FINANCIAL STATEMENTS
2020

FINANCIAL STATEMENTS OF COVESTRO AG
FOR THE FISCAL YEAR 2020

Publication
The publication of these financial statements does not comply with the legally required uniform electronic reporting format pursuant to Section 328, Paragraph 1, Sentence 4 HGB. A report in this format has been submitted to the operator of the electronic Federal Gazette in Germany and is accessible via the Company Register website.

Combined Management Report
The management report of Covestro AG is combined with the management report of the Covestro Group. The Combined Management Report is published in Covestro's Annual Report 2020. The financial statements and the Combined Management Report of the Covestro Group and Covestro AG for fiscal 2020 have been submitted to the operator of the electronic Federal Gazette in Germany and are accessible via the Company Register website.

report.covestro.com/annual-report-2020

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Forward-Looking Statements
This financial report may contain forward-looking statements based on current assumptions and forecasts made by the management of 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 our website **www.covestro.com**. The company assumes no liability whatsoever to update such forward-looking statements or to conform them to future events or developments.

This financial report was published in German and English. Only the German version is binding.

Statement of Financial Position of Covestro AG

Assets

	Dec. 31, 2019	Dec. 31, 2020
	€ thousand	€ thousand
Noncurrent assets		
Intangible assets	–	–
Property, plant and equipment	752	628
Financial assets	1,766,024	1,766,024
	1,766,776	**1,766,652**
Current assets		
Receivables and other assets		
Trade accounts receivable	7,042	30,305
of which from affiliated companies	7,013	30,259
Receivables from affiliated companies	3,901,935	5,337,180
Other assets	89,609	33,895
	3,998,586	**5,401,380**
Deferred charges	**5,530**	**12,060**
Excess of plan assets over pension liability	**8,282**	**8,720**
	5,779,174	**7,188,812**

Equity and Liabilities

	Dec. 31, 2019	Dec. 31, 2020
	€ thousand	€ thousand
Equity		
Capital stock	183,000	193,200
Treasury shares	(135)	(39)
Issued capital	182,865	193,161
Capital reserves	3,500,316	3,941,524
Other retained earnings	513,673	436,937
Distributable profit	439,200	251,160
	4,636,054	**4,822,782**
Provisions		
Provisions for pensions	3,062	3,757
Provisions for taxes	80,758	77,425
Other provisions	40,859	9,166
	124,679	**90,348**
Liabilities		
Bonds	1,000,000	2,000,000
Liabilities to banks	–	225,000
Trade accounts payable	10,828	16,402
of which to affiliated companies	472	904
Liabilities to affiliated companies	3,076	1,115
Other liabilities	4,537	33,165
of which taxes	575	915
	1,018,441	**2,275,682**
	5,779,174	**7,188,812**

Income Statement of Covestro AG

	2019	2020
	€ thousand	€ thousand
Income from investments in affiliated companies	695,337	76,639
Income from investments in affiliated companies	**695,337**	**76,639**
Other interest and similar income	2,783	4,320
of which from affiliated companies	1,739	3,152
Interest and similar expenses	(16,868)	(26,887)
of which expenses from unwinding of discount	(1,850)	(4,122)
Interest result	**(14,085)**	**(22,567)**
Other financial income	108	247
of which from currency translation	22	166
Other financial expenses	(2,967)	(16,536)
of which from currency translation	(10)	(28)
Other financial income and expenses	**(2,859)**	**(16,289)**
Financial result	**678,393**	**37,783**
Net sales	20,398	21,858
Cost of services provided	(18,921)	(18,206)
General administration expenses	(48,454)	(45,693)
Other operating income	417	19,124
Other operating expenses	(3,009)	(30,929)
Operating result	**(49,569)**	**(53,846)**
Result of operations	**628,824**	**(16,063)**
Income taxes	(5,821)	(29,275)
Result after tax/net income/net loss for the year	**623,003**	**(45,338)**
Accumulated gains brought forward from prior year	709	219,762
Allocation to/withdrawal from other retained earnings	(184,512)	76,736
Distributable profit	**439,200**	**251,160**

NOTES

Basis of Preparation

The financial statements of Covestro AG, Leverkusen (Germany), are prepared in accordance with the German Commercial Code (HGB), the German Stock Corporation Act (AktG), and the German Energy Industry Act (EnWG). The company, headquartered in Leverkusen (Germany), is registered in the commercial register of the Local Court of Cologne under No. HRB 85281. Covestro AG is a vertically integrated energy company within the meaning of Section 3, No. 38 of the German Energy Industry Act. Direct and indirect subsidiaries of Covestro AG conduct activities involving the supply of energy as well as electricity and gas distribution.

The income statement has been prepared using the cost-of-sales method. In order to emphasize Covestro AG's role as a holding company, the aggregated items of the financial result are presented first, and this presentation deviates from the classification prescribed in Section 275, Paragraph 3 of the German Commercial Code. In addition, financial income and expenses whose disclosure is not covered by a mandatory item are reported under other financial income and expenses.

The declaration of conformity with the German Corporate Governance Code (GCGC) pursuant to Section 161 of the German Stock Corporation Act has been issued and made permanently available to shareholders on the internet. It also forms part of the Declaration on Corporate Governance pursuant to Section 289f of the German Commercial Code. It is available for download at **www.investor.covestro.com.**

The consolidated financial statements of Covestro AG represent both the largest and the smallest group of consolidated companies. The consolidated financial statements of Covestro AG are submitted to the operator of the electronic Federal Gazette in Germany and published on the website at **www.investor.covestro.com.**

The management report of Covestro AG is combined with the management report of the Covestro Group pursuant to Section 315, Paragraph 3 in conjunction with Section 298, Paragraph 3 of the German Commercial Code.

Rounding differences between individual line items may arise due to reporting in thousands of euro.

Accounting Policies and Valuation Principles

Purchased intangible assets are recognized at cost and amortized on a straight-line basis over their estimated useful lives. Internally generated intangible assets are not recognized as assets. Writedowns are recognized if the impairment is expected to be permanent.

Items of property, plant and equipment are carried at cost less depreciation on a straight-line basis for depreciable assets over their expected useful lives. Amortization and depreciation are based on the following useful lives:

Useful life

Intangible assets	1 to 20 years
Operating and office equipment	2 to 15 years
Information technology	2 to 15 years
Transportation equipment	2 to 12 years

Movable noncurrent assets that are subject to wear and tear and capable of being used independently are depreciated in full in the year of acquisition if their cost does not exceed €800.

Write-downs are recognized if expected permanent impairment exceeds the carrying amount.

Investments in affiliated companies are recognized at cost, or at the lower fair value if permanent impairment is expected. Where impairment losses were recognized in previous years and the reasons for impairment no longer or only partially apply, the write-down is reversed, up to a maximum of the original cost.

Receivables and other assets are recognized at their principal amounts, less any valuation adjustments. Valuation adjustments are based on the probable risk of default. Global valuation adjustments of 2% are recognized for general credit risk of third-party customers. Non-interest-bearing or low-interest receivables due after one year are discounted to their present value.

In order to meet various obligations related to pension plans and work-time credits of employees, corresponding funds are primarily invested in liquid international bonds, shares, investment funds, and near-money market products using separate pension-provision investment vehicles. These funds are held in trust for Covestro AG and are exempt from attachment by other creditors in the event that the employer declares insolvency. The investments are measured at fair value, which is derived from stock prices and market interest rates. The assets held in trust are offset against the underlying obligations. If there is an excess obligation, a provision is recognized. If the value of the securities exceeds the obligations, the difference is recorded in the statement of financial position under assets as "excess of plan assets over pension liability." Income from the trust assets is likewise offset against expenses relating to the interest component of obligations and to changes in the discount rate in the income statement, provided that income is available.

Deferred charges and deferred income include expenses incurred and income generated prior to the reporting date, which represent expenses and income for a specific period after that date; they are recognized at their nominal amounts. In addition, in application of the option pursuant to Section 250, Paragraph 3 of the German Commercial Code, deferred charges include the difference between the issue and settlement amount of the bonds issued. The differences are amortized over the maturity of the corresponding bond.

Deferred taxes are recognized for temporary differences between the assets, liabilities, deferred charges, and deferred income recognized in the German Commercial Code financial statements and the tax statement. For Covestro AG, this not only includes the differences relating to its own statement of financial position items but also those of tax group subsidiaries and partnerships in which it holds an equity interest. In addition to temporary differences, tax loss carryforwards are also recognized where necessary. Deferred taxes are calculated on the basis of the combined future income tax rate for the tax group of Covestro AG, which is currently 29.02% (previous year: 28.94%). The combined income tax rate includes corporate income tax, trade tax, and the solidarity surcharge. However, deferred taxes relating to temporary differences for investments in partnerships are calculated on the basis of a combined income tax rate, which includes only corporate income tax and the solidarity surcharge; this remained unchanged from the previous year at 15.83%. Any resulting overall tax burden would be recognized as a deferred tax liability in the statement of financial position. In the event of tax relief, the option to recognize the deferred tax would not be exercised. In the fiscal year, there was a total of unrecognized deferred tax assets.

The capital stock of Covestro AG is divided into 193,200,000 no-par-value bearer shares with a notional value of €1 per share.

Provisions for pensions and similar obligations are determined according to actuarial principles, using the projected unit credit method on the basis of biometric probability using the Heubeck 2018 G mortality tables. Expected future salary and pension increases are taken into account when determining the obligations. We assume annual salary increases of 2.75% (previous year: 2.75%). We expect annual pension increases of 1.60% (previous year: 1.70%). However, for pension commitments granted as from January 1, 2000, an annual pension increase of 1.00% applies in line with what was promised to employees. The discount rate as of December 31, 2020, used for discounting pension obligations was 2.30% (previous year: 2.71%). This is the average market interest rate over the past ten years for an assumed remaining term of 15 years calculated and published by Deutsche Bundesbank for December 2020.

The difference resulting from the change in the discount rate for pension obligations as defined by Section 253, Paragraph 2 of the German Commercial Code is subject to distribution restrictions pursuant to Section 253, Paragraph 6 of the German Commercial Code.

In accordance with Article 28, Paragraph 1, Sentence 2 of the Introductory Law to the German Commercial Code (EGHGB), indirect pension obligations may be recognized as a liability. Covestro AG does not apply this option for pension obligations of Bayer Pensionskasse VVaG and Rheinische Pensionskasse VVaG and, therefore, no provision is recognized for these pension entitlements.

Other provisions cover all foreseeable risks and uncertain liabilities. They are measured on the basis of the settlement amount required according to sound business judgment. Future price and cost increases are taken into account as long as there are sufficient objective indications that they will occur. Provisions with a remaining maturity of more than one year are discounted using the average market interest rate over the past seven fiscal years appropriate to their remaining maturities. For long-term personnel-related provisions, such as those for long-term service awards, a rate of 1.60% (previous year: 1.97%) is used for an assumed remaining maturity of 15 years. Shorter-term personnel-related provisions, such as obligations under early retirement agreements, are discounted using a rate appropriate to their maturity. In fiscal 2020, the maturity was three years, and the discount rate was 0.54% (previous year: 0.72%). The interest rates at the time that the respective personnel-related provisions were determined are those expected for December.

