# Consolidated Financial Statements


**259 Covestro Group Consolidated Income Statement**

**260 Covestro Group Consolidated Statement of Comprehensive Income**

**261 Covestro Group Consolidated Statement of Financial Position**

**262 Covestro Group Consolidated Statement of Cash Flows**

**263 Covestro Group Consolidated Statement of Changes in Equity**

**264 Notes to the Consolidated Financial Statements of the Covestro Group**

**264 Principles and Methods**

**264** 1. General Information
**265** 2. Effects of New Financial Reporting Standards
**267** 3. Accounting Policies and Valuation Principles
**281** 4. Segment and Regional Reporting
**285** 5. Changes in the Scope of Consolidation

**289 Notes to the Income Statement**

**289** 6. Sales
**291** 7. Other Operating Income
**291** 8. Other Operating Expenses
**292** 9. Personnel Expenses and Employee Numbers
**293** 10. Financial Result
**294** 11. Taxes
**297** 12. Earnings per Share

**298 Notes to the Statement of Financial Position**

**298** 13. Noncurrent Assets
**306** 14. Investments Accounted for Using the Equity Method
**307** 15. Other Financial Assets
**308** 16. Inventories
**308** 17. Other Receivables
**309** 18. Equity
**311** 19. Provisions for Pensions and Other Post-Employment Benefits
**320** 20. Other Provisions
**322** 21. Financing and Financial Debt
**324** 22. Other Financial Liabilities
**324** 23. Other Nonfinancial Liabilities
**325** 24. Financial Instruments
**336** 25. Contingent Liabilities and Other Financial Commitments
**337** 26. Legal Risks

**338 Other Information**

**338** 27. Notes to the Statement of Cash Flows
**340** 28. Related Companies and Persons
**342** 29. Audit Fees
**343** 30. Events After the End of the Reporting Period

# COVESTRO GROUP CONSOLIDATED INCOME STATEMENT

| | Note | 2023 | 2024 |
|---|---|---|---|
| | | € million | € million |
| **Sales** | **6** | **14,377** | **14,179** |
| Cost of goods sold | | (12,071) | (12,002) |
| **Gross profit** | | **2,306** | **2,177** |
| Selling expenses | | (1,489) | (1,513) |
| Research and development expenses | | (374) | (392) |
| General administration expenses | | (360) | (343) |
| Other operating income[1] | 7 | 272 | 228 |
| Other operating expenses[2] | 8 | (169) | (70) |
| **EBIT[3]** | | **186** | **87** |
| Equity-method loss | | (20) | (4) |
| Result from other affiliated companies | | 1 | 2 |
| Interest income | | 70 | 56 |
| Interest expense | | (160) | (145) |
| Other financial result | | (4) | (23) |
| **Financial result** | **10** | **(113)** | **(114)** |
| **Income before income taxes** | | **73** | **(27)** |
| Income taxes | 11 | (275) | (245) |
| **Income after income taxes** | | **(202)** | **(272)** |
| attributable to noncontrolling interest | | (4) | (6) |
| attributable to Covestro AG shareholders (net income) | | (198) | (266) |
| | | € | € |
| **Basic/diluted earnings per share[4]** | **12** | **(1.05)** | **(1.41)** |

1 Other operating income contains reversals of impairment losses amounting to €3 million (previous year: €3 million) on financial assets measured at amortized cost.

2 Other operating expenses contain impairment losses of €10 million (previous year: €6 million) on financial assets measured at amortized cost.

3 EBIT: income after income taxes plus financial result and income tax

4 Earnings 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 2024 was based on 188,740,330 no-par value shares (previous year: 189,262,192). For further information, please refer to note 12 "Earnings per Share."

# COVESTRO GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | 2023 | 2024 |
|---|---|---|---|
| | | € million | € million |
| Income after income taxes | | (202) | (272) |
| Remeasurements of the net defined benefit liability for post-employment benefit plans | 19 | 9 | 157 |
| Income taxes | 11 | 1 | (5) |
| **Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans** | | **10** | **152** |
| Changes in fair values of equity instruments | 24 | – | (8) |
| Income taxes | 11 | – | 3 |
| **Other comprehensive income from equity instruments** | | **–** | **(5)** |
| **Other comprehensive income that will not be reclassified subsequently to profit or loss** | | **10** | **147** |
| Gains from derivative financial instruments (cash flow hedge reserve) | 24 | – | 7 |
| Income taxes | 11 | – | (2) |
| **Other comprehensive income from cash flow hedges** | | **–** | **5** |
| Exchange differences of foreign operations | | (261) | 184 |
| **Other comprehensive income from exchange differences** | | **(261)** | **184** |
| **Other comprehensive income that may be reclassified subsequently to profit or loss** | | **(261)** | **189** |
| Total other comprehensive income | | (251) | 336 |
| attributable to noncontrolling interest | | (3) | – |
| attributable to Covestro AG shareholders | | (248) | 336 |
| Total comprehensive income | | (453) | 64 |
| attributable to noncontrolling interest | | (7) | (6) |
| attributable to Covestro AG shareholders | | (446) | 70 |

# COVESTRO GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | Dec. 31, 2023 | Dec. 31, 2024 |
|---|---|---|---|
| | | € million | € million |
| **Noncurrent assets** | | | |
| Goodwill | 13 | 711 | 719 |
| Other intangible assets | 13 | 519 | 471 |
| Property, plant and equipment | 13 | 5,795 | 5,898 |
| Investments accounted for using the equity method | 14 | 182 | 269 |
| Other financial assets | 15 | 109 | 107 |
| Other receivables | 17 | 114 | 125 |
| Deferred taxes | 11 | 316 | 276 |
| | | **7,746** | **7,865** |
| **Current assets** | | | |
| Inventories | 16 | 2,459 | 2,851 |
| Trade accounts receivable | | 1,898 | 1,749 |
| Other financial assets | 15 | 311 | 48 |
| Other receivables | 17 | 496 | 517 |
| Claims for income tax refunds | 11 | 102 | 92 |
| Cash and cash equivalents | | 625 | 509 |
| | | **5,891** | **5,766** |
| Total assets | | 13,637 | 13,631 |
| **Equity** | **18** | | |
| Capital stock of Covestro AG | | 189 | 189 |
| Capital reserves of Covestro AG | | 3,740 | 3,740 |
| Retained earnings incl. total income | | 2,291 | 2,171 |
| Accumulated other comprehensive income | | 370 | 558 |
| **Equity attributable to Covestro AG shareholders** | | **6,590** | **6,658** |
| Equity attributable to noncontrolling interest | | 28 | 21 |
| | | **6,618** | **6,679** |
| **Noncurrent liabilities** | | | |
| Provisions for pensions and other post-employment benefits | 19 | 464 | 387 |
| Other provisions | 20 | 192 | 253 |
| Financial debt | 21 | 2,740 | 2,444 |
| Other financial liabilities | 22 | 16 | 12 |
| Income tax liabilities | 11 | 29 | 49 |
| Other nonfinancial liabilities | 23 | 24 | 27 |
| Deferred taxes | 11 | 256 | 204 |
| | | **3,721** | **3,376** |
| **Current liabilities** | | | |
| Other provisions | 20 | 356 | 348 |
| Financial debt | 21 | 667 | 712 |
| Trade accounts payable | | 1,895 | 2,101 |
| Other financial liabilities | 22 | 128 | 133 |
| Income tax liabilities | 11 | 48 | 61 |
| Other nonfinancial liabilities | 23 | 204 | 221 |
| | | **3,298** | **3,576** |
| Total equity and liabilities | | 13,637 | 13,631 |

# COVESTRO GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | 2023 | 2024 |
|---|---|---|---|
| | | € million | € million |
| Income after income taxes | | (202) | (272) |
| Income taxes | 11 | 275 | 245 |
| Financial result | 10 | 113 | 114 |
| Income taxes paid | | (383) | (219) |
| Depreciation, amortization, impairment losses and impairment loss reversals | 13 | 894 | 984 |
| Change in pension provisions | | (33) | 47 |
| (Gains)/losses on retirements of noncurrent assets | | (33) | (65) |
| Decrease/(increase) in inventories | | 278 | (322) |
| Decrease/(increase) in trade accounts receivable | | 76 | 184 |
| (Decrease)/increase in trade accounts payable | | (104) | 181 |
| Change in other working capital, other noncash items | | 116 | (7) |
| **Cash flows from operating activities** | **27.1** | **997** | **870** |
| Cash outflows for additions to property, plant, equipment and intangible assets | | (765) | (781) |
| Cash inflows from sales of property, plant, equipment and other assets | | 2 | 76 |
| Cash inflows from divestments less divested cash | | 55 | – |
| Cash outflows for noncurrent financial assets | | (23) | (81) |
| Cash inflows from noncurrent financial assets | | 41 | 6 |
| Interest and dividends received | | 70 | 61 |
| Cash inflows from other current financial assets / Cash outflows for other current financial assets | | (305) | 296 |
| **Cash flows from investing activities** | **27.2** | **(925)** | **(423)** |
| Acquisition of treasury shares | 18 | (49) | – |
| Dividend payments | 18 | (4) | (1) |
| Issuances of debt | | 419 | 1,195 |
| Repayments of debt | | (836) | (1,609) |
| Interest paid | | (169) | (150) |
| **Cash flows from financing activities** | **27.3** | **(639)** | **(565)** |
| **Change in cash and cash equivalents due to business activities** | | **(567)** | **(118)** |
| **Cash and cash equivalents at beginning of year** | | **1,198** | **625** |
| Change in cash and cash equivalents due to exchange rate movements | | (6) | 2 |
| **Cash and cash equivalents at end of year** | | **625** | **509** |

# COVESTRO GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | | | Accumulated other comprehensive income | | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital stock of Covestro AG | Capital reserves of Covestro AG | Retained earnings incl. total income | Currency translation | Cashflow hedges | Equity attributable to Covestro AG shareholders | Equity attributable to noncontrolling interest | Equity |
| | € million | € million | € million | € million | € million | € million | € million | € million |
| **Dec. 31, 2022** | **190** | **3,788** | **2,480** | **628** | **–** | **7,086** | **36** | **7,122** |
| Acquisition and redemption of treasury shares | (1) | (48) | | | | (49) | | (49) |
| Dividend payments | | | – | | | – | (1) | (1) |
| Other changes[1] | | – | (1) | | | (1) | – | (1) |
| Income after income taxes | | | (198) | | | (198) | (4) | (202) |
| Other comprehensive income | | | 10 | (258) | – | (248) | (3) | (251) |
| Total comprehensive income | | | (188) | (258) | – | (446) | (7) | (453) |
| Transfer of cash flow hedge reserve to inventories | | | | | – | – | | – |
| **Dec. 31, 2023** | **189** | **3,740** | **2,291** | **370** | **–** | **6,590** | **28** | **6,618** |
| of which treasury shares | – | (12) | | | | (12) | | (12) |
| **Dec. 31, 2023** | **189** | **3,740** | **2,291** | **370** | **–** | **6,590** | **28** | **6,618** |
| Dividend payments | | | – | | | – | (1) | (1) |
| Other changes | | – | (1) | | | (1) | – | (1) |
| Income after income taxes | | | (266) | | | (266) | (6) | (272) |
| Other comprehensive income | | | 147 | 184 | 5 | 336 | – | 336 |
| Total comprehensive income | | | (119) | 184 | 5 | 70 | (6) | 64 |
| Transfer of cash flow hedge reserve to inventories | | | | | (1) | (1) | | (1) |
| **Dec. 31, 2024** | **189** | **3,740** | **2,171** | **554** | **4** | **6,658** | **21** | **6,679** |
| of which treasury shares | – | (12) | | | | (12) | | (12) |

1 Other changes in the year 2023 resulted from the sale of long-term investments in equity instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COVESTRO GROUP

## Principles and Methods

### 1. General Information

Covestro AG (registered at the district trade register, or Amtsgericht, for Cologne, number: HRB 85281) is a stock exchange-listed corporation headquartered at Kaiser-Wilhelm-Allee 60, 51373 Leverkusen (Germany), (Covestro AG). The consolidated financial statements of Covestro AG as of December 31, 2024, cover Covestro AG and its subsidiaries, joint arrangements and associated companies. They have been prepared according to the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London (United Kingdom), as endorsed by the European Union (EU) and in effect at the reporting date, the Interpretations (IFRICs) of the IFRS Interpretations Committee (IFRS IC) and the Interpretations published by the Standing Interpretations Committee (SIC), as well as the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) for the exempting IFRS consolidated financial statements.

The declaration pertaining to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) has been issued and made available to the shareholders.

If certain items in the income statement, statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity of the Covestro Group are condensed for the sake of clarity, this is explained in the notes. The income statement has been prepared using the cost-of-sales method. Assets and liabilities are classified by maturity. They are classified as current if they mature or are intended for sale within one year or within the normal business cycle of the Covestro Group. Trade accounts receivable and payable, inventories, and assets held for sale are consistently presented as current. Deferred tax assets, deferred tax liabilities and pension provisions are consistently presented as noncurrent.

The consolidated financial statements are drawn up in euros. Amounts are stated in millions of euros (€ million) unless otherwise noted.

The Board of Management of Covestro AG prepared the consolidated financial statements as of December 31, 2024, on February 20, 2025, submitted the prepared consolidated financial statements to the Audit Committee and the Supervisory Board for examination and approval, and authorized their publication.

