



Structural growth above GDP

Financial Highlights
Q2 2016

Forward-looking Statements



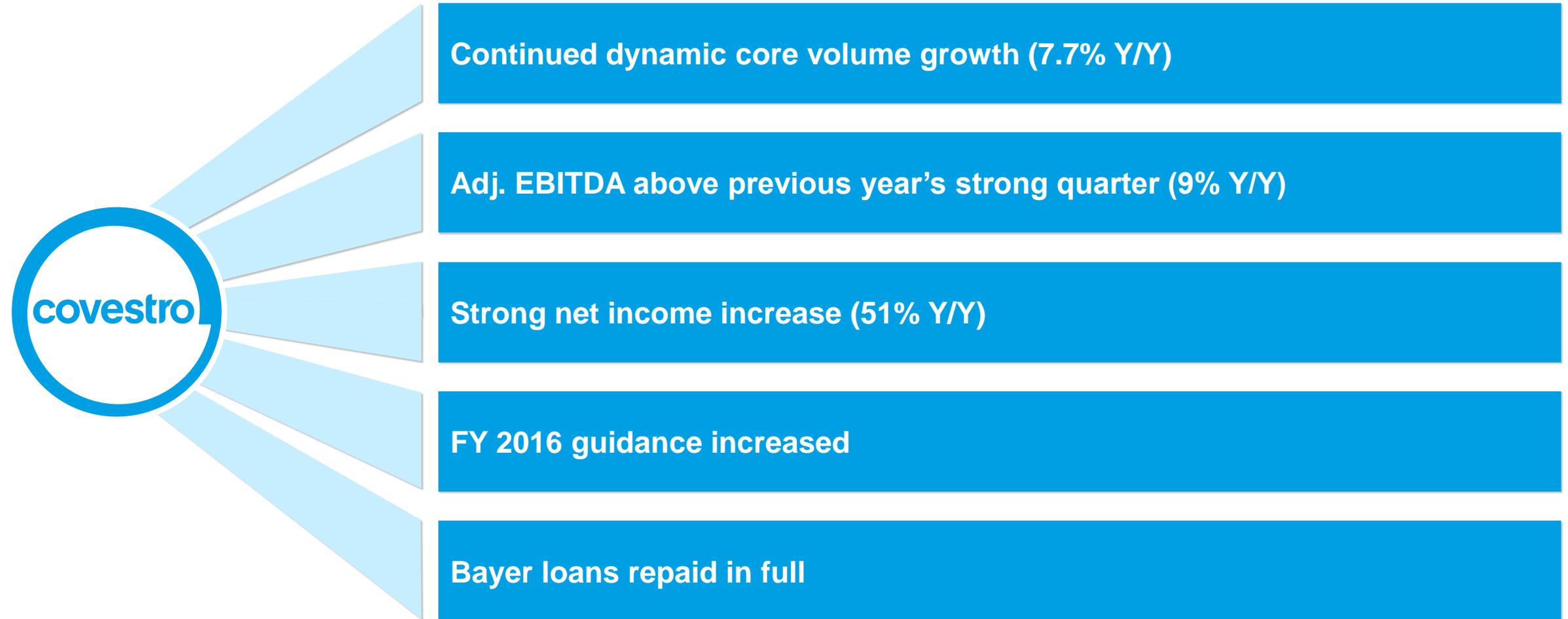
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Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here.

These factors include those discussed in Covestro's public reports which are available on the Covestro website at www.covestro.com. Covestro assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Q2 2016 Key Highlights

