



Strong free cash flow

Financial Highlights
Q3 2016



Forward-looking statements

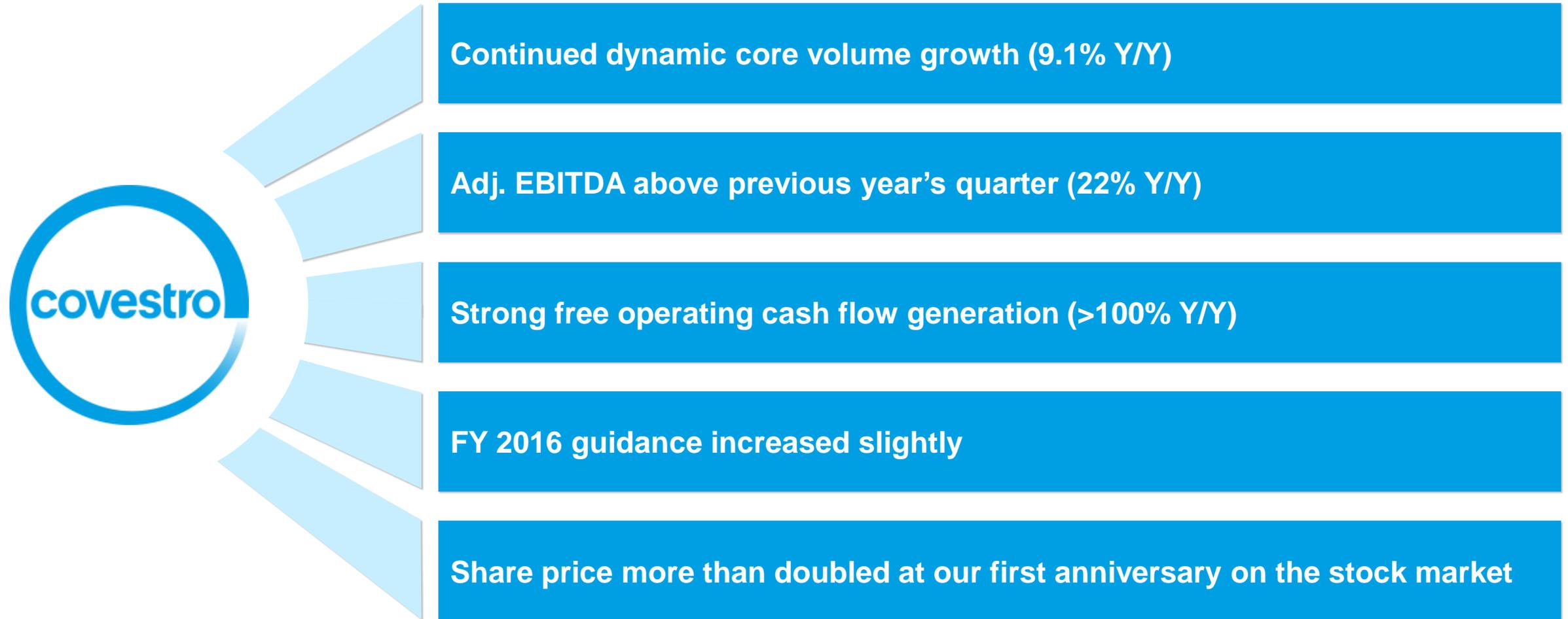
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Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include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