#### Exchange Rates

In the reporting period, the following exchange rates were used for the major currencies of relevance from the Covestro Group’s perspective:

**Average rates for major currencies**

| | | Average rates | |
|---|---|---|---|
| €1/ | | 2023 | 2024 |
| BRL | Brazil | 5.40 | 5.80 |
| CNY | China | 7.66 | 7.80 |
| HKD | Hong Kong[1] | 8.46 | 8.44 |
| INR | India | 89.26 | 90.53 |
| JPY | Japan | 151.54 | 163.69 |
| MXN | Mexico | 19.17 | 19.70 |
| USD | United States | 1.08 | 1.08 |

**Closing rates for major currencies**

| | | Closing rates | |
|---|---|---|---|
| €1/ | | 2023 | 2024 |
| BRL | Brazil | 5.36 | 6.43 |
| CNY | China | 7.87 | 7.63 |
| HKD | Hong Kong[1] | 8.63 | 8.07 |
| INR | India | 91.90 | 88.93 |
| JPY | Japan | 156.33 | 163.06 |
| MXN | Mexico | 18.72 | 21.55 |
| USD | United States | 1.11 | 1.04 |

[1] Special Administrative Region (China)

# 2. Effects of New Financial Reporting Standards

## 2.1 Financial Reporting Standards Applied for the First Time in the Reporting Period

| IFRS pronouncement (published on) | Title | Effective for annual periods beginning on or after |
|---|---|---|
| Amendments to IAS 1 (January 23, 2020, July 15, 2020 and October 31, 2022) | Classification of Liabilities as Current or Non-current, Classification of Liabilities as Current or Non-current – Deferral of Effective Date and Non-current Liabilities with Covenants | January 1, 2024 |
| Amendments to IFRS 16 (September 22, 2022) | Lease Liability in a Sale and Leaseback | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 (May 25, 2023) | Disclosures: Supplier Finance Arrangements | January 1, 2024 |

Initial application of the standards listed in the table had no or no material impact on the presentation of the net assets, financial position and results of operations of the Covestro Group.

The amendments to IAS 7 (Statement of Cash Flows) and IFRS 7 (Financial Instruments: Disclosures) are intended to increase transparency with regard to supplier finance arrangements and their impact on a company's liabilities, cash flows, and liquidity risk. The existing disclosure requirements have been expanded to require a company to provide qualitative and quantitative information, in particular about payment term arrangements with suppliers. For Covestro, additional disclosure requirements arose in relation to supplier finance arrangements (see Note 24.1).

## 2.2 Published Financial Reporting Standards that have not yet been Applied

The IASB issued the following standards and amendments to standards which have already been adopted by the European Union (EU) but are not mandatory for financial statements 2024. The Covestro Group has not made use of the option to apply these before their effective date.

| IFRS pronouncement (published on) | Title | Effective for annual periods beginning on or after |
|---|---|---|
| Amendments to IAS 21 (August 15, 2023) | Lack of Exchangeability | January 1, 2025 |

The effects of the initial application of the aforementioned financial reporting standards are currently being reviewed. At the time the financial statements were prepared, no, or no material, impact on the presentation of the net assets, financial position, and results of operations of the Covestro Group was expected.

The application of the following other standards and amendments to standards issued by the IASB is conditional upon their endorsement by the EU. The effective date for the standards is assumed to be the effective date designated by the IASB.

| IFRS pronouncement (published on) | Title | Effective for annual periods beginning on or after |
|---|---|---|
| Amendments to IFRS 9 and IFRS 7 (May 30, 2024) | Amendments to the Classification and Measurement of Financial Instruments | January 1, 2026 |
| Annual Improvements to the IFRS (July 18, 2024) | Annual Improvements Volume 11 | January 1, 2026 |
| Amendments to IFRS 9 and IFRS 7 (December 18, 2024) | Contracts Referencing Nature-dependent Electricity | January 1, 2026 |
| IFRS 18 (April 9, 2024) | Presentation and Disclosure in Financial Statements | January 1, 2027 |
| IFRS 19 (April 9, 2024) | Subsidiaries without Public Accountability: Disclosures | January 1, 2027 |

The effects of the initial application of the aforementioned financial reporting standards are currently being reviewed. At the time the financial statements were prepared, no, or no material, impact on the presentation of the net assets, financial position, and results of operations of the Covestro Group was expected.

The IASB issued final amendments to IFRS 9 (Financial Instruments) and IFRS 7 (Financial Instruments: Disclosures) entitled "Contracts Referencing Nature-dependent Electricity" on December 18, 2024. These amendments are aimed at adapting the IFRS standards to the increasing use by companies of electricity from renewable sources, whose timing and volume of generation cannot be forecast or controlled. A key aspect of the amendments concerns the application of the "own-use exemption" to nature-dependent power purchase agreements. Under the amendment, this exemption can be applied when a company acts as a "net purchaser" of electricity, meaning that it purchases sufficient electricity to offset sales of unused electricity in the same market. The assessment period for this should not be more than 12 months. In addition, the hedge accounting requirements have been amended to permit a company using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument. Here it will be possible in future to designate a variable volume of forecast electricity transactions as the hedged item in a cash flow hedge and to measure the hedged item using the same volume assumptions as those used for the hedging instrument. The amendments to IFRS 7 require additional disclosures on significant contractual terms. The new requirements are effective for fiscal years beginning on or after January 1, 2026, subject to endorsement by the EU.

IFRS 18 (Presentation and Disclosure in Financial Statements) will replace the existing requirements of IAS 1 (Presentation of Financial Statements) and aims to enhance the comparability and relevance of financial information. Covestro's management is currently analyzing the impact of the new standard on the consolidated financial statements and has already prepared initial estimates. The new standard will not impact net income, but it will have significant consequences for the allocation of income and expense items in the income statement and therefore affect the operating result. Depending on the underlying transaction, foreign exchange differences previously recognized in the financial result will in the future be recognized in the operating result or in the "investing" category. For derivatives, IFRS 18 requires gains or losses to be recognized in the category affected by the hedged risk, and potential changes in this area for Covestro are still being evaluated. No material changes in the content of the notes disclosures are expected, but the grouping of information could change because of new aggregation and disaggregation principles. In addition, new requirements are being introduced, such as the disaggregation of certain types of expenses in the "operating" category by function and a reconciliation in the year of initial application. The Group plans to apply the new standard from January 1, 2027, subject to EU endorsement.

# 3. Accounting Policies and Valuation Principles

Accounting policies and valuation principles classified as material for the Covestro Group under IAS 1 and the Practice Statement are described in the following. Accounting policies and valuation principles may be material by their nature, even if the associated amounts are immaterial. Examples include disclosures on accounting policies and valuation principles that are discretionary, that are based on options, or that are not already obvious from the wording of an IFRS pronouncement itself, and that appear relevant overall for an understanding of the Covestro Group's financial statements. The main focus of the accounting policies and valuation principles presented in the following is on particular aspects that are at the specific discretion of Covestro's management and on options exercised.

| Items in the statement of financial position | Measurement principle |
|---|---|
| **Assets** | |
| Goodwill | Cost or lower recoverable amount |
| Other intangible assets | |
| • with indefinite useful lives | Cost or lower recoverable amount |
| • with definite useful lives | Amortized cost less any impairment losses or reversals of impairment losses |
| Property, plant and equipment including<br>• Right of use assets<br>• Investment property | Amortized cost less any impairment losses or reversals of impairment losses. Amortized cost includes expected future restoration or recultivation costs in the event of an obligation. |
| Investments accounted for using the equity method<br>• Joint Ventures<br>• Associates | Amortised cost less any impairment losses or reversals of impairment losses |
| Other financial assets | Depending on measurement category: amortized cost or fair value through profit or loss or fair value through other comprehensive income |
| Deferred taxes | Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized, a tax loss or interest carryforward is used or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period |
| Inventories | Lower of net realizable value and cost |
| Trade accounts receivable | Amortized cost less a risk allowance for expected credit losses |
| Other receivables | Amortized cost less allowance for expected credit losses or fair value |
| Claims for income taxes | Amount expected to be recovered from the tax authorities, using the tax rates that have been enacted or substatively enacted by the end of the reporting period. |
| Cash and cash equivalents | Amortized cost |
| Assets held for sale/ disposal groups | Lower of carrying amount and fair value less costs to sell (including allocable liabilities) |

| Items in the statement of financial position | Measurement principle |
|---|---|
| **Liabilities** | |
| Provisions for pensions and other post-employment benefits | Actuarial projected unit credit method |
| Other provisions | Present value of the settlement amount |
| Financial debt including lease liabilities | Depending on measurement category: amortized cost using the effective interest method or fair value through profit or loss |
| Trade accounts payable | Amortized cost |
| Other financial liabilities | Amortized cost, in the case of embedded derivatives subject to separation requirements and standalone derivatives at fair value through profit or loss |
| Income tax liabilities | Amount expected to be paid to the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period |
| Other nonfinancial liabilities | Amortized cost |
| Deferred taxes | Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period |

### Judgements and Estimation Uncertainties

In preparing the consolidated financial statements, Covestro management has to make assumptions and estimates to a certain extent that may substantially impact the presentation of the Covestro Group's net assets, financial position, and results of operations and could deviate from the actual results.

Judgements are made when applying accounting policies that may materially affect the financial statements. These include:

- Identifying indications of impairment (triggering events), determining an appropriate peer group to derive the weighted cost of capital, and defining cash-generating units or groups of cash-generating units, in each case for the purposes of centralized impairment tests for noncurrent assets
- The identification of impairment losses or reversals of impairment losses on noncurrent assets, taking individual lower value thresholds into account
- The identification and valuation of intangible assets and liabilities in the context of purchase price allocation in connection with the acquisition of companies

Such assumptions and estimates mainly relate to the following areas:

- Defining the useful life of noncurrent assets
- Impairment testing of goodwill and of noncurrent assets within the scope of centralized impairment tests, including long-term planning assumptions with respect to growth and profitability using discounted cash flows
- Accounting for income taxes and assessing the recoverability of deferred tax assets in respect to future taxable income and the recognition of tax effects in the future as well as the recognition of uncertain tax positions due to any different findings made during tax audits
- Recognition and measurement of provisions, e.g., for litigation, pensions and other employee benefits, termination benefits (e.g., in the case of restructurings), other taxes, environmental protection, and product liability
- The determination of assumptions underlying the recognition, measurement, and disclosure of financial instruments

Risks related to the impact of geopolitical conflicts (e.g., Russia's war against Ukraine) are considered on a case-by-case basis.

In addition, Covestro’s management must decide which information in the financial and nonfinancial notes is relevant to readers of the IFRS consolidated financial statements and should be included in the notes. Information about exercising discretion in the application of accounting policies that most significantly affect the amounts reported in the consolidated financial statements, and about estimates and assumptions, is disclosed in the following notes. The following estimates are based on historical experience and assumptions that are believed to be reasonable. They are reviewed on an ongoing basis, but may differ from the actual values subsequently recognized.

### Climate-Related Impacts

Covestro is pursuing an ambitious business strategy with the aim of fully aligning itself with climate neutrality and the circular economy. The company aims to achieve net zero emissions at all environmentally relevant sites in its own production (Scope 1) and in the procurement and use of externally generated energy (Scope 2) by 2035, with an interim target of a 60% reduction by the year 2030. An interim target for the relevant upstream and downstream greenhouse gas emissions across the entire value chain (Scope 3) has been defined, which aims to achieve a reduction of 10 million metric tons of $CO_2$ equivalents by 2035 compared with the year 2021. The strategy is based, among other things, on alternative raw materials, renewable energies, and innovative recycling technologies. Covestro considers this to be an important contribution to accelerating the transition to a climate-neutral, resource-conserving economy.

All the assumptions and estimates in these financial statements are based on the circumstances and assessments on the reporting date. On this basis, in terms of the business strategy and the associated actions, there are no identifiable specific indications of any material need to recognize impairment losses on noncurrent assets or for any material adjustment to the remaining useful lives of assets at the reporting date. The Group is continuously reviewing the basic assumptions made and adjusting them if necessary. Covestro continuously monitors legislation regarding climate change and climate change mitigation.

### Consolidation

The Consolidated Financial Statements of Covestro AG as of December 31, 2024, include all material subsidiaries and associates as well as one joint operation. Subsidiaries that, in the aggregate, are immaterial for the Group's net assets, financial position, and results of operations are not consolidated. Such subsidiaries are recognized at cost.

→ See note 5.1 "Scope of consolidation and investment."

### Joint Operations and Associates

Joint operations are based on joint arrangements. A joint arrangement is deemed to exist if Covestro AG, through a contractual agreement, indirectly or directly jointly controls an activity or a separate legal entity together with one or more third parties. Joint control is only deemed to exist if decisions regarding the relevant activities require the unanimous consent of the parties sharing control.

The Covestro Group recognizes the share of assets, liabilities, revenues, and expenses in its consolidated financial statements in accordance with its rights and obligations in joint operations.

The only entity classified as a joint operation is LyondellBasell Covestro Manufacturing Maasvlakte V.O.F, Rotterdam (Netherlands). This company was formed together with Lyondell PO-11 C.V., Rotterdam (Netherlands). The two venturers each own a 50% interest in the capital and voting rights. The company operates production facilities for the sole account of the venturers, who therefore receive substantially all the economic benefits of the assets. The venturers are the sole source of cash flows. Liabilities incurred are primarily settled through cash flows resulting from sales to the venturers. Variable costs are reimbursed by the shareholders depending on the specific purchase quantities.

Associates over which Covestro AG is able to exercise significant influence, directly or indirectly, generally through an ownership interest between 20% and 50%, are accounted for using the equity method.

### Currency Translation

The financial statements of the individual companies included in the consolidated financial statements are prepared in their respective functional currencies. As a rule, the functional currency of the consolidated company is the applicable local currency, as these companies operate their business autonomously from a financial, economic, and organizational point of view.

In the separate financial statements of the foreign companies, receivables and liabilities in currencies other than the respective functional currency are translated at closing rates. Related exchange differences are recognized in profit or loss and recorded as exchange gains or losses under other financial result.

In the consolidated financial statements, the assets and liabilities of Covestro companies whose functional currency is not the euro are translated into euros at closing rates at the start and end of the reporting period, while income and expense items and cash flows are translated into euros at average rates.

### Sales

All revenues in connection with customer contracts, primarily from product sales, are recognized as sales. This also includes sales from services rendered and licensing agreements.

Sales are generated primarily from the sale of chemical products. In most cases, control over these products is transferred to the customer at a point in time.

