



Joint report

of the Board of Management of Covestro AG, Leverkusen ("Covestro")

and

the Management of Covestro First Real Estate GmbH, Leverkusen ("CRE"),

on the domination and profit and loss transfer agreement dated February 27, 2024 pursuant to Section 293a of the German Stock Corporation Act (AktG).

In order to inform their respective shareholders and partners and to prepare for the adoption of resolutions at the Annual General Meeting of Covestro and the General Meeting of CRE, the Board of Management of Covestro and the Management of CRE submit the following joint report on the domination and profit and loss transfer agreement dated February 27, 2024 between Covestro and CRE:

I. Domination and Profit and Loss Transfer Agreement

Covestro and CRE entered into a domination and profit and loss transfer agreement on February 27, 2024. It will be submitted to Covestro's Annual General Meeting on April 17, 2024 for approval in accordance with Sections 293 and 295 of the German Stock Corporation Act (AktG). The general meeting of CRE approved the conclusion of the domination and profit and loss transfer agreement by notarized resolution of February 27, 2024. In order to be effective, the domination and profit and loss transfer agreement must be entered in the commercial register of CRE's registered office.

II. Contracting Parties

Covestro is a public limited company registered in the commercial register of the Local Court of Cologne under HRB 85281 with its registered office in Leverkusen. The fiscal year is the same as the calendar year. Covestro is the parent company of the Covestro Group. According to the company's articles of association, the object of the company is the production, distribution, other industrial activity or provision of services in the field of polymers and chemicals. The Company is entitled to carry out all transactions that are related to the object of the Company or that are suitable to serve it directly or indirectly. The Company may establish, acquire and participate in other companies, in particular those whose business objects extend wholly or partly to the aforementioned territory. It may bring together under its single management the undertakings in which it has a shareholding, or it may confine itself to the management of the shareholding. It may spin off all or part of its business to affiliated companies or transfer it to affiliated companies.

Covestro's total assets amounted to approximately EUR 7,155,418 thousand in 2021 and approximately EUR 7,357,951 thousand in 2022, while net retained earnings amounted to approximately EUR 656,880 in 2021 and EUR 0.00 in 2022. In 2023, total assets amounted to approximately EUR 6,794,105 thousand and the net loss to approximately EUR 123,712 thousand.



CRE is a limited liability company registered in the commercial register of the Local Court of Cologne under HRB 102086. The fiscal year corresponds to the calendar year. The company's registered office is located in Leverkusen. The share capital amounts to EUR 25,000 and Covestro is the sole shareholder.

The object of the company is the construction and management of its own buildings as well as structures in its own name, real estate transactions of all kinds, in particular the acquisition and sale of undeveloped and developed land, as well as the performance of all other related transactions, including rental and lease transactions. The company is entitled to all actions that are related to the company's purpose or that are likely to serve it directly or indirectly.

It is entitled to establish branches and subsidiaries in Germany and abroad, to acquire or lease similar or similar companies or to participate in such companies, in particular also as a personally liable partner. It may spin off all or part of its business to affiliated companies or transfer it to affiliated companies. CRE's total assets amounted to approximately EUR 84,065 thousand in the 2020 financial year, approximately EUR 89,513 thousand in 2021 and approximately EUR 99,041 thousand in 2022.

III. Explanation of the Domination and Profit and Loss Transfer Agreement

1. Management

Pursuant to clause 1 of the domination and profit and loss transfer agreement, CRE subordinates the management of its company to Covestro. Covestro is entitled to issue instructions to the management of CRE with regard to the management of the company. Insofar as no instructions are given, the management of CRE manages the company on its own responsibility. The right to issue instructions is determined in accordance with Section 308 of the German Stock Corporation Act (AktG) as amended. CRE must comply with permissible instructions. Instructions may also be issued that are detrimental to CRE if they serve the interests of Covestro and Group companies. Inadmissible instructions, such as those whose observance would violate mandatory legal provisions, are not to be followed. Furthermore, instructions may not be given to amend, maintain or terminate the contract. Covestro will only exercise the right to issue instructions through the Board of Management. Instructions must be in text form.

