REPORT PROFILE

FORWARD-LOOKING STATEMENTS
This Report may contain forward-looking statements based on current assumptions and forecasts made by the management of Covestro AG, Leverkusen (Germany). Various known and unknown risks, uncertainties, and other factors could lead to material differences between the actual results, financial situation, development, or performance of the Group and the estimates given here. The various factors include those discussed in Covestro's public reports, which are available at www.covestro.com. The company assumes no liability whatsoever to update such forward-looking statements or to conform them to future events or developments.

COMBINED MANAGEMENT REPORT OF THE COVESTRO GROUP AND COVESTRO AG
The combined management report pertains to both the Covestro Group and Covestro AG. This report covers the period from January 1 to December 31, 2021. The presentation of the business performance as well as the position of and the forecast for key management indicators pertain to the Covestro Group, except where otherwise indicated. Information that applies to Covestro AG only is identified accordingly. In the Report on Economic Position, the information disclosed pursuant to the German Commercial Code (HGB) with regard to Covestro AG is provided in a separate section. In addition, the nonfinancial statement pursuant to Sections 315b and 315c in conjunction with Sections 289c through 289e of the HGB is integrated into the Group Management Report. This includes the statements in accordance with the European Union’s Taxonomy Regulation (2020/852). A nonfinancial statement in accordance with Sections 289c through 289e of the HGB does not have to be provided at this time for Covestro AG.

Combined Management Report Reference Key

Reference to content in the Group Management Report or Consolidated Financial Statements

Reference to content in the supplementary sustainability information. The supplementary sustainability information that is not part of the statutory audit of the consolidated financial statements was subjected to a separate review with limited assurance pursuant to the International Standard on Assurance Engagements (ISAE) 3000 by KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (Germany), and is identified as follows in this document:

Supplementary information >

Supplementary Information

Refers to content not contained in the Group Management Report, supplementary sustainability information, and Notes to the Consolidated Financial Statements. KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (Germany), did not substantively audit or review the information referenced.
NONFINANCIAL REPORTING
Covestro reports comprehensively and transparently about topics important from the company’s perspective and for our stakeholders. We measure our sustainability performance using financial indicators as well as key nonfinancial indicators published in the Group Management Report. Our objective here is to highlight how closely linked environmental and societal factors are with responsible corporate governance and the long-term success of our business. The Group Management Report and the supplementary sustainability information together comprise our annual sustainability reporting.

For all reportable aspects, the nonfinancial statement includes the policies we pursue in addressing environmental matters, employee matters, and social matters as well as respect for human rights and anti-corruption and bribery matters, the due diligence processes followed, as well as the outcomes of these strategies. Nonfinancial performance indicators are reported only when these are important to the Covestro Group.

As an integral part of the Group Management Report, the nonfinancial statement was audited with reasonable assurance by our auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (Germany). The supplementary sustainability information specifically identified as such additionally contributes to the transparency of our reporting, which meets the requirements of the “Core” option of the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards (SRS). The supplementary sustainability information that is not part of our statutory annual reporting was subjected to a separate review with limited assurance pursuant to the ISAE 3000 by KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (Germany).

ENVIRONMENTAL PERFORMANCE INDICATORS
Environmental protection performance indicators are reported for all fully consolidated companies. Since these figures are calculated only at the end of the year, they include the group of companies consolidated as it stands at year-end. Moreover, we include data from all environmentally relevant Covestro sites, i.e., all production sites and relevant administrative sites. This data is used in addition to the environmental reporting contained in this report to communicate with various stakeholders, e.g., associations, the press, and government agencies, as well as to continually improve our environmental performance. In order to comply with publication deadlines, the sites estimate the environmental data for the final weeks of the current fiscal year on the basis of established estimation methodologies that ensure accurate reporting of data as close as possible to the actual figures for the year. If, however, in the course of the following year, we become aware of material deviations based on internally defined thresholds, the figures in question are corrected retroactively. This was not required in fiscal 2021 for the preceding 2020 fiscal year.