Depending on the contractual agreements made and transportation clauses agreed upon with the customer, in the majority of cases control is transferred to the customer upon delivery at the place of destination, furthermore at the point in time of collection by the customer or upon handover to the freight carrier. In some cases, sales are made through consignment warehouses in which customers primarily obtain control over the delivered goods upon delivery to the consignment warehouse.

Determining the point in time of the transfer of control involves considering additional indicators. In particular, it is considered at which point in time Covestro has a present right to payment for the product and when physical possession of the product or, in a broader sense, the possibility of sole access to the product, is transferred to the customer. Depending on the transportation clauses, the possibility of sole access to the product may be transferred even prior to arrival or physical handover of the product to the customer. Furthermore, the point in time when the legal title passes to the customer is also considered to the extent that it constitutes more than a protective right. The point in time when the significant rewards and risks of ownership of a product are transferred to the customer is usually linked closely with the aforementioned indicators and is therefore considered with these. Based on experience, it is assumed that products sold fulfill the agreed-upon specifications, thus acceptance by the customer is an indicator that does not generally affect the point in time at which control is transferred.

As a result, the point in time at which control is transferred depends on the contractual agreement concluded with the customer in each case and the stipulated transportation clauses.

In the case of products sold through a consignment warehouse, the customer generally obtains physical possession of this product upon delivery to the consignment warehouse. In addition, the right to payment for the delivered goods generally arises upon delivery. To the extent that the other three indicators do not lead to a contrary conclusion, control of the products in the case of a sale through a consignment warehouse transfers to the customer upon delivery to the consignment warehouse. The corresponding sales are therefore realized at the time of delivery.

Exceptionally, certain products are only sold to one customer. Some of these customer-specific products have no alternative use for Covestro. Insofar as Covestro has an enforceable right to payment for performance completed to date, sales are recognized on the basis of progress towards complete satisfaction of the performance obligation. As a rule, control over an individual customer-specific product is considered to be transferred when the generally short production process is completed successfully and the product has been tested to confirm that the agreed-upon specifications have been met.

Invoices are usually payable in 0 to 90 days. Contracts may contain early payment discounts or rebates. Rebates are generally retroactively granted based on the sales or volume of a period customarily spanning up to 12 months. Some contracts include pricing formulas used to determine the billable price at the time of delivery. Moreover, the final prices for certain contracts with customers are not yet fixed at the time of transfer of control. Instead, provisional prices are billed initially.

Sales are recognized in the amount of the transaction price that Covestro is expected to receive. Sales do not include amounts collected on behalf of third parties (e.g., sales tax). Where consideration includes a variable component, for example due to the contractual clauses described, this component of the consideration is estimated either based on the expected value method or the most likely amount. The method producing the best estimate is used in this case. However, variable consideration is only taken into account to the extent it is not constrained as defined by IFRS 15 (Revenue from Contracts with Customers). Refund liabilities result particularly from rebates granted and total the amount of the rebate expected to be refunded, which is calculated based on the methods described. Refund liabilities are reported in other financial liabilities.

As a rule, no warranties are issued beyond normal warranties that products will fulfill the agreed-upon specifications.

In the case of contracts with customers, Covestro generally does not expect more than one year to pass between the transfer of a product to a customer and the payment thereof. As a result, the agreed consideration is not adjusted for significant financing components. When incremental costs of obtaining a contract arise, these are immediately recognized as expenses, if the potential amortization period is one year or less.

### Government Grants

Government grants are recognized if there is sufficient certainty that the benefits will be granted and the related conditions are met. Asset-related grants from third parties, such as investment grants, are reported under other receivables and other nonfinancial liabilities and are recognized in profit or loss in accordance with the asset’s useful life. Depending on the circumstances, income-related grants are either offset against expenses or are recognized under other operating income. If realized in the income statement before the payment is received or if it is dependent on specific conditions, these are recognized as other receivables or other nonfinancial liabilities. The Covestro Group mainly receives income-related grants.

Covestro regularly verifies that conditions attaching to grants received are fulfilled.

Emission rights granted free of payment by government authorities are recognized in the statement of financial position at zero euros or at a reminder value. Emission rights acquired on the market in return for payment are capitalized at cost of acquisition and, if the fair value is lower than the acquisition cost, are impaired. Emissions caused generally result in return obligations which have to be recognized.

### Functional Cost

Functional cost is calculated using the cost of sales method for the functions that incur them on the basis of cost center accounting. The Covestro Group distinguishes between the following functions: cost of goods sold, selling expenses, research and development expenses, and general administrative expenses. Operating expenses that cannot be allocated to the functions that caused them are presented as other operating expenses.

Cost of goods sold includes all production costs for products and services sold in the fiscal year as well as the cost of products acquired and resold in the fiscal year. This also includes impairment losses on inventories and overheads attributable to the production process.

In addition to transportation and logistics costs, selling expenses primarily include the costs of selling, advertising, and marketing activities, as well as the costs of sales representatives and distribution warehouses.

Research and development expenses are incurred in the Covestro Group for in-house research and development activities as well as research and development collaborations and alliances with third parties. Capitalized development costs also include material IT projects if the recognition criteria are met.

Expenses that are not related to the functions described are reported under general administrative expenses. These include administrative personnel costs, depreciation of and impairment losses on other equipment, and external audit costs.

### Income Taxes

Income taxes comprise the taxes levied on taxable income in the individual countries along with changes in deferred tax assets and liabilities that are recognized in profit or loss. Detailed explanations of impairment testing of deferred tax assets can be found in “Judgements and Estimation Uncertainties” in this note.

Deferred tax liabilities are recognized on planned dividend payments by subsidiaries. Where no dividend payment or disposal of corresponding equity investments is planned for the foreseeable future, no deferred tax liability is recognized on the difference between the proportionate equity according to IFRSs and the tax base of the carrying amount of the investment in the subsidiary (outside basis differences).

The expected effects of uncertain deferred and actual income tax positions are estimated based on the expected value method or the most likely amount. The method producing the best estimate is used in this case. Tax audits in which the relevant tax authority could take a view differing from Covestro’s legal position are by far the most important sources of estimation uncertainties for uncertain tax positions. Uncertain tax positions are accounted for under the assumption that the tax authorities will investigate all relevant matters and have all relevant information at their disposal.

### Business Combinations

Businesses acquired are accounted for pursuant to IFRS 3 (Business Combinations) using the acquisition method, which requires that all identifiable assets acquired and all (contingent) liabilities assumed be recognized and measured at their respective fair values on the date control is obtained.

The Covestro Group recognizes the components of noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest’s proportionate share of the acquiree’s identified net assets. The Covestro Group exercises this option separately for each business combination in accordance with the standard.

### Noncurrent Assets

Noncurrent assets include property, plant and equipment and intangible assets, with definite or indefinite useful lives in each case.

If the construction phase or manufacturing process of noncurrent assets extends over a period of 12 months or more, the interest incurred on borrowed capital up to the date of completion is capitalized as part of the cost of acquisition or construction in accordance with IAS 23 (Borrowing Costs).

Depreciation and amortization charges, which are recognized on a straight-line basis in the Covestro Group, impairment losses, and any reversals of impairment losses on finite-lived noncurrent assets are allocated to the relevant functions.

The following useful lives are applied to other intangible assets, except where the actual depletion demands a different amortization pattern:

**Useful life of other intangible assets**

| | |
|---|---|
| Patents and technologies | 3 to 20 years |
| Production rights, trademarks and licenses | 10 to 20 years |
| Customer relationships and distribution rights | 7 to 20 years |
| Software | 3 to 4 years |
| Other rights and assets | max. 20 years |

Determination of the expected useful lives of other intangible assets is based in particular on estimates of the period for which they will generate cash flows.

In the Covestro Group, intangible assets with an indefinite useful life relate mainly to goodwill. Impairment losses on goodwill are reported in other operating expenses.
→ See Note 13.3 “Impairment Testing.”

The criteria for recognizing development costs as assets are defined in IAS 38 (Intangible Assets). If the recognition criteria are met, internally generated intangible assets are capitalized, while research costs are recognized as an expense. The fulfillment of the recognition and measurement criteria for intangible assets resulting from internal development projects, including IT and software projects, are subject to judgement. The capitalization requirements are reviewed on a project- and contract-specific basis.

Depreciation of property, plant and equipment is largely based on the following useful lives, which are standard throughout the Group:

**Useful life of property, plant and equipment**

| | |
|---|---|
| Buildings | 20 to 50 years |
| Infrastructure | 10 to 20 years |
| Storage tanks and pipelines | 10 to 20 years |
| Plant installations | 6 to 20 years |
| Machinery and equipment | 6 to 12 years |
| Furniture and fixtures | 4 to 10 years |
| Vehicles | 5 to 8 years |
| Computer equipment | 3 to 5 years |
| Laboratory and research facilities | 3 to 5 years |

Significant asset components with different useful lives are accounted for and depreciated separately. In cases where the special recognition criteria are met, the associated costs may be capitalized as a separate component, for example if extensive maintenance work is carried out regularly (such as the general overhaul of a machine).

When assets are sold, closed down, or scrapped, the difference between the recoverable amount, which normally amounts to the fair value less costs of disposal, and the net carrying amount of the assets is recognized as a gain or loss in other operating income or expenses, respectively.

### Leases

When Covestro is the lessee in a lease, as a rule a right-of-use asset and a corresponding liability (lease liability) are recognized in the statement of financial position on the date the underlying asset is made available for use to Covestro. Lease liabilities are reported under financial debt and classified as current or noncurrent according to their maturity.

For low-value leased assets and short-term leases (lease term of less than twelve months), use is made of the practical expedients and corresponding contractual payments are reported in cash flows from operating activities and as an expense in the operating result. Covestro also exercises the option not to recognize any leased intangible assets as leases.

Upon initial recognition, the right-of-use asset is generally capitalized at the amount of the corresponding lease liability plus any initial direct costs, any dismantling obligations, and lease payments made prior to the commencement date less any lease incentives received. For subsequent measurement, the right-of-use asset is depreciated over the lease term. Contract modifications, as long as these are not measured as separate leases, and reassessment of the lease liability are also reflected in the right-of-use asset.

Lease liabilities are measured at the present value of the lease payments to be made over the term of the lease, which are generally discounted using the incremental borrowing rate, as the interest rate implicit in the lease cannot generally be determined. Lease liabilities are measured at amortized cost using the effective interest method. They are adjusted in the event of modifications to or reassessment of the lease.

At Covestro, lease agreements usually include fixed contractual terms. If there are additional options to extend or terminate the lease, all relevant facts are examined to determine the existence of economic incentives to exercise or not to exercise these options. The lease term is only adjusted to reflect changes in the expectations regarding whether or not such options will be exercised if there is reasonable certainty.

For leases in which Covestro is the lessor, a differentiation is made between finance leases and operating leases in accordance with IFRS 16. Leases that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee are treated as finance leases. At the commencement date, Covestro recognizes a lease receivable in the statement of financial position in the amount of the net investment in the lease and derecognizes the underlying asset from property, plant and equipment. In an operating lease, the underlying asset continues to be shown under Covestro’s property, plant and equipment and depreciated over its useful life. Lease payments received are recognized in income.

### Investment Property

Investment property is measured at cost unless a lower carrying amount is required. The carrying amount of investment property is depreciated using the straight-line method. The useful lives are the same as those described above for property, plant and equipment. The fair value to be determined for disclosure purposes is mainly calculated on the basis of internally prepared valuations. In the case of buildings and developed land, this is carried out using a method known as the German income approach, and in the case of undeveloped land, using the sales comparison approach.

### Inventories

Inventories are recognized at their cost of acquisition or production (production-related full cost) – calculated by the weighted-average method – or at their net realizable value, whichever is lower. The net realizable value is the estimated selling price in the ordinary course of business less estimated cost to complete and selling expenses. Impairment losses on inventories are recognized if their net realizable value on the reporting date is lower than the value calculated using the weighted-average method. Impairment losses are reversed if the net recoverable amount subsequently exceeds the carrying amount.

### Financial Instruments

Contracts are recognized as financial instruments in the financial statements which simultaneously give rise to a financial asset at one entity while resulting in a financial liability or equity instrument at another entity.

### Financial Assets

Financial assets comprise loans, acquired equity and debt instruments, cash and cash equivalents, trade accounts receivable, other financial assets, as well as derivatives with positive fair values. Regular-way purchases and sales of financial assets are generally recognized on the settlement date.

The "at amortized cost" measurement category comprises trade accounts receivable, the loans included in other financial assets, and cash and cash equivalents. Interest income from financial assets assigned to this category is determined using the effective interest method.

Debt instruments like purchased bonds can be classified as financial assets at fair value through other comprehensive income if the purpose of the investment is to hold the financial asset to collect the contractual cash flows or to sell it. Interest income, foreign currency gains and losses, and impairment losses or impairment loss reversals are recognized in the income statement for financial assets in this category. The remaining changes in fair value are recognized in other comprehensive income. Upon derecognition, the cumulative net gains or losses included in other comprehensive income are reclassified to the income statement.

The Covestro Group exercises the option of recognizing changes in the fair value of equity instruments that are not held for trading in other comprehensive income. In contrast to the treatment of debt instruments, the gains and losses recognized in other comprehensive income are not reclassified to the income statement upon derecognition. At the time of disposal, the Covestro Group reclassifies all gains and losses recognized in other comprehensive income, including any recognized impairment losses and reversals of impairment losses, to retained earnings. Examples of this category of other strategically held instruments classified as equity are certain investments made under the Covestro Venture Capital (COVeC) initiative.

Depending on the contractual design, COVeC investments are also recognized as debt instruments at fair value through profit or loss. This category also includes all financial assets not allocated to any of the abovementioned categories. These are in particular derivatives with a positive fair value.

The gross carrying amount of a financial asset is derecognized when the Covestro Group comes to the conclusion that the counterparty is no longer able to meet its payment obligations. Following derecognition, the Covestro Group assumes that it will no longer be able to recover any significant amounts.

### Financial Liabilities

Financial liabilities generally comprise financial debt, lease liabilities and negative fair values of derivatives and other financial liabilities.

