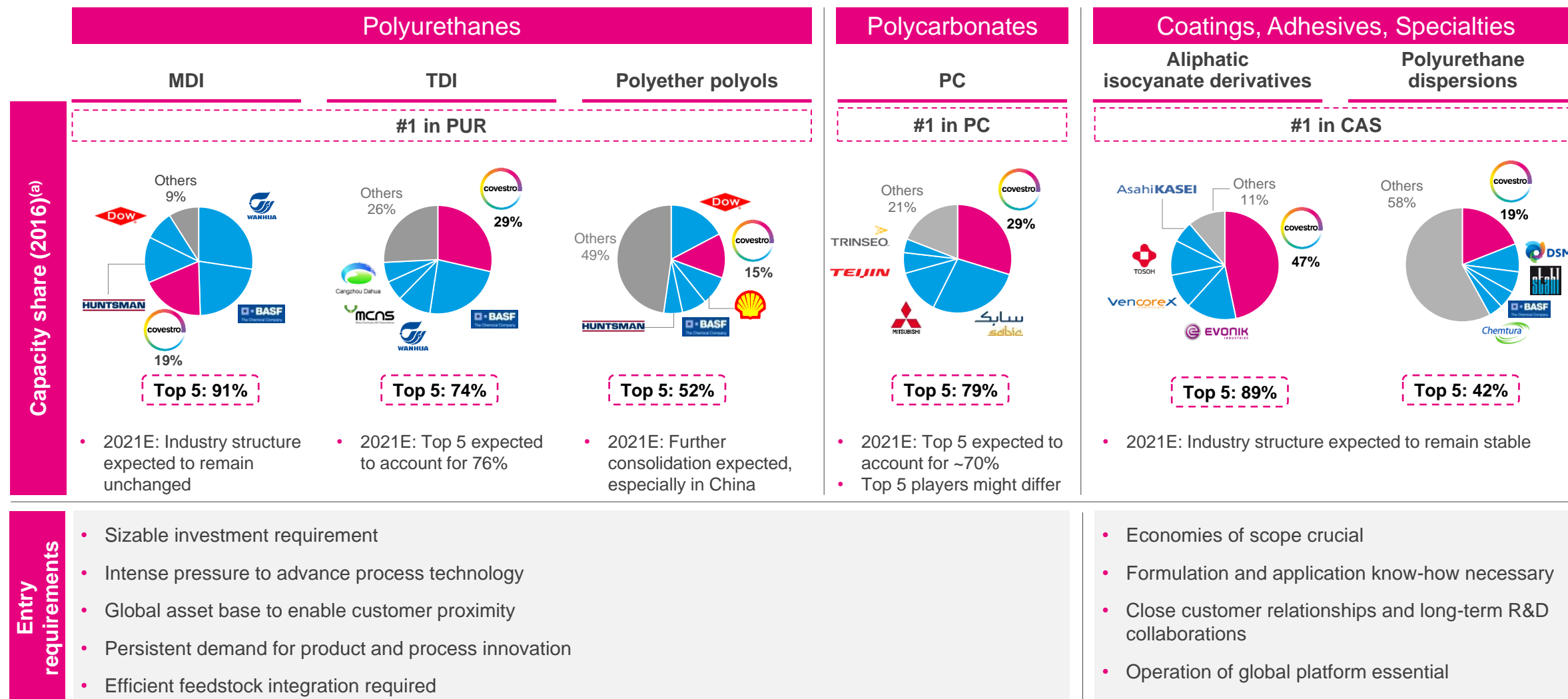
Above GDP industry growth supported by global trends



Notes: (a) Assumes global GDP CAGR 2016E– 2021E of 2-3%
 (b) Comprises MDI, TDI and polyether polyols
 (c) Shows PU raw materials industry demand in coatings, adhesives and sealants
 Source: CAS market: Orr & Boss 2016 for COA, ADH, SEA plus company information for adjacent markets.