Reporting on Scope 1, Scope 2, and Scope 3 greenhouse gas emissions is based on the Greenhouse Gas Protocol and includes all fully consolidated companies. Measures taken to offset emissions are not currently tracked by Covestro and are therefore not part of this reporting. The global warming potential (GWP) factors correspond to the Fifth Assessment Report by the Intergovernmental Panel on Climate Change (IPCC).
ALTERNATIVE PERFORMANCE MEASURES
Throughout its financial reporting, Covestro uses alternative performance measures (APMs) to assess the business performance of the Group. These are not defined in the International Financial Reporting Standards (IFRSs). These non-IFRS indicators should be considered a supplement to, not a replacement for, the financial performance measures determined in accordance with IFRSs. The alternative performance measures of relevance to the Covestro Group include earnings before interest, taxes, depreciation, and amortization (EBITDA), return on capital employed (ROCE), free operating cash flow (FOCF), and net financial debt. The calculation methods for the APMs may vary from those of other companies, thus limiting the extent of the overall comparability. These alternative performance measures should not be viewed in isolation or employed as an alternative to the financial indicators determined in accordance with IFRSs and presented in the consolidated financial statements for purposes of assessing Covestro’s net assets, financial position, and results of operations.

Explanations of the definition and calculation of these alternative performance measures can be found in the “Management” section.

INCLUSIVE LANGUAGE
Diversity, equity, and inclusion are important to Covestro. To ensure better readability, we therefore strive to use gender-neutral language and avoid gender-specific terms in this Report. All terms should be taken to apply equally to all genders.

ROUNDING AND PERCENTAGE DEVIATIONS
As the indicators in this Report are stated in accordance with commercial rounding principles, totals may not always be exact, and percentages may be approximated.

Percentage deviations are only calculated and reported if they are no more than 100%. Larger deviations are reported as >100%, >200%, etc. If a deviation changes from positive to negative or vice versa, or if it is greater than 1,000%, this is shown by a period.

PUBLICATION
The publication of this Annual Report 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 website www.unternehmensregister.de.

This Annual Report was published on March 1, 2022. It is available in German and English. The German version is binding.
## KEY DATA
### COVESTRO GROUP

<table>
<thead>
<tr>
<th>Key Data</th>
<th>2020</th>
<th>2021</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core volume growth</td>
<td>€ million</td>
<td>€ million</td>
<td>%</td>
</tr>
<tr>
<td>Sales</td>
<td>10,706</td>
<td>15,903</td>
<td>+48.5</td>
</tr>
<tr>
<td>Change in sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume</td>
<td>–5.1%</td>
<td>+6.5%</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>–5.7%</td>
<td>+34.7%</td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>–1.6%</td>
<td>–0.8%</td>
<td></td>
</tr>
<tr>
<td>Portfolio</td>
<td>–1.3%</td>
<td>+8.1%</td>
<td></td>
</tr>
<tr>
<td>Sales by region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMLA</td>
<td>4,600</td>
<td>6,876</td>
<td>+49.5</td>
</tr>
<tr>
<td>NA</td>
<td>2,554</td>
<td>3,553</td>
<td>+39.1</td>
</tr>
<tr>
<td>APAC</td>
<td>3,552</td>
<td>5,474</td>
<td>+54.1</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,472</td>
<td>3,085</td>
<td>&gt;100</td>
</tr>
<tr>
<td>Changes in EBITDA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume</td>
<td>–24.9%</td>
<td>+23.8%</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>–44.2%</td>
<td>+252.0%</td>
<td></td>
</tr>
<tr>
<td>Raw material price</td>
<td>+52.4%</td>
<td>–125.3%</td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>–1.6%</td>
<td>–0.1%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>+10.1%</td>
<td>–40.9%</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>696</td>
<td>2,262</td>
<td>&gt;200</td>
</tr>
<tr>
<td>Financial result</td>
<td>(91)</td>
<td>(77)</td>
<td>–15.4</td>
</tr>
<tr>
<td>Net income</td>
<td>455</td>
<td>1,616</td>
<td>&gt;200</td>
</tr>
<tr>
<td>Earnings per share (in €0)</td>
<td>2.48</td>
<td>8.37</td>
<td>&gt;200</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td>1,234</td>
<td>2,193</td>
<td>+77.7</td>
</tr>
<tr>
<td>Cash outflows for additions to property, plant, equipment and intangible assets</td>
<td>704</td>
<td>764</td>
<td>+8.5</td>
</tr>
<tr>
<td>Free operating cash flow</td>
<td>530</td>
<td>1,429</td>
<td>&gt;100</td>
</tr>
<tr>
<td>Net financial debt</td>
<td>356</td>
<td>1,405</td>
<td>&gt;200</td>
</tr>
<tr>
<td>ROCE</td>
<td>16,501</td>
<td>17,909</td>
<td>+8.5</td>
</tr>
</tbody>
</table>

1 Core volume growth refers to the core products in the Performance Materials and Solutions & Specialties segments. It is calculated as the percentage change in externally sold volumes compared with the prior year. Covestro also takes advantage of business opportunities outside its core business, for example the sale of precursors and by-products such as hydrochloric acid, sodium hydroxide solution, and styrene. These transactions are not included in core volume growth.