### Derivatives

Derivatives – such as forward exchange contracts – are used to mitigate the risk of fluctuations in exchange rates. Derivatives are recognized at the trade date. Further, assets and liabilities from certain energy contracts that are intended to be settled net are also recognized as derivatives.

Contracts concluded in order to receive or deliver nonfinancial goods for the company's own purposes are not accounted for as derivatives but treated as pending transactions in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). Where embedded derivatives are identified that are required to be separated from the pending transactions, they are accounted for separately. To cover possible peak demand, a nonmaterial volume of transactions may be entered into for which the possibility of immediate resale cannot be excluded.

Reportable derivatives are carried at fair value. This applies to what are known as stand-alone derivatives as well as derivatives embedded in certain types of contracts and required to be accounted for separately from their host contracts. Positive fair values at the end of the reporting period are reflected in financial assets, negative fair values in financial liabilities. Changes in the fair values of these derivatives are recognized directly in profit or loss in other operating income or expenses. Changes in the fair values of forward exchange contracts and currency options serving as hedging instruments for items in the statement of financial position are divided into an interest and a currency component. The interest component is recognized in interest expense or income and the currency component is recognized as exchange gains or losses in the other financial result. Changes in the fair value of forward exchange contracts used to hedge forecasted transactions in foreign currencies are recognized in other operating income or expenses.

Covestro has entered into virtual power purchase agreements. These are required to be measured at fair value. Gains and losses on forward electricity contracts are recognized under other operating expenses or other operating income.

Covestro has entered into master netting or similar agreements for derivative financial instruments. These take effect in particular in the event of the insolvency of one of the contractual partners involved.

### Hedge Accounting

Derivatives are either accounted for as stand-alone derivatives as described in the "Derivatives" section or as part of a hedging relationship with an associated hedged item. Covestro has had hedging relationships to hedge energy price risks, particularly for electricity and natural gas purchases, since the year 2024. The hedges are based on swaps designated as cash flow hedges.

For derivatives designated as cash flow hedges, the effective portion of the change in fair value is initially recognized in other comprehensive income. Any ineffectiveness, on the other hand, is recognized immediately in profit or loss. The effective portion of the hedge is not reclassified to the income statement until the time when the hedged item is recognized in profit or loss. There, it is recognized under cost of sales.
→ See Note 24.2 "Raw Material Price Risk."

### Fair Value

The valuation techniques and input factors of fair value hierarchy Level 1 and Level 2 that are used to determine the fair value of financial instruments are shown in the following table:

| Fair-Value-Level | Item in the statement of financial position | Financial instruments included | Valuation technique | Significant input factors for determination of fair values |
|---|---|---|---|---|
| Level 1 | Other financial assets | Other investments | Derivation from active market | Quoted, unadjusted prices |
| Level 1 | Financial debt | Bonds | Derivation from active market | Quoted, unadjusted prices |
| Level 2 | Other financial assets | Loans and bank deposits | Present value of future cash inflows | Current interest rate for the appropriate term on the reporting date and reflecting the creditworthiness of the respective contractual partner |
| Level 2 | Financial debt | Liabilities to banks, other financial debt | Present value of future cash outflows | Current interest rate for the appropriate term on the reporting date and reflecting the creditworthiness of the respective contractual partner |
| Level 2 | Other financial assets and financial debt | Derivatives that do not qualify for hedge accounting | Case-by-case basis with valuation techniques based on observable market data | Forward rate or price on the reporting date derived from spot rates and prices, taking into account forward premiums and discounts, Credit value adjustments and debt value adjustments for both the contracting party's credit risk and Covestro's own credit risk |
| Level 2 | Other financial assets and financial debt | Derivatives for hedge accounting | Discounted cash flow method based on commodity prices | Changes in energy prices |

The valuation techniques and input factors of fair value hierarchy Level 3 are shown in the following table:

| Item in the statement of financial position | Financial instruments included | Valuation technique | Significant input factors for determination of fair values | Effects of changes in key input factors |
|---|---|---|---|---|
| Other financial assets | Other investments and loans, respectively including COVeC investments | The results of market-price-based valuation methods and the results of financing rounds | Non-observable market data or performance indicators available for certain financial assets and market multiples | Increasing (decreasing) fair value with decreasing (increasing) interest rates or larger (smaller) market multiples |
| Other financial assets/other financial liabilities | Embedded derivative from certain long-term power supply contracts | Discounted cash flow method | Expected electricity prices and volumes, electricity purchase terms, discount factors | Increasing (decreasing) market value with higher (lower) electricity prices, electricity volumes and decreasing (increasing) discount rates |

The gains and losses from Level 3 financial assets and liabilities are reported as follows:

- Gains and losses from embedded derivatives recognized in profit or loss are reported in other operating income or expenses;
- Gains and losses from contingent purchase price receivables, from divestments, and debt instruments recognized in profit or loss are reported in other financial result; and
- Gains and losses from other financial investments are reported in other comprehensive income from equity instruments

### Expected Credit Losses (ECL) Model

The Covestro Group calculates a risk provision for expected credit losses for the following items:

- Financial assets measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income
- Financial guarantees and loan commitments
- Contract assets

The credit risk the Covestro Group is exposed to through its trade accounts receivable and contract assets depends largely on the creditworthiness of the customer. In order to manage this risk, the corporate Supply Chain & Logistics function implemented a process in the framework of the Covestro Group's Credit Management that uses internal and external data to assess each customer in terms of its creditworthiness. Quantitative and qualitative data that can be obtained with reasonable effort are evaluated during the assessment process. The assessment reflects financial data, ratings, payment history, and data on the customer's environment. The customer is allocated to one of five risk categories on the basis of the final assessment. The categories range from A to E, with risk category A representing the most creditworthy companies and risk category E the least.

Meaningful data is used to determine an expected loss rate for each risk category. Data such as default probabilities from rating agencies and credit insurance firms, historical impairment losses recognized by the Covestro Group, and the empirical data from Credit Management are used to determine the expected loss rates. In addition, forward-looking information such as the country rating is also used in determining the expected loss rates. The expected and actual losses are compared regularly (backtesting) to validate the method.

A default event has occurred when the Covestro Group comes to the conclusion that the counterparty is highly unlikely to be able to meet its payment obligations in full.

Covestro uses a general, three-stage approach for measuring the risk provision for expected credit losses as follows:

- Stage 1: The risk provision is calculated as the 12-month expected credit loss, whereby the default probability is derived from historical data published by recognized rating agencies. The Covestro Group assumes that investment-grade ratings imply a low level of credit risk.
- Stage 2: The amount of the risk provision is measured as the expected credit loss over the lifetime of the debt instrument if the credit risk has increased significantly since its initial recognition. Changes in credit risk are assessed using the actual payment history and external information. Whenever available, Covestro uses credit default swap prices and other forward-looking information such as ratings outlooks in addition to external ratings. If no specific information relating to the case in question is available, it is assumed that a significant increase in credit risk has occurred when the financial asset is more than 30 days past due.
- Stage 3: Covestro reclassifies a debt instrument to Level 3 if it determines that its creditworthiness is impaired. This is the case, for instance, when a counterparty has obtained insolvency status, when there is sufficient information available to show that the counterparty has applied for insolvency proceedings, or when debt instruments are more than 90 days overdue.

Indicators of possible credit impairment of a financial asset include observable data regarding the following events:

- Significant financial difficulties of the issuer or borrower
- A breach of contract, such as default or delinquency
- Concessions that Covestro makes to the borrower for financial or legal reasons relating to the financial difficulties of the borrower that it would not otherwise make
- Impending bankruptcy or other impending reorganization proceedings on the part of the borrower
- The loss of an active market for this financial asset

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash, checks received, and balances with banks. Cash equivalents are highly liquid short-term financial investments that are subject to an insignificant risk of changes in value, are easily convertible into a known amount of cash, and have a maturity of three months or less from the date of acquisition or investment.

### Cash Flows

The statement of cash flows shows how the Covestro Group's cash and cash equivalents changed in the reporting year.

The effect due to exchange rate movements is recognized in the separate line "Change in cash and cash equivalents due to exchange rate movements."

When determining the cash flows from financing activities, Covestro exercises the option of recognizing dividend payments and profit withdrawals in cash flows from financing activities.

Cash flows from interest and dividends received are presented under cash flows from investing activities in the separate line "Interest and dividends received."

### Provisions for Pensions and Other Post-Employment Benefits

Within the Covestro Group, post-employment benefits are provided under defined contribution and defined benefit plans. In the case of defined contribution plans, the company pays contributions to publicly or privately administered pension plans on a mandatory, contractual, or voluntary basis. Once the contributions have been paid, the company has no further payment obligations. The regular contributions constitute expenses for the year in which they are due. As such, they are included in the functional cost items. All other post-employment benefit systems are defined benefit plans, which may be either unfunded, i.e., financed by provisions, or funded, i.e., financed through pension funds.

Future obligations under defined benefit pension plans are calculated using the actuarial projected unit credit method and are allocated over the employees' entire period of employment. This requires specific assumptions to be made regarding the beneficiary structure and the economic environment. These relate mainly to the discount rate, future salary and pension increases, variations in health care costs, and mortality rates.

The discount rates used are calculated from the yields of high-quality corporate bond portfolios in specific currencies with cash flows approximately equivalent to the expected disbursements from the pension plans. The uniform discount rate derived from this interest rate structure is thus based on the yields, on the closing date, of a portfolio of corporate bonds with at least an AA or AAA rating whose weighted residual maturities approximately correspond to the duration necessary to cover the entire benefit obligation.

The fair value of plan assets is deducted from the present value of the defined benefit obligation for pensions and other post-employment benefits to determine the net defined benefit liability. Plan assets in excess of the benefit obligation are reflected in other receivables, subject to the asset ceiling specified in IAS 19. Comprehensive actuarial valuations for all major plans are performed annually as of December 31.

The balance of all income and expenses relating to defined benefit plans, except the net interest on the net liability, is recognized in the functional cost items. The net interest is reflected in the financial result.

### Other Provisions

As a company with international operations, the Covestro Group is exposed to numerous legal risks for which provisions for litigation must be recognized under certain conditions – especially in the areas of product liability, competition and antitrust law, patent disputes, tax law, environmental law, and compliance issues such as corruption and export control. It is possible that legal judgments, regulatory decisions, or settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect the earnings of the Covestro Group.

The Covestro Group considers whether, and if so, in which amount, provisions for litigation need to be recognized for pending or future legal proceedings on the basis of the information available to its Law, Intellectual Property & Compliance corporate function and in close consultation with legal counsel acting for the Covestro Group. Such provisions cover the estimated unavoidable payments to the plaintiffs, court and procedural costs, attorney costs, and the cost of potential settlements.

It is often impossible to reliably determine the existence of a present obligation or reasonably estimate the probability that a potential outflow of resources will result from pending or future litigation. Due to the special nature of these litigation, provisions are generally not established until initial settlements allow an estimate of potential amounts or judgments have been issued, and not before at least a range of possible legal outcomes of such litigations can be determined. Provisions for legal defense costs are recognized if it is probable that material costs will have to be incurred for external legal counsel to defend the company's legal position and an outflow of resources can generally be expected.

Internal and external legal counsels evaluate the current status of the material legal risks to the Covestro Group at the end of each reporting period. The need to recognized or adjust a provision and the amount of the provision or adjustment are determined on this basis. Adjusting events are reflected up to the date of preparation of the consolidated financial statements.
→ See note 26 "Legal Risks."

Provisions for restructuring are based either on a legal or a constructive external obligation. They only cover expenses that arise directly from restructuring measures, are necessary for restructuring, and are not related to future business operations. Such expenses include severance payments to employees and compensation payments in respect of rented property that can no longer be used. Prior to recognition of this type of provision, the associated assets are tested for impairment. Provisions are recognized when a detailed restructuring plan has been drawn up, resolved by the responsible decision-making level of management, and communicated to the affected employees and/or their representatives.

Personnel-related provisions are mainly those recorded for variable one-time payments, individual performance awards, long-service awards, severance payments in connection with early retirement arrangements, surpluses on long-term accounts, and other personnel costs. Calculation of provisions for short-term variable compensation ("Covestro Profit Sharing Plan," Covestro PSP) is based on the following financial performance indicators: profitable growth measured in terms of earnings before interest, taxes, depreciation, and amortization (EBITDA), liquidity measured in terms of free operating cash flow (FOCF), and profitability measured in terms of return on capital employed (ROCE) above weighted average cost of capital (WACC). This contains a sustainability component (environment).

Personnel-related provisions also include obligations under cash-settled share-based payment transactions ("Prisma"). The compensation of the Board of Management of Covestro AG and of managerial employees includes cash compensation based on the share price that are earned with lock-up periods and are reflected in profit or loss as personnel expenses in line with the consideration paid in the performance period. It is measured on the basis of a mathematical option pricing model at the grant date and at each reporting date. The sustainability component reduction target for annual reductions in greenhouse gas emissions ($CO_2$ equivalents) is determined when calculating long-term variable compensation.

Provisions for environmental protection are recognized if future cash outflows are likely to be necessary to ensure compliance with environmental regulations or to carry out remediation work based on an obligation, such costs can be reliably estimated, and no future benefits are expected from such measures.

Estimating the future costs of environmental protection and remediation involves many uncertainties, particularly with regard to the status of laws, regulations, and the information available about conditions in the various countries and at the individual sites. Significant factors in estimating the costs include previous experiences in similar cases, the conclusions in expert opinions obtained for existing environmental programs, current costs, and new developments affecting these costs. Also taken into consideration are management's interpretation of current environmental laws and regulations, the number and financial position of third parties that may become obligated to participate in any remediation costs on the basis of joint liability, and the remediation methods likely to be deployed. Changes in these assumptions could impact future reported results.