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Q3 2016 Key Highlights

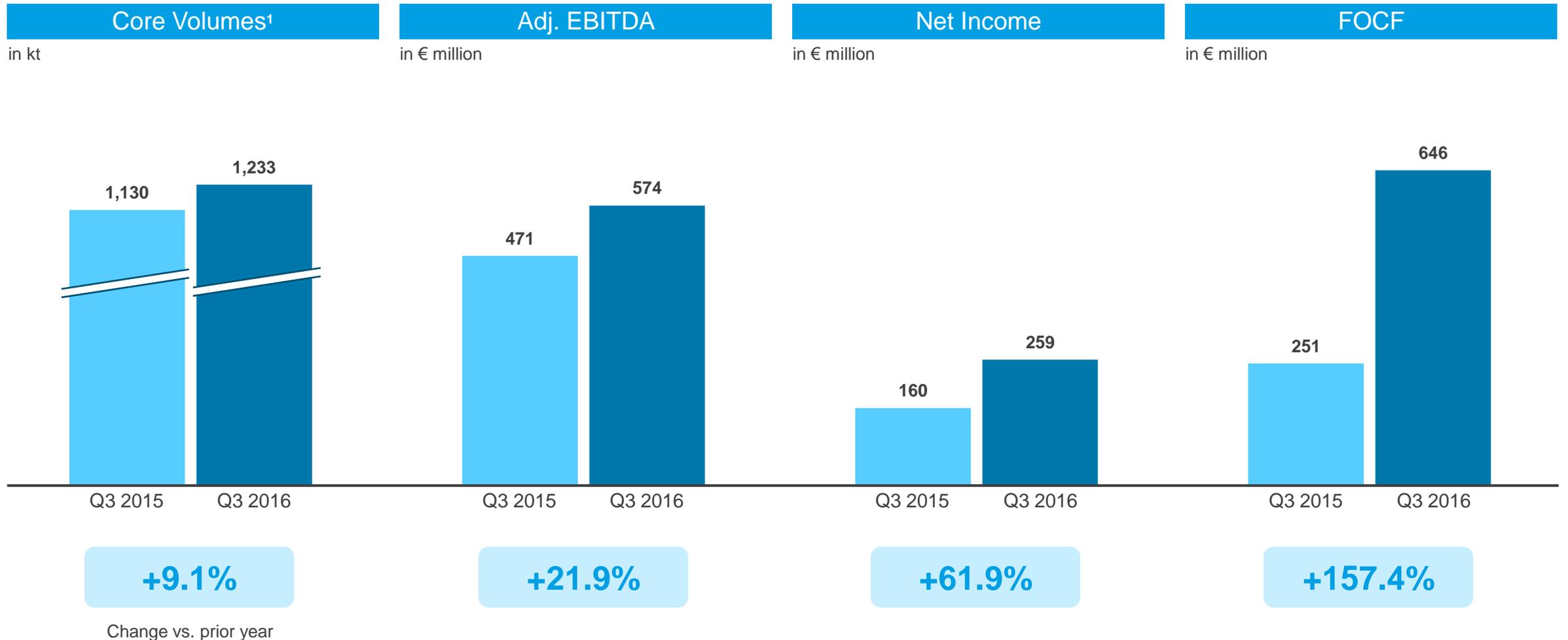
Strong free cash flow



Q3 2016 Sales & Earnings

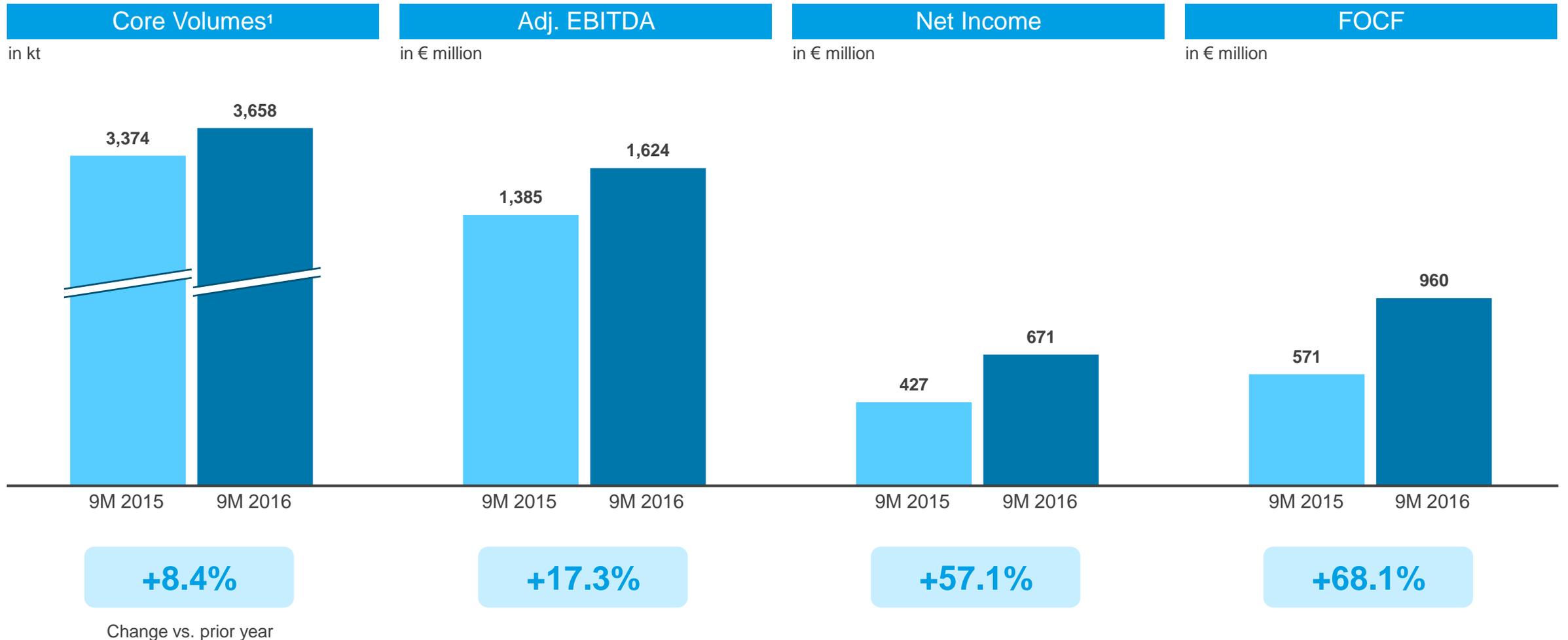


Strong volume growth with significant earnings and FOCF leverage



9M 2016 Sales & Earnings

Reaching FY 2015 levels already after 9M



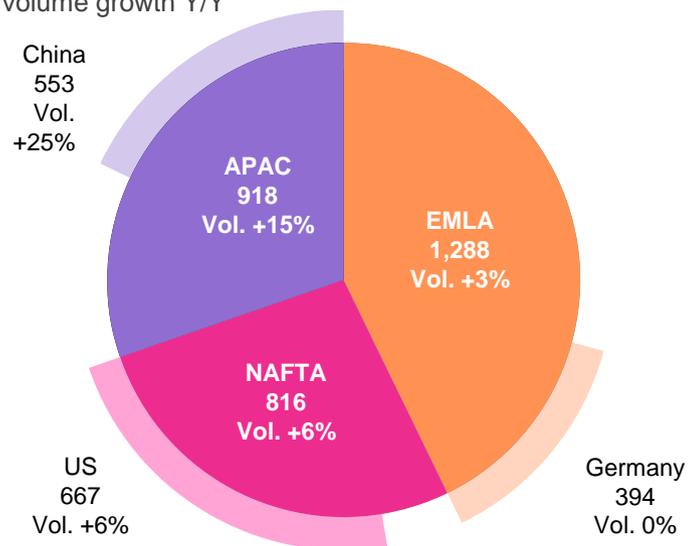
Q3 2016 and 9M 2016 – Sales per Region



Strong rebound in China

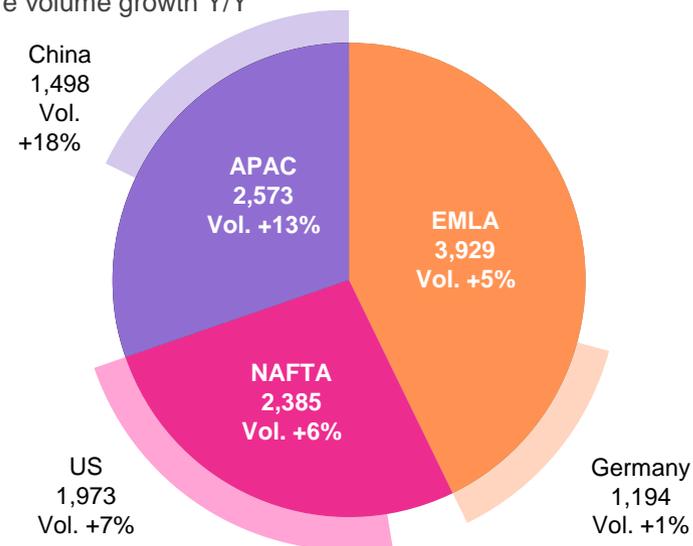