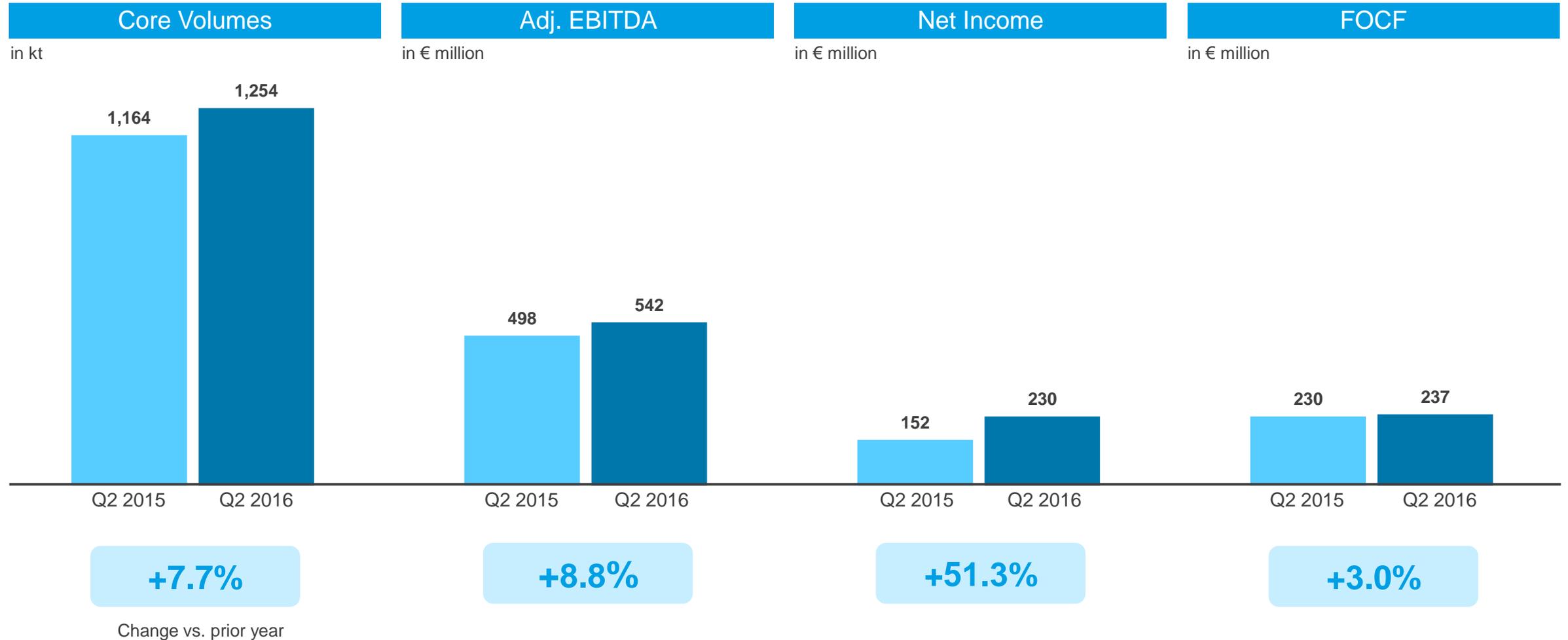
Structural growth above GDP



Q2 2016 Sales & Earnings



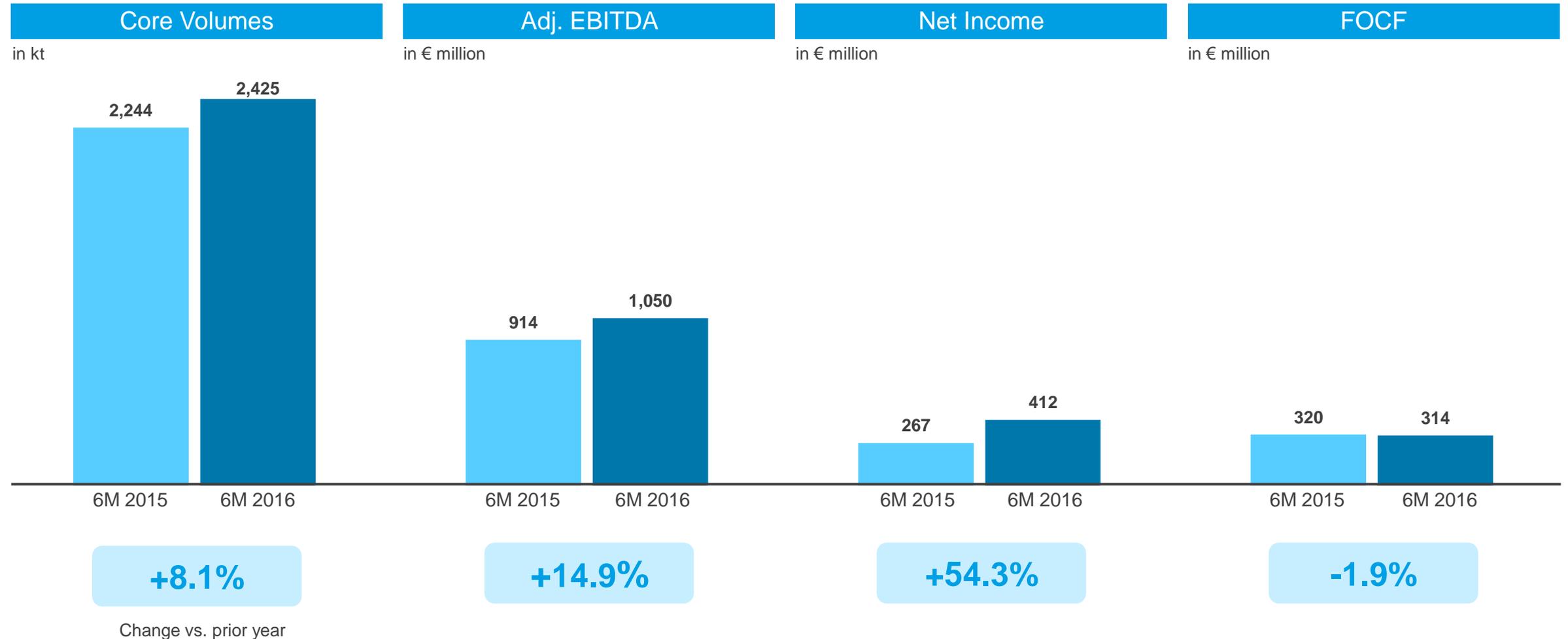
Earnings improvement above volume growth



