



Structural growth above GDP

Roadshow Presentation

Forward-looking statements



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

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

Covestro assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.



Covestro key investment highlights

Global leader in high-tech material solutions

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

Headed by experienced management with full commitment to value creation

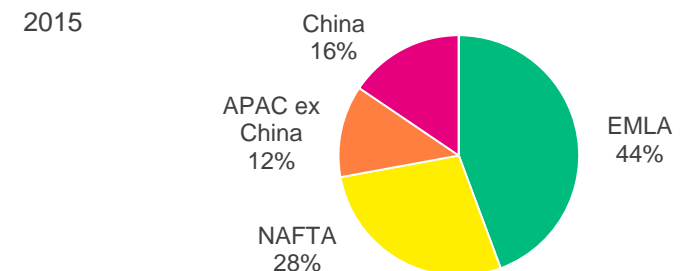
Covestro at a glance



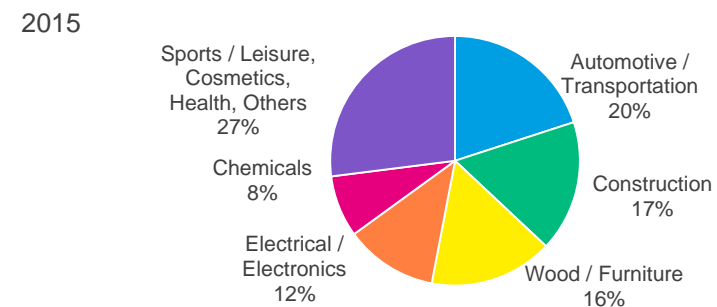
Inventor and leader in high-tech material solutions driven by global trends

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

Sales split by geography(b)



Sales split by end-market



**Covestro
key financials**

**Sales
2015 €12.1bn**



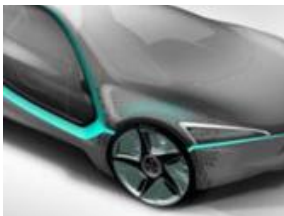



**Adj. EBITDA
2015 €1.6bn**

**Adj. EBITDA margin
2015 13.6%**

Covestro business units



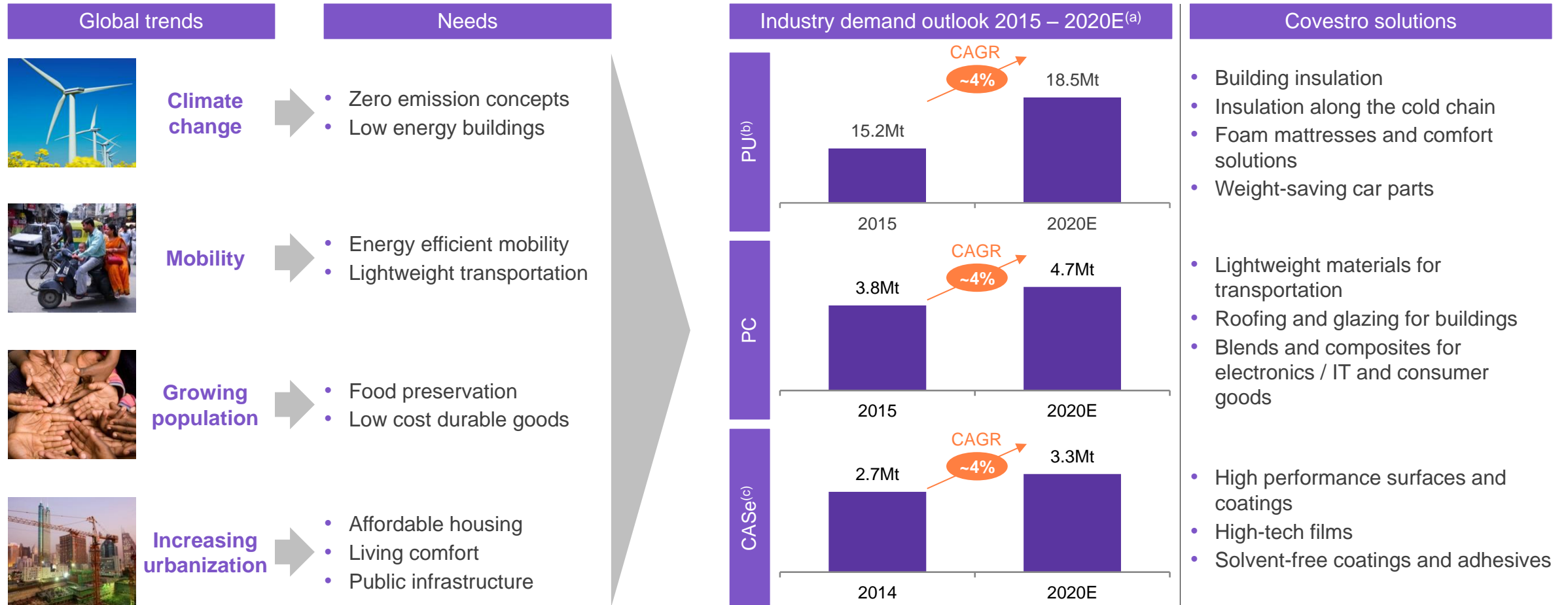
Three industry-leading, structurally attractive business units

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

Exposure to fundamental macro trends



Above GDP industry growth supported by global trends

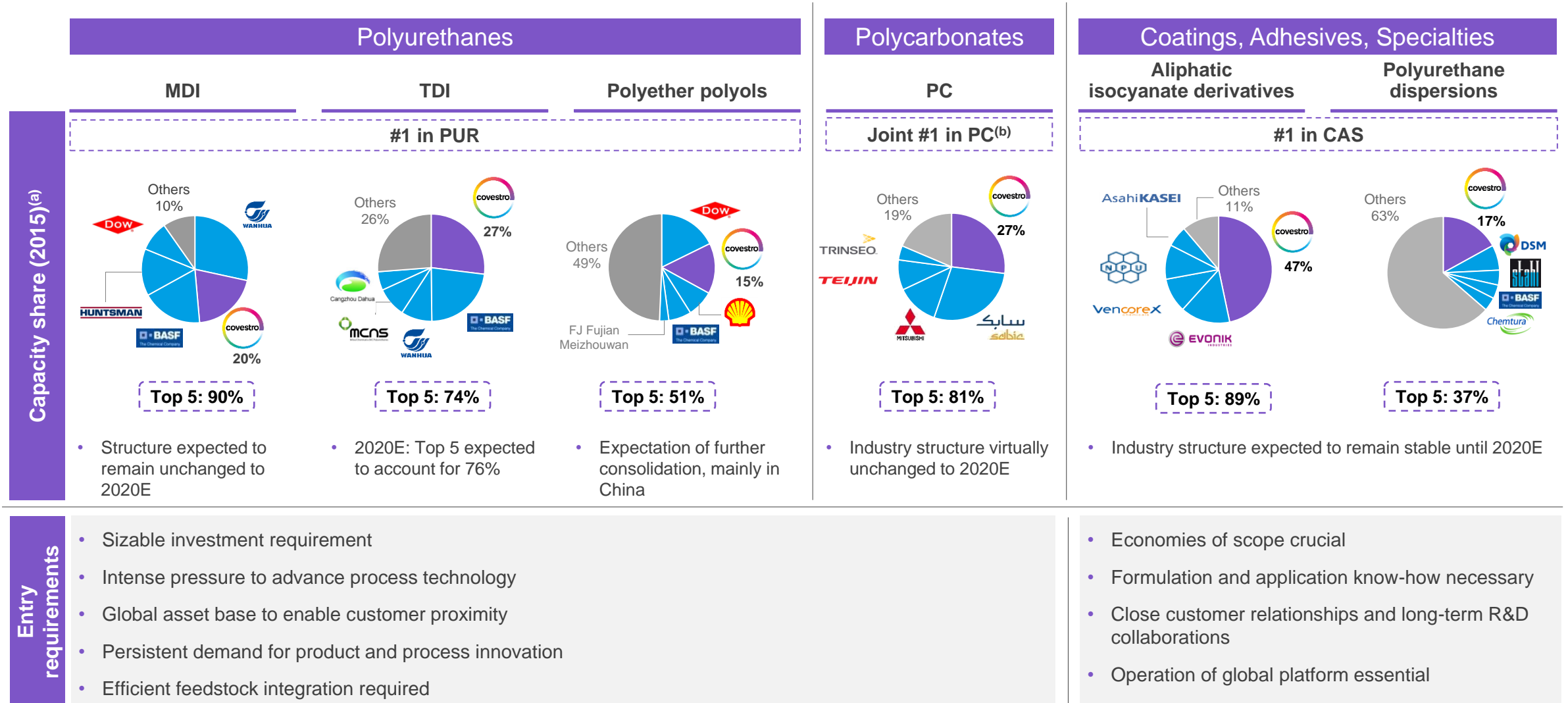


Notes: (a) Assumes global GDP CAGR 2015 – 2020E of ~3%
 (b) Comprises MDI, TDI and polyether polyols
 (c) Shows PU raw materials industry demand in coatings, adhesives and sealants
 Source: Company information. CAsE market: Orr & Boss 2014 & Covestro internal estimates with annual growth of 4% for 2015