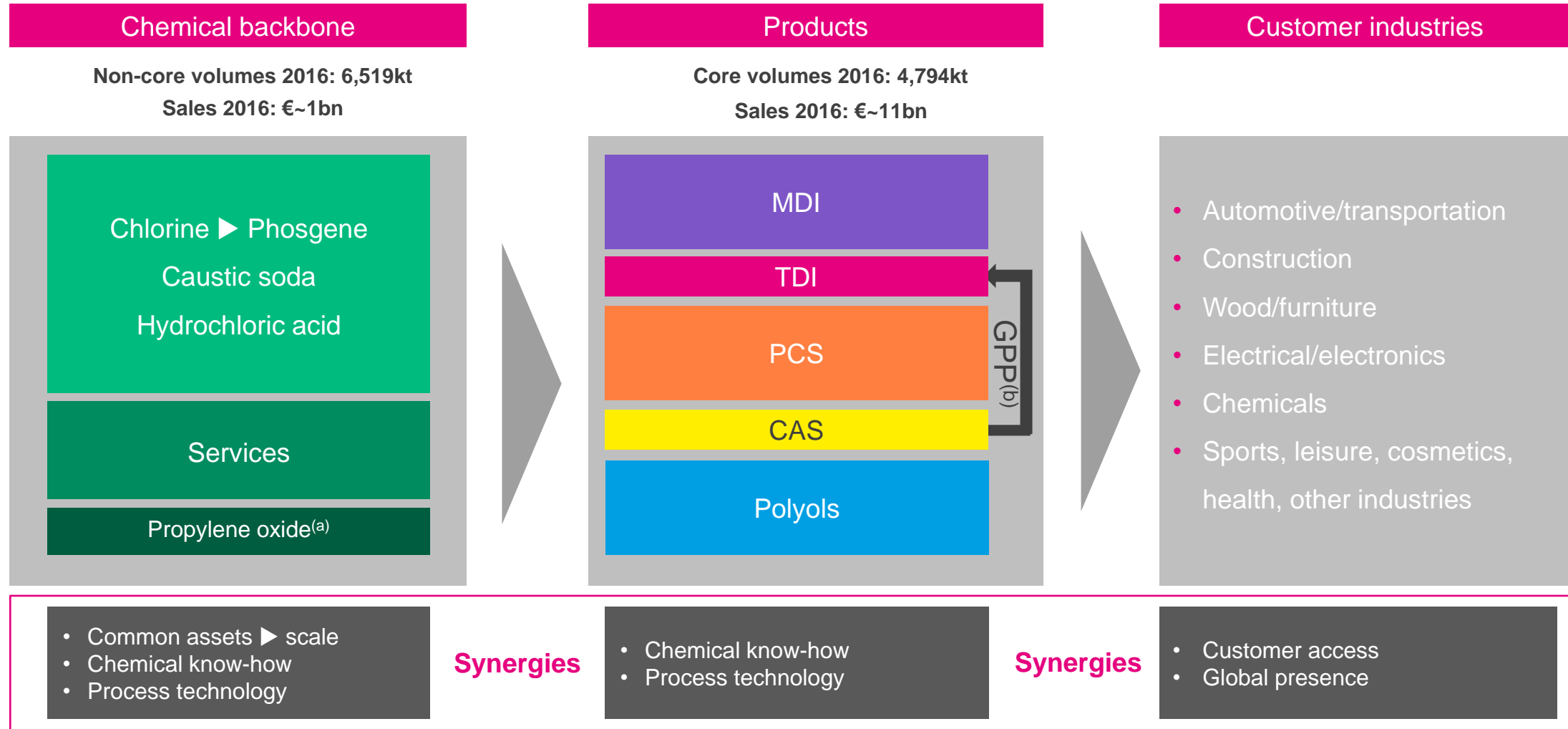
Global industry positions

Covestro is a leader across its entire portfolio



A common chemical backbone across all segments

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



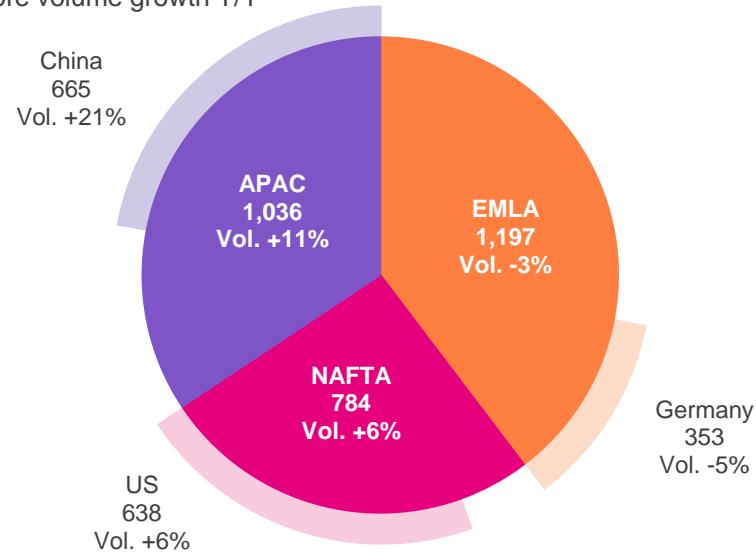
Q4 2016 and FY 2016 – Sales per Region



Strong rebound in China, significant growth in the US

Growth above GDP in Q4 2016

in € million / Core volume growth Y/Y

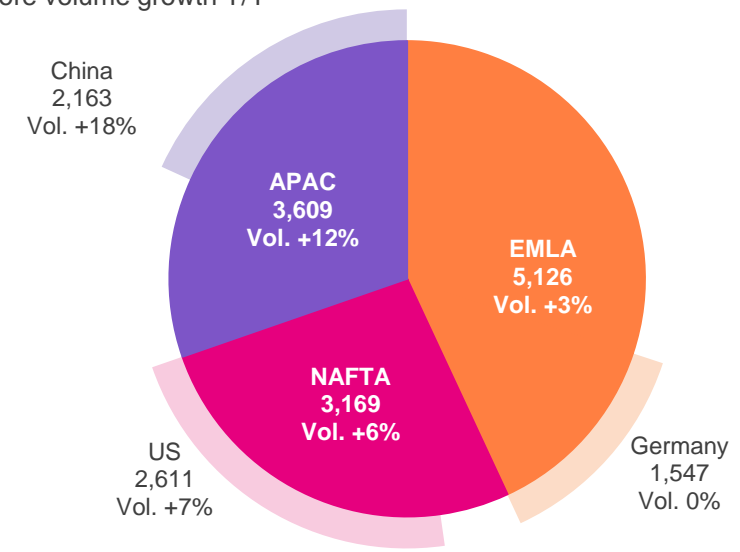


Q4 2016 Highlights

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

Strong growth in FY 2016

in € million / Core volume growth Y/Y



FY 2016 Highlights

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

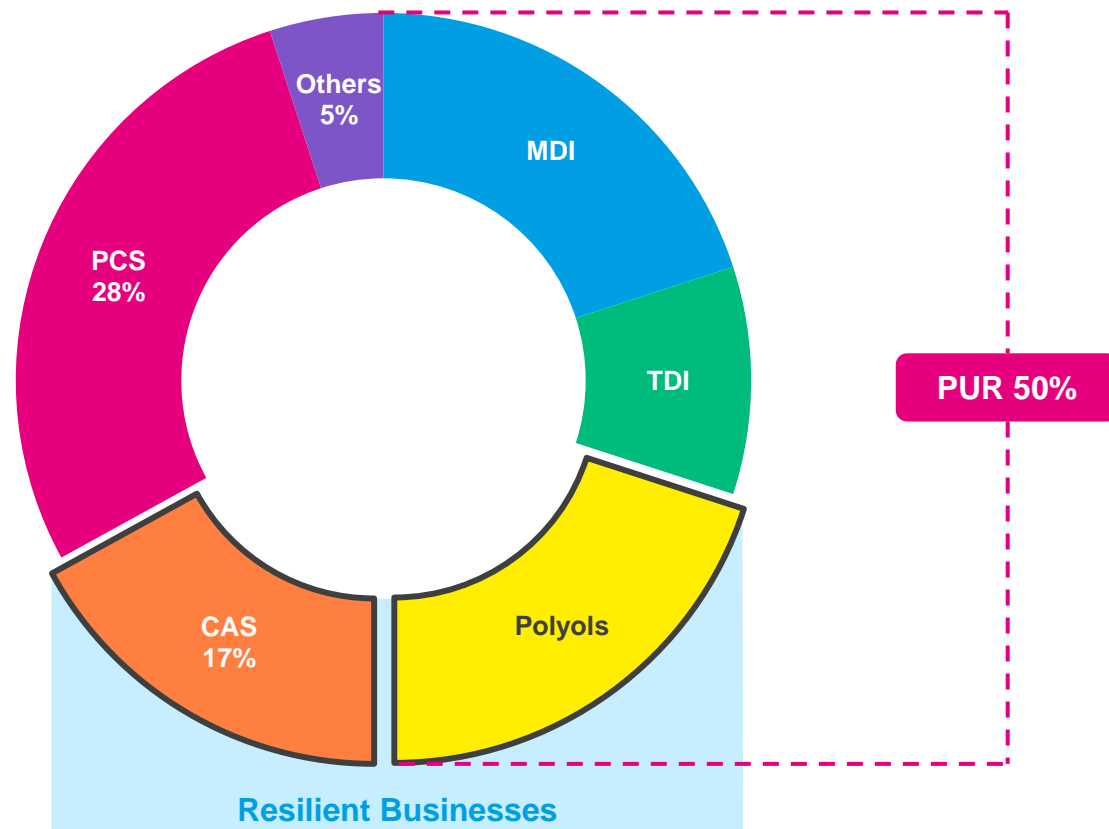
FY 2016 – Cyclical business on structural upward trend



Significant proportion of sales generated with resilient businesses

Sales by Segments

% of group sales



Industry Expectations

MDI – Oversupply gradually absorbed

- Mid-term demand growth of 4-5% p.a. above supply additions 2-3% p.a. ^(a)

TDI – Higher volatility

- Supply-demand development less favorable mid-term in case all announced capacities come on stream^(a)

PCS – Improving mix

- Relatively stable industry margin^(b) due to balanced supply-demand development^(a)
- Covestro to benefit from strong growth in higher value-added applications

Resilient businesses – Steady high FOCF

- CAS & Polyols: structurally low volatility

CAS at a glance



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

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



6+
Monomers

2,300+
Products

4,300+
Customers^(b)



#1
Producer of aliphatic isocyanates^(a)

€2.0bn
Sales 2016

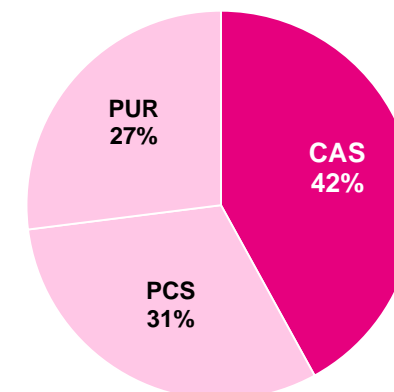
20.1%
EBIT margin 2016

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 ✓

EBIT contribution of segments^(c)

in € million / Average 2014-2016



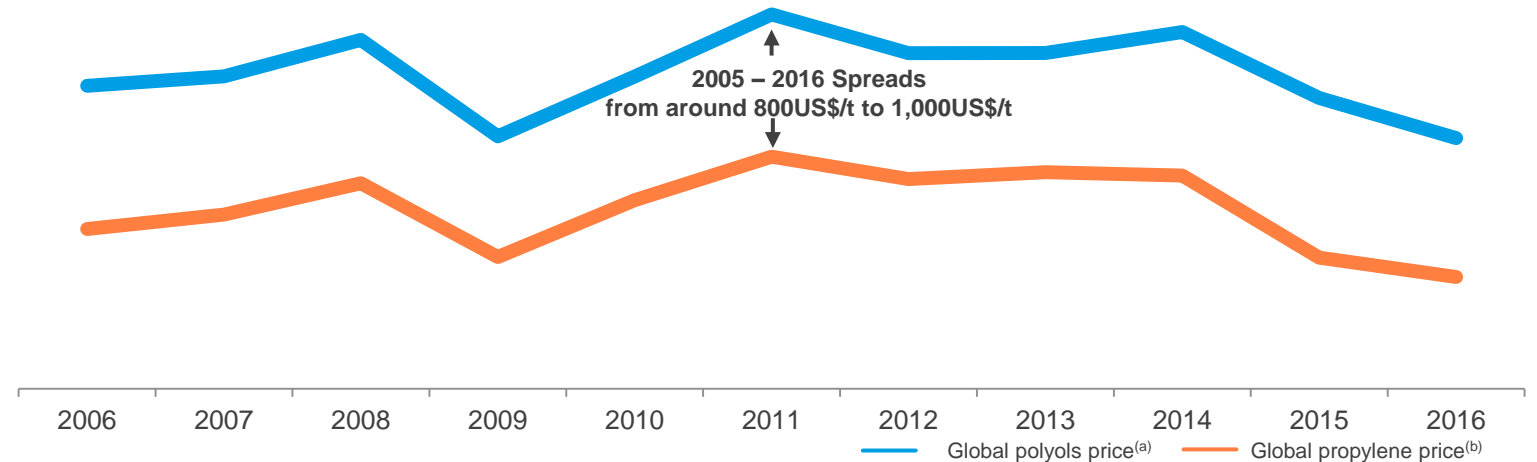
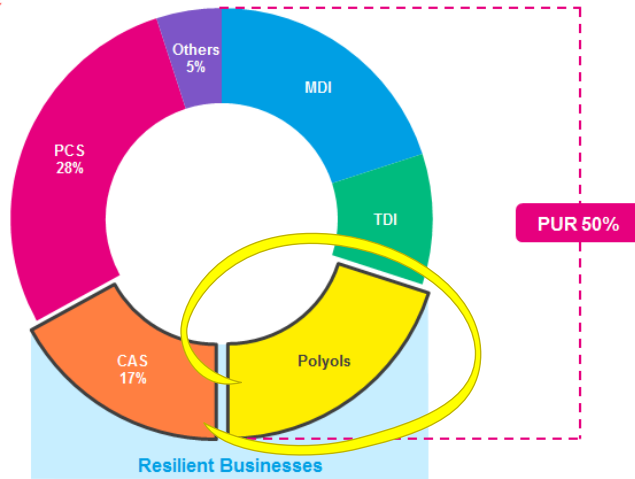
Polyols industry spreads