Liabilities are recognized at their settlement amount.

Receivables and liabilities in foreign currencies, forward exchange contracts, and other currency derivatives are recognized according to the limited mark-to-market method. This involves measuring the foreign currency receivables and liabilities at the spot rates and the currency derivatives entered into to hedge their exchange rate risk at the forward market rates, both as of the reporting date. According to the net hedge presentation method (*Einfrierungsmethode*), the effective part of the hedge is not recognized in the financial statements. A provision for anticipated losses is recognized for net losses; gains are only recognized to the extent that they relate to receivables and liabilities with a maturity of up to one year.

The disclosed contingent liabilities from sureties and debt guarantees for third-party liabilities correspond to the loan drawdowns and obligations of beneficiaries on the reporting date.

Notes to the Statement of Financial Position

1. Intangible Assets

Intangible assets

	Software licenses
	€ thousand
Gross carrying amounts, Jan. 1, 2020	17
Additions	–
Gross carrying amounts, Dec. 31, 2020	**17**
Accumulated amortization and writedowns, Jan. 1, 2020	17
Accumulated amortization and writedowns	–
Accumulated amortization and writedowns, Dec. 31, 2020	**17**
Net carrying amounts, Dec. 31, 2020	**–**
Net carrying amounts, Jan. 1, 2020	–

2. Property, Plant and Equipment

Property, plant and equipment

	Operating and office equipment
	€ thousand
Gross carrying amounts, Jan. 1, 2020	1,201
Additions	1
Retirements	–
Gross carrying amounts, Dec. 31, 2020	**1,202**
Accumulated depreciation and writedowns, Jan. 1, 2020	449
Accumulated depreciation and writedowns	125
Retirements	–
Accumulated depreciation and writedowns, Dec. 31, 2020	**574**
Net carrying amounts, Dec. 31, 2020	**628**
Net carrying amounts, Jan. 1, 2020	752

3. Financial Assets

Financial assets

	Investments in affiliated companies
	€ thousand
Gross carrying amounts, Jan. 1, 2020	1,766,024
Additions	–
Retirements	–
Gross carrying amounts, Dec. 31, 2020	**1,766,024**
Accumulated writedowns, Jan. 1, 2020	–
Accumulated writedowns	–
Accumulated writedowns, Dec. 31, 2020	**–**
Net carrying amounts, Dec. 31, 2020	**1,766,024**
Net carrying amounts, Jan. 1, 2020	1,766,024

4. Receivables and Other Assets

Receivables from affiliated companies include loans of €5,280,000 thousand and the receivable stemming from the profit and loss transfer agreement of €76,639 thousand from Covestro Deutschland AG.

All receivables and other assets have a maturity of less than one year.

5. Excess of Plan Assets over Pension Liability

Obligations arising from work-time accounts as well as pension commitments are fully or partially covered by assets that were held in trust and invested using separate pension-provision investment vehicles (plan assets). The invested assets may only be used for the purpose of meeting obligations under specifically defined plans and are exempt from attachment by other creditors in the event that the employer becomes insolvent. They were offset against the underlying obligations. This resulted in a total excess of €8,720 thousand as of the reporting date, of which €656 thousand was attributable to obligations arising from work-time accounts and €8,064 thousand to pension commitments.

Excess of plan assets over pension liability

	Dec. 31, 2019	Dec. 31, 2020
	€ thousand	€ thousand
Settlement amount of obligations relating to credit balances on employees' long-term work-time accounts	989	1,119
Fair value of assets invested	1,464	1,775
Difference between assets and obligations relating to long-term work-time accounts (excess of plan assets)	**475**	**656**
Acquisition cost of assets invested	1,307	1,518

	Dec. 31, 2019	Dec. 31, 2020
	€ thousand	€ thousand
Settlement amount of obligations arising from pension commitments (with overfunding)	16,549	17,810
Fair value of assets invested	24,356	25,874
Difference between assets and obligations relating to pension commitments (excess of plan assets)	**7,807**	**8,064**
Acquisition cost of assets invested	21,559	21,592

Plan assets are carried at fair value and amounted to €49,490 thousand as of December 31, 2020. Offsetting of plan assets of €27,649 thousand against the underlying obligations resulted in an overfunding asset. This item is reported as “excess of plan assets over pension liability.” The underfunding liability of the remaining €21,841 thousand was reported under pension provisions.

6. Equity

During the fiscal year, equity changed as follows:

Equity

	Jan. 1, 2020	Capital increase	Treasury shares issued under employee share programs	Dividends	Net loss for the year	Dec. 31, 2020
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Capital stock	183,000	10,200	–	–	–	193,200
Treasury shares	(135)	–	96	–	–	(39)
Issued capital	182,865	10,200	96	–	–	193,161
Capital reserves	3,500,316	437,070	4,138	–	–	3,941,524
Other retained earnings	513,673	–	–	–	(76,736)	436,937
Distributable profit	439,200	–	–	(219,438)	31,398	251,160
	4,636,054	**447,270**	**4,234**	**(219,438)**	**(45,338)**	**4,822,782**

The capital stock of Covestro AG amounts to €193,200,000 (previous year: €183,000,000) and is divided into 193,200,000 (previous year: 183,000,000) no-par-value bearer shares with a notional value of €1 per share; it is fully paid up.

The difference between the notional value and cost of the treasury shares issued was contributed to capital reserves pursuant to Section 272, Paragraph 2, No. 4 of the German Commercial Code.

On July 30, 2020, the Annual General Meeting passed a resolution to create the Authorized Capital 2020 and thereby to authorize the Board of Management, with the consent of the Supervisory Board, to increase the capital stock by up to €73,200,000 by issuing new, no-par value bearer shares against cash and/or noncash contributions in the period up to July 29, 2025. The authorization can be exercised once or several times. The new shares carry dividend rights from the beginning of the fiscal year in which they are issued. To the extent legally permissible, the Board of Management, with the consent of the Supervisory Board, may stipulate in derogation of the preceding and of Section 60, Paragraph 2 of the German Stock Corporation Act that the new shares carry dividend rights from the beginning of a prior fiscal year for which, at the time of their issue, the Annual General Meeting had not yet passed a resolution on the appropriation of the distributable profit. The Board of Management is authorized, with the consent of the Supervisory Board, to set further details of the terms of the capital increase and its implementation. The Board of Management is further authorized, with the consent of the Supervisory Board, to disapply subscription rights in the case of capital increases against noncash contributions, particularly as part of mergers or the (direct or indirect) acquisition of companies, businesses, business units, equity interests, or other assets or rights to acquire assets, including receivables in respect of the company or its Group companies. In the case of capital increases against cash contributions, the new shares must generally be offered to the shareholders for subscription; they can also be underwritten by credit institutions or companies within the meaning of Section 186, Paragraph 5, Sentence 1 of the German Stock Corporation Act with the obligation to offer them for subscription to the shareholders. However, the Board of Management is authorized, with the consent of the Supervisory Board, to disapply the subscription rights of shareholders in the case of cash capital increases where the subscription ratio gives rise to fractional amounts. Subscription rights may also be disapplied to grant holders or creditors of warrants/conversion rights to shares of the company, or equivalent warrant/conversion obligations from bonds issued or guaranteed by Covestro AG or its Group companies, subscription rights to compensate for dilution to the extent to which they would be entitled after exercise of these warrants/conversion rights, or performance of these exercise/conversion obligations. Moreover, the Board of Management is authorized, with the consent of the Supervisory Board, to disapply the subscription rights of shareholders in the case of cash capital increases if the new shares are issued at a price that is not significantly below the stock market price of the already listed shares of the company. The proportionate interest in the capital stock attributable to the shares issued in accordance with Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act against cash contributions while disapplying subscription rights may not exceed 10%. For this purpose, the capital stock in question is the lower of the capital stock existing when this authorization enters into force or when it is exercised. The shares issued or sold during the term of this authorization up to the time of its exercise in direct or equivalent application of this provision are included in this limit. Also included in the limit are shares issued or granted, or to be issued or granted, based on a convertible bond or bond with warrants issued during the term of this authorization while disapplying subscription rights in accordance with Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act.

The unused Authorized Capital 2015 created by way of a resolution of the Annual General Meeting on October 2, 2015, was canceled by way of the resolutions on Authorized Capital 2020 passed by the Annual General Meeting on July 30, 2020.

On October 13, 2020, the Board of Management, with the consent of the Supervisory Board, partially utilized the Authorized Capital 2020 created by resolution of the AGM on July 30, 2020, to increase the company's capital stock by €10,200,000.00 by issuing 10,200,000 new, no-par value bearer shares with a proportionate interest in the capital stock of €1.00 each against cash contributions, while disapplying the subscription rights of shareholders. The Authorized Capital 2020 amounts to €63,000,000 after this partial utilization.

The Annual General Meeting on July 30, 2020, additionally passed resolutions to create the Conditional Capital 2020 and increased the capital stock conditionally by up to €18,300,000. The conditional capital increase will only be performed by issuing up to 18,300,000 no-par-value bearer shares carrying dividend rights from the beginning of their fiscal year of issue to the extent that the holders or creditors of convertible bonds or of warrants from bonds with warrants that are issued based on the authorization of the Board of Management by the Annual General Meeting on July 30, 2020, by Covestro AG or one of its Group companies up to July 29, 2025, exercise their warrant/conversion rights, fulfill their exercise/conversion obligations, or if shares are tendered, and as long as no other forms of fulfillment are used to service these rights. The new shares will be issued at the warrant or conversion price to be determined in accordance with the authorizing resolution referred to above in the bond or warrant terms. The Board of Management is authorized, with the consent of the Supervisory Board, to set further details of the terms of the capital increase and its implementation.

The unused Conditional Capital 2015 resolved by the Annual General Meeting on September 1, 2015, was canceled by way of the resolutions of the Annual General Meeting on July 30, 2020.

The conditional capital has not been utilized to date.

In the event of a capital increase, the profit participation rules for the new shares may be specified in derogation of Section 60 of the German Stock Corporation Act.

Treasury Shares

In October 2017, Covestro AG's Board of Management announced that the Company intended to buy back treasury shares totaling up to €1.5 billion (excluding transaction costs), or up to 10% of the company's capital stock, whichever comes first, until the middle of 2019. The resolution was adopted in accordance with the authorization granted by the Annual General Meeting on September 1, 2015. The share buy-back is executed in Xetra trading on the Frankfurt Stock Exchange in line with the requirements for share buy-back programs set forth in Article 5 of the Market Abuse Regulation and the associated Commission Delegated Regulation.

The change in treasury shares is shown in the following table:

Treasury shares

	2020
	Number of shares
Treasury shares at Jan. 1, 2020	135,315
Share buy-backs	–
Retired treasury shares	–
Treasury shares issued under employee share programs	(95,859)
Treasury shares at Dec. 31, 2020	**39,456**

The 39,456 shares held by Covestro AG are equivalent to a notional value of €39,456, or 0.02% of the capital stock.