Global industry positions

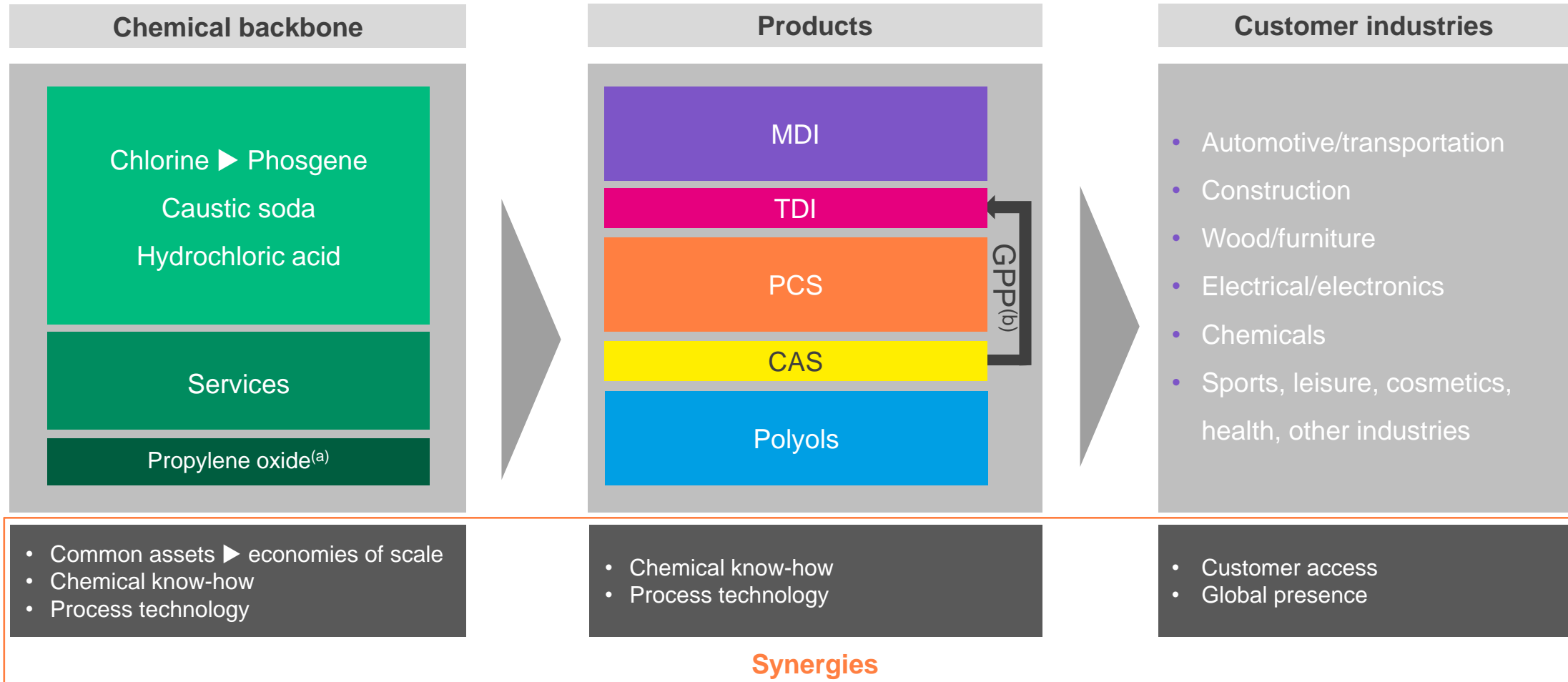


Covestro is a leader across its entire portfolio



A common chemical backbone across all segments

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



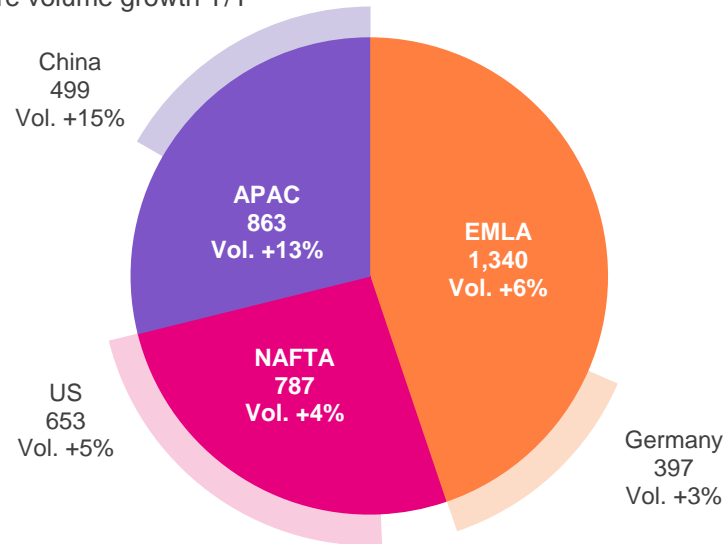
Q2 2016 and 6M 2016 – Sales per Region



Above-GDP volume growth in all regions

Solid growth in Q2 2016

in € million / Core volume growth Y/Y

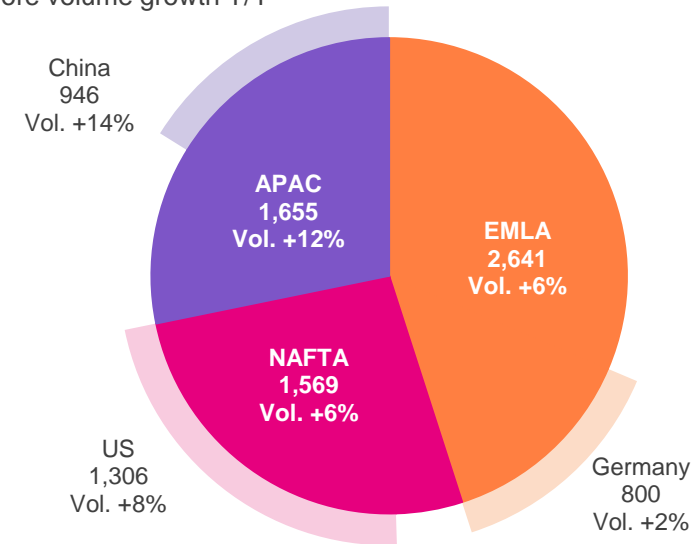


Q2 2016 Highlights

- Strong core volume growth of 7.7% Y/Y
- APAC and China with double-digit growth
- Growth accelerated in Germany
- US and NAFTA with slower sequential growth due to high comparison basis

Solid growth in 6M 2016

in € million / Core volume growth Y/Y



6M 2016 Highlights

- Strong core volume growth of 8.1% Y/Y
- China remains a high growth market with 14% Y/Y
- Significant core volume growth in the US with 8% Y/Y
- Solid growth in EMLA

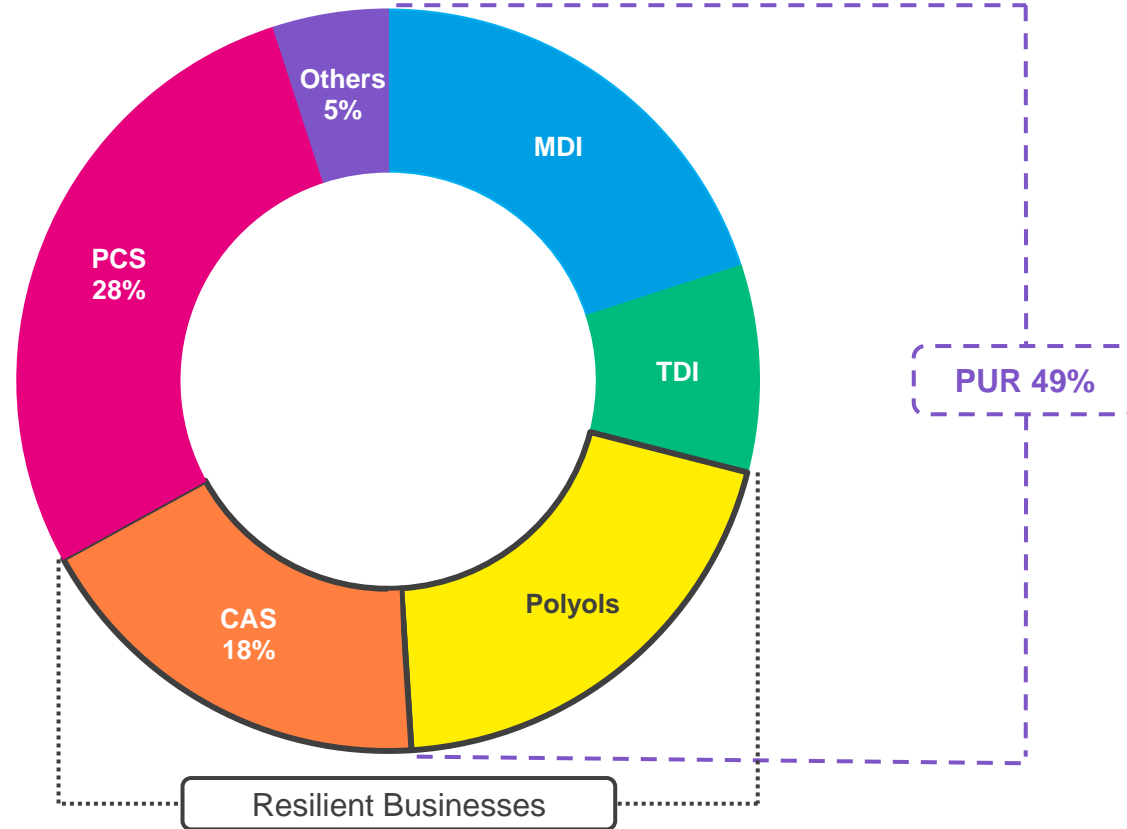
6M 2016 – Sales by Segments



Significant proportion generated with resilient businesses

Sales by Segments

% of group sales



Highlights

Resilient businesses

- CAS: proven low volatility
- Polyols: structurally low volatility

Above mid-cycle margins

- PCS: but still below historical peak margins

Below mid-cycle margins

- MDI: challenged by new capacities in the industry

Bumping along the bottom of the cycle

- TDI: global industry overcapacities but Covestro with leading cost position

CAS at a glance



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

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



6+
Monomers

2,300+
Products

4,300+
Customers^(b)