Taking into consideration experience gained to date regarding environmental matters of a similar nature, Covestro's management believes the existing provisions to be adequate based upon currently available information. Given the business environment in which the Covestro Group operates and the inherent difficulties in accurately estimating environmental liabilities, material additional costs beyond the amounts accrued may be incurred under certain circumstances. It may transpire during remediation work that additional expenditures are necessary over an extended period and that these exceed existing provisions and cannot be reasonably estimated.

Provisions for trade-related commitments are disclosed separately within other provisions. Miscellaneous provisions include those for other liabilities, for restoration obligations, for product liability, for warranty, and insurance payments.

If the projected obligation declines as a result of a change in the estimate, the provision is reversed by the corresponding amount and the resulting income generally recognized in the functional cost item(s) in which the original charge was recognized. To reflect uncertainty about the likelihood of the assumed events actually occurring, the impact of a five-percentage-point change in the probability of occurrence is examined for certain provisions in each case.

Claims for reimbursements from third parties are separately recognized in other receivables if their realization is virtually certain.

### Trade Accounts Payable

Trade accounts payable comprise current liabilities arising from the supply of goods and services, i.e., from the receipt of goods or services. These are based on agreements with the supplier, are invoiced and, in total, are part of working capital within Covestro's normal business cycle. At Covestro, these also include payment terms agreed with certain suppliers (supplier finance arrangements). For information on assessing the contract terms and conditions, see note 24.1 "Financial Instruments by Category."

### Pending Transactions

Pending transactions relating to contributions in kind (“executory contracts”), i.e., agreements in relation to which (to a degree) neither the service nor the consideration has been rendered, are not recognized in the statement of financial position on the reporting date if there is no risk of a loss on the reporting date. If there is the risk of a loss, this is generally anticipated in the form of provisions if all the other requirements are met. In contrast, gains anticipated from such agreements on the reporting date may not be recognized in the statement of financial position. Examples of executory procurement contracts include contracts regarding the procurement of energy for the operation of production facilities (“own requirements”), which also includes power purchase agreements.

# 4. Segment and Regional Reporting

The Board of Management of Covestro AG, as the chief operating decision maker of the Covestro Group, allocates resources to the reportable segments and assesses their performance. The reportable segments are identified, and the disclosures selected, in line with the internal financial reporting system (management approach).

The segments pursue the following activities:

### Performance Materials

The Performance Materials segment focuses on developing, producing, and reliably supplying high-performance materials such as polyurethanes and polycarbonates, as well as base chemicals. This includes diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI), long-chain polyols, and polycarbonate resins, among others. These materials are used in sectors such as the furniture and wood processing industry, the construction industry as well as the automotive and transportation industry, for example in roof structures, insulation for buildings and refrigerators, mattresses, and car seats, among other applications.

### Solutions & Specialties

The Solutions & Specialties segment comprises Covestro's solutions and specialties business, in which we combine chemical products with application technology services and customer-specific system solutions. A fast pace of innovation is a key success factor since customer requirements change quickly. Covestro's Solutions & Specialties business comprises a variety of polymer products including polycarbonates, precursors for coatings and adhesives, MDI specialties and polyols, thermoplastic polyurethanes, specialty films, and elastomers. They are used in sectors such as the automotive and transportation industry; the electrical, electronics, and household appliances industry; the construction industry; and the healthcare industry. These materials include composite resins for solar panel frames, precursors for coatings and adhesives, high-quality specialty films; laptop cases, floodlights, and electric vehicle batteries.

Business activities that cannot be allocated to any of the aforementioned segments are reported under "All other segments." The external sales presented there are generated primarily from the sale of energy, site management services, and rentals and leasing.

Costs associated with central corporate functions, higher or lower expenses resulting from the variance between forecast and 100% target achievement as part of long-term variable compensation, the difference between the imputed income tax payments of the reportable operating segments and the actual income taxes paid by the Covestro Group, and intragroup reinsurance can be found in the segment reporting under "Reconciliation."

As a general rule, the segment data is calculated in accordance with the International Financial Reporting Standards (IFRSs) listed in note 3 "Accounting Policies and Valuation Principles" with the following exceptions:

- Intersegment sales are generally based on arm's length transactions between the units that make up Covestro's segments. Market prices and, in exceptional cases, cost of goods sold serve as the settlement basis.
- Property, plant and equipment and intangible assets – except goodwill – including noncurrent assets used jointly by both segments and the associated depreciation, amortization, and impairment losses are allocated according to a principle based on major use. Goodwill is allocated at the level of the business entities or strategic business entities. The strategic business entity level corresponds to the reporting level below the seven business entities, which form the two reportable segments Performance Materials and Solutions & Specialties.
- EBIT and EBITDA are not defined in the IFRSs. EBIT is equal to income after income taxes plus financial result and income taxes. EBITDA is EBIT plus amortization and impairment losses on intangible assets, and depreciation and impairment losses on property, plant and equipment, less impairment loss reversals.
- Free operating cash flow, which is not defined in the IFRSs either, equals cash flows from operating activities less cash outflows for additions to property, plant, equipment and intangible assets. The income taxes paid that make up part of cash flows from operating activities are not directly allocated to any of the company's

units. For purposes of calculating cash flows from operating activities, the income taxes paid by a reportable segment are determined by multiplying the imputed tax rate of 25% by that segment's EBIT.

- Trade working capital comprises inventories, trade accounts receivable, and contract assets, less trade accounts payable, contract liabilities, and refund liabilities.

EBIT, EBITDA, and free operating cash flow per segment include intersegment sales and, in each case, the effects of the aforementioned allocation of property, plant and equipment and intangible assets, including noncurrent assets used jointly by both segments, and the associated depreciation, amortization, impairment losses, and impairment loss reversals.

The following tables show the segment reporting data:

**Key data by segment**

| | | | Other /Reconciliation | | |
|---|---|---|---|---|---|
| | Performance Materials | Solutions & Specialties | All other segments | Reconciliation | Covestro Group |
| | € million | € million | € million | € million | € million |
| **2024** | | | | | |
| Sales (external) | 6,970 | 7,004 | 205 | – | 14,179 |
| Intersegment sales | 2,228 | 27 | – | (2,255) | – |
| Sales (total) | 9,198 | 7,031 | 205 | (2,255) | 14,179 |
| Cost of goods sold | (6,243) | (5,541) | (164) | (54) | (12,002) |
| EBITDA[1] | 569 | 740 | 47 | (285) | 1,071 |
| EBIT[1] | (42) | 374 | 41 | (286) | 87 |
| Free operating cash flow[2] | 78 | 417 | (6) | (400) | 89 |
| Cash outflows for additions to property, plant and equipment and intangible assets | 496 | 254 | 5 | 26 | 781 |
| Depreciation, amortization and impairment losses | (611) | (366) | (6) | (1) | (984) |
| of which impairment losses | (63) | (79) | – | – | (142) |
| **2023** | | | | | |
| Sales (external) | 6,876 | 7,267 | 234 | – | 14,377 |
| Intersegment sales | 2,194 | 27 | – | (2,221) | – |
| Sales (total) | 9,070 | 7,294 | 234 | (2,221) | 14,377 |
| Cost of goods sold | (6,115) | (5,738) | (178) | (40) | (12,071) |
| EBITDA[1] | 576 | 817 | 27 | (340) | 1,080 |
| EBIT[1] | 9 | 497 | 21 | (341) | 186 |
| Free operating cash flow[2] | 162 | 551 | 18 | (499) | 232 |
| Cash outflows for additions to property, plant and equipment and intangible assets | 490 | 270 | 5 | – | 765 |
| Depreciation, amortization and impairment losses | (567) | (320) | (6) | (1) | (894) |
| of which impairment losses | (2) | (43) | – | – | (45) |

[1] EBITDA and EBIT include the effect on earnings of intersegment sales.
[2] The difference between the income tax payments by the reportable operating segments and the income taxes actually paid by the Covestro Group is taken into account under "Reconciliation"" and amounted to €–136 million for fiscal 2024 (previous year: €–256 million).

**Trade working capital by segment**

| | Dec. 31, 2023 | Dec. 31, 2024 |
|---|---|---|
| | € million | € million |
| Performance Materials | 975 | 964 |
| Solutions & Specialties | 1,437 | 1,447 |
| **Total of reportable segments** | **2,412** | **2,411** |
| All other segments | (5) | 7 |
| Reconciliation | (21) | (27) |
| **Trade working capital** | **2,386** | **2,391** |
| of which inventories | 2,459 | 2,851 |
| of which trade accounts receivable | 1,898 | 1,749 |
| of which trade accounts payable | (1,895) | (2,101) |
| of which IFRS 15 items[1] | (76) | (108) |

[1] The item includes contract assets, contract liabilities, and refund liabilities.

## Information by Geographical Area

The following table shows information by geographical area. The EMLA region consists of Europe, the Middle East, Africa and Latin America except Mexico, which together with the United States and Canada forms the NA region. The APAC region includes Asia and the Pacific region.

**Regional reporting[1]**

| | EMLA | NA | APAC | Total |
|---|---|---|---|---|
| | € million | € million | € million | € million |
| **2024** | | | | |
| Sales (external) by market | 5,848 | 3,507 | 4,824 | 14,179 |
| Sales (external) by point of origin | 5,762 | 3,597 | 4,821 | 14,179 |
| **2023** | | | | |
| Sales (external) by market | 5,941 | 3,735 | 4,701 | 14,377 |
| Sales (external) by point of origin | 5,869 | 3,815 | 4,693 | 14,377 |

[1] No further presentation of interregional sales is provided, as these are neither reported separately to, nor do they influence the EBIT and EBITDA reported to the Board of Management of Covestro AG.

External sales by market and noncurrent assets can be broken down by country as follows:

**Sales (external) by market and noncurrent assets by country**

| | Sales (external) by market | Noncurrent assets[1] |
|---|---|---|
| | € million | € million |
| **2024** | | |
| Germany | 1,609 | 2,188 |
| United States | 2,943 | 1,756 |
| China | 3,200 | 1,283 |
| Other | 6,427 | 2,255 |
| **Total** | **14,179** | **7,482** |
| **2023** | | |
| Germany | 1,742 | 2,098 |
| United States | 3,128 | 1,655 |
| China | 3,076 | 1,266 |
| Other | 6,431 | 2,302 |
| **Total** | **14,377** | **7,321** |

[1] Noncurrent assets do not include other financial assets or deferred tax assets.

## Information on Major Customers

In fiscal 2024 and the previous year, no customer accounted for 10% or more of the Covestro Group’s total sales.

## Reconciliation

The following table shows the reconciliation of EBITDA of the segments to income before income taxes of the Group:

**Reconciliation of segments' EBITDA to group income before income taxes**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| EBITDA of reportable segments | 1,393 | 1,309 |
| EBITDA of all other segments | 27 | 47 |
| EBITDA of reconciliation | (340) | (285) |
| **EBITDA** | **1,080** | **1,071** |
| Depreciation, amortization, impairment losses and impairment loss reversals of reportable segments | (887) | (977) |
| Depreciation, amortization, impairment losses and impairment loss reversals of all other segments | (6) | (6) |
| Depreciation, amortization, impairment losses and impairment loss reversals of reconciliation | (1) | (1) |
| **Depreciation, amortization, impairment losses and impairment loss reversals** | **(894)** | **(984)** |
| EBIT of reportable segments | 506 | 332 |
| EBIT of all other segments | 21 | 41 |
| EBIT of reconciliation | (341) | (286) |
| **EBIT** | **186** | **87** |
| Financial result | (113) | (114) |
| **Income before income taxes** | **73** | **(27)** |

The material items under "Reconciliation" are the payments for central corporate functions, intragroup reinsurance, and the higher performance of Covestro shares in the context of long-term variable compensation.

# 5. Changes in the Scope of Consolidation

## 5.1 Scope of Consolidation and Investments

As of December 31, 2024, the scope of consolidation comprised Covestro AG and 55 (previous year: 57) consolidated companies.

The decrease in the number of consolidated companies in fiscal 2024 is due on the one hand to the intragroup merger of Covestro Resins (Germany) GmbH, Meppen (Germany), with Covestro Deutschland AG, Leverkusen (Germany), effective January 1, 2024, and on the other to the liquidation of Covestro Coating Resins China Holding B.V., Zwolle (Netherlands), as of September 23, 2024.

The scope of consolidation included the joint operation LyondellBasell Covestro Manufacturing Maasvlakte V.O.F, Rotterdam (Netherlands), as of December 31, 2024, which is unchanged from the previous year. Pursuant to IFRS 11 (Joint Arrangements), Covestro's shares of this company's assets, liabilities, revenues, and expenses are included in the consolidated financial statements in accordance with Covestro's rights and obligations. The main purpose of LyondellBasell Covestro Manufacturing Maasvlakte V.O.F is the joint production of propylene oxide (PO) for Covestro and its partner LyondellBasell.

Additionally, two (previous year: two) associates are accounted for in the consolidated financial statements using the equity method.

Six (previous year: six) subsidiaries and two (previous year: two) associates that in aggregate are immaterial to the Covestro Group's net assets, financial position, and results of operations are not consolidated or accounted for using the equity method, but recognized at cost. As in the previous year, the immaterial subsidiaries each accounted for no more than 0.1% of Group sales, equity, or total assets of the Group in the 2024 reporting year.

The information on the companies included in the consolidated financial statements and on the Covestro Group's shareholdings pursuant to Section 313 (2) of the German Commercial Code (HGB) and the list of domestic subsidiaries that made use of the exemption provisions pursuant to Section 264 (3) of the German Commercial Code (HGB) in fiscal 2024 are components of the consolidated financial statements submitted for publication to Germany's Federal Gazette (Bundesanzeiger).

The disclosures on shareholdings in accordance with the requirements of Section 313 (2) HGB are shown in the following tables. The interests held in the companies listed did not change significantly compared with the previous year.