Resolved in October 2017, the €1.5 billion share buy-back program began on November 21, 2017, and was completed on December 4, 2018.

The repurchased treasury shares may be retired or reissued to employees as part of a share participation program.

Disclosures on Amounts Subject to Distribution Restrictions within the Meaning of Section 268, Paragraph 8 and Section 253, Paragraph 6 of the German Commercial Code

To cover pension obligations and credit balances on employees' long-term work-time accounts, funds have been transferred as part of contractual trust arrangements to the Metzler Fund, earmarked for this purpose, and protected from insolvency. The funds are measured at fair value. As of the reporting date, these funds amounted to €49,490 thousand; they exceeded cost of €41,502 thousand by €7,988 thousand. The excess of €7,988 thousand was offset by available reserves of €2,488,680 thousand, which means that this excess amount is subject to distribution restrictions.

Furthermore, the difference resulting from the change in the discount rate used to discount provisions for pension obligations, amounting to an additional €7,222 thousand of available reserves, was subject to distribution restrictions pursuant to Section 253, Paragraph 6 of the German Commercial Code.

The reported distributable profit of €251,160 thousand was not subject to distribution restrictions.

Disclosures of Shareholdings Notified in Accordance with Section 33, Paragraph 1 of the German Securities Trading Act (WpHG)

During fiscal 2020 and in the previous years, we received the following notifications of shareholdings in Covestro AG pursuant to Section 33, Paragraph 1 of the German Securities Trading Act. In cases where shareholdings reached, exceeded, or fell below the thresholds set out in this provision on several occasions and are reportable, only the most recent or last such notification is included:

Disclosures in accordance with Section 160, Paragraph 1, No. 8 of the German Stock Corporation Act (AktG)

Entity subject to disclosure requirements	Date of notification	Share of voting rights reached on	Threshold	Voting rights		Attribution according to WpHG
			%	%[1]	absolute	
Ministry of Finance on behalf of the State of Norway, Oslo	Dec. 30, 2020	Dec. 29, 2020	5	5.10	9,846,903	Sec. 34, 38 Para. 1 No. 1
Bayer AG, Leverkusen	Dec. 29, 2020	Dec. 28, 2020	3	2.99	5,767,401	Sec. 33
BlackRock, Inc., Wilmington	Dec. 28, 2020	Dec. 18, 2020	5	5.23	10,113,547	Sec. 34, 38 Para. 1 No. 1, 2
T. Rowe Price Group, Inc., Baltimore	Nov. 20, 2020	Nov. 16, 2020	3	3.06	5,908,162	Sec. 34
Franklin Mutual Advisers, LLC, Wilmington	Oct. 20, 2020	Oct. 14, 2020	3	2.87	5,545,076	Sec. 34
Amundi S.A., Paris	Sep. 5, 2019	Aug. 30, 2019	3	2.61	4,772,135	Sec. 34, 38 Para. 1 No. 1
Allianz Global Investors GmbH, Frankfurt/Main	Feb. 25, 2019	Feb. 20, 2019	3	3.20	5,853,973	Sec. 34, 38 Para. 1 No. 1, 2
The Goldman Sachs Group, Inc., Wilmington	Oct. 13, 2017	Oct. 5, 2017	3	0.61	1,230,116	Sec. 34, 38 Para. 1 No. 1, 2
Standard Life Investments Ltd., Edinburgh	Oct. 10, 2016	Oct. 4, 2016	3	2.94	5,958,554	Sec. 34
BlackRock Luxembourg Holdco S.à r.l., Luxembourg	Nov. 26, 2015	Nov. 24, 2015	3	2.98	6,039,615	Sec. 34
BlackRock (Luxembourg) S. A., Luxembourg	Nov. 26, 2015	Nov. 24, 2015	3	2.98	6,039,615	Sec. 34
BlackRock Global Funds, Luxembourg	Nov. 26, 2015	Nov. 24, 2015	3	2.96	5,984,212	Sec. 33
BlackRock Investment Management (UK) Limited, London	Oct. 9, 2015	Oct. 7, 2015	3	3.68	7,444,261	Sec. 34
BlackRock Group Limited, London	Oct. 9, 2015	Oct. 7, 2015	3	3.80	7,689,383	Sec. 34
BR Jersey International Holdings L. P., St. Helier, Jersey	Oct. 9, 2015	Oct. 7, 2015	3	3.80	7,691,608	Sec. 34
BlackRock International Holdings, Inc., Wilmington	Oct. 9, 2015	Oct. 7, 2015	3	3.80	7,691,608	Sec. 34
BlackRock Financial Management, Inc., Wilmington	Oct. 9, 2015	Oct. 7, 2015	3	3.85	7,802,680	Sec. 34
BlackRock Holdco 2, Inc., Wilmington	Oct. 9, 2015	Oct. 7, 2015	3	3.85	7,802,680	Sec. 34

[1] If the threshold was reached prior to December 4, 2018, the share of voting rights is based on the capital stock prior to the retirement of shares in fiscal 2018 and prior to the capital increase in fiscal 2020. If the threshold was reached after December 4, 2018, but prior to October 14, 2020, the share of voting rights relates to the capital stock prior to the capital increase in fiscal 2020.

7. Provisions for Pensions

Provisions for pensions include the benefit obligations for current and past employees. This item also includes obligations under early retirement arrangements.

Obligations arising from pension commitments are fully or partially covered by assets held in trust and invested using separate pension-provision investment vehicles (plan assets). The invested assets may only be used for the purpose of meeting pension obligations and are exempt from attachment by other creditors. They were offset against the underlying obligations.

Provisions for pensions

	Dec. 31, 2019	Dec. 31, 2020
	€ thousand	€ thousand
Settlement amount of pension commitments	22,357	25,598
Fair value of assets invested	19,295	21,841
Net value of pension commitments (provisions)	**3,062**	**3,757**
Acquisition cost of assets invested	17,145	18,392

The difference resulting from the change in the discount rate within the meaning of Section 253, Paragraph 6, Sentence 1 of the German Commercial Code was €7,222 thousand on December 31, 2020 (previous year: €6,823 thousand).

The net liability resulting from unrecognized benefit obligations within the meaning of Article 28, Paragraph 2 of the Introductory Law to the German Commercial Code totals €3,429 thousand.

8. Provisions for taxes

The year-over-year decline in provisions for taxes by a total of €3,333 thousand resulted mainly from adjustments for prior years.

9. Other Provisions

Other provisions were mainly recognized for personnel-related obligations (€8,829 thousand). The decrease was attributable chiefly to the reversal of provisions for settling possible tax claims by Bayer AG in connection with the contribution, indemnification, and post-formation agreement.

10. Bonds

On December 31, 2020, bonds amounted to €2,000,000 thousand. They break down as follows:

Bonds

	Par value	Coupon rate	Effective interest rate	Dec. 31, 2020
		in %	in %	€ thousand
DIP bond 2016/2021	€500 million	1.000	1.076	500,000
DIP bond 2016/2024	€500 million	1.750	1.782	500,000
DIP bond 2020/2026	€500 million	0.875	0.943	500,000
DIP bond 2020/2030	€500 million	1.375	1.447	500,000
				2,000,000

On June 5, 2020, Covestro placed a euro bond totaling €1.0 billion on the debt markets. The bond was issued in two tranches maturing in February 2026 and June 2030 and carrying coupon rates of 0.875% and 1.375%, respectively.

The differences between the issue and settlement amount of the bonds issued, which are reported under deferred charges in application of the option pursuant to Section 250, Paragraph 3 of the German Commercial Code, totaled €5,689 thousand on December 31, 2020 (previous year: €1,389 thousand).

11. Additional Disclosures on Liabilities

Liabilities were classified according to maturity as follows:

Maturity structure of liabilities

				Dec. 31 ,2019
	Due in 2020	Due in or after 2021	of which due in or after 2025	Total
	€ thousand	€ thousand	€ thousand	€ thousand
Bonds	–	1,000,000	–	1,000,000
Liabilities to banks	–	–	–	–
Trade accounts payable	10,828	–	–	10,828
Liabilities to affiliated companies	3,076	–	–	3,076
Other liabilities	4,537	–	–	4,537
Total	**18,441**	**1,000,000**	**–**	**1,018,441**

Maturity structure of liabilities

				Dec. 31 ,2020
	Due in 2021	Due in or after 2022	of which due in or after 2026	Total
	€ thousand	€ thousand	€ thousand	€ thousand
Bonds	500,000	1,500,000	1,000,000	2,000,000
Liabilities to banks	–	225,000	–	225,000
Trade accounts payable	16,402	–	–	16,402
Liabilities to affiliated companies	1,115	–	–	1,115
Other liabilities	33,165	–	–	33,165
Total	**550,682**	**1,725,000**	**1,000,000**	**2,275,682**

Notes to the Income Statement

12. Income from Investments in Affiliated Companies

Income from investments in affiliated companies of €76,639 thousand (previous year: €695,337 thousand) was solely attributable to income from the control and profit and loss transfer agreement with Covestro Deutschland AG.

13. Interest Result

In addition to expenses of €19,976 thousand (previous year: €13,751 thousand) for the bonds issued in fiscal 2016 and 2020, the interest result primarily includes interest income for loans granted to Covestro Deutschland AG in the amount of €3,152 thousand (previous year: €1,739 thousand).

The interest result also included investment income of €2,782 thousand (previous year: €5,927 thousand) from Metzler Trust e. V., Frankfurt am Main (Germany), in addition to the expenses of €4,644 thousand related to the accumulation of pension provisions (previous year: €4,963 thousand), which included both the interest expense as well as expenses from changes in the discount rate.

14. Other Financial Income and Expenses

The main item reported in other financial income and expenses was bank fees amounting to €15,441 thousand (previous year: €2,847 thousand). These included fees for the provision of credit lines, one-time fees associated with the issue of the new bond, the pro rata reversal of the discount on the bonds issued, and ancillary costs for the capital increase performed in fiscal 2020.

Income and expenses from foreign currency translation were also reported in this item.

15. Net Sales

Sales include income from services rendered by the Corporate Center divisions of Covestro AG for Covestro Group companies. Of the €21,858 thousand (previous year: €20,398 thousand) reported, sales generated with foreign Group companies accounted for €563 thousand (2.58%) (previous year: €519 thousand). Expenses incurred for providing the services are shown under cost of services provided.

16. Other Operating Income

Other operating income included prior-period income of €19,112 thousand (previous year: €410 thousand). Other operating income of €18,890 thousand related almost solely to the reversal of provisions for settling possible tax claims by Bayer AG in connection with the contribution, indemnification, and post-formation agreement. The remainder related to the reversal of other personnel-related provisions.

17. Other Operating Expenses

Other operating expenses of €29,823 thousand resulted from expenses associated with the announced acquisition of the Resins & Functional Materials (RFM) business from Koninklijke DSM N.V., Heerlen (Netherlands).

18. Income Taxes

Income tax expense encompasses corporate income tax, trade tax, the solidarity surcharge, and income taxes paid outside Germany.