Polyether polyols demonstrate inherently stable margins



Resilience of polyether polyols business also confirmed in 2016

% of group sales



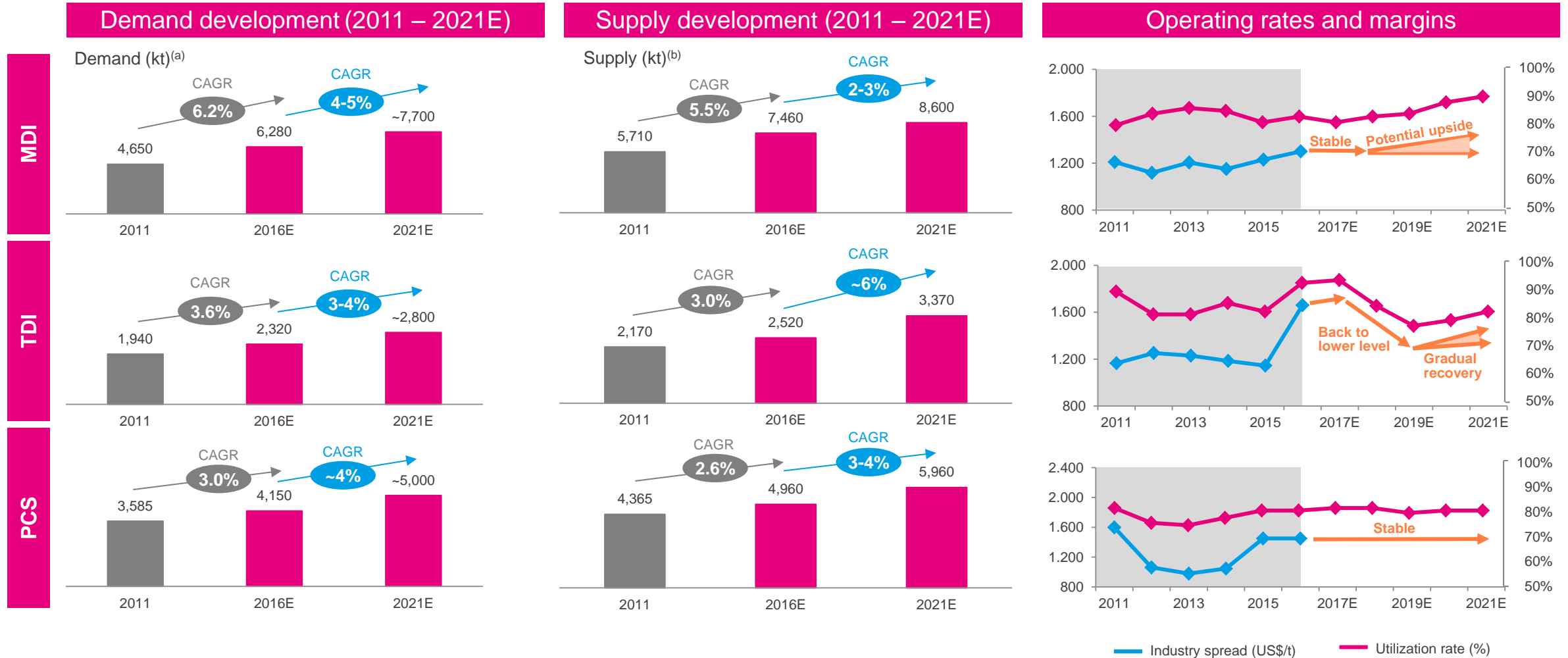
- Non-integrated polyether polyols producers with limited competitiveness
- Single capacity addition with little influence on supply/demand dynamics
- Specific entry requirements for new players, e.g. CapEx and technology

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

Industry historical development and outlook

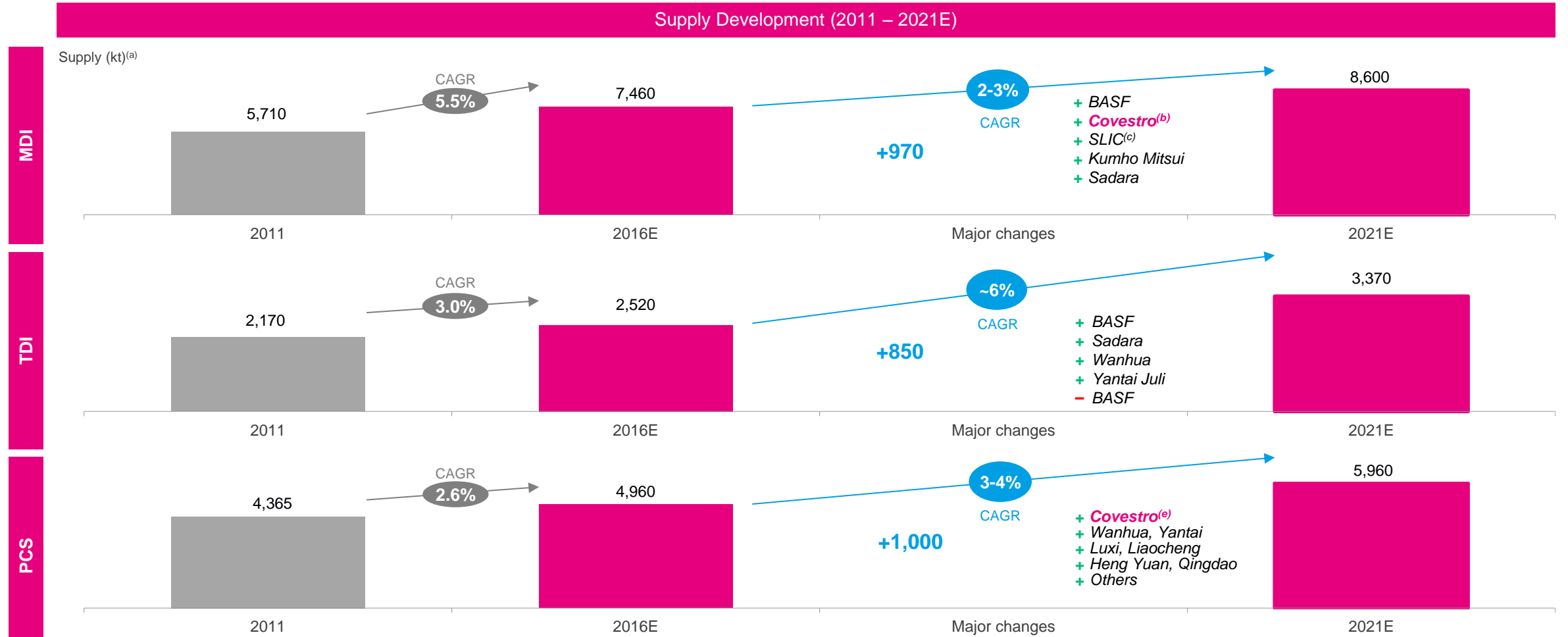


Above GDP growth driving industry capacity utilization and supporting higher margins