Growth significantly above GDP in Q3 2016

in € million / Core volume growth Y/Y



Strong growth in 9M 2016

in € million / Core volume growth Y/Y



Q3 2016 Highlights

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

9M 2016 Highlights

- Strong core volume growth of 8.4% Y/Y
- China remains a high growth market with 18% Y/Y
- Significant core volume growth in the US with 7% Y/Y
- Solid growth in EMLA

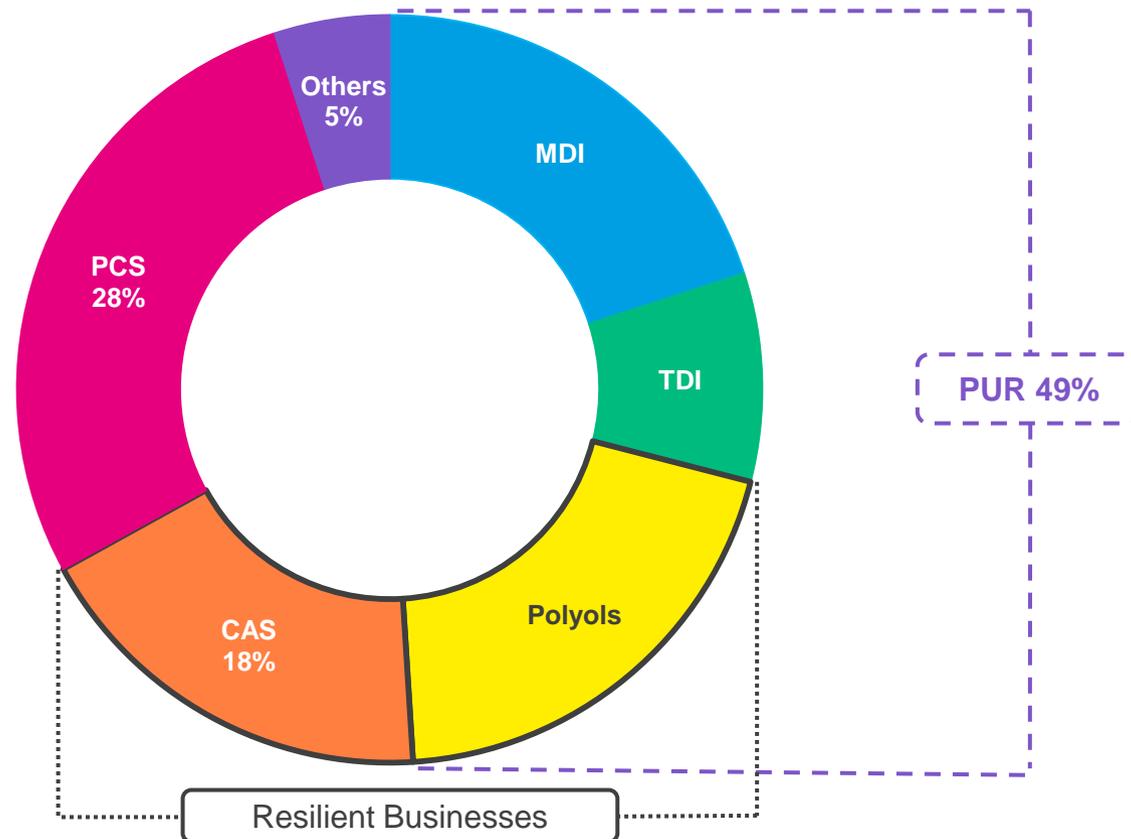
9M 2016 – Cyclical business on structural upward trend