#1
Producer of aliphatic isocyanates^(a)

€2.1bn
Sales 2015

23.5%
Adj. EBITDA margin
2015

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

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

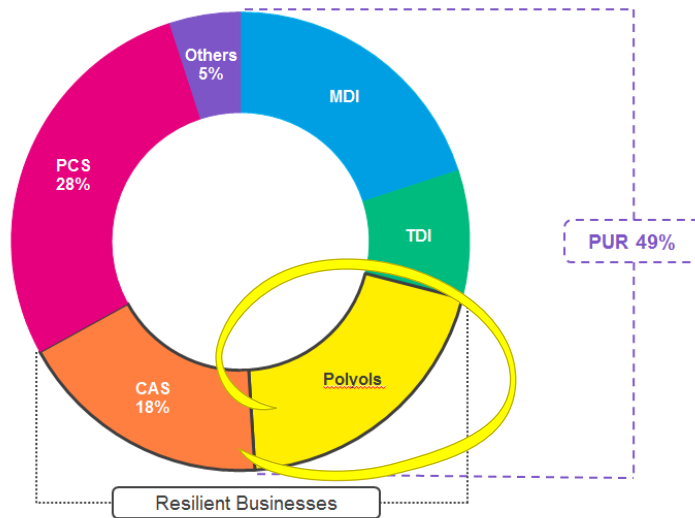


Polyols industry spreads

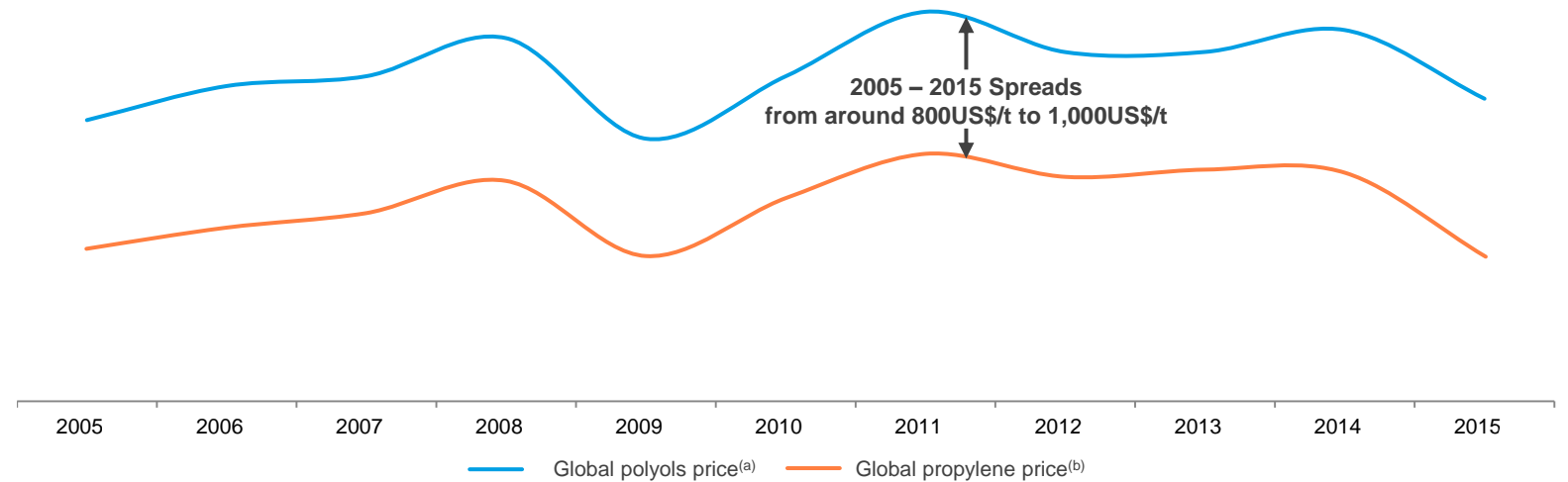


Polyether polyols demonstrate inherently stable margins

Resilience of polyether polyols business also confirmed in 2015



Global average price (US\$/t)



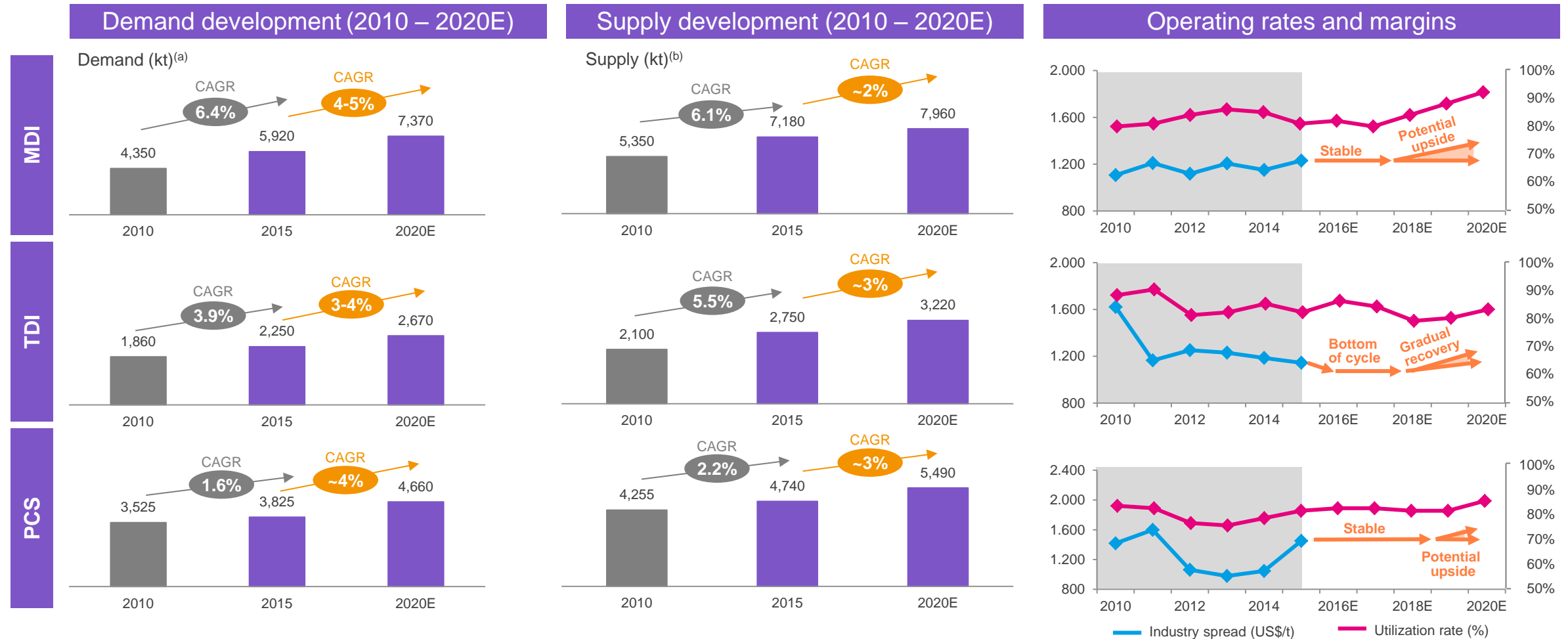
- Non-integrated polyether polyols producers with limited competitiveness
- Single capacity addition with little influence on supply/demand dynamics
- Specific entry requirements for new players, e.g. CapEx and technology

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

Industry historical development and outlook



Above GDP growth driving industry capacity utilization and supporting higher margins