The tax expense does not include deferred taxes. As of December 31, 2020, Covestro AG expected a future tax relief of €221,671 thousand (previous year: €193,829 thousand) from temporary differences and loss carryforwards, both relating to itself as well as to companies within the tax group and partnerships. This was calculated on the basis of the combined future income tax rate of 29.02% (previous year: 28.94%) (Covestro AG and tax group subsidiaries) or 15.83% (investments in partnerships; the tax rate includes only corporate income tax and the solidarity surcharge).

Deferred tax liabilities were mainly the result of the difference between the higher carrying amounts of noncurrent assets as well as differences related to unrealized foreign currency translation gains. Deferred tax assets are mainly the result of higher amounts recognized for pension obligations in the financial statements in accordance with German commercial law compared with their tax base. Deferred tax assets also resulted from provisions for anticipated losses and for pre-retirement leave, which are not eligible for recognition in the tax financial statements. Other reasons for deferred tax assets included measurement differences, for example, for provisions for early retirement arrangements, long-term accounts, and long-term service awards, as well as tax loss carryforwards. Overall, deferred tax liabilities were more than offset by deferred tax assets. In application of the option under Section 274, Paragraph 1, Sentence 2 of the German Commercial Code, no deferred tax assets were recognized for the excess of deferred tax assets over deferred tax liabilities.

19. Other Taxes

Where other taxes could be allocated to general administration expenses, they are recognized there. Otherwise, they are included under other operating expenses. Other taxes totaled €228 thousand (previous year: €242 thousand).

20. Cost of Materials

Cost of materials

	2020
	€ thousand
Cost of raw materials, consumables and supplies, and of puchased merchandise	14
Cost of purchased services	8
	22

21. Personnel Expenses/Employees

Personnel expenses

	2020
	€ thousand
Wages and salaries	24,580
Social expenses and expenses for pensions and other benefits	3,729
of which pension expenses	2,708
	28,309

Personnel expenses do not include the interest cost allocated to personnel-related provisions, in particular to provisions for pensions, which are shown in the interest result.

On average, Covestro AG had 145 employees (previous year: 150) in the reporting year. They break down as follows:

Employees

	2020	
	Women	Men
Senior executives and senior managers	21	66
Junior managers and nonmanagerial employees	39	19
	60	**85**

These figures include part-time employees on a pro rata basis.

Other Disclosures

22. Contingent Liabilities

Liabilities arising from debt guarantees and sureties amounted to €42,814 thousand. These were issued exclusively in favor of Group companies. Due to the Group's excellent liquidity situation, all of the companies concerned are able to meet the underlying obligations; utilization is therefore not expected.

Debt guarantees and sureties

	Principal amount
	€ thousand
LyondellBasell Covestro Manufacturing Maasvlakte V.O.F, Rotterdam (Netherlands)	
due in 2031	25,000
Covestro LLC, Pittsburgh (USA)	
Principal amount of $21,859 thousand; maturing 2027	17,814
	42,814

In connection with the contribution, indemnification, and post-formation agreement between Bayer AG and Covestro AG, arrangements were made to settle possible claims for taxes, which may result in corresponding liabilities.

23. Other Financial Commitments

In addition to provisions, liabilities, and contingent liabilities, there are other financial commitments.

Effective September 1, 2015, Bayer-Pensionskasse VVaG, Leverkusen (Germany), and Covestro AG agreed to include Covestro AG as an additional guarantor in the initial fund previously agreed with Bayer AG. The purpose of the initial fund is to provide Bayer-Pensionskasse VVaG with repayable, interest-bearing loans if necessary. Covestro AG has undertaken to provide a maximum of €208 million to the initial fund. As of the reporting date, Covestro AG had not yet made any contributions.

Effective August 1, 2019, Rheinische Pensionskasse VVaG, Leverkusen (Germany), and Covestro AG agreed to include Covestro AG as an additional guarantor in the initial fund previously agreed with Bayer AG. The purpose of the initial fund is to provide Rheinische Pensionskasse VVaG with repayable, interest-bearing loans if necessary. Covestro AG has undertaken to provide a maximum of €11 million to the initial fund. As of the reporting date, Covestro AG had not yet made any contributions.

Future lease and rent payments resulted in obligations of €405 thousand. Of the total rental obligations, €225 thousand is due in 2021 and €180 thousand in 2022 to 2023.

24. Derivative Financial Instruments/Hedge Accounting

The currency risk of one of the other liabilities in foreign currency (USD) was hedged by using an intragroup forward exchange contract entered into with Covestro Deutschland AG in fiscal 2020. Covestro Deutschland AG is responsible for hedging foreign currency risk for the Covestro Group.

The reported foreign currency exposure and the applicable hedging instrument together comprise a micro hedge that matures in fiscal 2021. As of December 31, 2020, the nominal value of the intragroup derivative was €21,656 thousand and its fair value was €–482 thousand. The net hedge presentation method is applied to recognition of this item. This hedge is highly effective, because the changes in the value of the hedging instrument almost entirely offset the changes in the value of the hedged item.

25. Related Party Disclosures

Related parties are legal entities or natural persons that are able to exert influence over Covestro AG or over which Covestro AG exercises control or has a significant influence. They include nonconsolidated subsidiaries, joint ventures, associated companies, and post-employment benefit plans.

Transactions with related parties mainly comprise rental, service, and financing transactions.

26. Total Compensation of the Board of Management and Supervisory Board, and Advances and Loans Granted

The compensation of the members of the Board of Management in fiscal 2020 consisted of the following:

Total compensation of the Board of Management

	Board of Management members serving as of December 31, 2020	
	2019	**2020**
	€ thousand	€ thousand
Fixed annual compensation	2,771	3,168
Fringe benefits	230	117
Short-term variable compensation	549	313
Long-term variable compensation[1]	2,724	3,349
Aggregate compensation	**6,274**	**6,947**
Pension service cost[2]	956	1,208

[1] Fair value when granted
[2] Including company contribution to Bayer-Pensionskasse VvaG and Rheinischen Pensionskasse VVaG

The compensation comprises a non-performance-related component, an annual incentive, and a long-term stock-based component. The Covestro Group's compensation structure, based on average total annual compensation for a Board of Management member at 100% target attainment, has the following components: approx. 30% fixed annual compensation, approx. 30% short-term variable compensation, and approx. 40% long-term variable compensation (excluding fringe benefits and pension entitlements).

The non-performance-related compensation comprises the fixed annual compensation, which reflects the responsibilities and performance of the Board of Management members, along with fringe benefits. The performance-related compensation comprises a short-term variable component, which depends on the attainment of the corporate performance targets, and the long-term variable compensation, i.e., the stock-based compensation program Prisma. This is linked directly to changes in Covestro’s share price.

The individual performance-related components are capped at the grant date. To comply with the recommendation of the GCGC, a cap has also been agreed for the compensation as a whole. In 2018, the Supervisory Board resolved to include company pension expenditures above and beyond the components already taken into account (fixed annual compensation and variable components) in calculating total target compensation, i.e., the total of the individual components in the case of 100% target attainment of the variable components.

The cap was set at 1.9 times the respective target compensation. This value was chosen to ensure that compensation will not have to be reduced even if both short-term and long-term compensation reach the maximum possible cap. In the event of such a scenario, it can therefore be expected that the total compensation accrued will not exceed the permitted cap, even when fringe benefits are added, the amount of which cannot be precisely determined in advance.

The members of the Board of Management also receive pension entitlements for themselves and their surviving dependents. Furthermore, Covestro AG has purchased liability insurance for the members of the Board of Management to cover their legally required personal liability arising from their service on the Board of Management. The deductible amounts to 10% of the loss up to a maximum of 1.5 times the fixed annual compensation of the respective Board of Management member, and is line with the current requirements of the German Stock Corporation Act (AktG).

The members of the Board of Management are eligible to participate in the Prisma compensation program as long as they are employed by the Covestro Group and fulfill the share ownership guidelines applicable to them. This program is based on a target opportunity set at 130% of the fixed annual compensation. When a member of the Board of Management retires, current tranches may be shortened, thus reducing their value.

The payout is determined by calculating two factors: The total shareholder return (TSR) factor is the return generated by a stock expressed as a percentage (total of the final price of the share and all dividends distributed per share during the four-year performance period, or tranche, divided by the initial price). The outperformance factor is based on the performance of Covestro stock during the performance period relative to the performance of the STOXX Europe 600 Chemicals index. If Covestro's stock performance (in %) matches the performance of the index (in %), the outperformance factor is 100%. If the performance of Covestro stock (in %) underperforms the index by 100 percentage points or more, the outperformance factor is 0%. The outperformance factor increases in proportion with the deviation if Covestro's stock performance falls within ± 100 percentage points of the performance of the index. The same is true if it outperforms the index by more than 100 percentage points.

The Prisma target opportunity of each participant is multiplied by the TSR factor and the outperformance factor to arrive at the total distribution figure. The total distribution is limited to no more than 200% of the target opportunity. The maximum payout is therefore 260% of the fixed annual compensation.

Expenses for pension commitments of €1,208 thousand were incurred for those members of the Board of Management who were in the service to the company during the reporting year. These included the current service cost for pension commitments and company contributions to Bayer-Pensionskasse VVaG and Rheinische Pensionskasse VVaG. The settlement amount for direct and indirect pension obligations for members of the Board of Management in service amounted to €8,332 thousand as of the reporting date. The settlement amount for direct and indirect pension obligations for former members of the Board of Management amounted to €6,315 thousand.

Total compensation for the Supervisory Board for the reporting year was €1,679 thousand. This includes attendance fees of €19 thousand.

There were no advances or loans to members of the Board of Management or the Supervisory Board outstanding as of December 31, 2020. No loans were repaid in the year under review.

Details of the compensation of the Board of Management and Supervisory Board can be found in the compensation report included in the combined management report of the Covestro Group and Covestro AG.