Significant proportion of sales generated with resilient businesses

Sales by Segments

% of group sales



Highlights

MDI/TDI – Oversupply gradually absorbed

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

PCS – Improving mix

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

Resilient businesses – Steady high FOCF

- CAS & Polyols: structurally low volatility

¹ Assumes global real GDP CAGR of 2-3% (2015-20)

² Margin = Selling price minus raw material costs per ton

Source: internal estimates

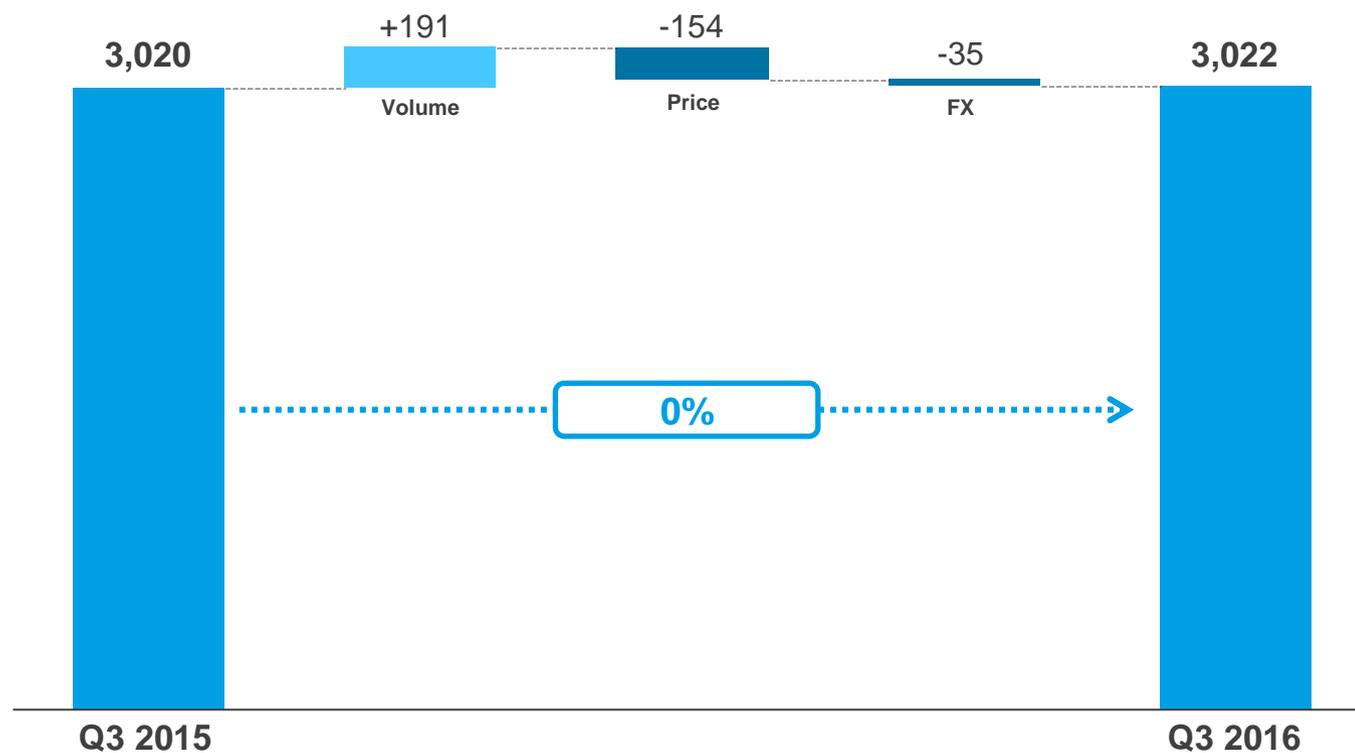
Q3 2016 – Sales Bridge

Dynamic volume growth



Sales Bridge

in € million



Highlights

Dynamic volume development

- Core volume growth (in kt) of 9.1% Y/Y
- Sales volumes (in €) expansion of 6.3% Y/Y
- Core volume growth above sales volume expansion due to declining non-core volumes and product mix effects