6M 2016 Sales & Earnings



Earnings improvement above volume growth



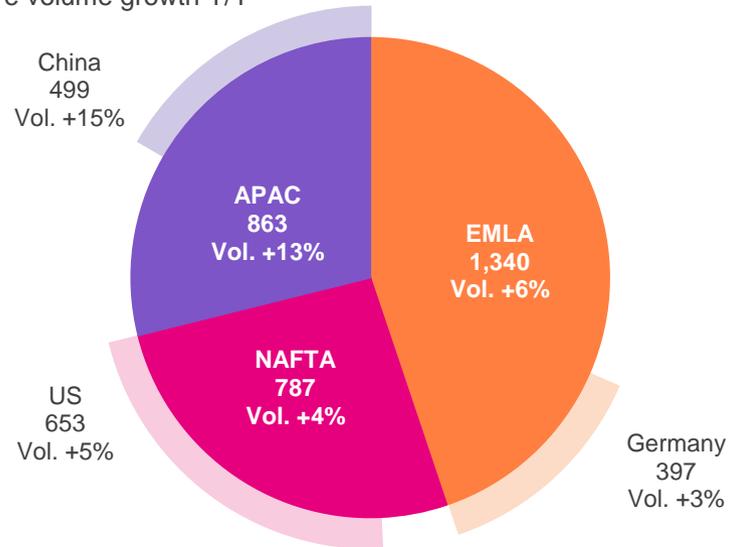
6M 2016 & Q2 2016 – Sales per Region



Above GDP volume growth in all regions

Solid growth in Q2 2016

in € million / Core volume growth Y/Y

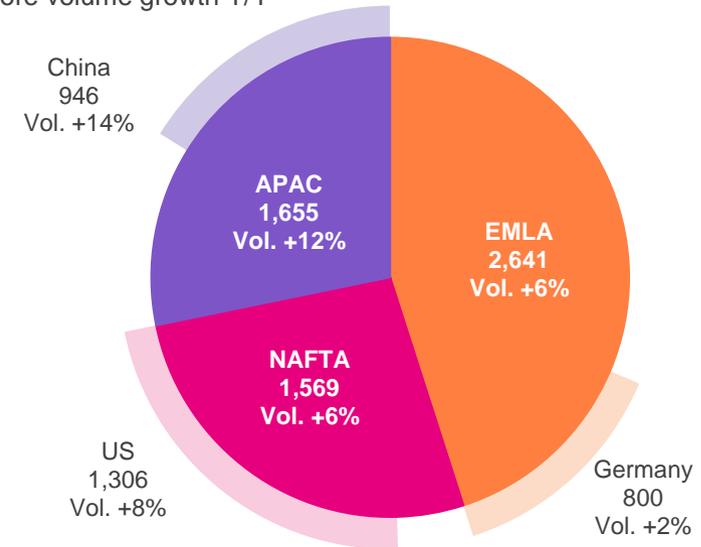


Q2 2016 Highlights

- 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

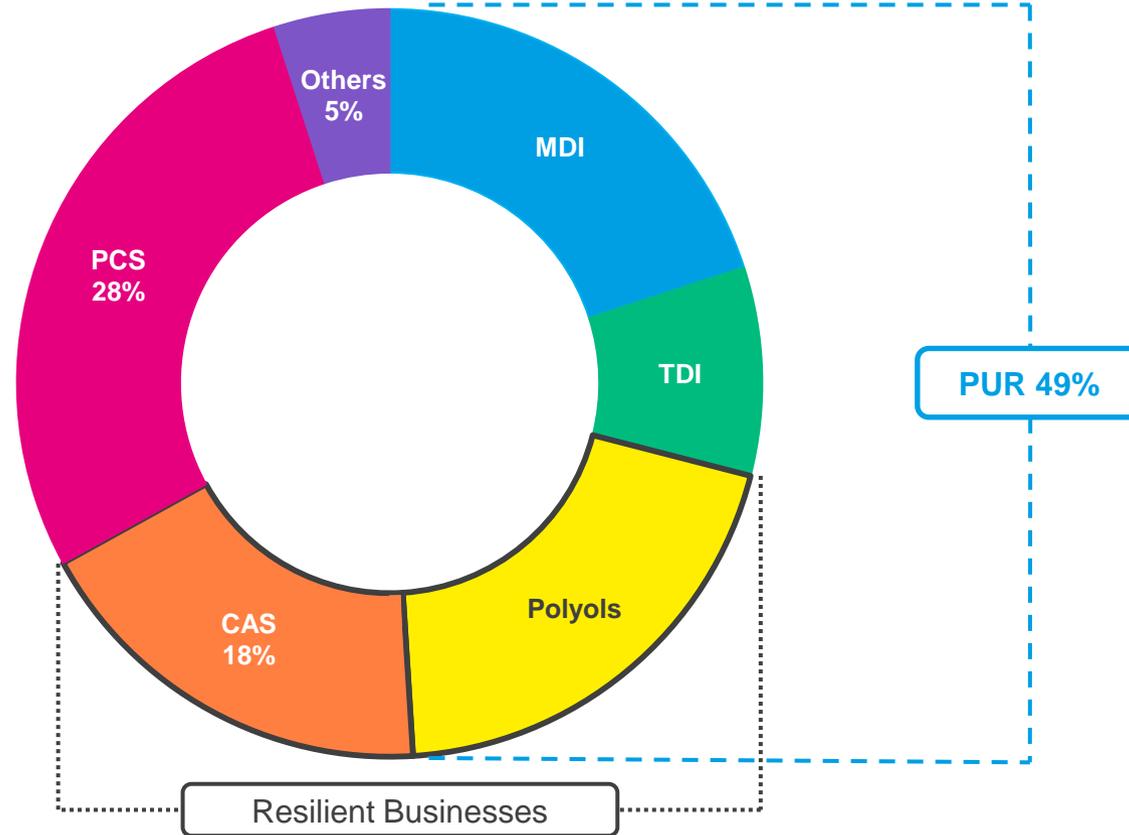
6M 2016 – Sales by Segments