27. Governance Bodies

Board of Management

Name	Position	Areas of responsibility	Memberships on supervisory boards and memberships in comparable supervising bodies of German or foreign corporations
Dr. Markus Steilemann	Chief Executive Officer	• Communications • Corporate Audit • Human Resources • Strategy • Sustainability	
Sucheta Govil	Chief Commercial Officer	• Polyurethanes • Polycarbonates • Coatings, Adhesives, Specialties • Central Marketing • Innovation Management & Commercial Services • Supply Chain Center EMLA • Supply Chain Center NAFTA • Supply Chain Center APAC	Independent non-executive director of Eurocell plc (United Kingdom)
Dr. Klaus Schäfer	Chief Technology Officer	• Global Project Engineering • Health, Safety, Environment & Quality • Production & Technology • Procurement • Site Management NRW • Site Management Baytown • Site Management Shanghai	Member of the Supervisory Board of TÜV Rheinland AG
Dr. Thomas Toepfer	Chief Financial Officer Labor Director	• Accounting • Controlling • Finance • Information Technology • Investor Relations • Law, Intellectual Property & Compliance • Portfolio Development • Taxes	

Supervisory Board

Name Function	Membership in the Supervisory Board	Position	Memberships on other supervisory boards and memberships in comparable supervising bodies of German or foreign corporations
Dr. Richard Pott (Chair)	Member of the Supervisory Board since August 2015	• Member of various supervisory boards	• Chair of the Supervisory Board of Covestro Deutschland AG • Member of the Supervisory Board of Freudenberg SE • Member of the Supervisory Board of SCHOTT AG
Petra Kronen (Vice Chair)	Member of the Supervisory Board since October 2015	• Chair of the Works Council of Covestro at the Uerdingen site • Chair of the General Works Council of Covestro • Vice Chair of Covestro-European Forum • Employee of Covestro Deutschland AG	• Vice Chair of the Supervisory Board of Covestro Deutschland AG • Member of the Supervisory Board of Bayer Beistandskasse VVaG
Ferdinando Falco Beccalli	Member of the Supervisory Board since October 2015	• Chair of the Board of Falco Capital AG	• Member of the Supervisory Board of Covestro Deutschland AG
Dr. Christine Bortenlänger	Member of the Supervisory Board since October 2015	• Executive Member of the Board of Deutsches Aktieninstitut e.V.	• Member of the Supervisory Board of Covestro Deutschland AG • Member of the Supervisory Board of MTU Aero Engines AG • Member of the Supervisory Board of OSRAM GmbH (until February 2021) • Member of the Supervisory Board of OSRAM Licht AG (until February 2021) • Member of the Supervisory Board of TÜV SÜD AG • Member of the Supervisory Board of Siemens Energy AG (since September 2020) • Member of the Supervisory Board of Siemens Energy Managment GmbH (since September 2020)
Johannes Dietsch	Member of the Supervisory Board until July 2020	• Member of the Board of Management of thyssenkrupp AG (until March 2020)	• Member of the Supervisory Board of Covestro Deutschland AG
Irena Küstner	Member of the Supervisory Board since October 2015	• Chair of the Works Council of Covestro at the Leverkusen site • Chair of the Group Works Council of Covestro • Vice Chair of the General Works Council of Covestro • Employee of Covestro Deutschland AG	• Member of the Supervisory Board of Covestro Deutschland AG
Dr. Ulrich Liman	Member of the Supervisory Board since January 2018	• Chair of the Managerial Employees' Committee of Covestro Deutschland AG • Manager of Covestro Deutschland AG	• Member of the Supervisory Board of Covestro Deutschland AG
Prof. Dr. Rolf Nonnenmacher	Member of the Supervisory Board since August 2015	• Member of various supervisory boards	• Member of the Supervisory Board of Covestro Deutschland AG • Member of the Supervisory Board of Continental AG • Member of the Supervisory Board of ProSiebenSat.1 Media SE

Supervisory Board

Name Function	Membership in the Supervisory Board	Position	Memberships on other supervisory boards and memberships in comparable supervising bodies of German or foreign corporations
Petra Reinbold-Knape	Member of the Supervisory Board since January 2020	• Member of the Executive Committee of the German Mining, Chemical, and Energy Industrial Union (IG BCE)	• Member of the Supervisory Board of Covestro Deutschland AG (since January 2020) • Member of the Supervisory Board of Bayer AG • Vice Chair of the Supervisory Board of Lausitz Energie Kraftwerke AG (until July 2020) • Vice Chair of the Supervisory Board of Lausitz Energie Bergbau AG (until July 2020)
Regine Stachelhaus	Member of the Supervisory Board since October 2015	• Member of various supervisory boards	• Member of the Supervisory Board of Covestro Deutschland AG • Member of the Supervisory Board of CECONOMY AG • Member of the Supervisory Board of Leoni AG • Member of the Supervisory Board of SPIE Deutschland und Zentraleuropa GmbH • Director of SPIE SA, France
Marc Stothfang	Member of the Supervisory Board since February 2017	• Chair of the Works Council of Covestro at the Brunsbüttel site • Chair of Covestro-European Forum • Employee of Covestro Deutschland AG	
Patrick W. Thomas	Member of the Supervisory Board since July 2020	• Member of various supervisory boards • Former Chair of the Board of Management of Covestro AG (until May 2018)	• Member of the Supervisory Board of Covestro Deutschland AG • Non-Executive Director (Chair) of Johnson Matthey plc, United Kingdom • Non-Executive Director of Akzo Nobel N.V., Netherlands
Frank Werth	Member of the Supervisory Board since September 2016	• District Manager of the German Mining, Chemical and Energy Industrial Union (IG BCE) – district Leverkusen	• Member of the Supervisory Board of Covestro Deutschland AG

28. Auditor's Fees

The total fee charged by the auditor for the reporting year within the meaning of Section 285, No. 17 of the German Commercial Code is broken down into auditing services, other assurance services, tax-advisory services, and other services as presented in the corresponding statement in the consolidated financial statements.

The fees for auditing the financial statements mainly comprise those for the audit of the consolidated financial statements, the review of the interim consolidated financial statements as of June 30, 2020, as well as the audit of the single-entity financial statements of Covestro AG and German subsidiaries.

To a lesser degree, the auditor also provided tax advice.

29. Disclosures Pursuant to Section 6b, Paragraph 2 of the German Energy Industry Act

There were no unusual transactions in connection with energy-specific services of significance for the net assets and results of operations of Covestro AG required to be disclosed pursuant to Section 6b, Paragraph 2 of the German Energy Industry Act.

30. List of Shareholdings

Covestro AG directly or indirectly holds shares in the following companies (disclosures pursuant to Section 285, No. 11 of the German Commercial Code). The amounts stated for equity and net income or loss for the year relate to the amounts from the annual financial statements prepared in accordance with national law as of December 31, 2020; all amounts are rounded:

List of Shareholdings

Company name	Place of business	Equity interest	Equity	Net income/ loss	Footnote
		%	€ thousand	€ thousand	
EMLA					
Asellion B.V.	Amsterdam (Netherlands)	100.0	(9,602)	(6,010)	2
Covestro (France) SNC	Fos-sur-Mer (France)	100.0	29,760	5,640	2
Covestro (Slovakia) Services s.r.o.	Bratislava (Slovakia)	100.0	1,302	536	2
Covestro Brunsbüttel Energie GmbH	Brunsbüttel (Germany)	100.0	39	1,134	1, 2
Covestro Deutschland AG	Leverkusen (Germany)	100.0	1,782,686	76,639	1
Covestro Elastomers SAS	Romans-sur-Isère (France)	100.0	38,447	7,203	2
Covestro First Real Estate GmbH	Leverkusen (Germany)	100.0	77,943	6,795	2
Covestro GmbH	Leverkusen (Germany)	100.0	7,376	6,508	1, 2
Covestro Indústria e Comércio de Polímeros Ltda.	São Paulo (Brazil)	100.0	35,749	13,289	2
Covestro Intellectual Property GmbH & Co. KG	Leverkusen (Germany)	100.0	74,362	63,824	2
Covestro Intellectual Property Verwaltungs GmbH	Leverkusen (Germany)	100.0	28	1	2
Covestro International SA	Fribourg (Switzerland)	100.0	282,423	39,109	2
Covestro Middle East FZ-LLC	Dubai (United Arab Emirates)	100.0	110	107	2
Covestro NV	Antwerp (Belgium)	100.0	344,212	31,579	2
Covestro Polímer Anoním Şírketí	Istanbul (Turkey)	100.0	442	138	2
Covestro Polyurethanes B.V.	Nieuwegein (Netherlands)	100.0	77,223	8,385	2
Covestro Procurement Services GmbH & Co. KG	Leverkusen (Germany)	100.0	16,191	15,833	2
Covestro Procurement Services Verwaltungs GmbH	Leverkusen (Germany)	100.0	28	1	2
Covestro S.r.l.	Filago (Italy)	100.0	131,847	12,129	2
Covestro, S.L.	La Canonja (Spain)	100.0	143,092	8,542	2
Covestro Second Real Estate GmbH	Leverkusen (Germany)	100.0	48,668	9,004	2
Covestro sp. z o.o.	Warsaw (Poland)	100.0	173	176	2
Covestro Thermoplast Composite GmbH	Markt Bibart (Germany)	100.0	(1,815)	169	2
Covestro UK Limited	Cheadle (United Kingdom)	100.0	2,622	569	2
Crime Science Technology SAS	Loos (France)	41.2	(280)	(566)	2
Epurex Films Geschäftsführungs-GmbH	Walsrode (Germany)	100.0	118	9	2
Epurex Films GmbH & Co. KG	Walsrode (Germany)	100.0	14,465	10,759	2
LyondellBasell Covestro Manufacturing Maasvlakte V.O.F	Rotterdam (Netherlands)	50.0	139,010	(7,677)	2
MS Global AG	Köniz (Switzerland)	100.0	6,757	1,549	2

List of Shareholdings

Company name	Place of business	Equity interest	Equity	Net income/ loss	Footnote
		%	€ thousand	€ thousand	
MS Holding B.V.	Nieuwegein (Netherlands)	100.0	2,079,507	79,629	2
OOO Covestro	Moscow (Russia)	100.0	593	126	2
Paltough Industries (1998) Ltd.	Kibbuz Ramat Yochanan (Israel)	25.0	102,850	19,725	2
Pearl Covestro Polyurethane Systems FZCO	Dubai (United Arab Emirates)	51.0	26,742	5,062	2
Pearl Covestro Polyurethane Systems L.L.C.	Dubai (United Arab Emirates)	49.0	1,535	1,196	2
NAFTA					
Covestro International Re, Inc.	Colchester (United States)	100.0	95,020	5,790	2
Covestro International Trade Services Corp.	Wilmington (United States)	100.0	2	24,153	2
Covestro LLC	Pittsburgh (United States)	100.0	1,188,615	77,291	2
Covestro PO LLC	Pittsburgh (United States)	100.0	310,789	105,148	2
Covestro S.A. de C.V.	Mexico City (Mexico)	100.0	60,458	(1,430)	2
PO JV, LP	Wilmington (United States)	39.4	358,445	(58,791)	2
Technology JV, L.P.	Wilmington (United States)	33.3	253,695	234,716	1, 2
APAC					
Asellion (Shanghai) Information Technology Co., Ltd.	Shanghai (China)	100.0	189	(19)	2
Covestro (Hong Kong) Limited	Hong Kong (China)	100.0	52,544	51,463	2
Covestro (India) Private Limited	Thane (India)	100.0	77,232	1,204	3
Covestro (Shanghai) Investment Company Limited	Shanghai (China)	100.0	17,246	10,141	2
Covestro (Taiwan) Ltd.	Kaohsiung (Taiwan)	95.5	37,297	7,914	2
Covestro (Thailand) Co., Ltd.	Bangkok (Thailand)	100.0	462,954	21,413	2
Covestro (Viet Nam) Company Limited	Ho Chi Minh City (Vietnam)	100.0	4,363	1,115	2
Covestro Far East (Hong Kong) Limited	Hong Kong (China)	100.0	272	14,693	2
Covestro Japan Ltd.	Tokyo (Japan)	100.0	25,567	5,562	2
Covestro Korea Corporation	Seoul (South Korea)	100.0	10,098	1,574	2
Covestro Polymers (China) Co., Ltd.	Shanghai (China)	100.0	1,797,016	232,720	2
Covestro Polymers (Qingdao) Co., Ltd.	Qingdao (China)	100.0	7,308	(106)	2
Covestro Polymers (Shenzhen) Co., Ltd.	Shenzhen (China)	100.0	13,397	1,027	2
Covestro Polymers (Tianjin) Co., Ltd.	Tianjin (China)	100.0	3,012	94	2
Covestro Pty Ltd	Mulgrave (Australia)	100.0	3,946	684	2
DIC Covestro Polymer Ltd.	Tokyo (Japan)	80.0	29,560	1,988	2
Guangzhou Covestro Polymers Co., Ltd.	Guangzhou (China)	100.0	26,095	3,374	2
PT Covestro Polymers Indonesia	Jakarta (Indonesia)	99.9	59,629	9,079	2
Sumika Covestro Urethane Company, Ltd.	Amagasaki (Japan)	60.0	51,325	1,775	2

1 Earnings prior to profit and loss transfer
2 Preliminary net income/loss for the year
3 Annual financial statements for the period ended March 31, 2020

31. Events After the End of the Reporting Period

The syndicated credit facility arranged by Covestro AG on September 30, 2020, which originally served as bridge financing for the purchase price of the announced acquisition of the Resins & Functional Materials (RFM) business of Koninklijke DSM N.V., Heerlen (Netherlands), and amounted to €1.2 billion as of December 31, 2020, was terminated as of January 29, 2021, due to Covestro's strong liquidity situation.