Price decline driven by lower raw material prices

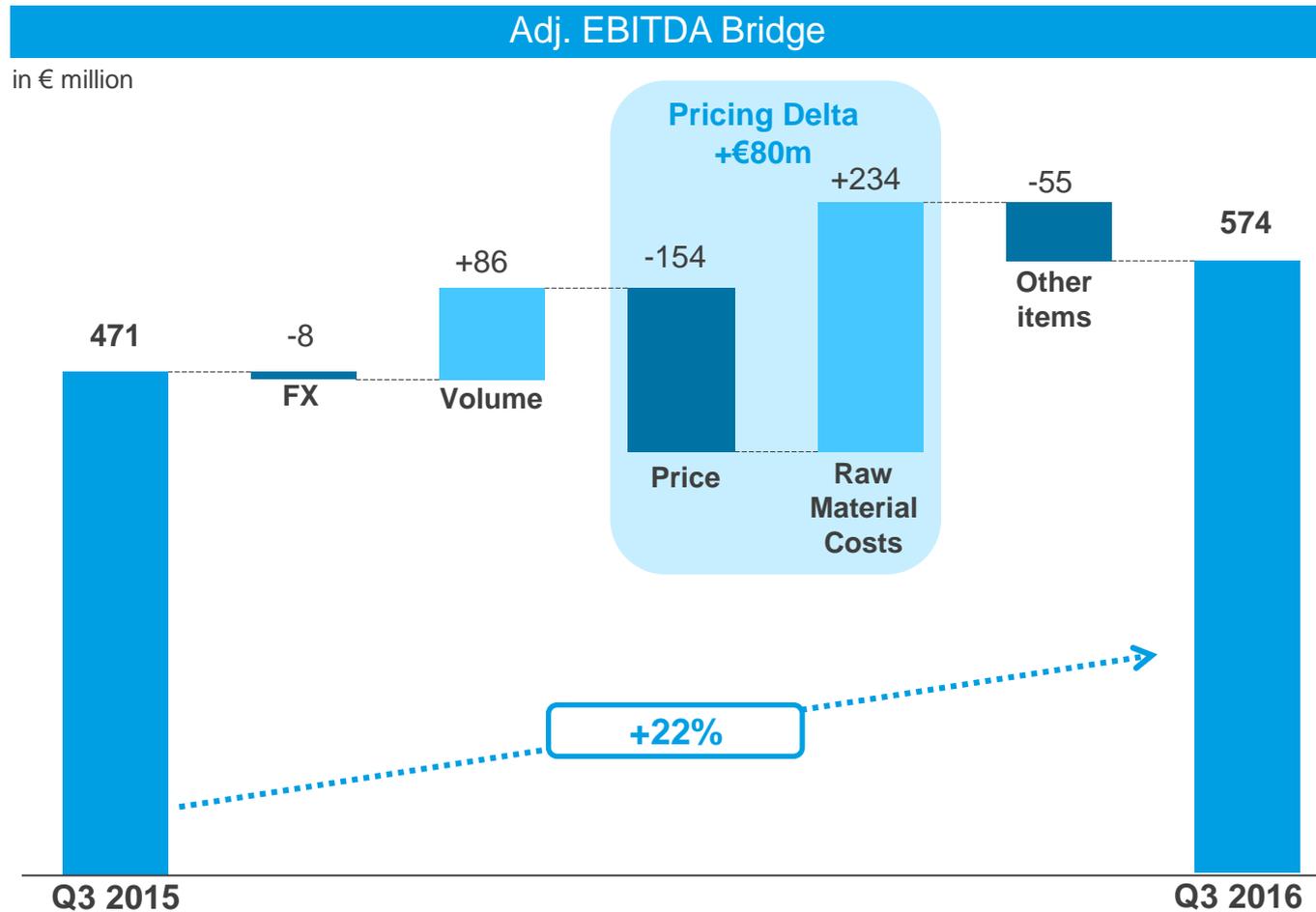
- Lower selling prices negatively impacted sales by 5.1% Y/Y