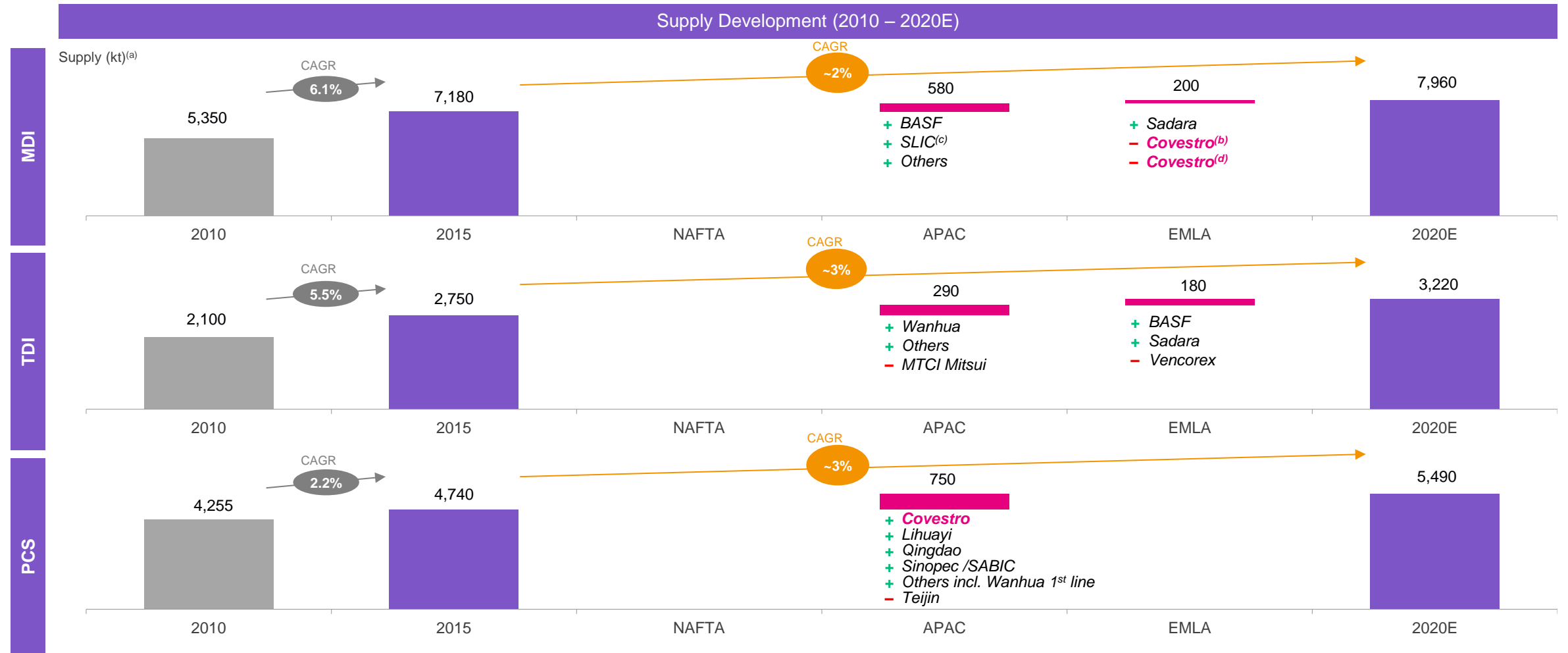


Notes: (a) Assumes global GDP CAGR 2015 – 2020E of ~3%
 (b) Based on historical and announced future nameplate capacities
 Source: Nexant and Covestro internal estimates

Industry supply development



Favorable industry supply outlook



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

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

Source: Nexant and Covestro internal estimates

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

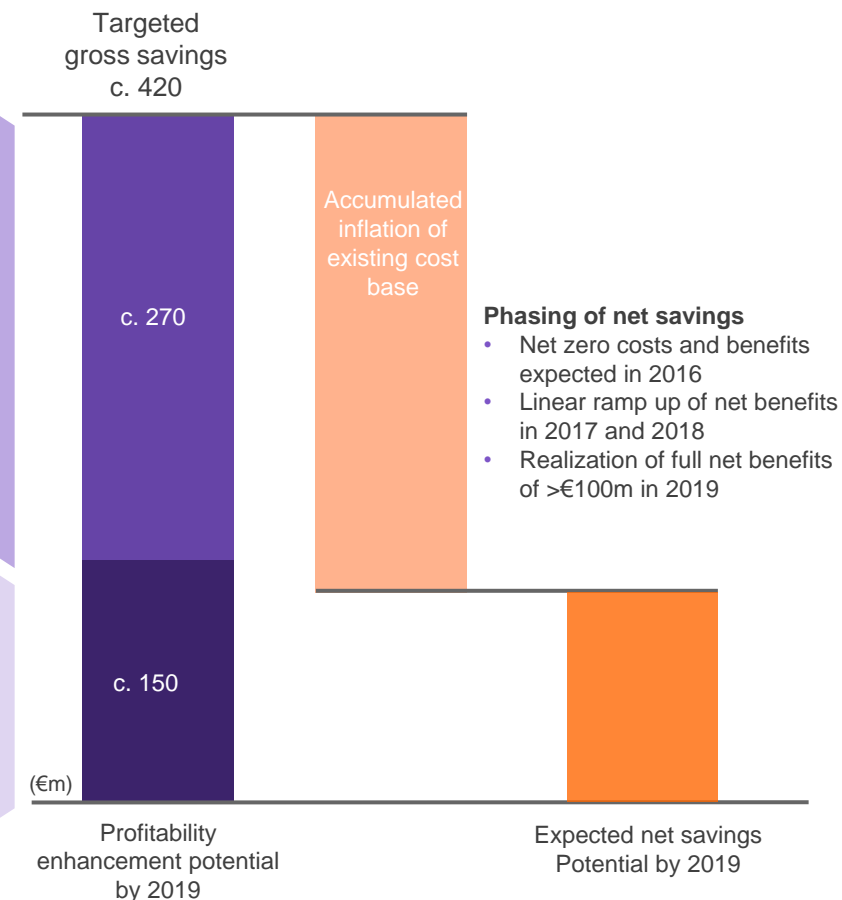
(d) Announced closure of 170kt p.a. Tarragona, Spain, facility

Structured profitability enhancement program on track



Net saving expected to start ramping up in 2017

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

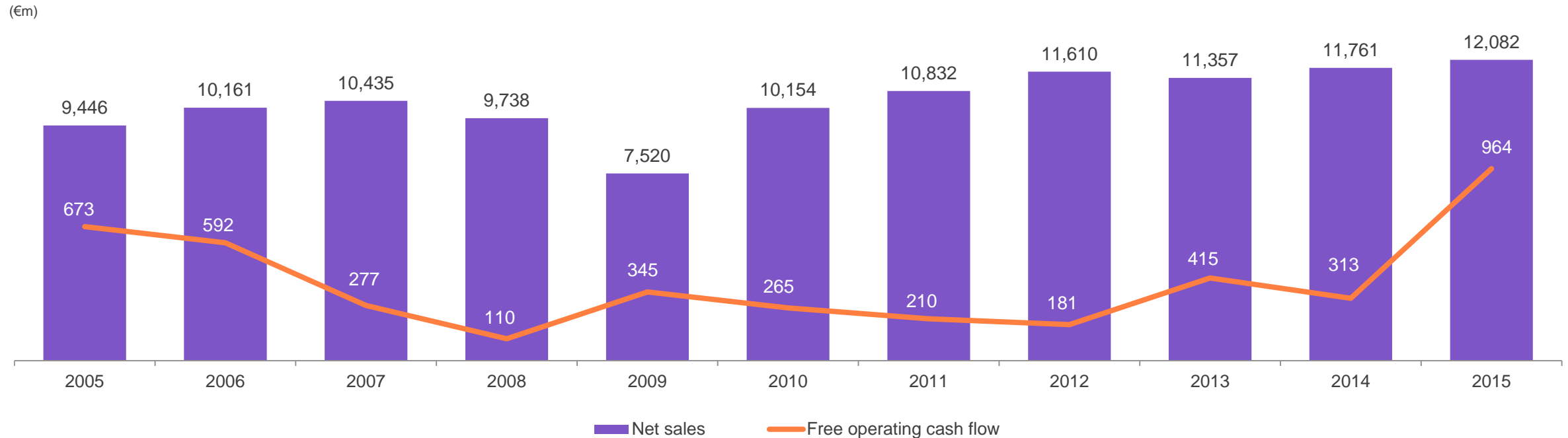


Record free operating cash flow in 2015



Track record of positive FOCF across the cycle

Covestro net sales vs. FOCF (2005 –2015)