32. Proposal for the Appropriation of Distributable Profit

The financial statements of Covestro AG show distributable profit of €251,160 thousand. We recommend that distributable profit be used to pay a dividend of €1.30 per no-par-value share carrying dividend rights and that the amount from distributable profit attributable to non-dividend bearing no-par-value shares be carried forward.

Leverkusen, February 17, 2021
Covestro AG

The Board of Management

Responsibility Statement

To the best of our knowledge, and in accordance with applicable reporting principles for financial reporting, the annual financial statements give a true and fair view of the net assets, financial position, and results of operations of Covestro AG, and the management report, which has been combined with the management report of the Covestro Group, includes a fair review of the development and performance of the business and the position of the Covestro Group and Covestro AG, together with a description of the principal opportunities and risks associated with the expected development of the Covestro Group and Covestro AG.

Leverkusen, February 17, 2021
Covestro AG

The Board of Management

Dr. Markus Steilemann (Chairman)	Sucheta Govil	Dr. Klaus Schäfer	Dr. Thomas Toepfer

Activity-based financial statements for activities in accordance with Section 6b, Paragraph 3, Sentence 1 of the German Energy Industry Act (EnWG)

Covestro AG is a vertically integrated energy company within the meaning of Section 3, No. 38 of the German Energy Industry Act. According to the determinations made by Ruling Chambers 8 and 9 of the German Federal Network Agency (*Bundesnetzagentur*) (BNetzA, BK8-19/00002-A, and BK9-19/613-1) in conjunction with Section 6b, Paragraph 3 of the German Energy Industry Act, Covestro AG as a vertically integrated energy company must maintain separate accounts for each of its activities in the areas of electricity distribution and gas distribution to avoid discrimination and cross-subsidization in its internal accounting. In addition, Covestro AG is obligated to prepare and have audited by an auditor activity-based financial statements in accordance with Section 6b, Paragraph 3, Sentence 6 in conjunction with Paragraph 1, Sentence 1 of the German Energy Industry Act according to the provisions of the German Commercial Code applicable to corporations for energy-specific services relating to the activities of electricity or gas distribution provided to affiliated, vertically integrated companies.

As the Group parent company, Covestro AG provides various services to the Group companies in Germany and abroad. These include energy-specific services performed for the subsidiary Covestro Brunsbüttel Energie GmbH in the area of administration.

Covestro Brunsbüttel Energie GmbH, with registered office in Brunsbüttel (Germany), in its capacity as owner of the power and gas grid at Covestro Industriepark Brunsbüttel supplies electricity and gas to customers in the industrial park. This therefore constitutes a group of affiliated electricity/gas companies within the meaning of Section 6b of the German Energy Industry Act.

In compliance with the provisions of the German Energy Industry Act, Covestro AG prepared activity-based financial statements for the following:

- Electricity distribution (hereinafter “power grid”)
- Gas distribution (hereinafter “gas grid”)

As per the aforementioned determinations by the German Federal Network Agency, services were identified for purposes of preparing the activity-based financial statements that are classified as directly or indirectly energy-specific and therefore attributable to power grid or gas grid activities at the service provider.

The activity-based financial statements each include an income statement. In fiscal 2020, no assets or provisions were attributed to power grid or gas grid activities in connection with the performance of energy-specific services. No energy-specific receivables or liabilities were recognized as of December 31, 2020, either. For this reason, no statement of provisions or balance sheet is required.

The activity-based financial statements in accordance with Section 6b, Paragraph 3 of the German Energy Industry Act were derived from the annual financial statements of Covestro AG for the period ended December 31, 2020.

The accounting policies and valuation principles for the individual activities correspond to those applied to the annual financial statements of Covestro AG.

No contingent liabilities or other financial obligations required to be reported in accordance with Section 268, Paragraph 7 and Section 285, No. 3a of the German Commercial Code relate to power grid or gas grid activities.

The activity-based financial statements for power grid and gas grid activities below are presented in thousands of euro analogously to the statement of financial position, income statement, and notes.

Income Statement – Power Grid

	2020
	€ thousand
Net sales	**4**
Cost of services provided	(4)
Gross profit	**–**
Operating result	**–**
Result from ordinary activities	**–**
Expenses from profit transfer/Income from loss absorption	–
Net income/Net loss for the year	**–**

Income Statement – Gas Grid

	2020
	€ thousand
Net sales	**3**
Cost of services provided	(3)
Gross profit	**–**
Operating result	**–**
Result from ordinary activities	**–**
Expenses from profit transfer/Income from loss absorption	–
Net income/Net loss for the year	**–**

Preparation of the Statement of Financial Position and Income Statement

The assets/liabilities and income/expenses were attributed directly to the activities to the greatest extent possible, except in cases where the effort required would have been unjustifiable. In these cases, suitable and appropriate allocation methods were determined to assign energy-specific services to the activities to which they belong. The allocation rules according to which the income statement items were attributed to the activities are described below:

Preparation of Income Statement

Net Sales	Cost of Services Allocation
Cost of services provided	Cost of Services Allocation

Cost of Services Allocation

The method for allocating the cost of energy-specific services provided by Covestro AG was determined by taking into account the cost of services directly attributable to the activities at the level of Covestro Brunsbüttel Energie GmbH.

Leverkusen, February 17, 2021
Covestro AG

The Board of Management

INDEPENDENT AUDITOR'S REPORT

To Covestro AG, Leverkusen

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of Covestro AG, Leverkusen, which comprise the balance sheet as at 31 December 2020, and the statement of profit and loss for the financial year from 1 January 2020 to 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the management report, which is combined with the group management report of Covestro AG, for the financial year from 1 January 2020 to 31 December 2020 including the non-financial statement in accordance with Section 315b (1), 315c HGB [Handelsgesetzbuch: German Commercial Code]. In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's report.

The management report contains cross-references marked as unaudited and not required by law. In accordance with German legal requirements, we have not audited the content of these cross-references or the information to which they refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those components of the management report specified in the "Other Information" section of the auditor's report. The management report contains cross-references marked as unaudited and not required by law. We have not audited the content of these cross-references or the information to which they refer.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of noncurrent financial assets:

For the applied recognition and measurement policies, we refer to chapter „Accounting Policies and Valuation Principles" within the notes. Explanations with respect to the financial performance as well as assets and liabilities of the Company are presented in the chapter "Results of Operations, Financial Position and Net Assets of Covestro AG" of the management report.

THE FINANCIAL STATEMENT RISK

In the financial statements of Covestro AG as at 31 December 2020, the noncurrent financial assets included shares in affiliated companies in the amount of EUR 1,766 million. Noncurrent financial assets account for 25% of the balance sheet total and thereby have a significant influence on the Company's financial position.

Noncurrent financial assets are presented on the balance sheet at acquisition costs or, in case of a reduction in value which is expected to be permanent, at their lower value. The Company determines the value of investments in affiliated companies using the Discounted-Cash-Flow approach.

The cash flows utilised for the Discounted-Cash-Flow approach are based on entity specific projections with a further forward projection after the detailed planning period on the basis of assumed long-term growth rates. The discount rate is derived from the return on alternative investments with a commensurate level of risk. When the value is lower than the carrying amount, quantitative and qualitative criteria are assessed to determine whether the impairment is expected to be permanent in nature.

The assessment of the recoverability of the carrying amount including the calculation of the value using the Discounted-Cash-Flow approach is complex and, in terms of the assumptions made, heavily dependent on the Company's estimates and judgements. This is, among other things, the case for estimates of future cash flows and long-term growth rates, the determination of discount rates as well as the assessments with respect to the longevity of the impairment.

The financial year 2020 was characterized by the significant negative economic consequences of the COVID-19 pandemic and the resulting strong decline in global economy. Due to the continuing COVID-19 pandemic, the year 2021 is expected to be a challenging year for the global economy. Despite these special circumstances, there are also signs of improvement of future business prospects in the company's main customer's industries from 2021 onwards. The Company did not record impairments on noncurrent financial assets in financial year 2020. There is the financial statement risk that the carrying amount of the noncurrent financial assets may not be recoverable.

OUR AUDIT APPROACH

We initially obtained an understanding of the Company's process for assessing the recoverability of the carrying amount of the noncurrent financial assets held on the basis of explanations provided by the accounting and controlling departments, as well as by assessing documentation. This included an intensive review of the Company's approach to the determination of necessary impairments and, based on the information obtained within the scope of our audit, an assessment as to whether there was an indication of the need to record an impairment not identified by the Company.

Subsequently, with the support of our valuation specialists, we assessed the appropriateness of the significant assumptions as well as of the valuation model underlying the company valuations as prepared by the Company. We discussed the expected cash flows as well as the assumed long-term growth rates with those responsible for the planning process. We also assessed the consistency of the assumptions with external market expectations, by utilizing economic reports from recognized industry institutes as well as analyst assessments.

Moreover, we assessed the Company's planning accuracy by comparing projections for previous financial years with the actual results realised and analysed deviations.

We compared the assumptions and data underlying the discount rate - in particular the risk-free interest rate, the market risk premium and the beta factor - with own assumptions and data which is publicly available. To account for the uncertainty of forecast information, we then assessed reasonably possible changes in the discount rate, in the expected cash flows respectively and in the long-term growth rate on the value (sensitivity analysis) by calculating alternative scenarios and comparing these with the Company's valuation results. To provide for the mathematical accuracy of the valuation model utilised, we recalculated the Company's calculations.

OUR OBSERVATIONS

The underlying valuation model used in the impairment test of shares in affiliated companies is appropriate and consistent with the applicable valuation principles. The company's assumptions and data are within an acceptable bandwidth and are, on the whole, are acceptable.