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

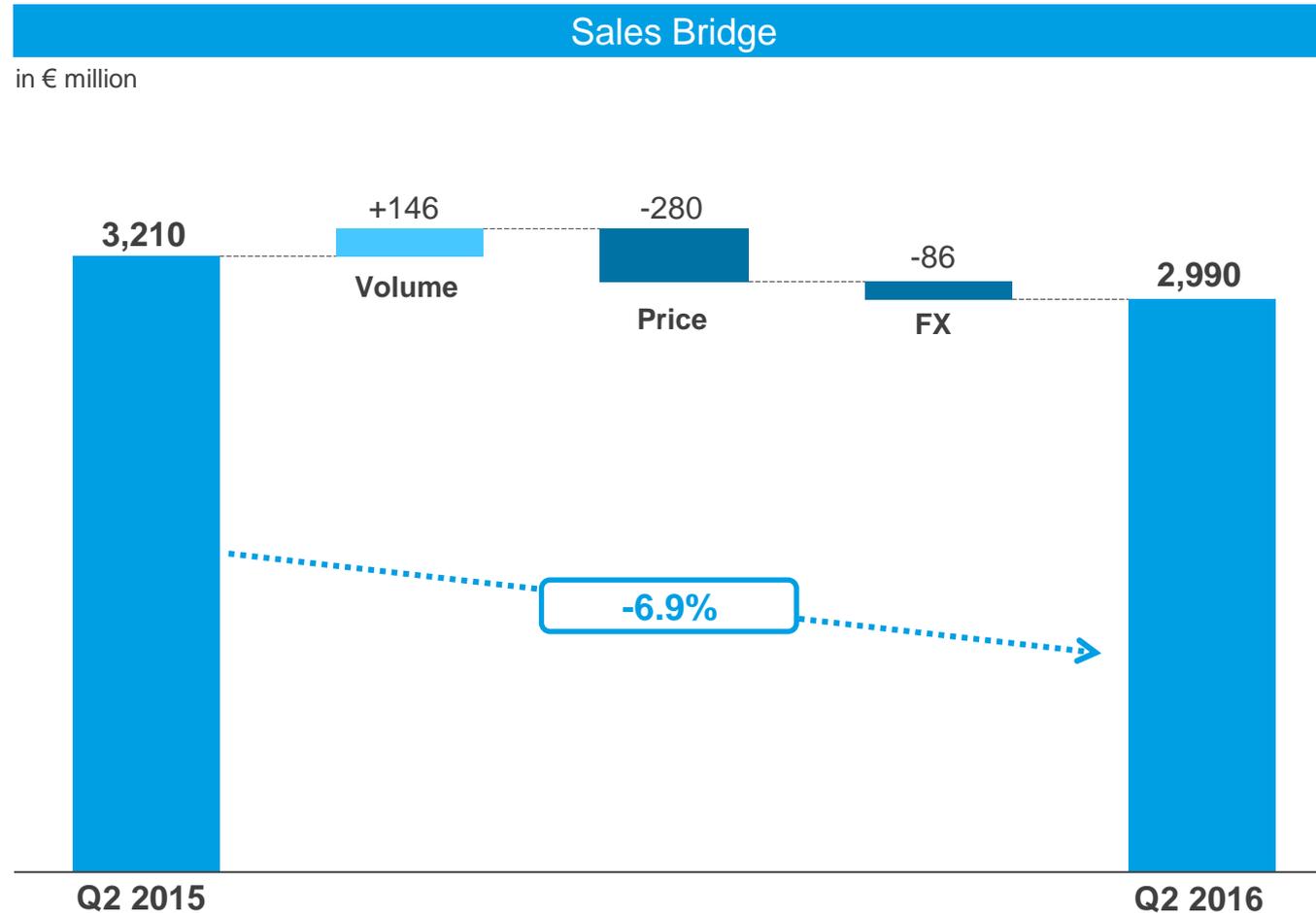
Bumping along the bottom of the cycle

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

Q2 2016 – Sales Bridge



Dynamic volume growth



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

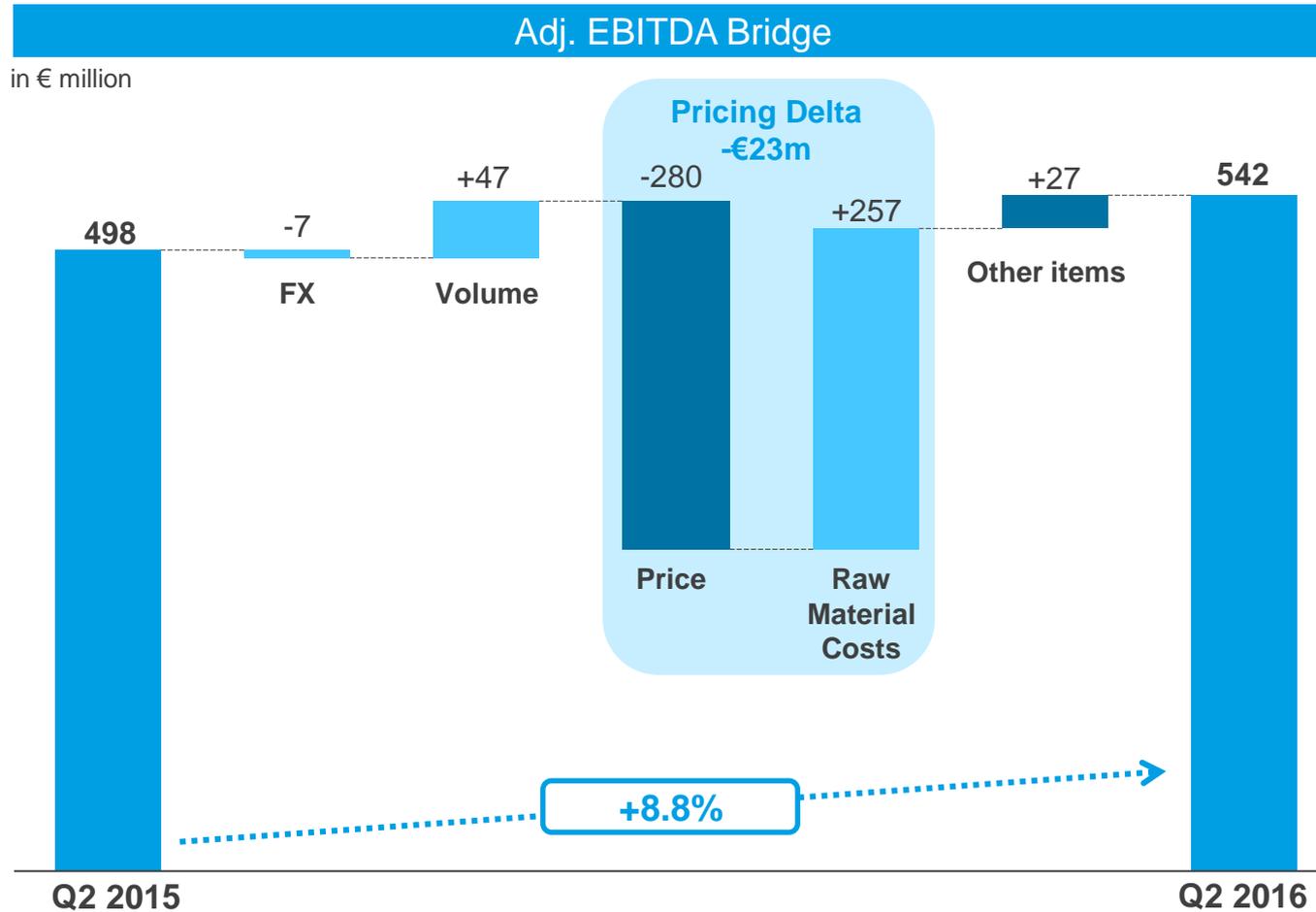
Negative FX effects

- 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