Negative FX effects

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

Q3 2016 – Adj. EBITDA Bridge

Positive volume leverage and pricing delta



Highlights

Positive volume leverage

- Mainly driven by MDI and PCS

Improving cash margin

- Positive pricing delta predominantly driven by TDI

Limited FX effects

- Mainly translational impact

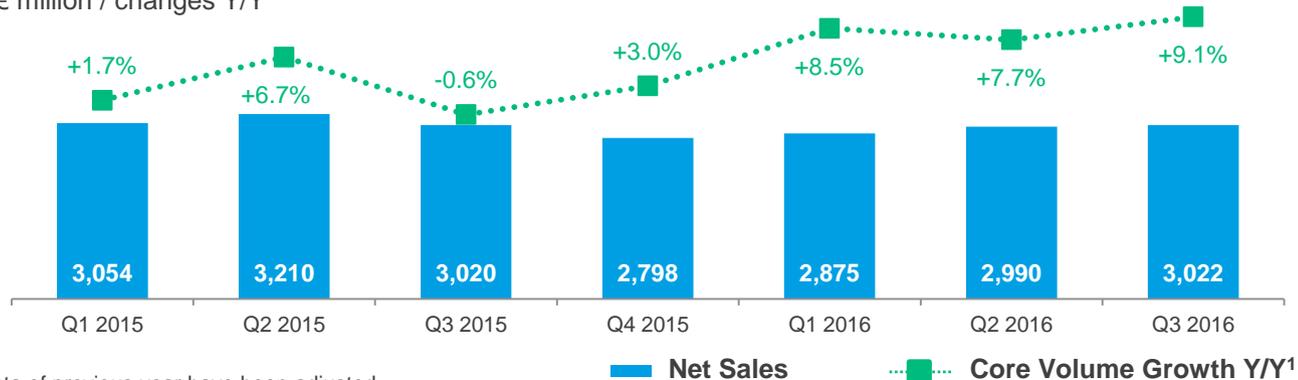
Q3 2016 – Group Results

Continued margin expansion



Net Sales and Core Volume Growth

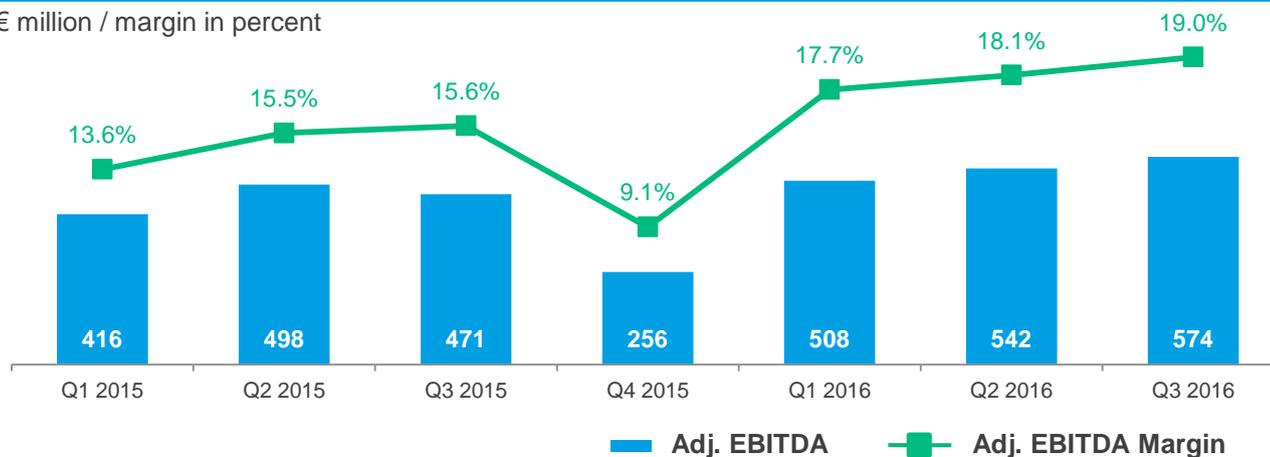
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q3 2016 Highlights