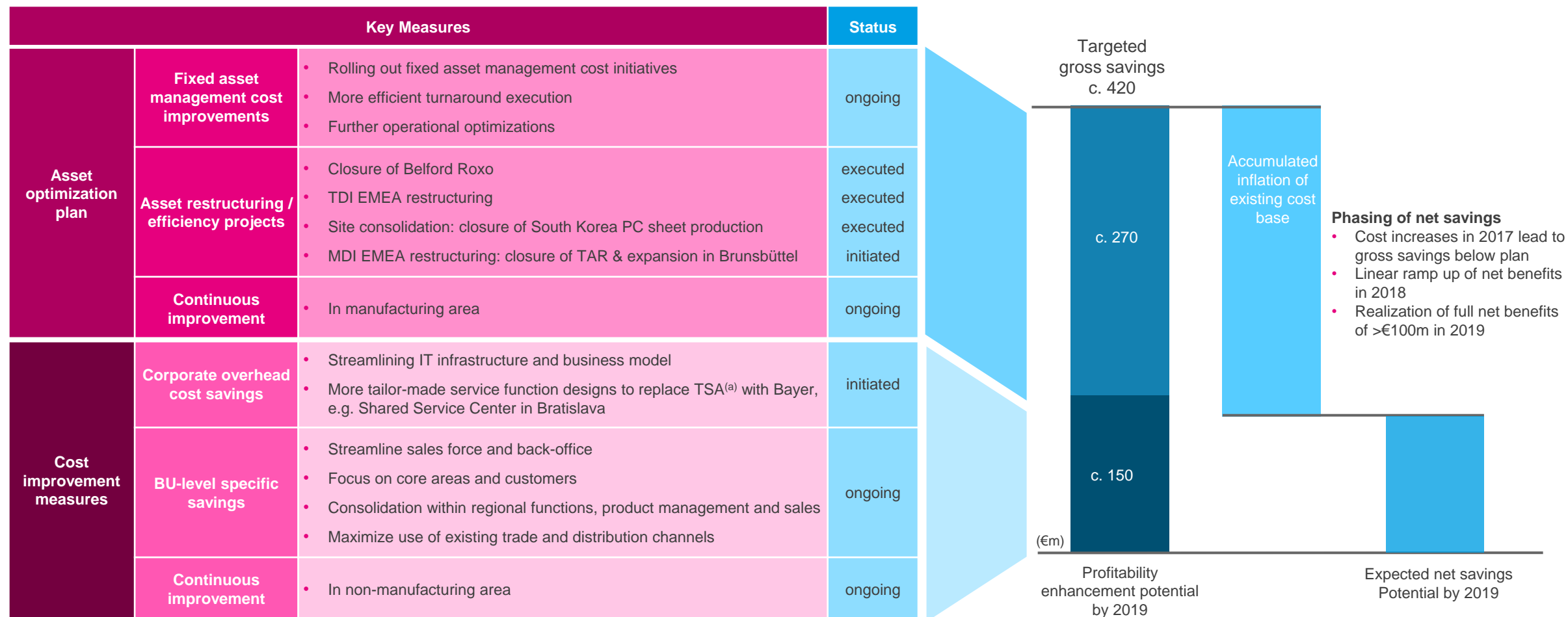
Industry supply development

Favorable industry supply outlook



Structured profitability enhancement program on track

Net saving expected to start ramping up in 2018



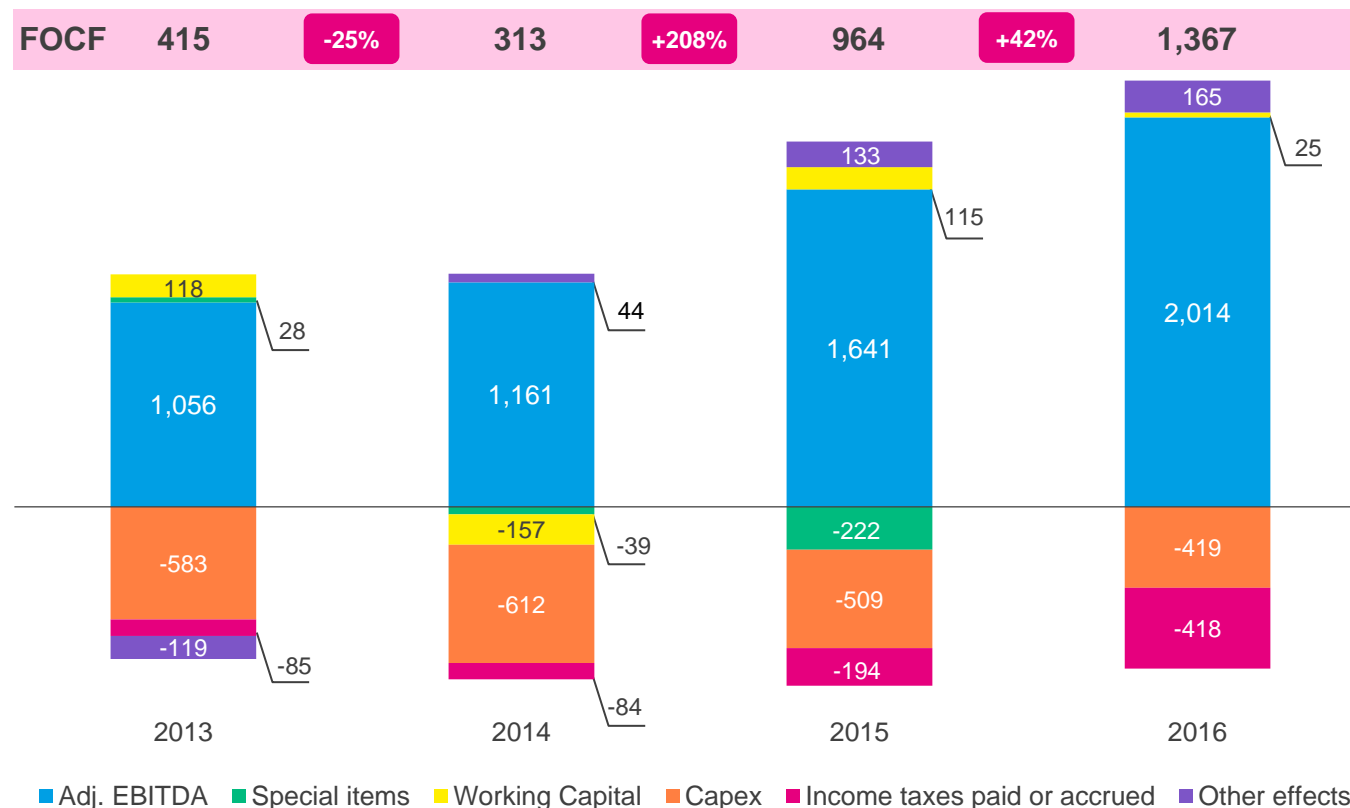
High EBITDA to FOCF conversion rate

Record FOCF



Free operating cash flow development 2013-2016

in € million



Highlights

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

Use of cash reflects strong cash generation



Internal



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

Dividend policy



- Focus on increasing or at least stable dividends
- For year 2016, dividend of €1.35 proposed