2 Calculated on the basis of the definition of the core business effective March 31, 2021.

3 EMLA: Europe, Middle East, Latin America (excluding Mexico), Africa region.

4 NA: North America region (Canada, Mexico, United States).

5 APAC: Asia and Pacific region.

6 EBITDA: EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals on intangible assets and property, plant and equipment.

7 Other changes in EBITDA such as changes in provisions for variable compensation.

8 EBIT: income after income taxes plus financial result and income taxes.

9 Net income: income after income taxes attributable to the shareholders of Covestro AG.

10Earnings per share: according to IAS 33 (Earnings per Share), net income divided by the weighted average number of outstanding no-par value voting shares of Covestro AG. The calculation for fiscal 2021 was based on 193,165,396 no-par shares (previous year: 184,912,207 no-par shares).

11 Cash flows from operating activities according to IAS 7 (Statement of Cash Flows).

12 Free operating cash flow: cash flows from operating activities less cash outflows for additions to property, plant, equipment and intangible assets.

13 Excluding provisions for pensions and other post-employment benefits.

14 As of December 31 in each case.

15 ROCE: The return on capital employed is calculated as the ratio of EBIT after taxes to capital employed. The indicator is calculated as a ratio of the adjusted operating result (EBIT) after imputed income taxes to capital employed. Capital employed is the capital used by the company. It is the sum of noncurrent and current assets less noninterest-bearing liabilities such as trade accounts payable.

16 Employees calculated as full-time equivalents (FTEs).
Markus Steilemann, Sucheta Govil, Klaus Schäfer and Thomas Toepfer put the past year in context and explain how Covestro is pioneering the future.
Covestro will become fully circular and wants to contribute to making the circular economy a global guiding principle. We see this as a key to solving global challenges such as climate change, dwindling resources and environmental pollution, which are massively affecting our planet.

In realizing our vision to become fully circular, we made further progress and set our course in 2021. For example, with a world premiere: the first climate-neutral¹ polycarbonate plastic, produced in a duet of sustainable raw materials and renewable energy. We are also innovative when it comes to recycling. After all, waste is one of the resources of the future, along with biomass and CO₂. In this way, we are replacing oil and gas and recycling carbon instead of emitting it. A milestone on this path is the pilot plant in Leverkusen (Germany), which we opened in 2021 and where we are testing a new process for chemically recycling foam. The goal is a second life for discarded mattresses, which until now have ended up in landfills or have been incinerated.

Accordingly, the circular economy is a cornerstone of Covestro’s strategy. We want to gradually generate all our products from alternative raw materials and switch production completely to renewable energy. At the same time, we are increasingly aligning our product range to the growing need for sustainable solutions. In this way, as a further pillar of our strategy, we aim to generate sustainable growth. The acquisition of the Resins & Functional Materials business (RFM) from DSM, completed last year, will help us to achieve this. The comprehensive realignment of our Group structure in 2021 will also ensure a successful future. This will enable us to better bundle competencies, for example, for accelerated digitalization. I am certain that, in the new setup, we will be even more competitive, customer-focused and efficient – equipped for all challenges and open for the many business opportunities.

¹ Climate-neutral is the result of an assessment of a partial product life cycle from resource extraction (cradle) to the factory gate, also referred to as cradle to gate assessment. The methodology of our Life Cycle Assessment is based on the ISO 14040 standard, critically reviewed by TÜV Rheinland on the basis of a plausibility check. The calculation considers biogenic carbon sequestration based on preliminary supply chain data and replacing electricity grid mix with renewable electricity used for the manufacturing process. No offsetting measures have been applied.
HOW WE PIONEER WITH OUR SOLUTIONS

Focusing on our customers and their needs in a fast-changing business environment is one of the key elements in becoming a pioneer of our industry. We believe that we can only be successful in the future if we continue to be the best possible partner for our customers.