2. Profit transfer

Pursuant to clause 2 of the domination and profit and loss transfer agreement, CRE is obliged to transfer all of its profits to Covestro. Subject to the formation or release of reserves, the net profit for the year arising without the transfer of profits is to be paid, less any loss carried forward from the previous year and by the amount prohibited from distribution pursuant to Section 268 (8) of the German Commercial Code. With the consent of Covestro, CRE may transfer amounts from net income to other retained earnings (Section 272 (3) of the German Commercial Code (HGB)) provided that this is permissible under commercial law and economically justified on the basis of a reasonable

commercial assessment. Other retained earnings created during the term of the contract are to be released at Covestro's request and used to offset an annual deficit or transferred as profit. The repayment of amounts from the reversal of other retained earnings created before the commencement of this Agreement or from capital reserves.

3. Assumption of losses

Pursuant to Section 3 of the agreement, Covestro is obliged to assume losses in accordance with the provisions of Section 302 of the German Stock Corporation Act (AktG), as amended from time to time. Accordingly, Covestro must compensate for any annual deficit incurred during the term of the contract, unless this is offset by withdrawing amounts from other retained earnings that were allocated to it during the term of the contract. In accordance with Section 302 (3) of the German Stock Corporation Act, CRE may in principle waive or settle its claim for loss compensation only three years after the date on which the entry of the termination of the contract in the commercial register pursuant to Section 10 of the German Commercial Code has been published. Pursuant to Section 302 (4) of the German Stock Corporation Act, CRE's claims are time-barred after ten years from the date on which the entry of the termination of the contract in the commercial register pursuant to Section 10 of the German Commercial Code (HGB) was published.

4. Effective Date and Duration

The domination and profit and loss transfer agreement is subject to the approval of the Annual General Meeting of Covestro and the Shareholders' Meeting of CRE. It takes effect upon its entry in the commercial register of CRE's registered office and, with the exception of the right to issue instructions, applies retroactively to the period from the beginning of the financial year in which the entry takes place.

The contract may be terminated ordinarily at the end of a financial year with six months' notice, but for the first time at the end of the financial year ending at least five years after the beginning of the financial year in which the revised contract takes effect. If the contract is not terminated, it shall be extended by one financial year at a time with the same notice period.

In addition, the contract can be terminated for good cause without observing a notice period. This applies in particular to Covestro in cases where Covestro no longer holds a majority stake in CRE, another shareholder becomes involved in CRE, or one of the cases governed by administrative instruction R 14.5 para. 6 sentence 2 KStR 2022 or a provision replacing it. According to R 14.5 para. 6 sentence 2 KStR 2022, good cause can be seen in particular in the sale or contribution of the shareholding by the controlling entity, the merger, demerger or liquidation of the controlling entity or the controlled company; these are also expressly defined in the contract as good cause.

5. No compensation and no severance payment pursuant to Sections 304 and 305 of the German Stock Corporation Act; no contract review

The agreement does not provide for compensation payments or severance payments for outside shareholders, as Covestro is the sole shareholder of CRE. Since Covestro holds all of CRE's shares, there is no need for an audit of the domination and profit and loss transfer agreement by expert auditors (contract auditors) or the preparation of a corresponding audit report pursuant to Section 293e of the German Stock Corporation Act (AktG) in accordance with Section 293b (1) of the German Stock Corporation Act (AktG).

IV. Economic significance and purpose of the domination and profit and loss transfer agreement

The domination and profit and loss transfer agreement serves to further increase the efficiency and simplification of administrative processes at Covestro and leads to a consolidation of the results between the two companies under commercial law and tax law. The resulting corporate income tax and trade tax group results in a combined taxation of CRE (controlled company) and Covestro (controlling company).

V. Alternatives to concluding the domination and profit and loss transfer agreement

There is no economically reasonable alternative to concluding the domination and profit and loss transfer agreement between Covestro and CRE that would have been able to achieve the objectives described above to the same or better extent. In particular, the combined taxation of Covestro and CRE cannot be achieved by concluding another type of corporate agreement within the meaning of Section 292 of the German Stock Corporation Act (AktG) (operating lease agreement, business transfer agreement, profit sharing agreement or partial profit transfer agreement) or a management agreement.

Leverkusen, February 27, 2024

Covestro AG

Covestro First Real Estate GmbH

The Board of Management

The Management

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