Portfolio



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



Covestro strategy

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

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

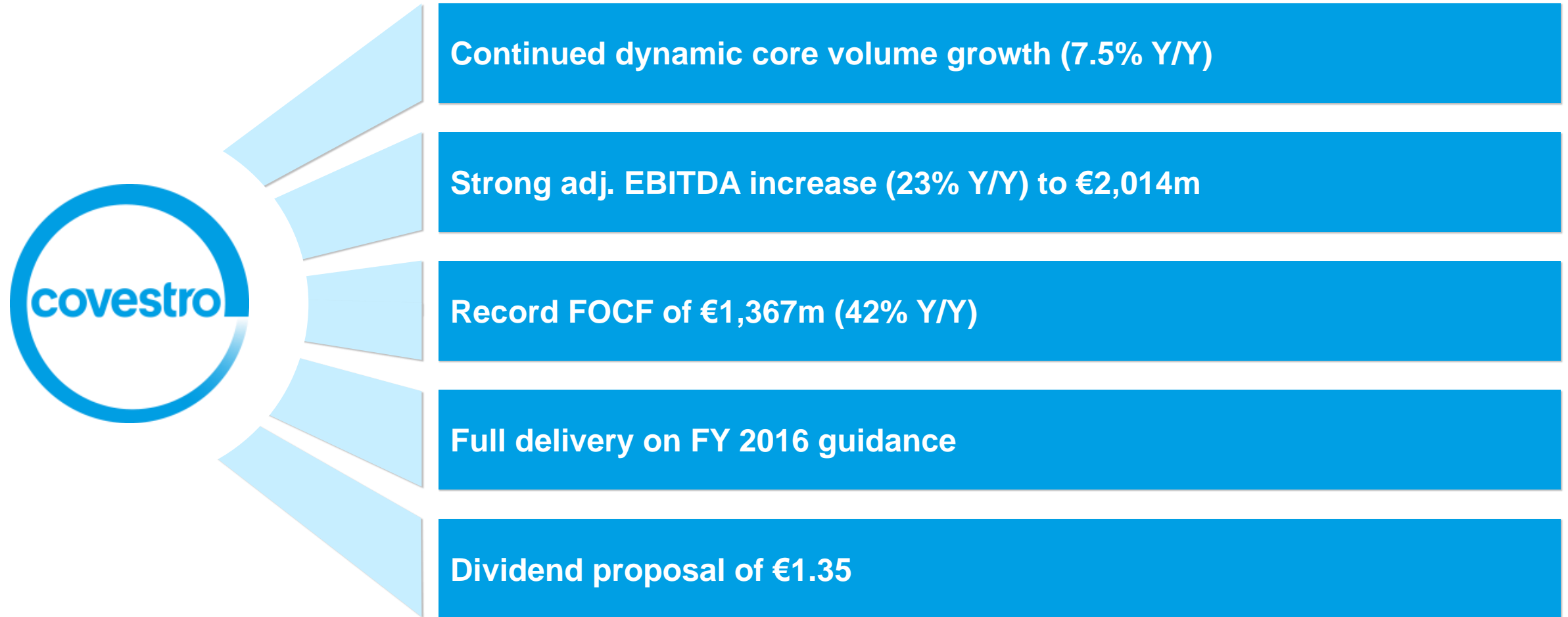


Financial Highlights

Q4 & FY 2016

FY 2016 Key Highlights

Delivering on promises



2016 Guidance fully achieved



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

All financial targets achieved

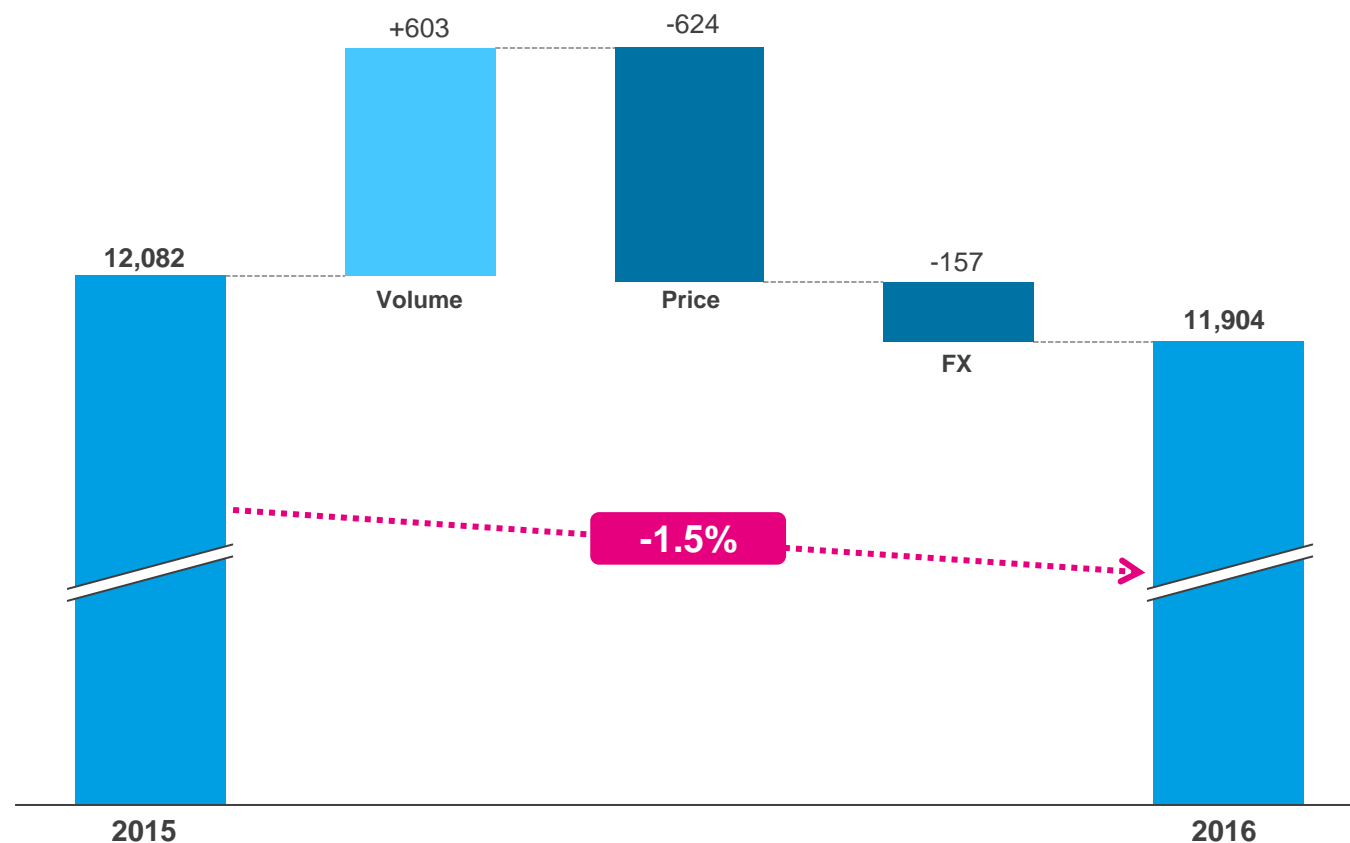
FY 2016 – Sales Bridge

Dynamic volume growth



Sales Bridge

in € million



Highlights

Dynamic volume development

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

Price decline driven by lower raw material prices

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

Negative FX effects

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

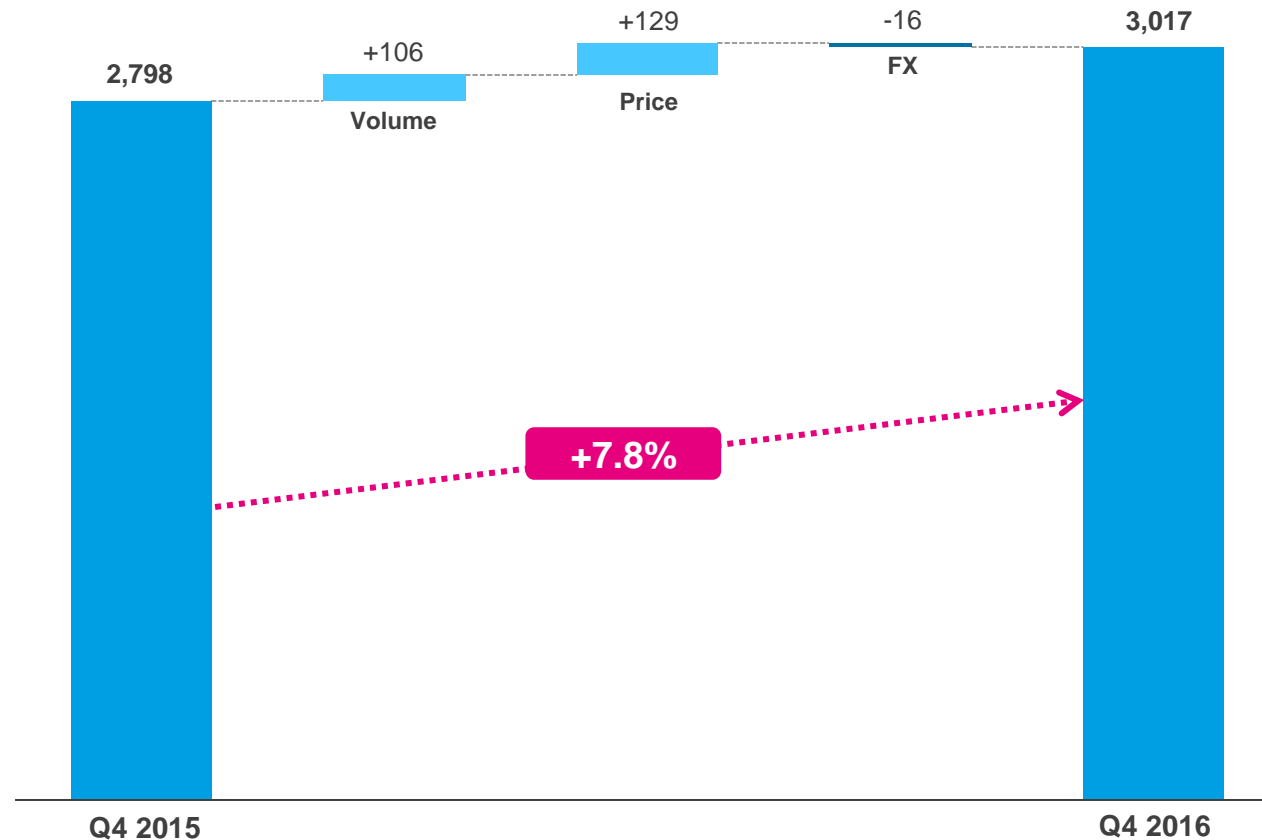
Q4 2016 – Sales Bridge

Dynamic volume & back to inflation



Sales Bridge

in € million



Highlights

Dynamic volume development

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

Price increase driven by tighter industry conditions

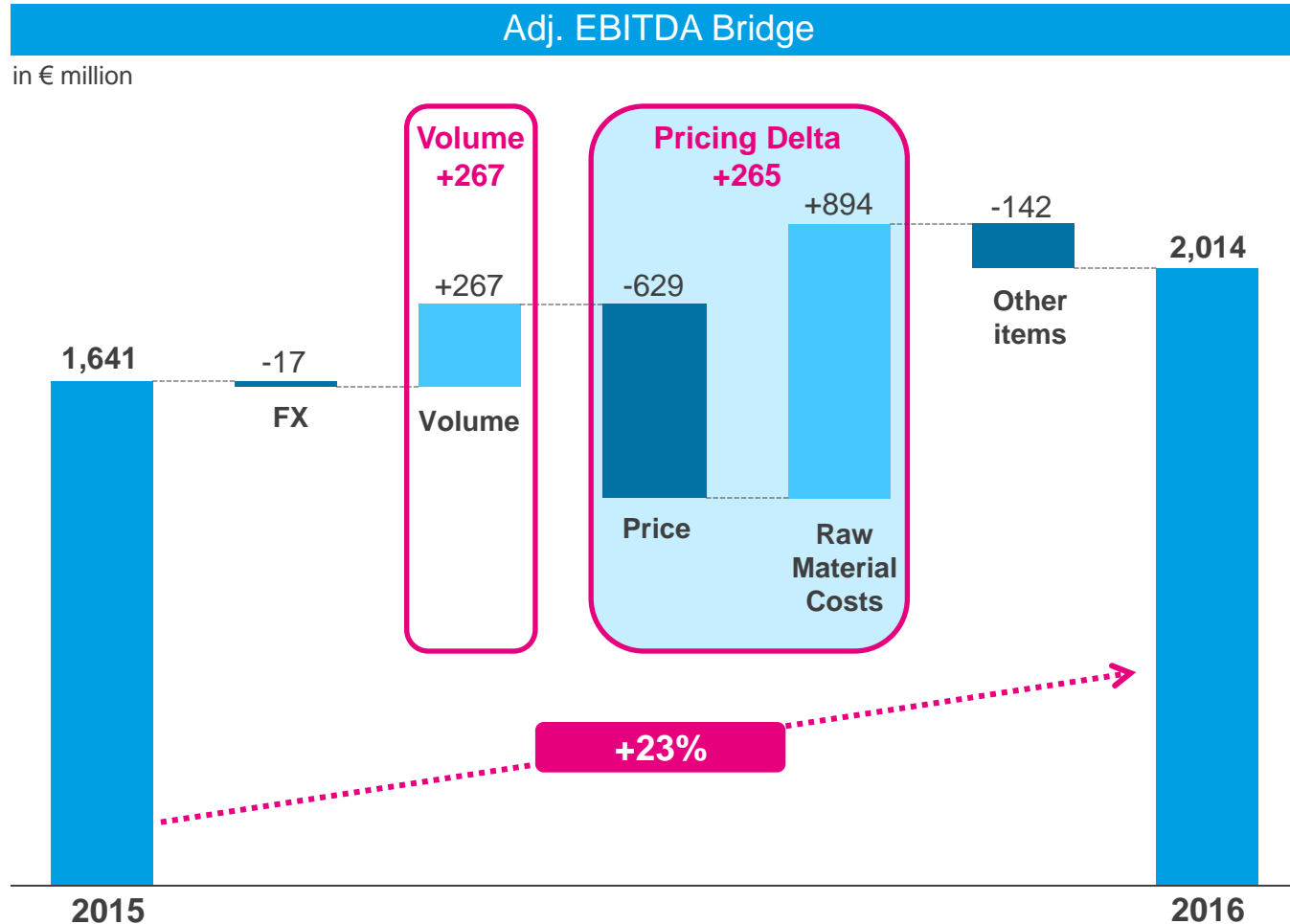