**Fully consolidated companies**

| Company name | Place of business | Covestro's interest in % |
|---|---|---|
| EMLA | | |
| Covestro (France) | Fos-sur-Mer (France) | 100 |
| Covestro (Netherlands) B.V. | Geleen (Netherlands) | 100 |
| Covestro (Slovakia) Services s.r.o. | Bratislava (Slovakia) | 100 |
| Covestro Amulix V.o.F. | Zwolle (Netherlands) | 72 |
| Covestro Bio-Based Coatings B.V. | Zwolle (Netherlands) | 100 |
| Covestro Brunsbüttel Energie GmbH | Brunsbüttel (Germany) | 100 |
| Covestro Deutschland AG | Leverkusen (Germany) | 100 |
| Covestro Elastomers | Romans-sur-Isère (France) | 100 |
| Covestro Films GmbH | Walsrode (Germany) | 100 |
| Covestro First Real Estate GmbH | Leverkusen (Germany) | 100 |
| Covestro Indústria e Comércio de Polímeros Ltda. | São Paulo (Brazil) | 100 |
| Covestro International SA | Fribourg (Switzerland) | 100 |
| Covestro Invest GmbH | Leverkusen (Germany) | 100 |
| Covestro Niaga B.V. | Zwolle (Netherlands) | 100 |
| Covestro NV | Antwerp (Belgium) | 100 |
| Covestro Polyurethanes B.V. | Geleen (Netherlands) | 100 |
| Covestro Resins China Holding B.V. | Zwolle (Netherlands) | 100 |
| Covestro S.r.l. | Filago (Italy) | 100 |
| Covestro Second Real Estate GmbH | Leverkusen (Germany) | 100 |
| Covestro UK Limited | Cheadle Hulme (United Kingdom) | 100 |
| Covestro Vermittlung GmbH | Leverkusen (Germany) | 100 |
| Covestro, S.L. | Barcelona (Spain) | 100 |
| MS Global AG in Liquidation | Köniz (Switzerland) | 100 |
| Solar Coating Solutions B.V. | Zwolle (Netherlands) | 100 |
| NA | | |
| Covestro International Re, Inc. | South Burlington, Vermont (United States) | 100 |
| Covestro International Trade Services Corp. | Wilmington, Delaware (United States) | 100 |
| Covestro LLC | Pittsburgh, Pennsylvania (United States) | 100 |
| Covestro PO LLC | Pittsburgh, Pennsylvania (United States) | 100 |
| Covestro, S.A. de C.V. | Mexico City (Mexico) | 100 |
| APAC | | |
| Covestro (Hong Kong) Limited | Hong Kong (Special Administrative Region, China) | 100 |
| Covestro (India) Private Limited | Navi Mumbai (India) | 100 |
| Covestro (Shanghai) Investment Company Limited | Shanghai (China) | 100 |
| Covestro (Taiwan) Ltd. | Taipei City (Taiwan, Greater China) | 97.4 |
| Covestro (Thailand) Co., Ltd. | Bangkok (Thailand) | 100 |
| Covestro (Viet Nam) Company Limited | Ho Chi Minh City (Vietnam) | 100 |
| Covestro Eternal Resins (Far East) Ltd. | Pingtung (Taiwan, Greater China) | 60 |
| Covestro Eternal Resins (Kunshan) Co., Ltd. | Kunshan (China) | 50 |
| Covestro Far East (Hong Kong) Limited | Hong Kong (Special Administrative Region, China) | 100 |
| Covestro Invest (Far East) Company Limited | Hong Kong (Special Administrative Region, China) | 100 |
| Covestro Japan Ltd. | Tokyo (Japan) | 100 |
| Covestro Korea Corporation | Seoul (South Korea) | 100 |
| Covestro Material Science and Technology (Shanghai) Company Limited | Shanghai (China) | 100 |
| Covestro Polymers (China) Company Limited | Shanghai (China) | 100 |
| Covestro Polymers (Qingdao) Company Limited | Qingdao (China) | 100 |
| Covestro Polymers (Shenzhen) Co., Ltd. | Shenzhen (China) | 100 |
| Covestro Polymers (Zhuhai) Company Limited | Zhuhai (China) | 100 |
| Covestro Pty Ltd | Mulgrave (Australia) | 100 |
| Covestro Resins (Foshan) Company Ltd. | Foshan (China) | 100 |
| Covestro Resins (Shanghai) Co., Ltd. | Shanghai (China) | 100 |
| DIC Covestro Polymer Ltd. | Tokyo (Japan) | 80 |
| Guangzhou Covestro Polymers Company Limited | Guangzhou (China) | 100 |

**Fully consolidated companies**

| Company name | Place of business | Covestro's interest in % |
|---|---|---|
| Japan Fine Coatings Co., Ltd. | Ibaraki (Japan) | 100 |
| PT Covestro Polymers Indonesia | Jakarta (Indonesia) | 99.9 |
| Sumika Covestro Urethane Company, Ltd. | Hyogo (Japan) | 60 |

According to IFRS 10 (Consolidated Financial Statements), Covestro's interest in the amount of 50% in Covestro Eternal Resins (Kunshan) Co., Ltd., Kunshan (China), is classified as a fully consolidated company due to the 57% share of voting rights.

In addition, the following joint operation has been included in the consolidated financial statements in line with Covestro's shares of its assets, liabilities, revenues and expenses:

**Joint operation**

| Company name | Place of business | Covestro's interest in % |
|---|---|---|
| LyondellBasell Covestro Manufacturing Maasvlakte V.O.F | Rotterdam (Netherlands) | 50 |

The following associates are accounted for in the consolidated financial statements using the equity method:

**Associates accounted for using the equity method**

| Company name | Place of business | Covestro's interest in % |
|---|---|---|
| Paltough Industries (1998) Ltd. | Kibbutz Ramat Yohanan (Israel) | 25 |
| PO JV, LP | Houston, Texas (United States) | 39.4 |

The following subsidiaries were reflected in the consolidated financial statements at amortized cost due to their immateriality:

**Immaterial subsidiaries**

| Company name | Place of business | Covestro's interest in % |
|---|---|---|
| Asellion (Shanghai) Information Technology Co., Ltd. | Shanghai (China) | 100 |
| Covestro Middle East FZ-LLC | Dubai (United Arab Emirates) | 100 |
| Covestro Polímer Anoním Şírketí | Istanbul (Turkey) | 100 |
| Covestro Polymers (Tianjin) Co., Ltd. | Tianjin (China) | 100 |
| Covestro sp. z o.o. | Warsaw (Poland) | 100 |
| Epurex Films Geschäftsführungs-GmbH | Walsrode (Germany) | 100 |

The following associates were recognized at cost due to their immateriality:

**Immaterial associates**

| Company name | Place of business | Covestro's interest in % |
|---|---|---|
| Pure Salt Baytown, LLC | Baytown, Texas (United States) | 0[1] |
| Technology JV, LP | Houston, Texas (United States) | 33.3 |

[1] In accordance with IAS 28 (Investments in Associates and Joint Ventures), Covestro has significant influence on the basis of specific contractual rights, even though it does not hold the requisite share of the capital.

The following consolidated domestic subsidiaries made use of the exemption provisions pursuant to Section 264 (3) of the German Commercial Code (HGB) in fiscal 2024:

**German exempt subsidiaries**

| Company name | Place of business | Covestro's interest in % |
|---|---|---|
| Covestro Films GmbH | Walsrode (Germany) | 100 |
| Covestro First Real Estate GmbH | Leverkusen (Germany) | 100 |
| Covestro Invest GmbH | Leverkusen (Germany) | 100 |
| Covestro Second Real Estate GmbH | Leverkusen (Germany) | 100 |
| Covestro Vermittlung GmbH | Leverkusen (Germany) | 100 |

## 5.2 Acquisitions and Divestitures

There were no reportable acquisitions and divestitures in the 2024 reporting year.

# Notes to the Income Statement

## 6. Sales

Sales are categorized according to "geographical regions and key countries" and mainly comprise sales from contracts with customers. The table also contains a reconciliation of the breakdown of sales by reportable segment.

### Breakdown of sales

| | Performance Materials | Solutions & Specialties | All other segments | Covestro Group |
|---|---|---|---|---|
| | € million | € million | € million | € million |
| **2024** | | | | |
| EMLA | 3,102 | 2,585 | 161 | 5,848 |
| of which Germany | 730 | 772 | 106 | 1,609 |
| NA | 1,720 | 1,755 | 32 | 3,507 |
| of which United States | 1,469 | 1,443 | 30 | 2,943 |
| APAC | 2,148 | 2,664 | 12 | 4,824 |
| of which China | 1,587 | 1,611 | 2 | 3,200 |
| **Total** | **6,970** | **7,004** | **205** | **14,179** |
| **2023** | | | | |
| EMLA | 3,021 | 2,730 | 190 | 5,941 |
| of which Germany | 780 | 836 | 126 | 1,742 |
| NA | 1,844 | 1,860 | 31 | 3,735 |
| of which United States | 1,582 | 1,517 | 29 | 3,128 |
| APAC | 2,011 | 2,677 | 13 | 4,701 |
| of which China | 1,433 | 1,640 | 3 | 3,076 |
| **Total** | **6,876** | **7,267** | **234** | **14,377** |

The following table presents the opening and closing balances of trade accounts receivable, contract assets, and contract liabilities.

### Contract balances

| | Jan. 1, 2023 | Dec. 31, 2023 | Dec. 31, 2024 |
|---|---|---|---|
| | € million | € million | € million |
| Trade accounts receivable | 2,011 | 1,898 | 1,749 |
| Contract assets | 64 | 65 | 45 |
| Contract liabilities | 56 | 44 | 49 |

Contract assets are recognized in case the right to consideration in exchange for goods or services that have been transferred is conditional. This occurs primarily in the event of goods delivered to external customers' consignment warehouses. Where sales are made through consignment warehouses, customers primarily obtain control over the delivered goods upon delivery to the consignment warehouse. Accordingly, contract assets are generally reclassified to trade accounts receivable when invoiced.

Contract liabilities are recognized for advance payments received from customers prior to transferring goods or services. These contract liabilities are recognized as sales when the goods or services have been transferred.

Sales from performance obligations satisfied (or partially satisfied) in previous periods and recognized in fiscal 2024 amounted to €4 million (previous year: €5 million).

The changes in contract assets and contract liabilities in the reporting period resulted from the following circumstances:

**Reconciliation of contract assets**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Reclassification of contract assets recognized at the beginning of the reporting period to trade accounts receivable | (64) | (65) |
| Additions from goods and services transferred but not yet invoiced in the reporting period | 65 | 45 |
| **Total changes** | **1** | **(20)** |

**Reconciliation of contract liabilities**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Sales included in the balance of contract liabilities at the beginning of the reporting period | (56) | (44) |
| Additions from payments received less amounts recognized as sales in the reporting period | 44 | 49 |
| **Total changes** | **(12)** | **5** |

The following table presents the transaction price allocated to remaining performance obligations as of the reporting date. It is broken down by the reporting periods in which the performance obligations are expected to be met:

**Transaction price allocated to remaining performance obligations**

| | Dec. 31, 2023 | | Dec. 31, 2024 |
|---|---|---|---|
| | € million | | € million |
| 2024 | 726 | 2025 | 407 |
| 2025 | 331 | 2026 | 255 |
| 2026 | 260 | 2027 | 91 |
| 2027 | 74 | 2028 | 65 |
| 2028 | 74 | 2029 | 57 |
| 2029 or later | 161 | 2030 or later | 104 |
| **Total** | **1,626** | **Total** | **979** |

The disclosures on the transaction price allocated to remaining performance obligations are based on long-term supply contracts within the meaning of IFRS 15 (Revenue from Contracts with Customers) which stipulate minimum volumes to be purchased as agreed between both parties.

Performance obligations from contracts with an original expected term of 12 months or less are excluded. Similarly, the disclosure excludes performance obligations satisfied over a certain period of time for which Covestro has the right to consideration in an amount that corresponds directly with the value of the performance completed to date and for which Covestro may recognize sales in the amount to which Covestro has the right to invoice.

The transaction price only includes variable consideration arising from contracts with customers, like sales-based or volume-based rebates or price formulas, for which the prices are derived from external, market-based indices, to the extent that they are not constrained as defined in IFRS 15.

# 7. Other Operating Income

Other operating income was comprised as shown in the following table:

**Other operating income**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Gains on retirements of noncurrent assets | 52 | 67 |
| Reversals of impairment losses on receivables | 3 | 3 |
| Gains from derivatives | 3 | 3 |
| Miscellaneous operating income | 214 | 155 |
| **Total** | **272** | **228** |

Gains from derivatives in fiscal years 2023 and 2024 resulted from changes in the fair values of embedded derivatives.

Gains on retirements of noncurrent assets mainly result from gains of €46 million (previous year: €0 million) on the sale of intangible assets, primarily in the Performance Materials segment.

Miscellaneous operating income in fiscal 2024 primarily included insurance compensation due to production stoppages in the amount of €55 million (previous year: €75 million), primarily in the Performance Materials segment, and insurance premiums received in the amount of €37 million (previous year: €41 million), which are presented in the "Reconciliation" category. They also include business development subsidies of €26 million (previous year: €53 million) received in China, mainly in the Solutions & Specialties segment.

→ See note 4 "Segment and Regional Reporting."

# 8. Other Operating Expenses

Other operating expenses were comprised as shown in the following table:

**Other operating expenses**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Losses on retirements of noncurrent assets | (20) | (2) |
| Impairment losses on receivables | (6) | (10) |
| Losses from derivatives | (2) | (1) |
| Miscellaneous operating expenses | (141) | (57) |
| **Total** | **(169)** | **(70)** |

Losses from derivatives in fiscal years 2023 and 2024 resulted from changes in the fair values of embedded derivatives.

Miscellaneous operating expenses in fiscal 2024 primarily included insurance expenses of €26 million (previous year: €104 million), which are reported in the "Reconciliation" category. In the previous year, insurance expenses had also included the reimbursement of the insurance amount for production stoppages by the intragroup reinsurance company Covestro International Re, Inc., Colchester, Vermont (United States), to the primary insurer, which had amounted to €75 million.

→ See note 4 "Segment and Regional Reporting."