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

Q3 2016 Highlights

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

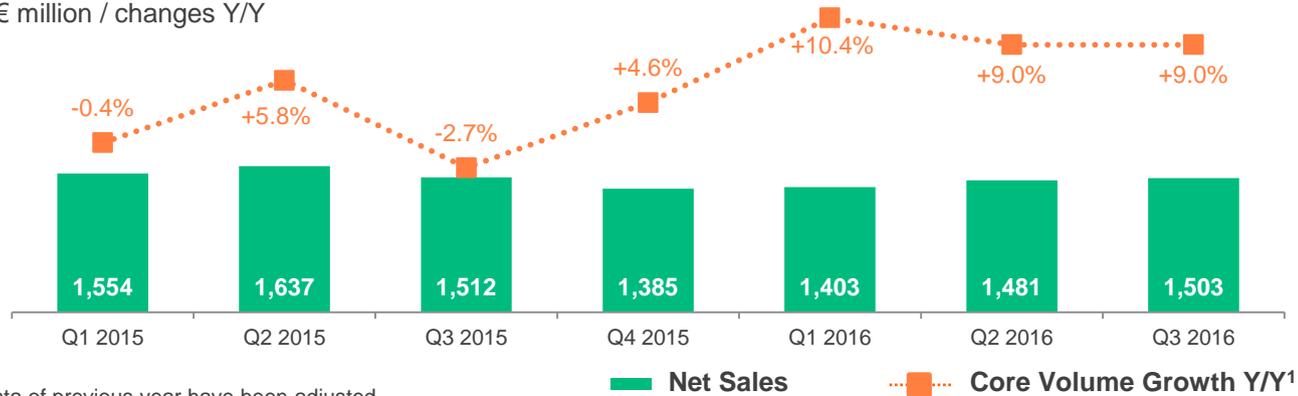
Q3 2016 – Results of PUR Segment

Polyurethanes – Solid development



Net Sales and Core Volume Growth

in € million / changes Y/Y

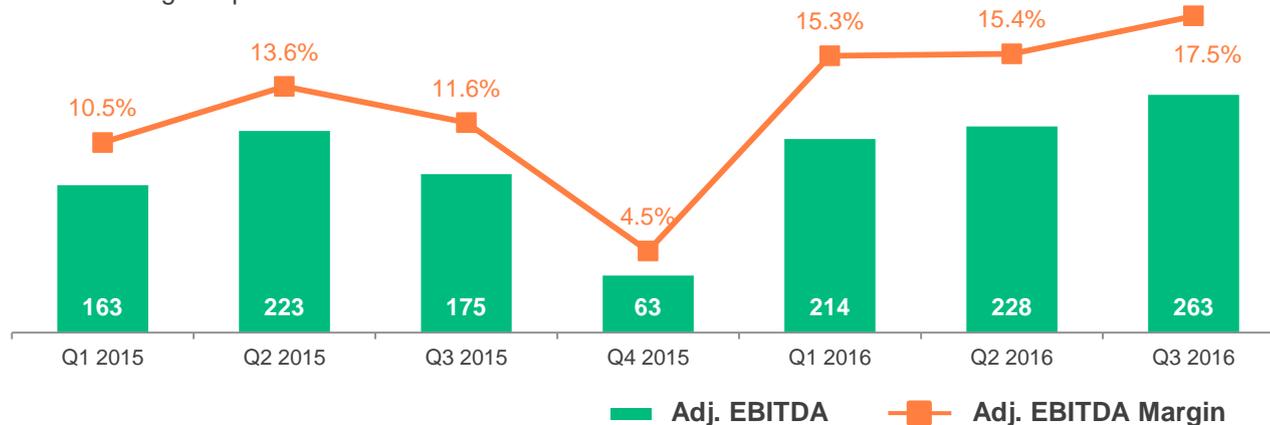


Q3 2016 Highlights

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

Adjusted EBITDA and Margin

in € million / margin in percent



Q3 2016 Highlights

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

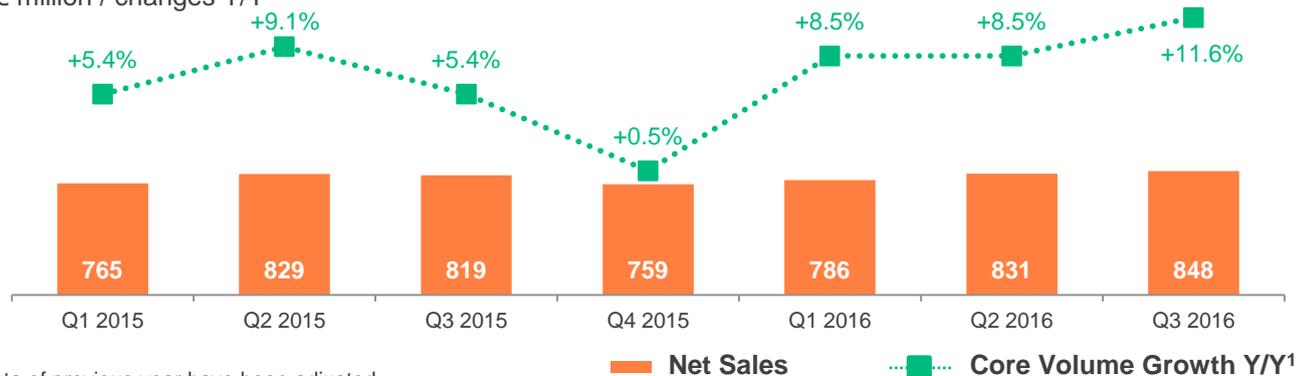
Q3 2016 – Results of PCS Segment

Polycarbonates – Steady high margin business



Net Sales and Core Volume Growth

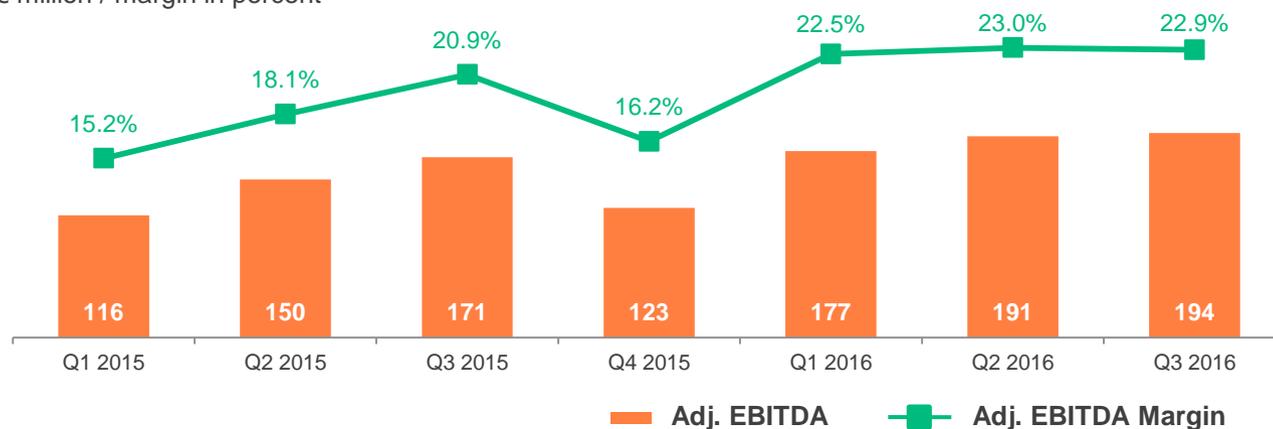
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q3 2016 Highlights