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

Use of cash reflects strong cash generation



Internal



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

Dividend policy



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

Portfolio



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



Covestro strategy

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

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

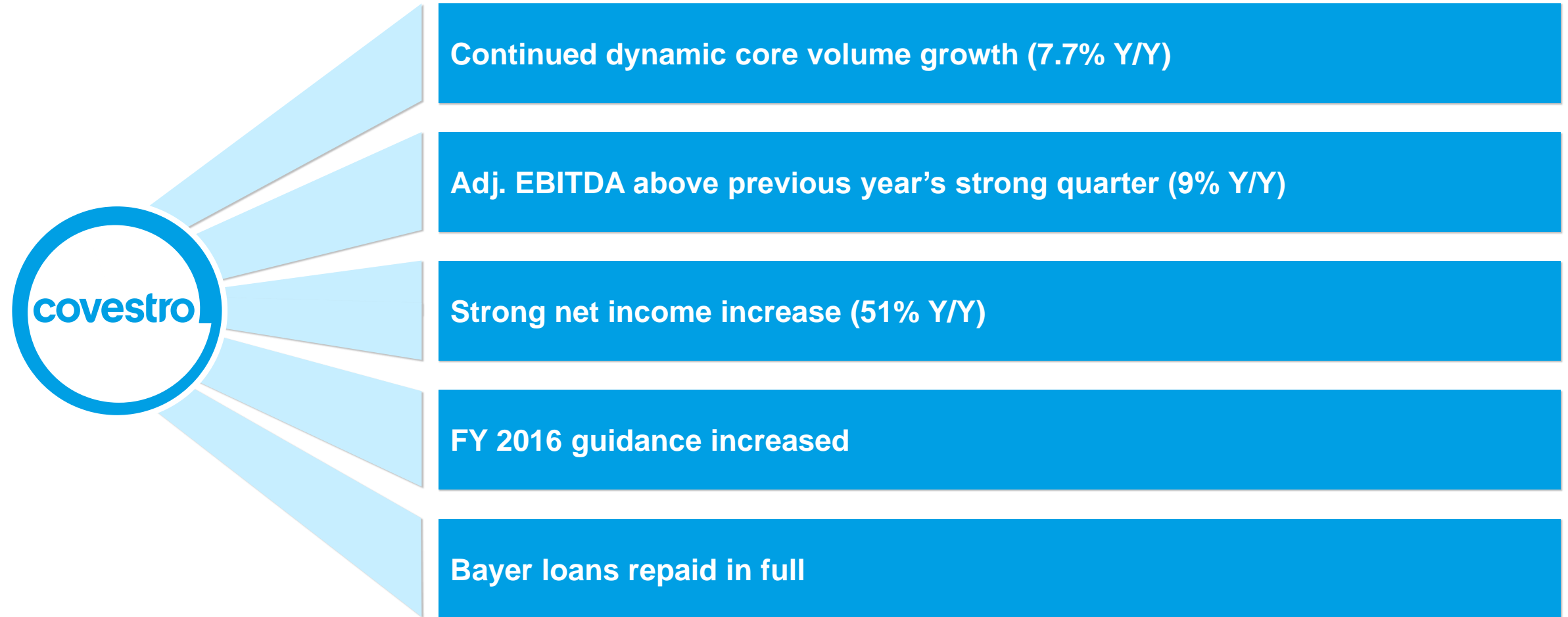


Financial Highlights

Q2 2016

Q2 2016 Key Highlights

Structural growth above GDP



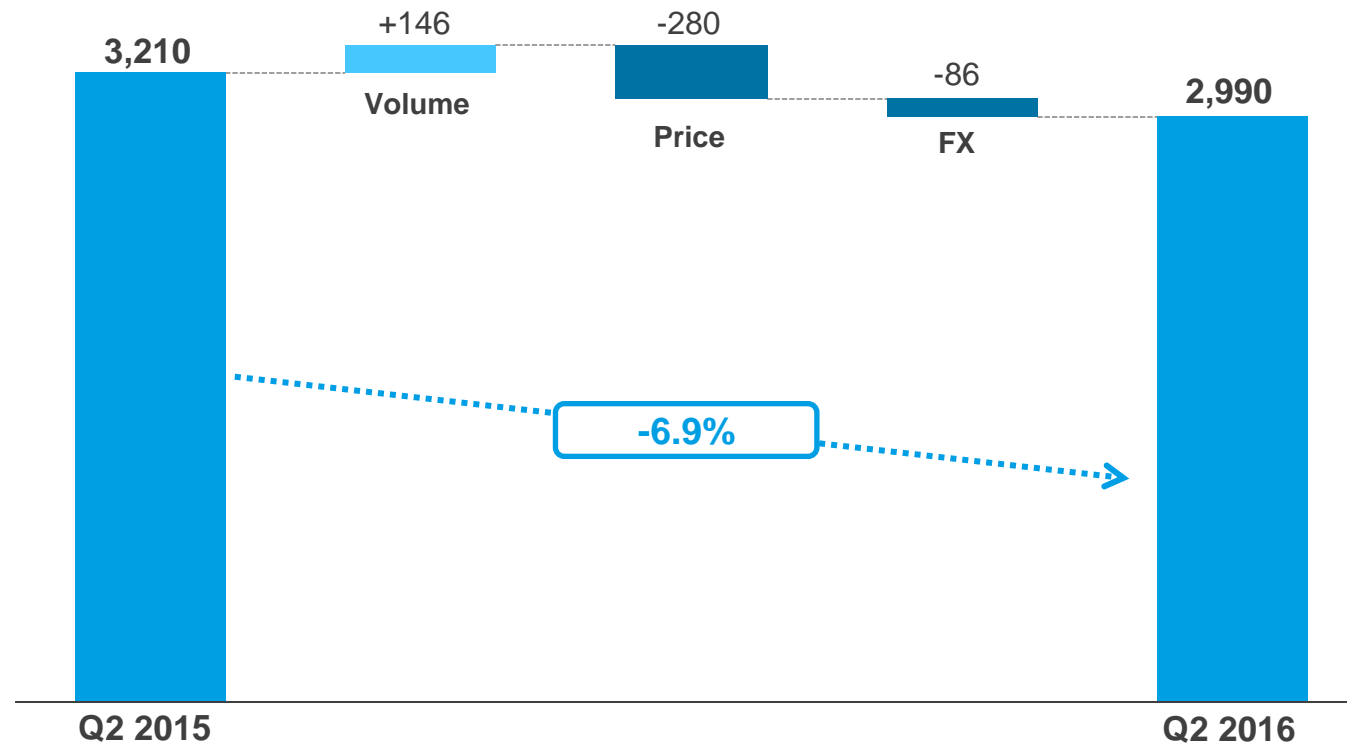
Q2 2016 – Sales Bridge

Dynamic volume growth



Sales Bridge

in € million



Highlights

Dynamic volume development

- Core volume growth (in kt) of 7.7% Y/Y
- Sales volumes (in €) expansion of 4.5% Y/Y diminished by declining volumes in non-core products

Price decline mainly driven by lower raw material prices

- Lower selling prices negatively impacted sales by 8.7% Y/Y

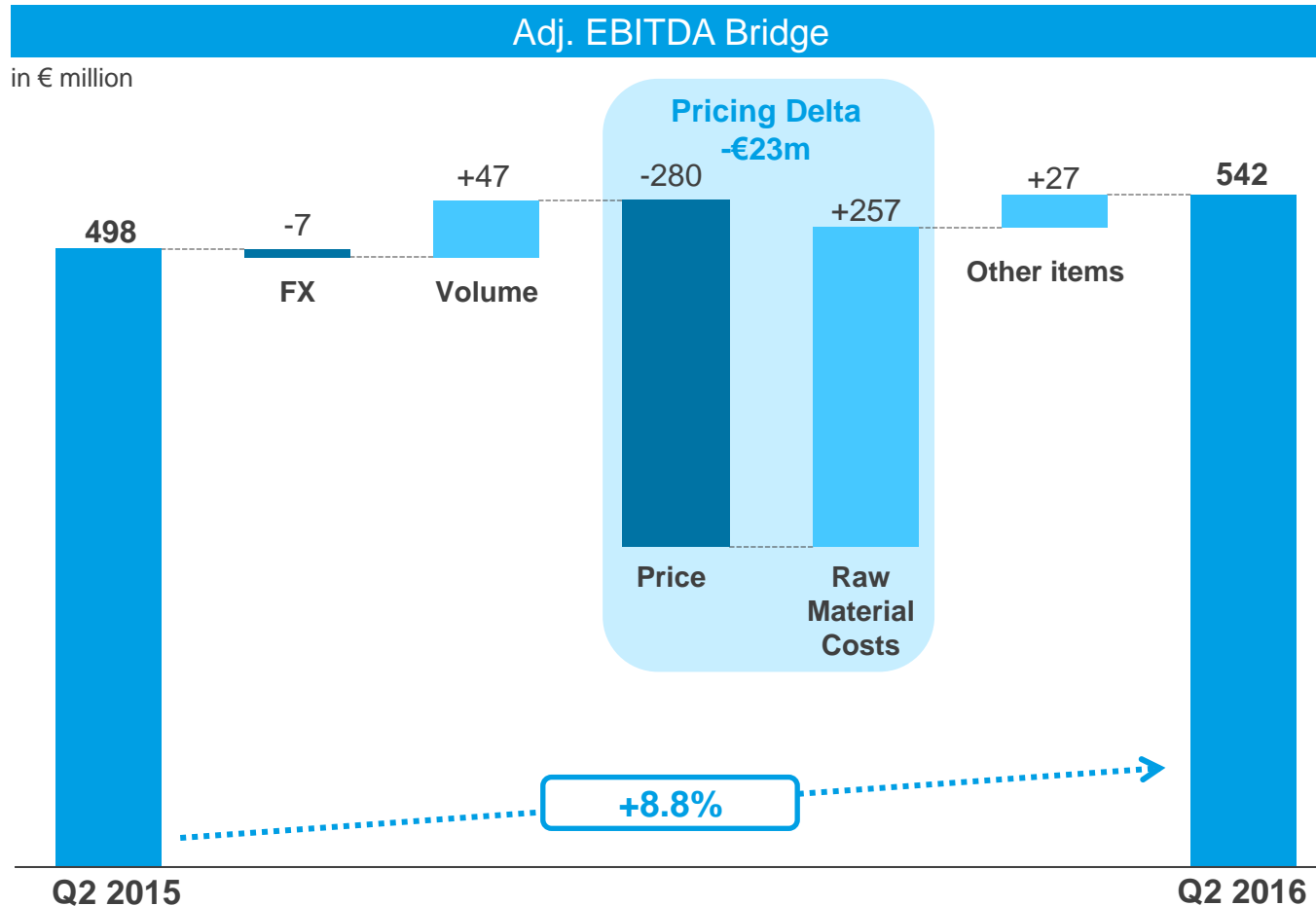
Negative FX effects

- FX effects burdened sales by 2.7% Y/Y mainly due to weaker CNY, MXN and BRL

Q2 2016 – Adj. EBITDA Bridge



Positive volume leverage



Highlights

Positive volume leverage

- Mainly driven by MDI and PCS

Slightly declining cash margin

- Mainly driven by non-core products

Other items:

- Mainly driven by lower maintenance costs

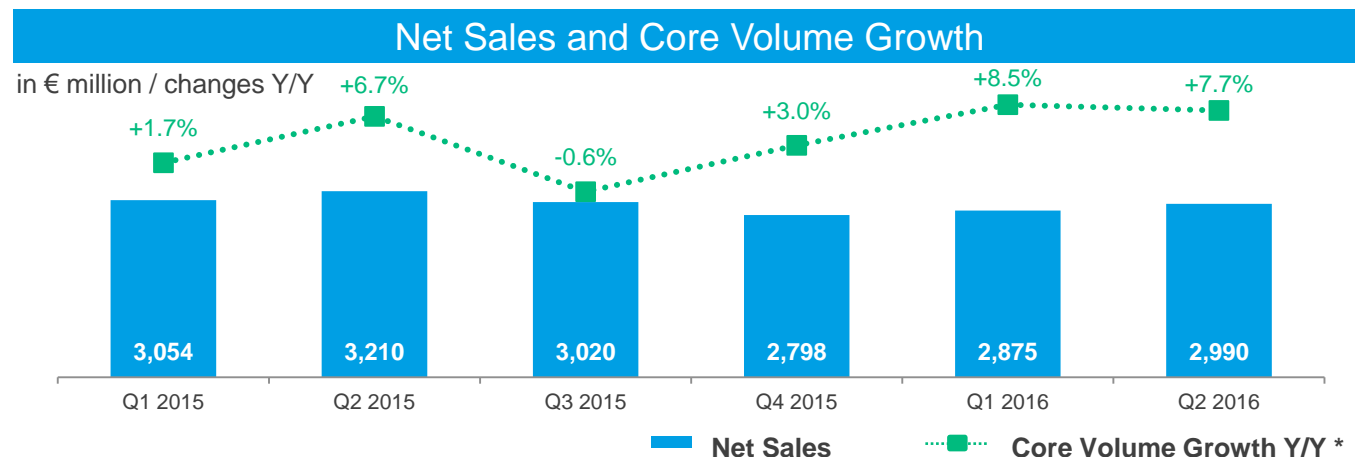
Limited FX effects

- Mainly translational impact

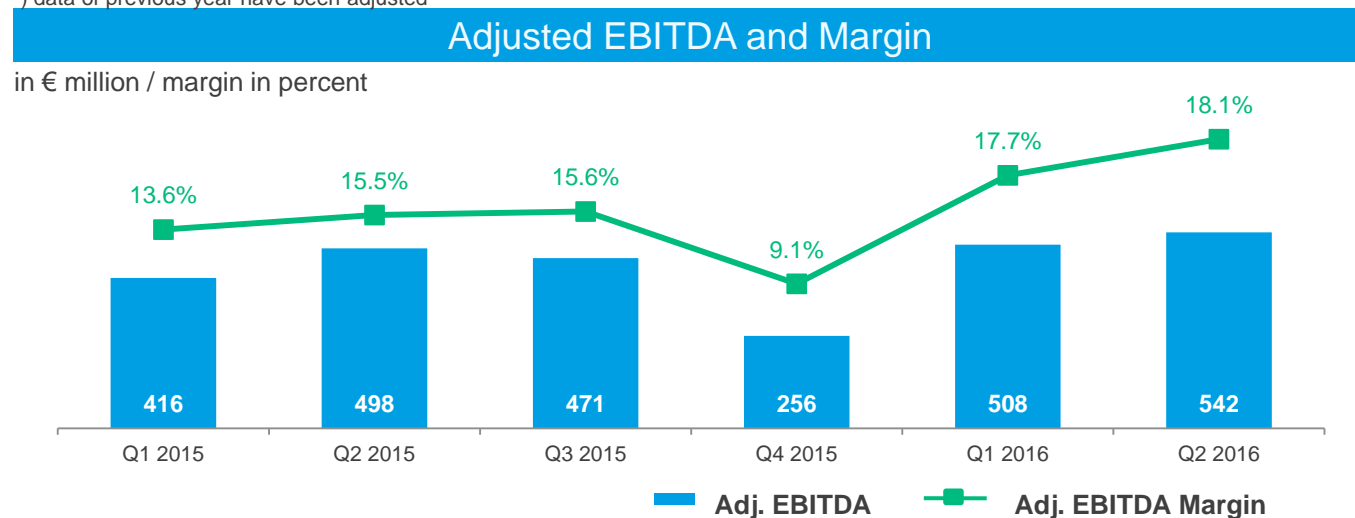
Q2 2016 – Group Results



Continued margin expansion



*) data of previous year have been adjusted



Q2 2016 Highlights

- Dynamic core volume growth of 7.7% Y/Y driven by PUR and PCS, despite a high prior year comparison basis
- Sales decreased by 6.9% Y/Y mainly reflecting the lower raw material prices

Q2 2016 Highlights

- Adj. EBITDA margin significantly improved to 18.1% due to positive volume leverage
- Adj. EBITDA increased each quarter Y/Y in the last six quarters

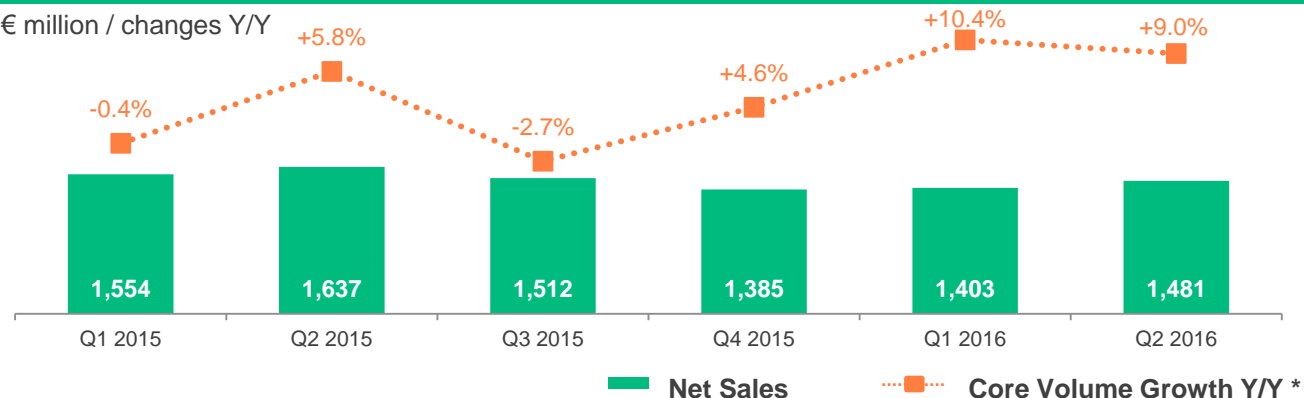
Q2 2016 – Results of PUR Segment

Polyurethanes – Solid development



Net Sales and Core Volume Growth

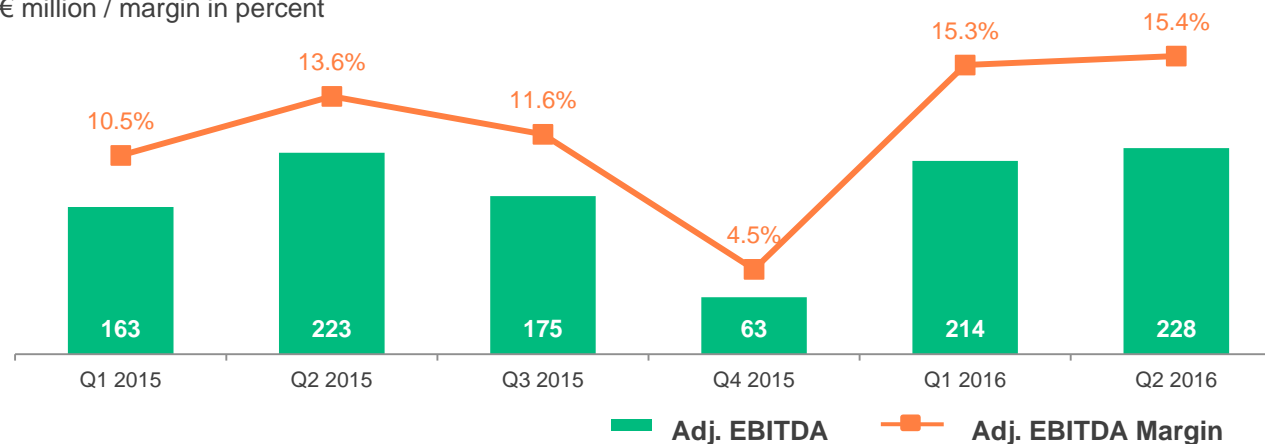
in € million / changes Y/Y



*) data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q2 2016 Highlights

- Core volume growth of 9.0% Y/Y mainly driven by MDI and TDI
- Selling prices declined by 13.1%