- Higher selling prices positively impacted sales by 4.6% Y/Y

Negative FX effects

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

FY 2016 – Adj. EBITDA Bridge

Increase equally driven by volume leverage and pricing delta



Highlights

Positive volume leverage

- Driven by all segments

Improved cash margin

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

Limited FX effects

- Mainly translational impact

Other items driven by FM & STI

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

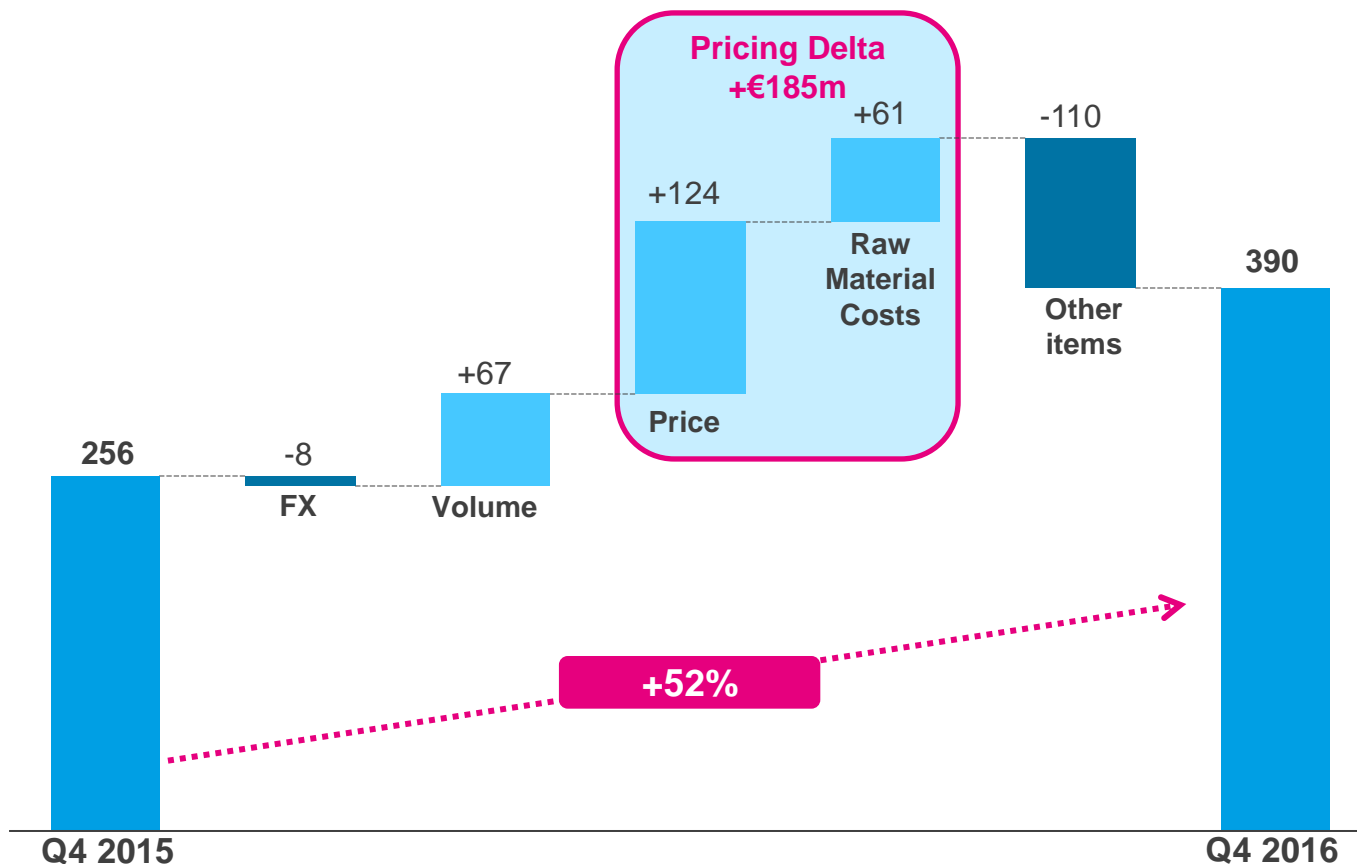
Q4 2016 – Adj. EBITDA Bridge

Limited volume leverage, but strong pricing delta



Adj. EBITDA Bridge

in € million



Highlights

Positive volume leverage

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

Improving cash margin

- Positive pricing delta mainly driven by MDI & TDI

Limited FX effects

- Mainly translational impact

Other items higher than usual

- Partly force majeure related costs

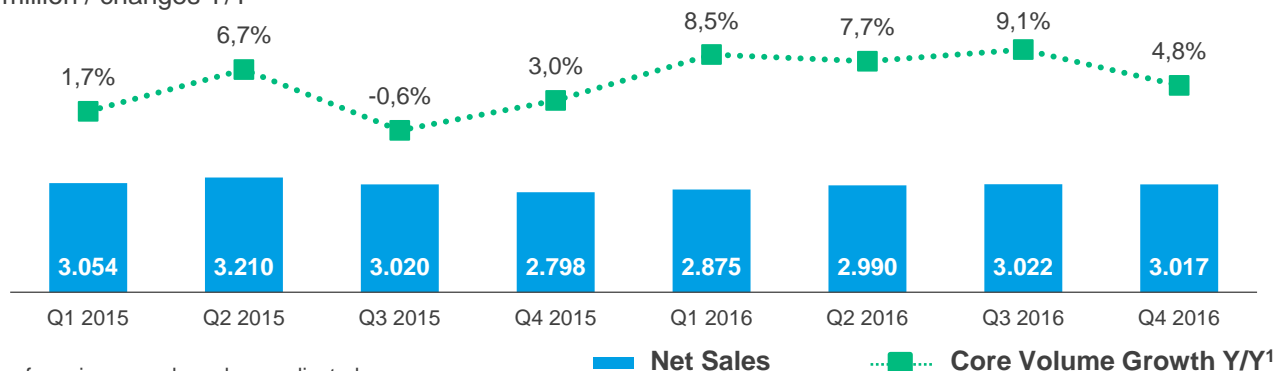
Q4 & FY 2016 – Group Results



Continued margin expansion

Net Sales and Core Volume Growth

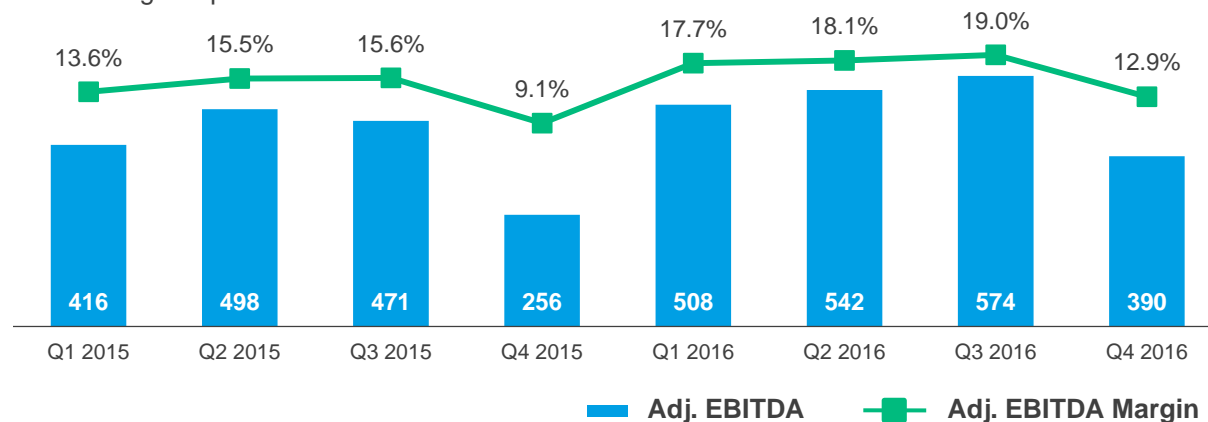
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Highlights