In 2021, we took decisive steps to reorganize our Group structure to become the best partner for our customers. With our new segments Performance Materials and Solutions & Specialties, we have aligned our organizational structure to be more consistent with our business success factors and customers’ needs. The demand for innovative high-performance materials grows with our customers, because plastics are the accelerator towards a climate-neutral world. That is why we have introduced new applications and brands based on alternative raw materials such as CO2.

But we did not stop there. We also implemented a new set-up for our corporate functions, bundling strategic “build activities” to support the long-term development of Covestro. Our corporate functions also play a critical role when it comes to logistics and supply chain management. Throughout the past year, global supply chains and logistics have been put under severe strain – not least by the coronavirus pandemic and the global raw material shortage. It is great to see that we were able to deal with the situation without ever compromising the health and safety of our employees. Thanks to our deep integration and regional production strategy, we acted swiftly and have served our customers reliably at all times, once again proving the resilience of our business model.

By reorganizing our competencies, we are driving the Group-wide development of transformative solutions. In this way, we pay tribute to our core principle of sustainability and our vision of the circular economy and secure our long-term success.

»We continue to be the best possible partner for our customers. To achieve this, we align ourselves even closer to their needs, unlocking the full potential of our organization.«

Sucheta Govil,
Chief Commercial Officer
At Covestro, we want to accelerate the transition towards a fossil-free economy and ultimately become fully circular. We understand that we can only reach our goals if we constantly live up to our ambition and continue our research into future technologies and new ways to close the loop.

In order to leave behind fossil fuels, we are continuously advancing the use of alternative raw materials to manufacture our products. In 2021, we were again able to take important steps regarding our sustainable product portfolio: We have already successfully commercialized around 45 products based on alternative raw materials and are currently working on almost 90 research and development (R & D) projects aimed at finding more ways to use CO₂, waste or biomass as raw material for our products.

We are, however, not driving the sustainability of only our product portfolio; we are also working on the carbon footprint of our entire company. To this end, we have set ourselves the long-term goal of covering our entire energy demand from renewable sources, and we will continue to expand our green energy portfolio going forward. At the same time, we have obtained ISCC PLUS certification for a number of production sites around the world. This International Sustainability and Carbon Certification provides transparency to our customers and helps track the use of alternative raw materials throughout the value chain.

And we are continuing to forge ahead along this path. In 2021, we announced that we would resume the investment project for the construction of a world-scale MDI plant, which will leverage our particularly energy-efficient AdiP technology successfully piloted at our Brunsbüttel (Germany) site. All these innovations are an investment in a sustainable future. We are sticking to our goal and building on the successes we have already achieved on the way to a circular economy.

»New technologies will be the key to becoming fully circular. We are committed to our research and will keep investing in the expansion of our sustainable product portfolio.«

Dr. Klaus Schäfer, Chief Technology Officer
Covestro had a very strong year. Despite all the macroeconomic challenges of the past months, we not only met but significantly exceeded the earnings targets we set ourselves at the beginning of 2021. We are confident that we will continue our successful journey in 2022.

The last year was marked by ongoing economic recovery following the onset of the global coronavirus pandemic. Demand for our products continued to pick up strongly in many key industries and we carried the good economic momentum through the entire year.

As a result, we delivered a strong performance for the full year 2021. Our revenues were around EUR 15.9 billion, the highest revenues level in our company’s history. At around EUR 3.1 billion, our EBITDA more than doubled, leading to a net income of around EUR 1.6 billion. Covestro continues its growth trajectory, and this would not have been possible without our employees. They have gone the extra mile every day in production, in the laboratories and in administrative functions. For me, this commitment and solidarity are the clearest proof that our "We Are 1" culture is truly something special.

Looking into the year 2022, we remain confident. The constantly growing demand for our products shows that we are very well positioned to benefit from the global trend towards a more resource-efficient and more sustainable economy. The need for more energy-efficient construction and the continued strong rise in electromobility are just two examples of developments towards a more sustainable future. With our vision, we have set ourselves ambitious targets and there is still a long way to go. But, in the past year, we created room for investments and strengthened our ability to grow with innovation and digitalization. I look forward to continuing to drive our transformation as a team and pushing ahead with our new Group structure.