Q2 2016 Highlights

- Adj. EBITDA margin increased due to positive volume leverage
- Profitable growth in core volumes were diminished by lower earnings in non-core products

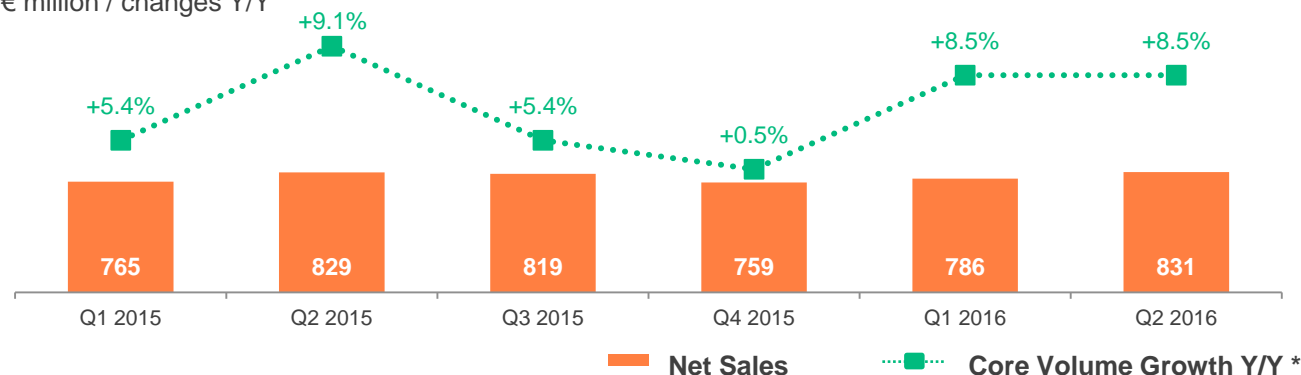
Q2 2016 – Results of PCS Segment



Polycarbonates – Strong results

Net Sales and Core Volume Growth

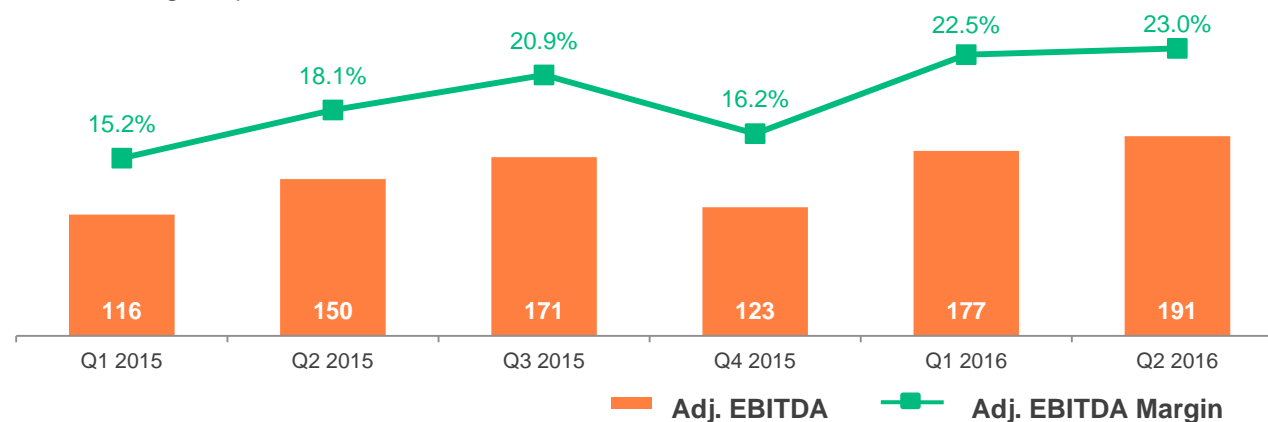
in € million / changes Y/Y



*) data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q2 2016 Highlights

- Broad based dynamic development by regions and industries, with lower volumes in low-margin optical media
- Selling prices declined by 4.3% Y/Y

Q2 2016 Highlights

- Positive volume leverage and product mix effect
- Continuing favorable supply-demand balance

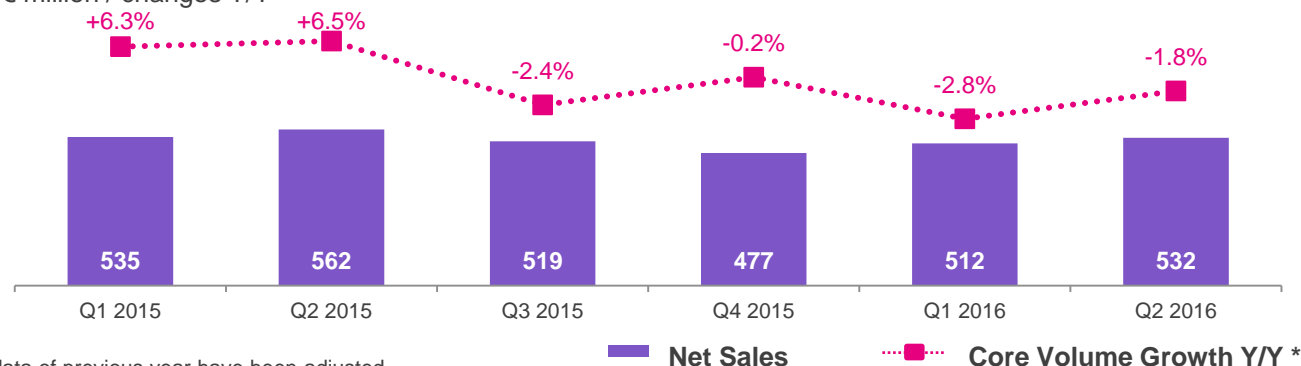
Q2 2016 – Results of CAS Segment

Coatings, Adhesives, Specialties – Record margin



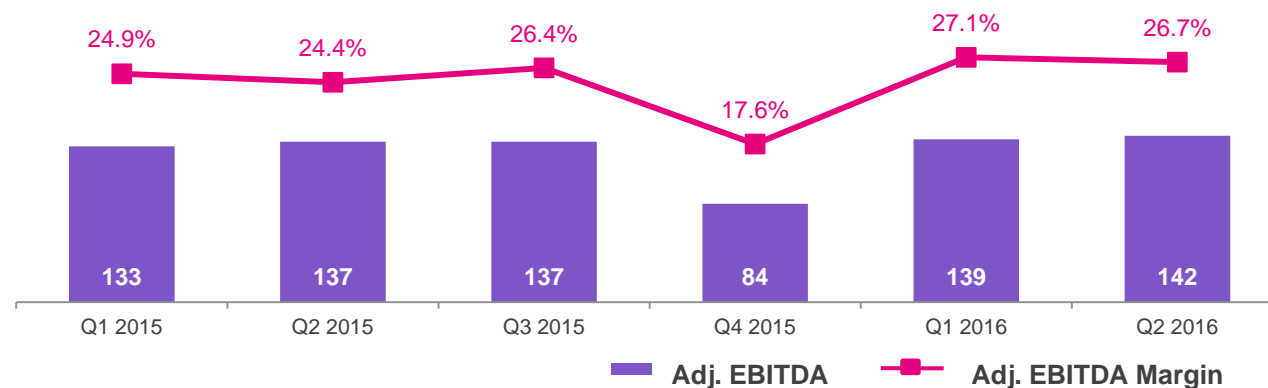
Net Sales and Core Volume Growth

in € million / changes Y/Y



Adjusted EBITDA and Margin

in € million / margin in percent



Q2 2016 Highlights

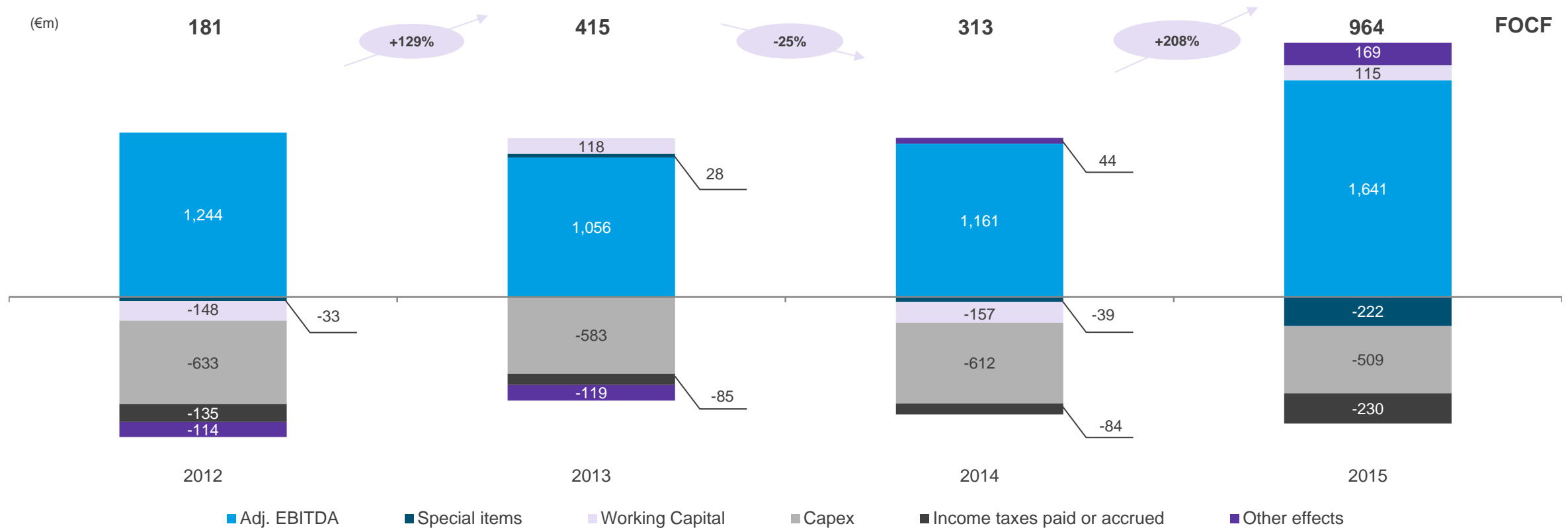
- Phase out of trading product burdened core volume growth; underlying business of CAS delivered a low single-digit growth
- Relative growth was burdened by a high prior year basis
- Selling prices decreased slightly