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

Highlights

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

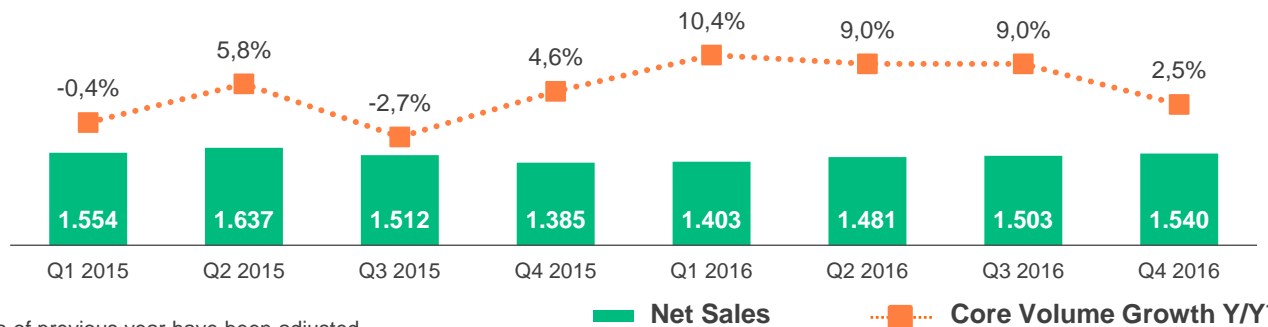
Q4 & FY 2016 – Results of PUR Segment

Polyurethanes – Solid development



Net Sales and Core Volume Growth

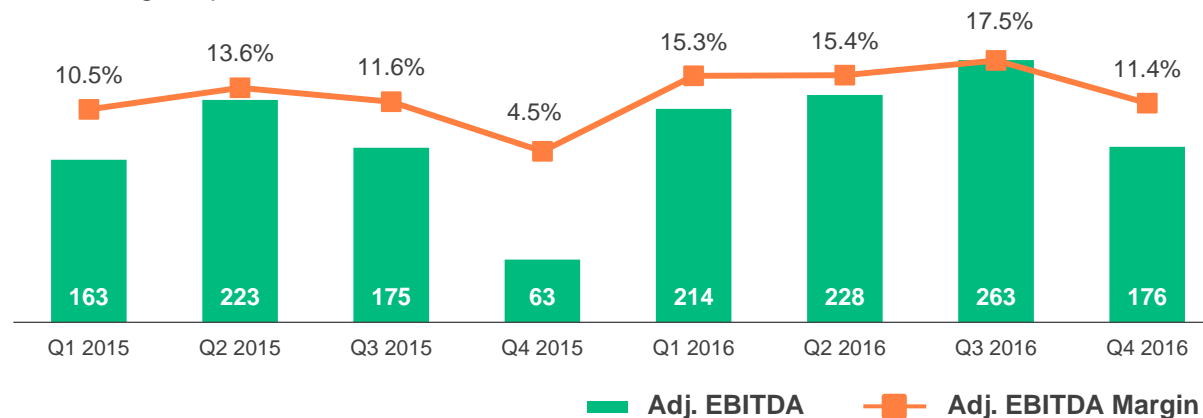
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Highlights FY 2016

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

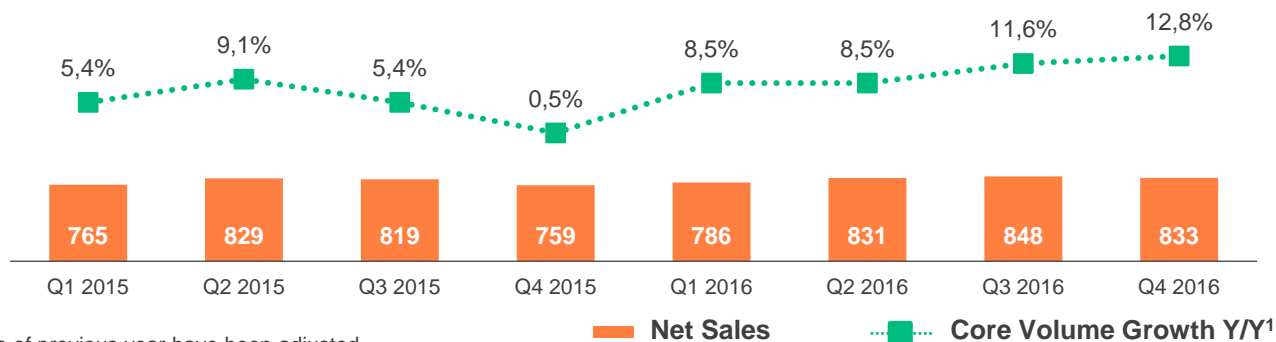
Q4 & FY 2016 – Results of PCS Segment

Polycarbonates – Steady high margin business



Net Sales and Core Volume Growth

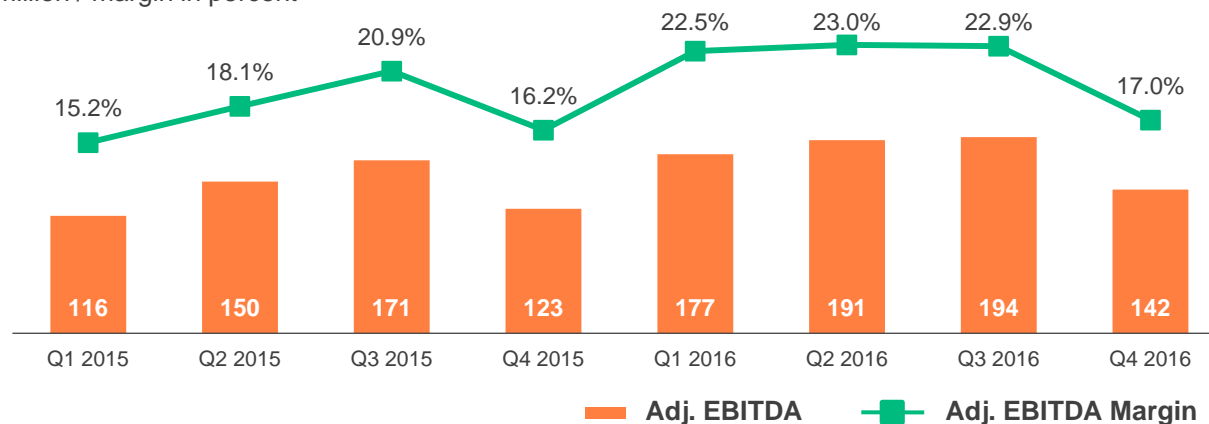
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Highlights FY 2016