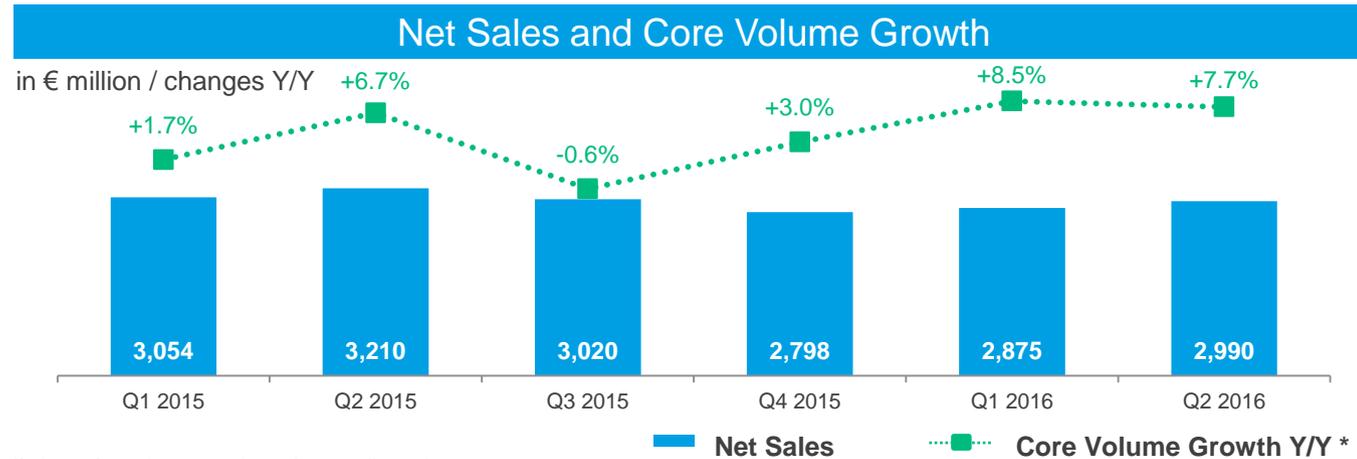
Limited FX effects

- Mainly translational impact

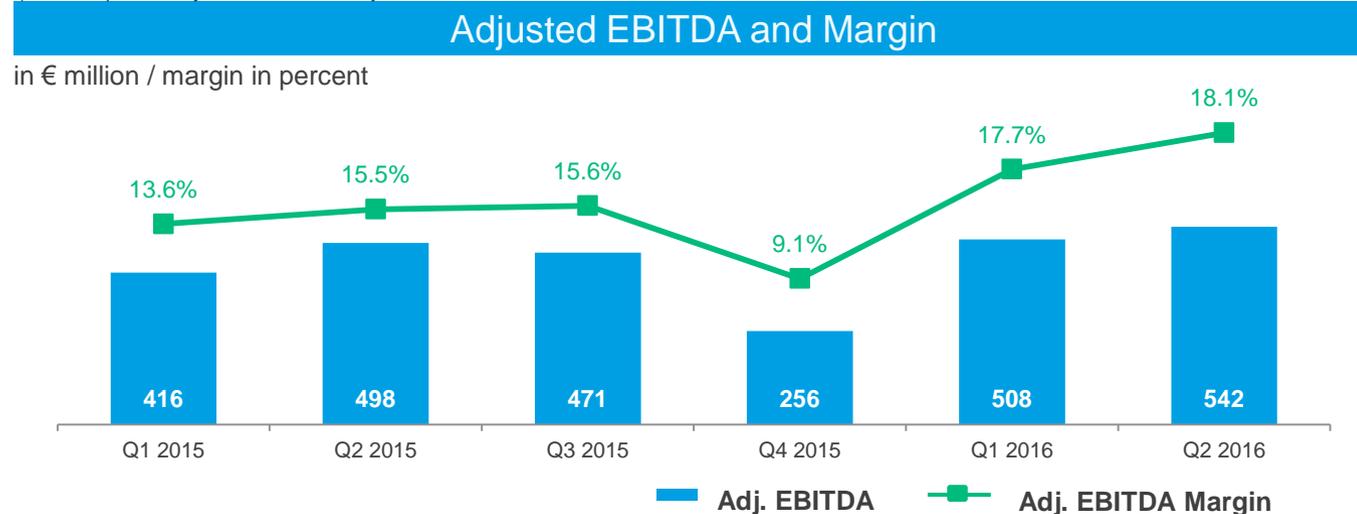
Q2 2016 – Group Results



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

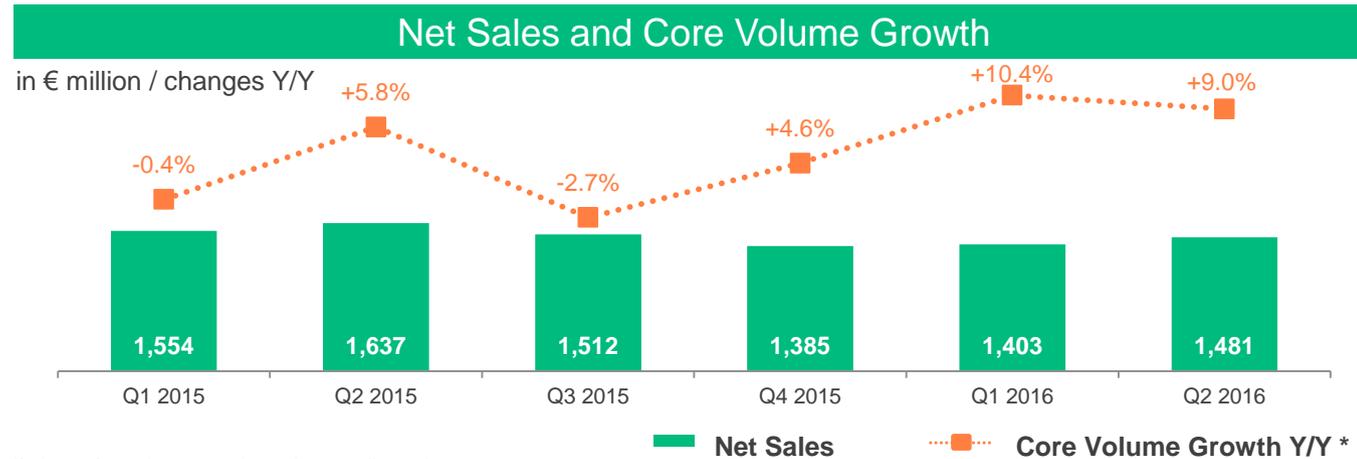
Q2 2016 Highlights

- 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

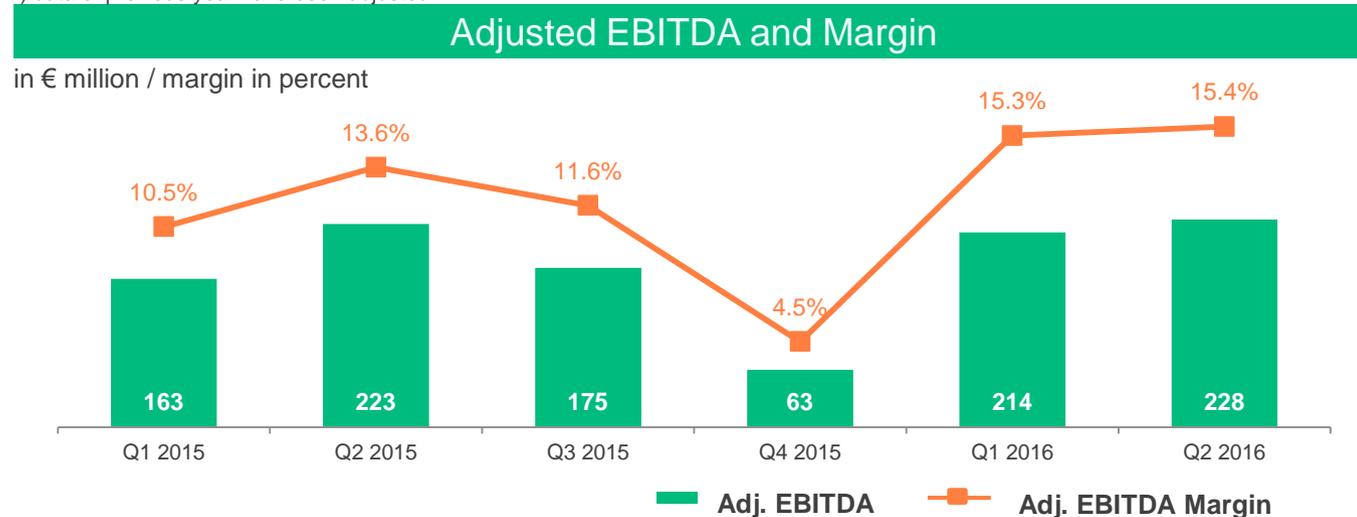
Q2 2016 – Results of PUR Segment



Polyurethanes – Solid development