Q2 2016 Highlights

- Margin increase mainly driven by lower raw material costs and product mix effect
- Phase out of trading product burdened absolute EBITDA but was slightly margin enhancing

High EBITDA to FOCF conversion rate

Free operating cash flow development 2012-2015



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

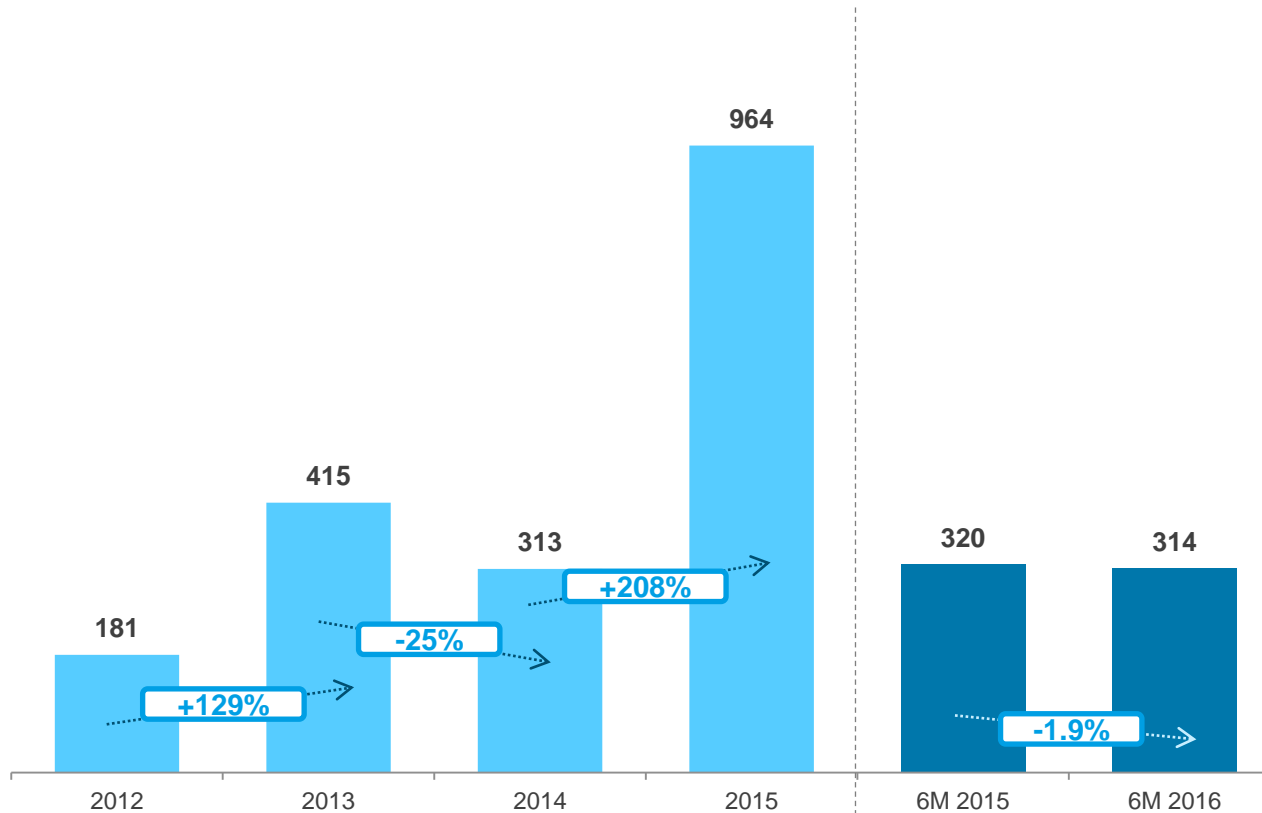
6M 2016 – Free Operating Cash Flow

Stable FOCF



Free Operating Cash Flow

in € million



6M 2016 Highlights

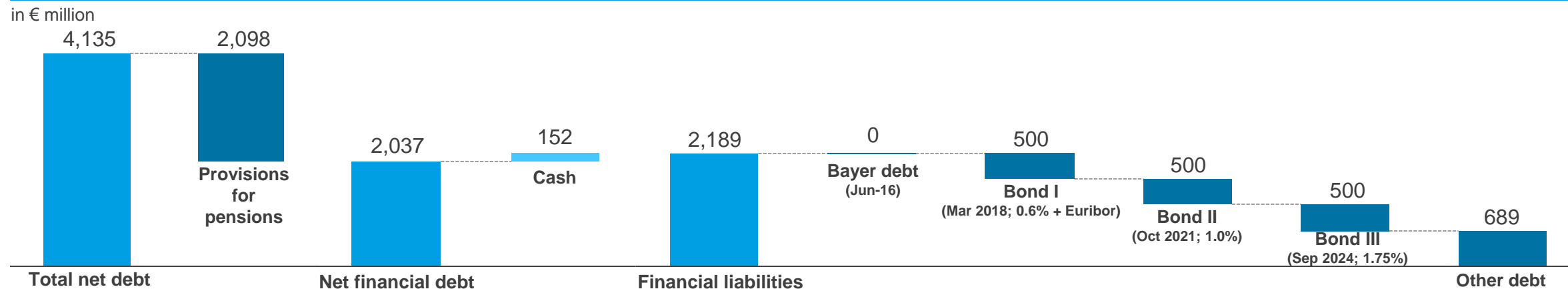
- Dynamic business growth led to higher working capital needs
- Solid increase of EBITDA triggered higher cash-out for income taxes
- Operating cash flow further reduced by higher pay-out of personnel provisions
- Lower CapEx due to project phasing

6M 2016 – Financial Debt



Baa2 rating (Moody's) with stable outlook

Financial debt – end of Q2 2016



Highlights

Total net debt up compared to year-end 2015

- Provisions for pensions increased by €636m compared to year-end 2015 due to lower interest rates (German discount rate down from 2.6% to 1.6%); net financial debt decreased by €174m

Significant reduction of financial liabilities

- Repayment of €810m debt to Bayer

Unchanged ambitions for 2016: Further net financial debt reduction and increasing dividend compared to 2015

- Based on our policy with focus on increasing or at least stable dividends

Guidance 2016



On track to deliver

	FY 2015	Old guidance FY 2016	New guidance FY 2016	6M 2016
Core Volume Growth	+2.7%	Mid-single-digit increase Y/Y	Mid- to high-single-digit increase Y/Y	+8.1%
FOCF	€964m	At a high level, above the average for past years	Around last year's level	€314m
ROCE	9.5%	Premium on the cost of capital	Above last year's level	-

Additional Financial Expectations for 2016

Adj. EBITDA	H2-2015: €727m	n.a.	H2-2016: at least on last year's level	€1,050m
D&A	€739m	~€650-700m	~€650-700m	€346m
Special items in EBITDA	€-222m	~€0m	~€0m	€0m
Financial results	€-175m	~€-210m	~€-210m	€-123m
Tax rate	30.3%	~30%	~30%	28.2%
CapEx	€509m	~€500-550m	~€450m	€126m



Q2 2016 – Summary

Covestro fully on track

Strong volume growth in a focused portfolio
despite a challenging market environment

Solid earnings and cash flow generation
supported by a stable demand/supply balance and a focus on profitability

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

Attractive dividend policy
with focus on increasing or at least stable dividends

Solid financial outlook
despite continued limited visibility

Upcoming IR Events



Find more information on investor.covestro.com

Reporting dates

- October 25, 2016 Q3 2016 Interim Report
- February 20, 2017 Annual Report 2016
- April 25, 2017 Q1 2017 Interim Report

Annual General Meeting

- May 3, 2017 Annual Stockholders' Meeting, Bonn

Broker conferences

- September 13, 2016 UBS, Best of Germany Conference, New York
- September 14, 2016 Credit Suisse, Basic Material Conference, New York
- September 15, 2016 UBS Best of Germany One-on-One Conference, Toronto
- September 19-20, 2016 Berenberg & Goldman, German Corporate Conference, Munich
- September 21, 2016 Baader Bank, Baader Investment Conference, Munich
- September 29, 2016 J.P.Morgan Milan Investment Forum, Milan
- November 15-16, 2016 UBS European Conference 2016, London
- December 6-7, 2016 BoAML European Chemicals Conference 2016, London
- June 29, 2017 Covestro Capital Markets Day, London