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

Q3 2016 Highlights

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

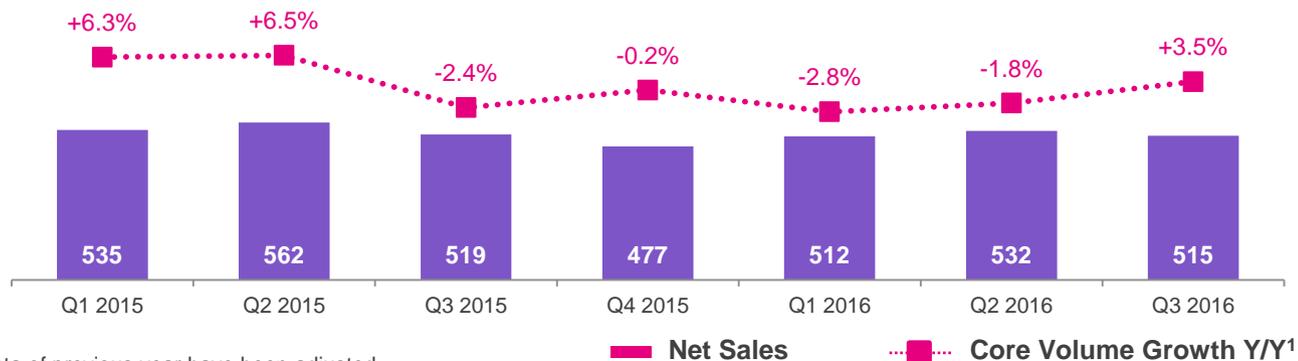
Q3 2016 – Results of CAS Segment

Coatings, Adhesives, Specialties – Solid results



Net Sales and Core Volume Growth

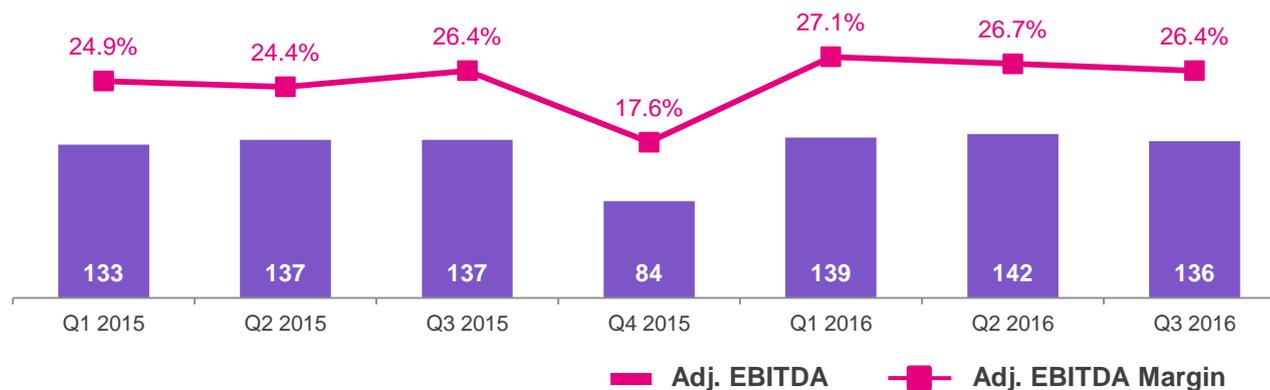
in € million / changes Y/Y



¹ data of previous year have been adjusted

Adjusted EBITDA and Margin

in € million / margin in percent



Q3 2016 Highlights

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

Q3 2016 Highlights

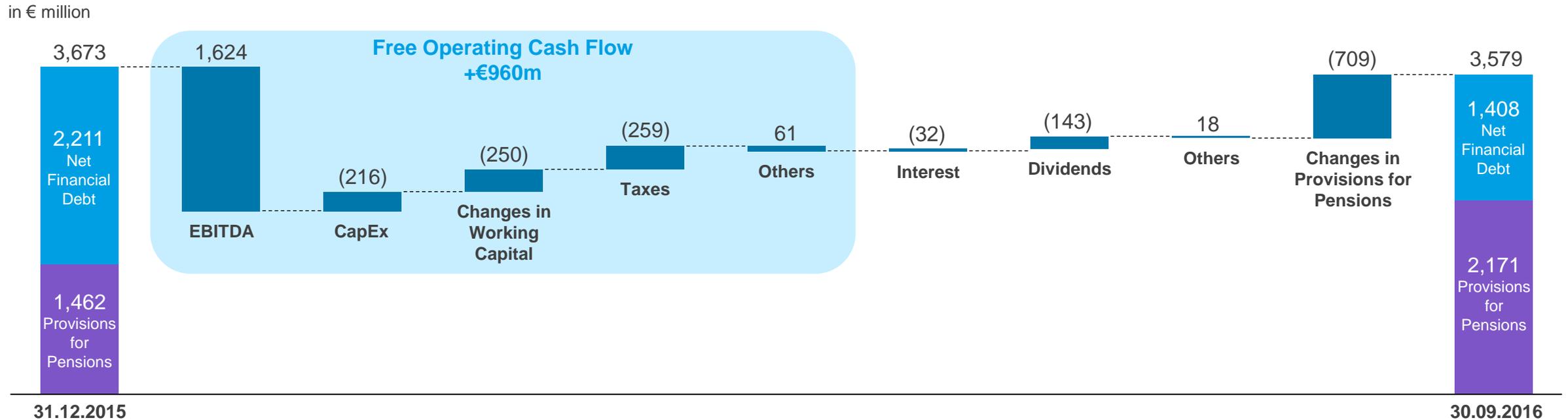
- Stable margin on a high level
- Phase out of trading product burdened absolute EBITDA but was slightly margin enhancing

9M 2016 – Total Net Debt

Total net debt almost unchanged



Total net debt – end of Q3 2016



Highlights

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

Guidance 2016

On track to deliver



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

Additional financial expectations for 2016

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



Q3 2016 – Summary

Covestro fully on track

Strong volume growth in a focused portfolio

despite a challenging market environment

Solid earnings and cash flow generation

supported by a stable demand/supply balance and a focus on profitability

Robust financial profile

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

Long-term progressive dividend policy

with focus on increasing or at least stable dividends

Solid financial outlook

despite continued limited visibility

Upcoming IR Events

Find more information on investor.covestro.com



Reporting dates

- 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

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

Capital Markets Day

- June 29, 2017 Covestro Capital Markets Day, London