*) data of previous year have been adjusted



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

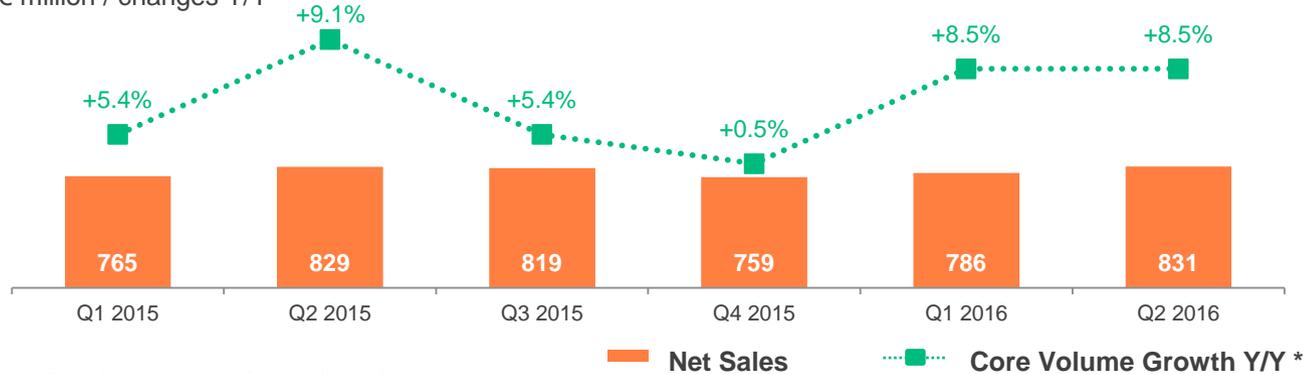
Q2 2016 – Results of PCS Segment



Polycarbonates – Strong results

Net Sales and Core Volume Growth

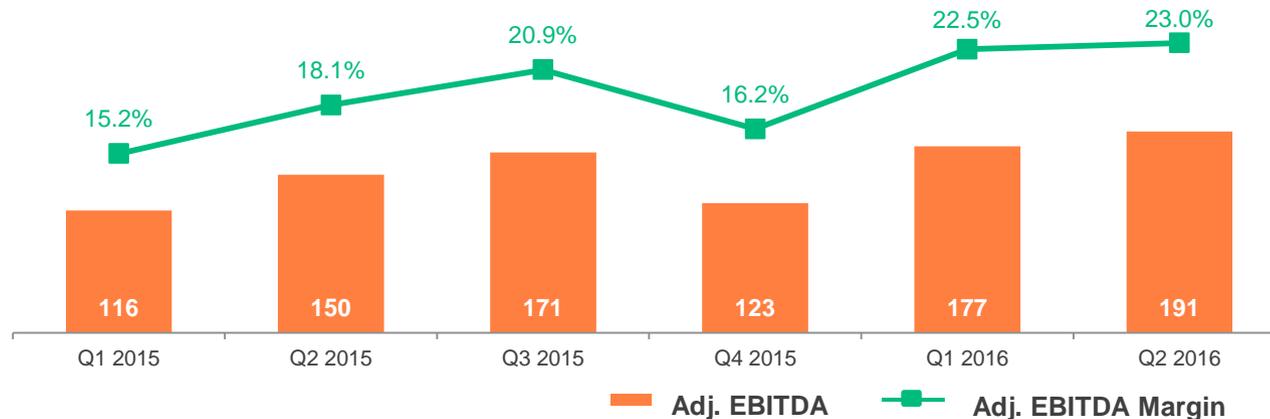
in € million / changes Y/Y



*) 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

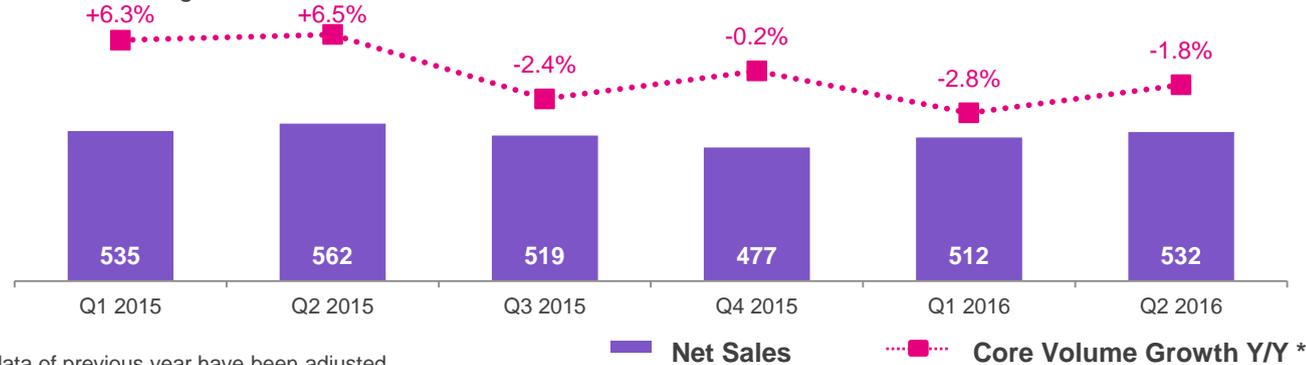
Q2 2016 – Results of CAS Segment