# 9. Personnel Expenses and Employee Numbers

Personnel expenses consisted of the following:

**Personnel expenses**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Salaries | (1,743) | (1,723) |
| Social expenses and expenses for pensions and other benefits | (398) | (408) |
| of which for defined contribution pension plans | (113) | (116) |
| of which for defined benefit and other pension plans | (64) | (74) |
| **Total** | **(2,141)** | **(2,131)** |

Personnel expenses in fiscal 2024 decreased mainly due to lower expenses for short-term variable compensation.

**Average number of employees**

| | 2023 | 2024 |
|---|---|---|
| Production | 11,955 | 12,053 |
| Marketing and distribution | 2,881 | 2,784 |
| Research and development | 1,376 | 1,338 |
| General administration | 1,403 | 1,347 |
| **Total** | **17,615** | **17,522** |
| Employees in vocational training | 517 | 523 |

The average number of permanent or temporary employees is stated in full-time equivalents. Part-time employees are included on a pro-rated basis in line with their contractual working hours. The figures do not include Board of Management members and employees in vocational training.

# 10. Financial Result

## 10.1 Result from Investments in Affiliated Companies

The result from investments in affiliated companies mainly comprises the result of equity-method measurement of the €9 million (previous year: €22 million) loss from the associate PO JV, LP, Houston, Texas (United States), and the €5 million (previous year: €2 million) gain from Paltough Industries (1998) Ltd., Kibbutz Ramat Yohanan (Israel). This figure also included €2 million (previous year: €1 million) in dividend income from other affiliated companies.

→ See note 14 "Investments Accounted for Using the Equity Method."

## 10.2 Net Interest Expense

Net interest expense was comprised as shown in the following table:

**Net interest expense**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| **Expenses** | | |
| Interest and similar expenses | (102) | (103) |
| Interest expenses from forward exchange contracts | (58) | (42) |
| **Income** | | |
| Interest and similar income | 44 | 37 |
| Interest income from forward exchange contracts | 26 | 19 |
| **Total** | **(90)** | **(89)** |

Interest and similar expenses primarily resulted from interest expenses on bonds issued by Covestro AG totaling €44 million (previous year: €46 million), on leases totaling €30 million (previous year: €28 million), and on Schuldschein loans issued by Covestro AG in the amount of €19 million (previous year: €27 million).

Interest and similar income resulted mainly from short-term investments and bank balances.

Interest income and expenses from forward exchange contracts included interest rate-driven changes in the fair value and the forward element.

## 10.3 Other Financial Result

The other financial result was comprised as shown in the following table:

**Other financial result**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Interest portion of interest-bearing provisions | (9) | (14) |
| Exchange gain/(loss) | 7 | (4) |
| Miscellaneous financial expenses | (2) | (5) |
| **Total** | **(4)** | **(23)** |

Expenses from the interest portion of interest-bearing provisions mainly include net interest expense from pension provisions and similar obligations amounting to €14 million (previous year: €16 million).

Other financial expenses (net presentation) primarily included expenses relating to fees in connection with financing arrangements amounting to €3 million (previous year: €3 million).

# 11. Taxes

The breakdown of tax expenses by type is shown in the table below:

**Income taxes**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Current taxes | (299) | (262) |
| tax expense current year | (288) | (264) |
| (tax expense) / tax income previous years | (11) | 2 |
| Deferred taxes | 24 | 17 |
| from temporary differences | 55 | 32 |
| from tax loss carryforwards and tax credits | (31) | (15) |
| **Total** | **(275)** | **(245)** |

The deferred tax assets and liabilities were allocated to the items in the statements of financial position as shown in the table below:

**Deferred tax assets and liabilities**

| | Dec. 31, 2023 | | | Dec. 31, 2024 | | |
|---|---|---|---|---|---|---|
| | Deferred tax assets | Deferred tax liabilities | of which recognized in profit or loss | Deferred tax assets | Deferred tax liabilities | of which recognized in profit or loss |
| | € million | € million | € million | € million | € million | € million |
| Intangible assets | 55 | (57) | (2) | 55 | (64) | (9) |
| Property, plant and equipment | 132 | (269) | (137) | 153 | (219) | (66) |
| of which right-of-use assets from application of IFRS 16 | – | (129) | (129) | – | (128) | (128) |
| Financial assets | – | (57) | (53) | – | (92) | (90) |
| Inventories | 58 | (3) | 55 | 73 | – | 73 |
| Receivables | 2 | (88) | (86) | 1 | (90) | (89) |
| Provisions for pensions and other post-employment benefits | 70 | (15) | (11) | 66 | (24) | (22) |
| Other provisions | 99 | (8) | 91 | 73 | (8) | 65 |
| Liabilities | 163 | (41) | 122 | 184 | (40) | 144 |
| of which lease liabilities from application of IFRS 16 | 121 | – | 121 | 126 | – | 126 |
| Tax loss and interest carryforwards and tax credits | 19 | – | 19 | 4 | – | 4 |
| **Total** | **598** | **(538)** | **(2)** | **609** | **(537)** | **10** |
| of which noncurrent | 533 | (435) | | 514 | (444) | |
| Offsetting | (282) | 282 | | (333) | 333 | |
| **Recognition** | **316** | **(256)** | | **276** | **(204)** | |

No deferred tax assets were recognized for tax deductible temporary differences in the amount of €780 million (previous year: €665 million) as it is unlikely that these can be utilized within a foreseeable period.

Of the total tax loss and interest carryforwards of €4,284 million (previous year: €3,117 million), an amount of €10 million (previous year: €80 million) is expected to be usable within a foreseeable period. The increase in loss carryforwards was due to additional loss carryforwards in the reporting year and tax reassessments for prior years. Deferred tax assets of €2 million (previous year: €17 million) were recognized for the amount of tax loss and interest carryforwards expected to be usable.

The use of €4,274 million (previous year: €3,037 million) of existing tax loss and interest carryforwards was subject to legal or economic restrictions. Of this amount, €1,832 million is attributable to German corporation tax, €1,985 million to German trade tax, and €50 million to interest carryforwards in Germany. A loss carryforward of

€318 million is attributable to Switzerland. The possible takeover by ADNOC could have a negative impact on the amount of tax loss carryforwards.

**Expiration of unusable tax loss and interest carryforwards**

| | Tax loss and interest carryforwards | |
|---|---|---|
| | Dec. 31, 2023 | Dec. 31, 2024 |
| | € million | € million |
| Within one year | – | – |
| Within two years | – | – |
| Within three years | – | – |
| Within four years | – | – |
| Within five years | – | 177 |
| Thereafter | 3,037 | 4,097 |
| **Total** | **3,037** | **4,274** |

In the reporting year, tax credits of €2 million (previous year: €2 million) were recognized.

In fiscal 2024, subsidiaries that reported losses for the reporting year or the previous year recognized net deferred tax assets totaling €22 million (previous year: €6 million) from temporary differences and tax loss carryforwards. Of this amount, €4 million (previous year: €4 million) was attributable to net deferred tax assets from tax loss and interest carryforwards. All deferred tax assets are considered to be unimpaired because the companies concerned are expected to generate taxable income and tax strategies ensure that the deferred tax assets will be utilized.

Deferred tax liabilities of €21 million (previous year: €27 million) were recognized in the reporting year for planned dividend payments by subsidiaries. No deferred tax liabilities were recognized for temporary differences of €133 million (previous year: €22 million) relating to shares in subsidiaries, as the parent company can control the timing of the reversal of the temporary differences, and it is unlikely that these temporary differences will reverse in the foreseeable future.

The reported tax expense of €245 million for fiscal 2024 (previous year: €275 million) was €283 million lower (previous year: €288 million lower) than the expected tax income of €38 million (previous year: €13 million) that would have resulted from applying an expected weighted average tax rate to the pretax income of the Covestro Group. This average tax rate was derived from the nominal tax rates of the individual Group companies. As losses and profits of different Group companies were offset using local tax rates, the average tax rate was different from the nominal tax rates of the companies. This average tax rate was 140.4% in the year 2024 (previous year: -17.0%). The effective tax rate was –907.4% (previous year: 376.7%).

The Covestro Group operates in various countries. As in the previous year, the tax rates ranged from 14.1% to 34.0% due to national regulations.

The reconciliation of expected to actual income tax expense and of the expected to the effective tax rate for the Covestro Group is shown in the following table:

**Reconciliation of expected to actual income tax expense**

| | 2023 | | 2024 | |
|---|---|---|---|---|
| | € million | % | € million | % |
| **Income before income taxes** | **73** | **100.0** | **(27)** | **100.0** |
| **Expected income tax expense / (income) and expected tax rate** | **(13)** | **–17.0** | **(38)** | **140.4** |
| Reduction in taxes due to tax-free income | (14) | –19.1 | (14) | 51.9 |
| Increase in taxes due to non-tax-deductible expenses | 40 | 54.5 | 27 | –99.8 |
| New tax loss carryforwards and temporary differences unlikely to be usable | 197 | 269.5 | 176 | –651.8 |
| Existing tax loss carryforwards and temporary differences on which deferred tax assets were previously recognized but which are unlikely to be usable | 42 | 57.4 | 46 | –170.4 |
| Tax income (–) and expenses (+) relating to other periods | 8 | 10.9 | (3) | 11.1 |
| Tax effects of change in tax rates | (4) | –5.5 | (17) | 63.0 |
| Other tax effects | 19 | 26.0 | 68 | –251.8 |
| **Actual income tax expense and effective tax rate** | **275** | **376.7** | **245** | **–907.4** |

Other tax effects are primarily the result of ineligible foreign withholding taxes, in particular on investment income of subsidiaries totaling €54 million (previous year: €62 million) and of the change in deferred tax liabilities on planned dividend payments by subsidiaries in the amount of –€6 million (previous year: –€47 million).

## Global Minimum Taxation

The Covestro Group falls within the scope of the OECD's Global Anti-Base Erosion (GloBE) Model Rules (Pillar Two). The regulations of the German Minimum Taxation Act came into force on January 1, 2024. Under the legislation, Covestro is required to pay additional tax per country in the amount of the difference between the effective tax rate and a minimum tax rate of 15%. All Group companies (with the exception of Covestro International SA in Switzerland, which is being wound up) are subject to a nominal tax rate of more than 15%. Even if the nominal tax rate is more than 15%, the new legislation could theoretically result in a tax expense due to the minimum taxation. Covestro AG regularly reviews the impact of global minimum taxation legislation in the relevant jurisdictions. As of December 31, 2024, the Covestro Group is subject to an effective tax rate of more than 15% in all jurisdictions in which it operates.

Covestro applies the temporary mandatory exemption relating to the recognition of deferred taxes resulting from the introduction of global minimum taxation and recognizes these taxes as current tax expense/income when they are incurred.

# 12. Earnings per Share

Earnings per share are calculated according to IAS 33 (Earnings per Share) as the relationship of the Group's income after income taxes (net income) for the fiscal year to the weighted average number of outstanding no-par voting shares of Covestro AG. In fiscal 2024, a weighted average number of outstanding no-par voting shares of 188,740,330 was used to calculate earnings per share, while in fiscal 2023, these shares amounted to 189,262,192.

**Earnings per share**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Income after income taxes | (202) | (272) |
| attributable to noncontrolling interest | (4) | (6) |
| attributable to Covestro AG shareholders (net income) | (198) | (266) |
| | Shares | Shares |
| Weighted average number of outstanding no-par voting shares of Covestro AG | 189,262,192 | 188,740,330 |
| | € | € |
| Basic/diluted earnings per share | (1.05) | (1.41) |

# Notes to the Statement of Financial Position

## 13. Noncurrent Assets

### 13.1 Goodwill and Other Intangible Assets

**Changes in intangible assets in fiscal 2024**

| | Acquired goodwill | Patents and technologies | Marketing and distribution rights | Production rights | Software | Other rights | Advance payments and intangible assets under development | Total |
|---|---|---|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million | € million | € million | € million |
| **Cost of acquisition or generation, December 31, 2023** | **744** | **179** | **451** | **20** | **206** | **221** | **42** | **1,863** |
| Capital expenditures | – | 1 | 1 | 3 | 2 | 1 | 39 | 47 |
| Retirements | – | – | (11) | – | (1) | (12) | – | (24) |
| Transfers | – | – | 2 | 1 | 4 | – | (8) | (1) |
| Transfers (IFRS 5) | – | – | – | – | – | – | – | – |
| Exchange differences | 11 | 3 | 8 | 1 | 1 | 3 | (1) | 26 |
| **Cost of acquisition or generation, December 31, 2024** | **755** | **183** | **451** | **25** | **212** | **213** | **72** | **1,911** |
| Accumulated amortization, impairment losses and impairment loss reversals | 36 | 82 | 210 | 18 | 192 | 183 | – | 721 |
| **Carrying amounts, December 31, 2024** | **719** | **101** | **241** | **7** | **20** | **30** | **72** | **1,190** |
| Amortization, impairment losses and impairment loss reversals | – | 35 | 42 | 1 | 18 | 6 | – | 102 |
| Amortization | – | 16 | 36 | 1 | 17 | 5 | – | 75 |
| Impairment losses | – | 19 | 6 | – | 1 | 1 | – | 27 |
| Impairment loss reversals | – | – | – | – | – | – | – | – |

In the reporting year, impairment losses of €27 million were recognized on other intangible assets, in particular patents and technologies. These were primarily due to impairment testing of cash-generating units. As in the previous year, no impairment loss reversals were recognized.

→ See Note 13.3 "Impairment Testing."