Other Information

Management and/or the Supervisory Board are responsible for the other information. The other information comprises the following unaudited parts of the management report:

- the Declaration on Corporate Governance included in the chapter "Declaration on Corporate Governance" of the management report,

- the information included in the chapter "Sustainability in the Supply Chain" of the management report that is marked as unaudited and a part of the non-financial statement, and

- information extraneous to management reports and marked as unaudited.

The other information also includes the remaining parts of the annual report.

The other information does not include the financial statements, the management report information audited for content and our auditor's report thereon.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, we were engaged to perform a separate assurance engagement on the supplementary sustainability information. Regarding the type, scope and results of that assurance engagement, we refer to our assurance report dated 18 February 2021.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required

Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Annual Financial Statements and the Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, „Covestro_AG_JA+LB_ESEF-2020-12-31_NEU.xhtml" (SHA256-Hashwert: a8134f1b733b6901447690 187ca7699d2d9a0964e52cdac84e5bc88299c137d3), and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January 2020 to 31 December 2020 contained in the "Report on the Audit of the Annual Financial Statements and of the Management Report" above.

We conducted our assurance work of the reproduction of the annual financial statements and the management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited management report.

Report on the Audit of Compliance with the Accounting Obligations pursuant to Section 6b (3) EnWG

We have audited whether the Company has complied with its obligations pursuant to Section 6b (3) Sentences 1 to 5 EnWG [Energiewirtschaftsgesetz: German Energy Industry Act] to maintain separate accounts for the financial year from 1 January 2020 to 31 December 2020. In addition, we have audited the activity reports [Tätigkeitsabschlüsse] for the activities Electricity Distribution and Gas Distribution pursuant to Section 6b (3) Sentence 1 EnWG – consisting of each a balance sheet as at 31 December 2020 and the statement of profit and loss for the financial year from 1 January 2020 to 31 December 2020, as well as the supplementary notes on the accounting policies for the preparation of activity reports.

- In our opinion, the obligations pursuant to Section 6b (3) Sentences 1 to 5 EnWG to maintain separate accounts have been complied with in all material respects.

- In our opinion, on the basis of the knowledge obtained in the audit, the supplementary activity reports comply, in all material respects, with the requirements of the German Energy Industry Act Section 6b (3) Sentences 5 to 7 EnWG.

We conducted our audit of the compliance with the obligations to maintain separate accounts and our audit of the activity reports in accordance with Section 6b (5) EnWG in compliance with the IDW Auditing Standard: "Audit pursuant to Section 6b (5) Energiewirtschaftsgesetz [German Energy Industry Act] (IDW PS 610 n.F.)". Our responsibilities under those requirements and principles are further described below. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We as an audit firm apply the requirements of the IDW Standard on Quality Control: Requirements to quality control for audit firms (IDW QS 1). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the compliance with the accounting obligations pursuant to Section 6b (3) EnWG.

Management is responsible for the compliance with the obligations pursuant to Section 6b (3) Sentences 1 to 5 EnWG to maintain separate accounts. Management is also responsible for the preparation of the activity reports pursuant to Section 6b (3) Sentences 5 to 7 EnWG.

In addition, management is responsible for such internal control as they have determined necessary to comply with the obligations to maintain separate accounts.

Management's responsibility for the preparation of the activity reports equals their responsibility for the preparation of the annual financial statements as described above under „Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report" with the exception that each activity report is not required to give a true and fair view of the assets, liabilities, financial position and financial performance of the Activity in compliance with German Legally Required Accounting Principles.

The supervisory board is responsible for overseeing the Company's compliance with the accounting obligations pursuant to Section 6b (3) EnWG.

Our objective is to obtain reasonable assurance about

- whether management has complied, in all material respects, with their obligations pursuant to Section 6b (3) Sentences 1 to 5 EnWG to maintain separate accounts, and

- whether the activity reports comply, in all material respects, with the requirements of the German Energy Industry Act Section 6b (3) Sentences 5 to 7 EnWG.

In addition, our objective is to include a report in the auditor's report which contains our audit opinion on the compliance with the accounting obligations pursuant to Section 6b (3) EnWG.

The audit of the compliance with the obligations pursuant to Section 6b (3) Sentences 1 to 5 EnWG to maintain separate accounts comprises an assessment of whether the allocation of the accounts to the activities pursuant to § 6b Abs. 3 Sätze 1 to 4 EnWG has been made appropriately and comprehensibly and whether the principle of consistency has been observed.

Our responsibility for the audit of the activity reports equals our responsibility in respect of the annual financial statements as described above under „Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" with the exception that for each activity report we cannot conclude on an appropriate overall presentation.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 30 July 2020. We were engaged by the Audit Committee of the Supervisory Board on 10 August 2020. We have been the auditor of Covestro AG without interruption since financial year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Markus Zeimes.

Düsseldorf, 19 February 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Dr. Zeimes	Geier
[German Public Auditor]	[German Public Auditor]

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The coronavirus pandemic cast a shadow over the year 2020 across the globe. Covestro also faced numerous challenges as a result. Fortunately, our company's management was able to react quickly, decisively, and judiciously. With hindsight, we can see that the Board of Management made the right decisions to protect our employees, keep production operations and other business activities running, and therefore optimally guide the company through the pandemic. The Supervisory Board regularly exchanged information with the Board of Management and reviewed the effectiveness of the measures implemented. Covestro also took a major step in the future direction of the Group by making the decision to focus completely on the circular economy and embed this approach in the strategy. The planned acquisition of the Resins & Functional Materials (RFM) business from Netherlands-based Koninklijke DSM N.V. (DSM) additionally set the stage for the further sustainable growth of the Covestro Group. The Supervisory Board advised the Board of Management in all of these matters and therefore actively participated in securing Covestro's future.

The fiscal year 2020 was an unusual one for the work and activities of the Supervisory Board as well. For instance, we initially had to delay the Annual General Meeting due to the pandemic but were later able to successfully run it virtually. At this Annual General Meeting, the six shareholder representatives to the Supervisory Board were elected. And although only one Supervisory Board meeting could be held in-person as usual due to the extraordinary situation, the Board worked together very closely on a virtual platform.

During the reporting period, the Supervisory Board of Covestro AG performed its duties with due care in accordance with the law, the Articles of Incorporation, and the rules of procedure. During fiscal 2020, it monitored the conduct of the company's business by the Board of Management with regular frequency based on detailed written and oral reports received from the Board of Management, and also acted in an advisory capacity. The discussions between the Supervisory Board and Board of Management were always constructive and were conducted in the spirit of openness and trust.

The Supervisory Board Chair was in regular contact with the Board of Management outside of Supervisory Board meetings and remained informed about current developments in the company's business performance and material transactions. In addition, the Chair was in close contact with the Board of Management Chair to discuss important questions and decisions one on one. The full Supervisory Board was informed in detail about the content of these discussions no later than during the next meeting.

In this way, the Supervisory Board was kept regularly and fully informed in the respective meetings about the company's intended business strategy, corporate planning (including financial, investment, and human resources planning), the company's profitability, the state of the business, and the situation of the company and the Group (including the risk situation, risk management, and the compliance situation). Where Board of Management decisions or actions required the approval of the Supervisory Board during the reporting period, whether by law, or under the Articles of Incorporation or the rules of procedure, the draft resolutions were inspected and thoroughly discussed by the members of the Supervisory Board at its meetings, sometimes after preparatory work by the responsible committees, or approved in writing on the basis of documents circulated to the members. The Supervisory Board was always directly involved in decisions of material importance to the company. It thoroughly discussed the business trends described in the reports from the Board of Management and the prospects for the development of the Covestro Group as a whole, the individual segments, and the regions. The Supervisory Board continually ensured that the actions of the Board of Management were lawful, due and proper, and appropriate.

Meetings of the Full Supervisory Board and Member Attendance

In fiscal year 2020, the Supervisory Board held a total of seven meetings, all of which were also attended by at least one member of the Board of Management, except where issues were discussed that required them to be absent. From April 2020 onward, the meetings were held virtually as a rule due to the coronavirus pandemic.

The average attendance rate at the meetings of the full Supervisory Board and of its committees was over 95% in fiscal 2020. No member of the Supervisory Board attended fewer than half of the meetings of the full Supervisory Board and of the committees to which he or she belonged.

Specifically, the members of the Supervisory Board attended the meetings of the Supervisory Board and its committees, as follows:

Member of the Supervisory Board	Meeting attendance (including committee meetings)[1]	Attendance rate (%)
Dr. Richard Pott (Chair)	20/20	100.0
Ferdinando Falco Beccalli	9/10	90.0
Dr. Christine Bortenlänger	6/8	75.0
Johannes Dietsch (until July 2020)	8/8	100.0
Petra Kronen (Vice Chair)	17/17	100.0
Irena Küstner	12/12	100.0
Dr. Ulrich Liman	10/10	100.0
Prof. Dr. Rolf Nonnenmacher	13/14	92.9
Petra Reinbold-Knape (since January 2020)	14/14	100.0
Regine Stachelhaus	12/12	100.0
Marc Stothfang	6/7	85.7
Patrick W. Thomas (since July 2020)	5/6	83.3
Frank Werth	7/7	100.0
Average attendance rate		**95.9**

[1] Six Supervisory Board and twelve committee meetings were held virtually.

Based on its composition and experience, the Supervisory Board as a whole has in-depth industry expertise in the polymer sector in which Covestro operates.

Despite the challenges posed by the coronavirus pandemic and the associated restrictions on physical events and travel, members of the Supervisory Board once again participated in continuing education in the 2020 reporting year. A particular highlight was a multi-hour virtual workshop on the topic of project management in chemical plant construction.

Principal Topics Discussed by the Supervisory Board

The deliberations of the Supervisory Board focused on the Board of Management's regular reports on business activities, which contained detailed information on the development of the sales and earnings for the Group and the segments as well as on the strategy, opportunities and risks situation, and personnel matters at Covestro. The Supervisory Board also concentrated on the following topics in its individual meetings:

In its meeting on February 18, 2020, the Supervisory Board had an in-depth discussion about the annual and consolidated financial statements for fiscal 2019, the Group Management Report including the Group's nonfinancial statement, and the proposal for the use of the distributable profit. The Supervisory Board also thoroughly reviewed the audit report and the auditor's oral report concerning the material results of the audit. In addition, the Supervisory Board examined internal risk reporting, which sets out the material risks for the Group and current developments in this regard, as well as the relevant countermeasures. Furthermore, the organization, statistics, training efforts, processes, and effectiveness of the Group's compliance management system were reviewed in depth. The Supervisory Board also talked at length about the results of its effectiveness and efficiency review performed as a self-evaluation based on a written questionnaire answered by Supervisory Board members. The main topics covered were the Supervisory Board meeting process; cooperation with the Board of Management; the provision of information to the Supervisory Board, composition and work of the committees; and cooperation with the shareholder and employee representatives. On the whole, the Supervisory Board's activity was evaluated and found to be appropriate and effective by its members. The Supervisory Board also discussed the agenda as well as the proposed resolutions for the Annual General Meeting initially planned for April and the election of the shareholder representatives to be held at the Annual General Meeting, along with human resources issues and compensation matters. The meeting additionally focused on modifying the financing framework for fiscal 2020 during the process of renewing the revolving credit facility. Finally, the Supervisory Board also held in-depth consultations on the planned introduction of the new vision for the company fully focused on the circular economy.