Coatings, Adhesives, Specialties – Record margin

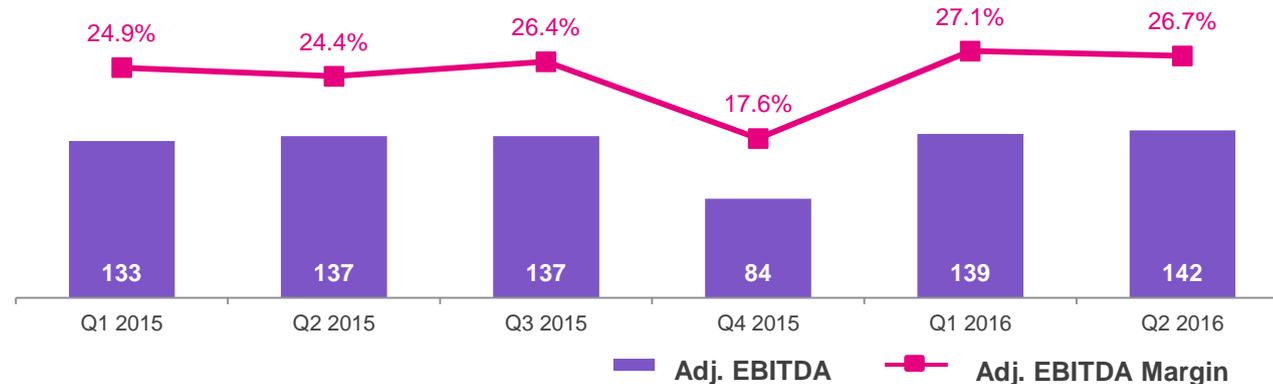
Net Sales and Core Volume Growth

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

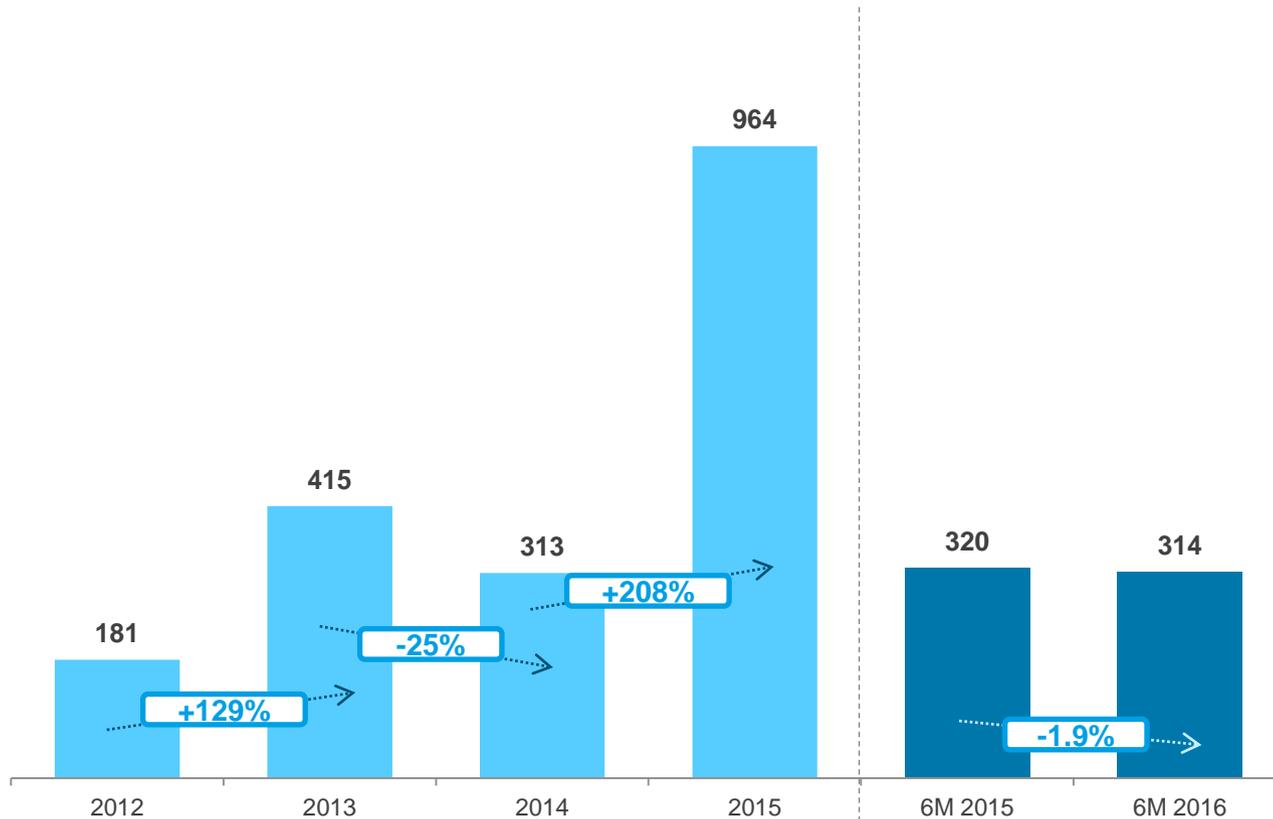
6M 2016 – Free Operating Cash Flow



Stable FOCF

Free Operating Cash Flow

in € million



6M 2016 Highlights

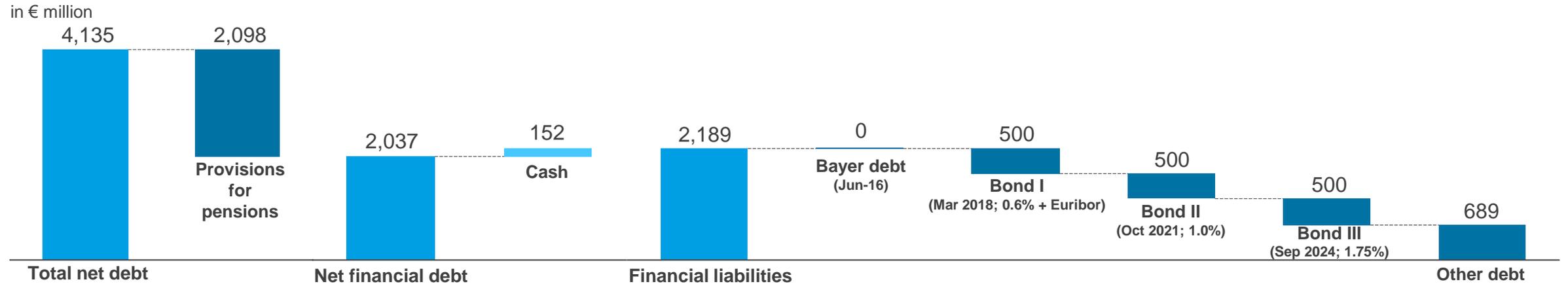
- Dynamic business growth led to higher working capital needs
- Solid increase of EBITDA triggered higher cash-out for income taxes
- Operating cash flow further reduced by higher pay-out of personnel provisions
- Lower CapEx due to project phasing

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 13-14, 2016: UBS, Best of Germany Conference, New York
- September 13-15, 2016: Credit Suisse, Basic Material Conference, New York
- September 19, 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