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

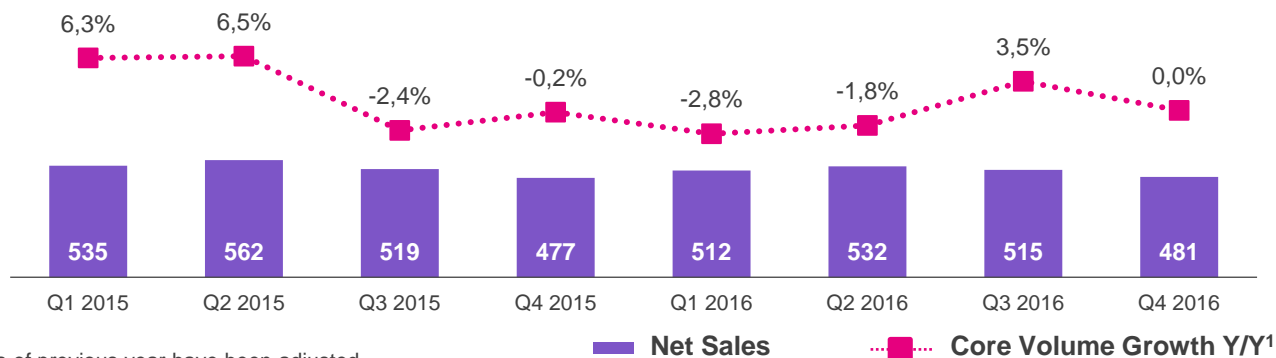
Q4 & FY 2016 – Results of CAS Segment

Coatings, Adhesives, Specialties – Solid results



Net Sales and Core Volume Growth

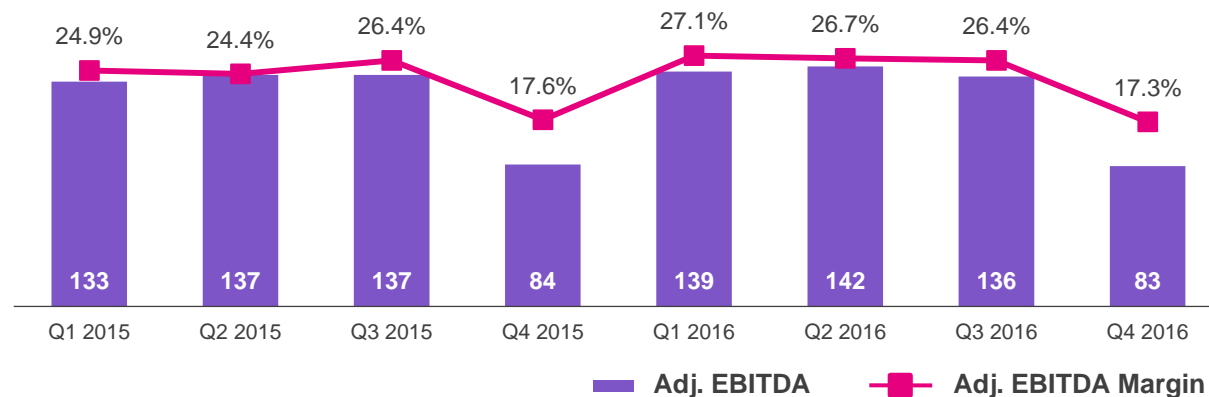
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Highlights FY 2016

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

Income Statement FY 2016

Profit and loss statement



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

Highlights

No special items in 2016

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

Adj. SG&A increase driven by STI

- Significantly higher bonus provisions due to strong operational performance

Other operating income & other financials

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

EPS increased by 132% Y/Y

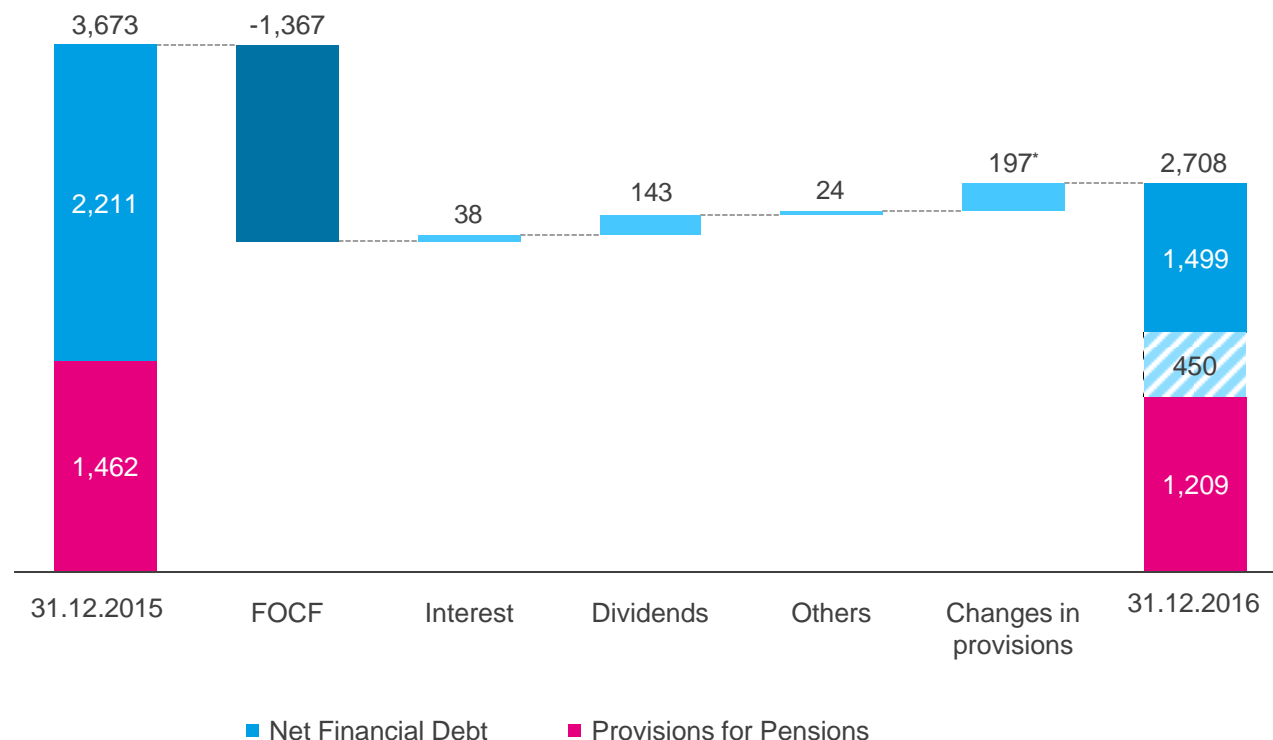
2016 – Total Net Debt

Total net debt reduced by almost €1bn



Total net debt – end of 2016

in € million



Highlights

Net debt target achieved

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

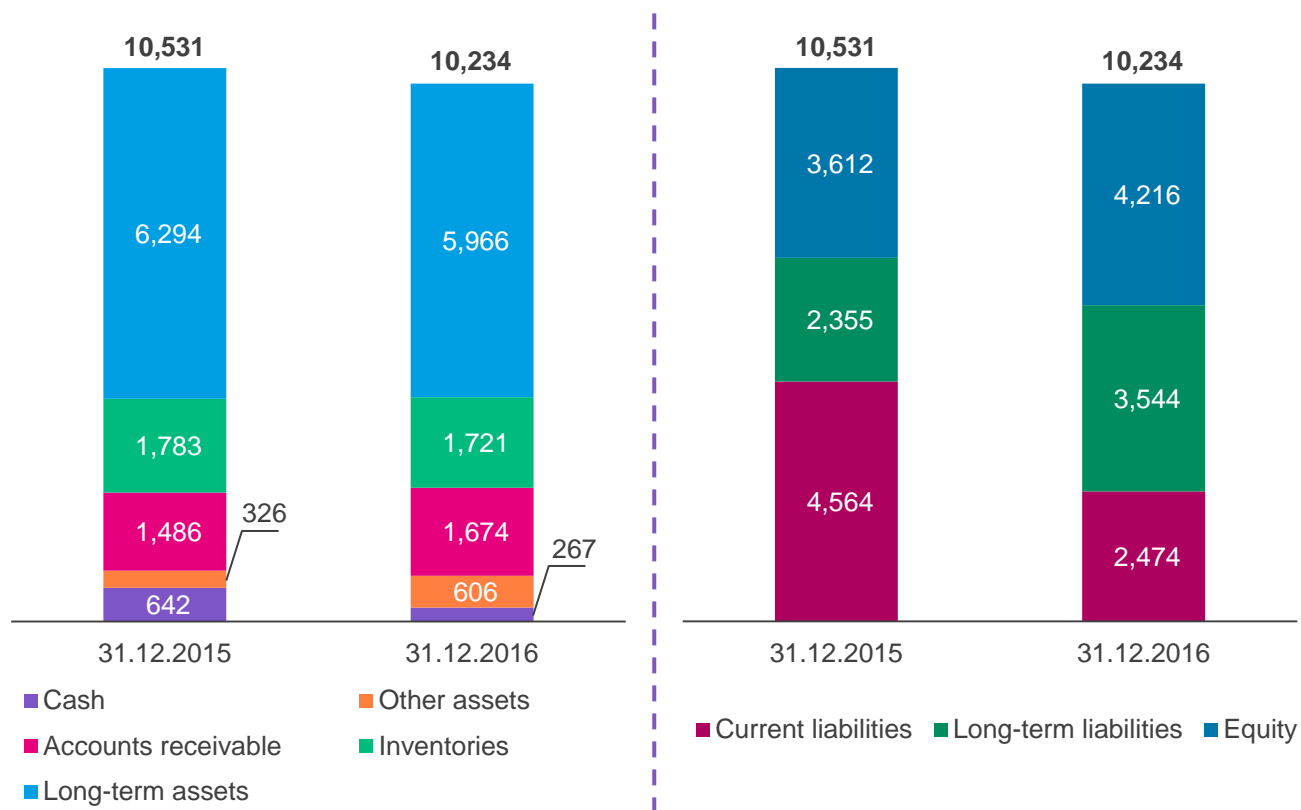
Balance sheet FY 2016

Strong balance sheet and solid equity ratio



Statement of financial position

in € million



Highlights

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

Guidance 2017

Continue to deliver



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

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

Upcoming IR Events

Find more information on investor.covestro.com



Reporting dates

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

Annual General Meeting

- May 3, 2017 Annual Stockholders' Meeting, Bonn

Broker conferences

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

Capital Markets Day

- June 29, 2017 Covestro Capital Markets Day, London



Disclaimer

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

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