On April 28, 2020, the Supervisory Board took a vote in writing and approved the resolution passed by the Board of Management to hold Covestro AG's Annual General Meeting virtually on July 30, 2020.

Another resolution was passed in writing by the Supervisory Board on May 19, 2020, subject to future amendments, to take a 15-percent pay cut from the fixed compensation of Supervisory Board members for the period from June 1 to November 30, 2020, as a contribution to Covestro's solidarity initiative.

On May 25, 2020, the Board approved the issue of EUR 1 billion in bonds and the associated increase in the planned debt limit, also by way of a written vote.

At the Supervisory Board meeting on June 9, 2020, the main agenda item was preparing for the virtual Annual General Meeting on July 30, 2020. In addition, the Board considered the reappointment and extension of the contract with Dr. Thomas Toepfer as CFO.

Subsequent to the Annual General Meeting on July 30, 2020, at which all six shareholder representative candidates were elected, the Supervisory Board held its constituent meeting to elect its Chair and assign the shareholder representatives to committees. Dr. Richard Pott was again elected Chair of the Supervisory Board.

In its meeting on August 20, 2020, the Board thoroughly discussed the possible acquisition of the RFM business from DSM, including the potential financing options for the planned acquisition. Moreover, the Supervisory Board deliberated on the LEAP global transformation program intended to be implemented at Covestro to reorganize the company's structures, processes, and control mechanisms.

On September 29, 2020, the Supervisory Board held a special session to pass a resolution on the planned acquisition of the RFM business from DSM after lengthy discussions on the strategic aspects of this deal. The Supervisory Board also approved the planned financing structure for the acquisition along with the associated potential capital increase and the modified financing framework proposed by the Board of Management for obtaining outside funding.

In its meeting on October 8, 2020, the Supervisory Board discussed the Covestro Group's new strategy in depth. This strategy includes three components ("Become the best of who we are," "Drive sustainable growth," and "Become fully circular"), which are boosted by the acceleration of our digital transformation and the reinforcement of our We are 1 culture.

In its last meeting on December 10, 2020, the Supervisory Board deliberated at length on the compensation systems for its members and the review of the appropriateness of its compensation. Considering the significantly improved economic situation of the company and planned one-time compensation payment to the Board of Management and employees at the end of the year, the Supervisory Board resolved to set aside its proportional pay cut of May 19, 2020. In addition, it considered the compensation system for the Board of Management, including the long-term compensation components for the period from 2021 to 2024, which include a nonfinancial performance criterion for the first time. The Supervisory Board reviewed the Board of Management's fixed compensation on a regular basis. The Board additionally discussed in detail the financial planning for fiscal 2021 proposed by the Board of Management and the medium-term outlook also presented. The Supervisory Board approved the proposed financing framework for fiscal 2021. In this meeting, the Supervisory Board also voted to issue an unqualified declaration of conformity with the German Corporate Governance Code.

Committees of the Supervisory Board

In the past fiscal year, the Supervisory Board again had four permanent committees set up for the purpose of exercising its duties efficiently. In addition, a special committee was formed temporarily to monitor and approve preparations for and performance of the capital increase for the announced acquisition of the RFM business from DSM. The members of this special committee were Dr. Richard Pott (Chair), Petra Kronen, Prof. Dr. Rolf Nonnenmacher, and Petra Reinbold-Knape, and it met twice on October 13, 2020.

The committees prepared resolutions by the full Supervisory Board and provided information on other topics to be discussed by this body. Moreover, certain decision-making powers of the Supervisory Board were assigned to the committees to the extent legally permissible. The Supervisory Board currently has the following permanent committees: Presidial Committee, Audit Committee, Human Resources Committee, and Nominations Committee.

The tasks and responsibilities of the standing committees and their current composition are described in greater detail in “Declaration on Corporate Governance” under “Committees of the Supervisory Board” in the Combined Management Report.

The meetings and decisions of all committees, and especially the meetings of the Audit Committee, were prepared on the basis of reports and explanations provided by the Board of Management. The committee chairs regularly provided comprehensive reports on the work of the committees to the full Supervisory Board.

In fiscal 2020, the **Presidial Committee** was not required to convene in its capacity as the mediation committee.

The **Audit Committee** met a total of five times on February 17, April 27, June 4, July 22, and October 26, 2020, in the presence of the CFO. Two of these meetings were also attended by the auditor. The committee conducted a preparatory review of the financial statements of Covestro AG, the consolidated financial statements of the Covestro Group, the Combined Management Report, and the proposal for the use of the distributable profit for the Supervisory Board and provided a detailed explanation of the audit report in each case. The auditor also presented an oral report on the material findings of the audit. The Combined Management Report also included the Group’s nonfinancial statement. In conducting its review, the Audit Committee found no grounds for objections. In addition, the Audit Committee discussed with the Board of Management the half-year financial report in light of the results of the review by the auditor, and the Q1 and Q3 2020 interim statements prior to their publication.

The Audit Committee monitored the accounting and financial reporting process and the effectiveness of the internal control system, the risk management system, and the internal audit system and deliberated on the audit of the financial statements and compliance. In doing so, the Committee received reports from the head of Internal Audit and the financial statement auditor. No material weaknesses were identified in the internal control system for financial reporting purposes or the risk early warning system. Against the backdrop of the coronavirus pandemic, the Audit Committee held in-depth discussions on the current business performance and steps taken by the Board of Management, such as those to secure Covestro's liquidity, and ensured that the enhanced risk management and reporting requirements were fulfilled.

The Audit Committee additionally undertook preparations for the Supervisory Board’s proposal for the appointment of the financial statement auditor by the Annual General Meeting, the engagement of the auditor and agreement on the auditor’s fee. It monitored the effectiveness of the audit and the independence of the auditor as well as the supplementary non-audit services provided in addition to the financial statement audit. In this context, the committee had the auditor confirm their independence.

The Audit Committee continually exchanged information with the auditor about the material audit risks and the necessary direction of the audit, as well as discussing the areas of focus for the audit proposed by the auditor.

Furthermore, the Audit Committee obtained information on an ongoing basis on enhancements to the compliance management system (particularly regarding anti-corruption measures), on the handling of suspected compliance violations, progress in significant litigation, new legal and regulatory risks, and on the risk situation, risk tracking, and risk monitoring in the Group. The internal audit department provided regular reports about risk assessments.

The heads of the relevant departments also participated in meetings of the Audit Committee on selected agenda items, reported on these and answered questions. In addition, the Chair of the Audit Committee discussed important matters between meetings, particularly with the Supervisory Board Chair, the CFO, and the auditor. The key results of these discussions were reported regularly to the Audit Committee and the Supervisory Board.

In the reporting period, the Human Resources Committee met for a total of three meetings held on February 18, June 9, and December 10, 2020. In its first meeting, the Committee primarily reviewed target attainment by the Board of Management members. At the meeting on June 9, the Human Resources Committee concentrated mainly on reappointing CFO Dr. Thomas Toepfer and extending his contract. In its third meeting on December 10, the Board held preparatory discussions regarding the subsequent Supervisory Board meeting on the Board of Management's compensation system. Moreover, the Board talked about lifting the proportional pay cut taken as a show of solidarity for the period from June to November 2020.

In the reporting period, the Nominations Committee met for a total of four meetings held on February 5, July 30, September 24, and November 5, 2020. The subject of the meetings was a review of the skills profile and diversity plan for the Supervisory Board and the subsequent preparations for nominating candidates for election to the Board as shareholder representatives.

Financial Statements/Audit

The financial statements of Covestro AG were prepared according to the requirements of the German Commercial Code (HGB) and German Stock Corporation Act (AktG). The consolidated financial statements of the Covestro Group were prepared according to the German Commercial Code and the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The Combined Management Report including the Group's nonfinancial statement was prepared according to the German Commercial Code. The auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the financial statements of Covestro AG, the consolidated financial statements of the Covestro Group, and the Combined Management Report including the Group's nonfinancial statement. KPMG AG Wirtschaftsprüfungsgesellschaft has audited Covestro's financial statements since fiscal 2018. Dr. Markus Zeimes and Oliver Geier signed the Independent Auditor's Report for fiscal year 2020. Both first signed the Independent Auditor's Report as of December 31, 2018. The conduct and results of the audit are explained in the auditor's reports. According to the auditor's results, Covestro has complied with the German Commercial Code, the German Stock Corporation Act and/or the IFRS regulations as adopted by the EU, and issues unqualified opinions on the financial statements of Covestro AG and the consolidated financial statements of the Covestro Group. The financial statements of Covestro AG, the consolidated financial statements of the Covestro Group, the Combined Management Report including the Group's nonfinancial statement, and the audit reports were submitted to all members of the Supervisory Board. At meetings to discuss the financial statements, the Audit Committee and the Supervisory Board reviewed the financial statement documentation in depth after the auditor's report was presented. The auditor attended both meetings.

The Supervisory Board examined the financial statements of Covestro AG, the proposal for the use of the distributable profit, the consolidated financial statements of the Covestro Group, and the Combined Management Report including the Group's nonfinancial statement. It had no objections and thus concurred with the result of the audit.

The Supervisory Board approved the financial statements of Covestro AG and the consolidated financial statements of the Covestro Group prepared by the Board of Management. The financial statements of Covestro AG are thus confirmed. The Supervisory Board is in agreement with the Combined Management Report and, in particular, with the assessment of the future development of the enterprise. It also concurs with the dividend policy and the decision to add to the company's reserves. The Supervisory Board agreed with the proposal for the use of the distributable profit, which proposes a dividend of EUR 1.30 per share.

Corporate Governance and Declaration of Conformity

During the reporting year, the Supervisory Board again extensively addressed Covestro's corporate governance, taking into account the German Corporate Governance Code and, together with the Board of Management, submitted an unqualified declaration of conformity in accordance with Section 161 of the German Stock Corporation Act in December 2020 based on the Code in the December 16, 2019, version.

Change in the Composition of the Supervisory Board

On July 30, 2020, the Annual General Meeting reelected all shareholder representatives with one exception. Former Chair of the Board of Management of Covestro AG Patrick W. Thomas was newly elected to the Supervisory Board in the place of Johannes Dietsch, who stepped down. The Supervisory Board would like to thank Johannes Dietsch for his efforts on behalf of the company and for a good working relationship over the past five years.

Expression of Appreciation from the Supervisory Board

The Supervisory Board would like to thank the Board of Management and all of Covestro's employees for their unwavering dedication and solidarity with the company in the challenging 2020 fiscal year. We wish you all success in implementing the company's new strategic direction.

The Supervisory Board would also like to thank Covestro's shareholders for the trust they have placed in the company.

Leverkusen, February 23, 2021

For the Supervisory Board

Dr. Richard Pott
Chairman

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