**Changes in intangible assets in fiscal 2023**

| | Acquired goodwill | Patents and technologies | Marketing and distribution rights | Production rights | Software | Other rights | Advance payments and intangible assets under development | Total |
|---|---|---|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million | € million | € million | € million |
| **Cost of acquisition or generation, December 31, 2022** | **763** | **212** | **466** | **133** | **181** | **229** | **58** | **2,042** |
| Capital expenditures | – | – | – | 2 | 5 | 1 | 6 | 14 |
| Retirements | (7) | (27) | (6) | (116) | (2) | (4) | (1) | (163) |
| Transfers | – | – | 1 | 1 | 23 | – | (21) | 4 |
| Transfers (IFRS 5) | – | – | – | – | – | – | – | – |
| Exchange differences | (12) | (6) | (10) | – | (1) | (5) | – | (34) |
| **Cost of acquisition or generation, December 31, 2023** | **744** | **179** | **451** | **20** | **206** | **221** | **42** | **1,863** |
| Accumulated amortization, impairment losses and impairment loss reversals | 33 | 46 | 176 | 17 | 174 | 187 | – | 633 |
| **Carrying amounts, December 31, 2023** | **711** | **133** | **275** | **3** | **32** | **34** | **42** | **1,230** |
| Amortization, impairment losses and impairment loss reversals | 7 | 28 | 37 | – | 14 | 6 | 1 | 93 |
| Amortization | – | 17 | 37 | – | 13 | 5 | – | 72 |
| Impairment losses | 7 | 11 | – | – | 1 | 1 | 1 | 21 |
| Impairment loss reversals | – | – | – | – | – | – | – | – |

In the previous year, impairment losses of €21 million were recognized on goodwill and other intangible assets.

## 13.2 Property, Plant and Equipment

**Changes in property, plant and equipment in fiscal 2024**

| | Land, land rights and buildings, including buildings on third-party land | Plant installations and machinery | Furniture, fixtures and other equipment | Construction in progress and advance payments | Total |
|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million |
| **Cost of acquisition or construction, December 31, 2023** | **4,049** | **14,170** | **959** | **1,043** | **20,221** |
| Capital expenditures | 36 | 243 | 48 | 554 | 881 |
| Retirements | (79) | (356) | (33) | (1) | (469) |
| Transfers | 64 | 277 | 13 | (353) | 1 |
| Transfers (IFRS 5) | (12) | – | (1) | – | (13) |
| Exchange differences | 91 | 353 | 29 | 19 | 492 |
| **Cost of acquisition or construction, December 31, 2024** | **4,149** | **14,687** | **1,015** | **1,262** | **21,113** |
| Accumulated depreciation, impairment losses and impairment loss reversals | 2,691 | 11,750 | 761 | 13 | 15,215 |
| **Carrying amounts, December 31, 2024** | **1,458** | **2,937** | **254** | **1,249** | **5,898** |
| Depreciation, impairment losses and impairment loss reversals | 168 | 619 | 84 | 11 | 882 |
| Depreciation | 136 | 547 | 82 | 2 | 767 |
| Impairment losses | 32 | 72 | 2 | 9 | 115 |
| Impairment loss reversals | – | – | – | – | – |

In the reporting year, impairment losses of €115 million were recognized on property, plant and equipment. These were primarily due to impairment testing of cash-generating units. As in the previous year, no impairment losses were reversed in the reporting year.

→ See Note 13.3 "Impairment Testing."

Covestro invests in projects that drive success and progress in achieving a circular economy and climate neutrality. In the reporting year, various investment projects were pursued in the areas of pollution prevention and control, energy efficiency improvements, and recycling management with a particular focus on technical equipment and machinery. Examples include investments in energy efficiency by the implementation of hot phosgene generation in Dormagen (Germany), the upgrade of chlor-alkali production at our Leverkusen (Germany) site, and the reduction in nitrogen oxide emissions from nitric acid production in Baytown (United States) and Caojing (China).

Borrowing costs of €15 million (previous year: €12 million) were capitalized as part of the cost of qualifying assets under property, plant and equipment in the reporting year. The capitalization rate applied amounted to 2.9% on average (previous year: 2.9%).

**Changes in property, plant and equipment in fiscal 2023**

| | Land, land rights and buildings, including buildings on third-party land | Plant installations and machinery | Furniture, fixtures and other equipment | Construction in progress and advance payments | Total |
|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million |
| **Cost of acquisition or construction, December 31, 2022** | **4,052** | **14,106** | **935** | **937** | **20,030** |
| Capital expenditures | 90 | 284 | 63 | 539 | 976 |
| Retirements | (42) | (168) | (28) | (2) | (240) |
| Transfers | 62 | 331 | 18 | (415) | (4) |
| Transfers (IFRS 5) | (10) | – | (1) | (1) | (12) |
| Exchange differences | (103) | (383) | (28) | (15) | (529) |
| **Cost of acquisition or construction, December 31, 2023** | **4,049** | **14,170** | **959** | **1,043** | **20,221** |
| Accumulated depreciation, impairment losses and impairment loss reversals | 2,536 | 11,197 | 689 | 4 | 14,426 |
| **Carrying amounts, December 31, 2023** | **1,513** | **2,973** | **270** | **1,039** | **5,795** |
| Depreciation, impairment losses and impairment loss reversals | 144 | 571 | 83 | 3 | 801 |
| Depreciation | 140 | 553 | 83 | 1 | 777 |
| Impairment losses | 4 | 18 | – | 2 | 24 |
| Impairment loss reversals | – | – | – | – | – |

In the previous year, impairment losses of €24 million were recognized on property, plant and equipment.

### 13.2.1 Leasing

### Covestro as Lessee

The recognized right-of-use assets from leases are reported under property, plant and equipment.

**Changes in right-of-use assets in 2024**

| | Land and buildings | Plant installations and machinery | Furniture, fixtures and other equipment | Total |
|---|---|---|---|---|
| | € million | € million | € million | € million |
| **Carrying amounts, January 1, 2024** | **271** | **324** | **168** | **763** |
| Additions | 28 | 75 | 34 | 137 |
| Retirements | (9) | (1) | (1) | (11) |
| Depreciation, impairment losses and impairment loss reversals | (62) | (68) | (51) | (181) |
| Other changes | 7 | 9 | 7 | 23 |
| **Carrying amounts, December 31, 2024** | **235** | **339** | **157** | **731** |

**Changes in right-of-use assets in 2023**

| | Land and buildings | Plant installations and machinery | Furniture, fixtures and other equipment | Total |
|---|---|---|---|---|
| | € million | € million | € million | € million |
| **Carrying amounts, January 1, 2023** | **288** | **305** | **185** | **778** |
| Additions | 50 | 102 | 45 | 197 |
| Retirements | (6) | (5) | (7) | (18) |
| Depreciation, impairment losses and impairment loss reversals | (46) | (66) | (52) | (164) |
| Other changes | (15) | (12) | (3) | (30) |
| **Carrying amounts, December 31, 2023** | **271** | **324** | **168** | **763** |

Right-of-use assets relate mainly to leases for production and logistics infrastructure and real estate leases. Leases for production and logistics infrastructure are mainly related to the rental of tanks and containers as well as rail tank cars. For tanks and containers, the average lease term is 16 years (previous year: 16 years) and for rail tank cars, 14 years (previous year: 12 years). Leases for renting real estate, particularly buildings, are for an average lease term of 18 years (previous year: 16 years). Some of the underlying leases include variable lease payments as well as options to extend or terminate the lease.

→ See note 3 "Accounting Policies and Valuation Principles."

The following table presents the amounts recognized in the statement of cash flows and the income statement for all leases:

**Cash outflows and expenses from leases**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| **Amounts reported in the statement of cash flows** | | |
| Total cash outflow for leases | 202 | 205 |
| **Amounts reported in the income statement** | | |
| Depreciation, impairment losses and impairment loss reversals | 164 | 181 |
| Interest expense | 28 | 30 |
| Expenses relating to short-term leases | 14 | 15 |
| Expenses relating to leases of low-value assets | 2 | 2 |
| Expenses relating to variable lease payments not included in the lease liability | 2 | 3 |

As of December 31, 2024, the lease commitments for short-term leases not recognized in the statement of financial position amount to €7 million (previous year: €4 million).

Further information on the liabilities arising from leases and details on payments from leases are described in the following notes:

→ See Note 21 "Financing and Financial Debt."

→ See Note 27 "Notes to the Statement of Cash Flows."

### Covestro as Lessor

In the reporting year, leasing income generated from lease contracts under IFRS 16 (Leases) was €7 million (previous year: €9 million). These are mainly related to real estate. In addition, lease payments from rentals of €4 million (previous year: €4 million) are expected to be received in the following year, not including the investment property as outlined below. Lease payments totaling €4 million are expected to be received in the period from 2026–2029, and lease payments totaling €2 million after the year 2029.

At Covestro, risks from renting real estate are usually limited by building insurance policies and by the contractual obligation of the tenant to return the property to its original condition. In addition, contractual agreements provide for price adjustment mechanisms based primarily on the relevant consumer price indices.

### 13.2.2 Investment Property

The total carrying amount of investment property as of December 31, 2024, amounted to €21 million (previous year: €21 million), and its fair value totaled €158 million (previous year: €150 million). Rental income from investment property was €16 million (previous year: €16 million) and the operating expenses directly allocable to this property amounted to €10 million (previous year: €10 million). In the reporting period and in the previous year, no material operating expenses were recognized for investment property not generating any rental income.

Rental income generated from the leasing of properties classified as investment properties stemmed in part from contracts for hereditary building rights and leases granted by the Covestro Group. These contracts with a weighted average remaining term of 34 years relate to space used by companies in the chemical industry and contractual partners of Covestro at production sites in Germany. Based on current rental prices, around €6 million in rental income will be received annually from these long-term contracts in the coming years.

## 13.3 Impairment Testing

If there are indications that an individual asset that does not constitute goodwill may be impaired, the recoverable amount is compared to the carrying amount to determine whether it is higher or lower. If the recoverable amount does not exceed the respective carrying amount, an impairment loss is recognized in profit or loss in the amount of the difference between the carrying amount and the recoverable amount. An impairment loss is reversed in profit or loss if the reasons for impairment no longer apply. Impairment losses and any impairment loss reversals are recognized in the functional cost in the same way as depreciation and amortization, depending on the use of the respective assets.

In addition to impairment testing of individual items of property, plant and equipment and other intangible assets, cash-generating units are globally tested if there is indication of impairment. Goodwill is tested for impairment in the fourth quarter at the level of (groups of) cash-generating units. As a rule, Covestro considers strategic business entities to be cash-generating units. They represent the reporting level below the seven business entities that form the two reportable segments, Performance Materials and Solutions & Specialties. If the annual impairment test of goodwill is performed at the level of groups of cash-generating units or if a business entity comprises only one cash-generating unit, the level tested is the relevant business entity.

If recognizing an impairment loss is required at the level of a CGU or group of CGUs, goodwill is written down first. In cases where the necessary impairment loss exceeds the goodwill written down, the remaining charge is distributed across other noncurrent, nonfinancial assets in proportion to their carrying amount. However, no individual asset is written down below it's recoverable amount. Impairment losses on goodwill are recognized in other operating expenses.

The recoverable amount of a CGU or group of CGUs is equal to the fair value less costs of disposal. This calculation is based on the present value of the future cash flows since no market price can be determined for the individual units. The forecasts of future cash flows for determining the recoverable amount are based on the Covestro Group's current planning, which generally extends over five years. In certain cases, shorter or longer planning horizons are also considered if advisable due to CGU-specific assumptions underlying the planning. Assumptions made for purposes of forecasting cash flows mainly concern future selling prices and sales volumes, costs, market growth rates, economic cycles, and exchange rates. Changes in these assumptions are based on the Group’s own estimates and external sources of information. Where the recoverable amount is the fair value less costs of disposal, this is measured from the viewpoint of an independent market participant. Cash flows beyond the detailed planning period are determined on the basis of the respective individual growth rates derived from market information and the associated long-term business expectations. The measurement of fair value less costs of disposal is based on unobservable inputs (“Level 3” of the fair value hierarchy).

The net cash inflows are discounted at the weighted average cost of capital (WACC), which is calculated as the weighted average cost of equity and cost of debt. To take into account the risk and return profile of the Covestro Group, an after-tax cost of capital is calculated, and a specific capital structure is defined via benchmarking against comparable companies in the same industry sector (“peer group”). The cost of equity corresponds to the return expected by shareholders, while the cost of debt is based on the terms at which the peer group can obtain long-term financing. Both components are derived from capital market information.

The monitoring and management structure for recognized goodwill and the capital cost factors and growth rates used in annual impairment testing are presented in the following table for each CGU or group of CGUs. The growth assumptions reflect, in particular, economic cycles over several years as well as expectations for capacity and the market for each unit to be tested.

**Steering- and monitoring level of goodwill and important valuation parameters for the central impairment test in the 4th quarter**

| Impairment testing level or goodwill carrying unit | Testing level[1] | Segment | Goodwill in million € | | Cost of capital in % | | Terminal value growth rate in % |
|---|---|---|---|---|---|---|---|
| | | | 2023 | 2024 | 2023 | 2024 | 2024 |
| Standard Diphenylmethan-Diisocyanat (SMDI) | Strategic Business Area | Performance Materials | 49 | 52 | 8.2 | 7.5 | 1.5 |
| Standard Polycarbonate (SPCS) | Strategic Business Area | Performance Materials | 43 | 44 | 8.3 | 7.6 | 1.0 |
| Standard Polyether-Polyols (SPET) | Strategic Business Area | Performance Materials | - | - | 8.2 | 7.5 | 1.0 |
| Engineering Plastics (EP) | Strategic Business Area | Solutions & Specialties | 71 | 72 | 8.3 | 7.6 | 1.5 |
| Coatings & Adhesives (CA) | Business Entity | Solutions & Specialties | 529 | 532 | 8.5 | 7.9 | 1.5 |
| Powder Coating Resins (PCR) | Strategic Business Area | Solutions & Specialties | - | - | 8.5 | 7.9 | 2.0 |
| Energy Curable Solutions (ECS) | Strategic Business Area | Solutions & Specialties | - | - | 8.5 | 7.9 | 1.8 |
| Thermoplastic Polyurethanes (TPU) | Strategic Business Area | Solutions & Specialties | 15 | 15 | 8.2 | 7.6 | 1.5 |
| Other | Strategic Business Area | Solutions & Specialties | 4 | 4 | 8.2–8.5 | 7.6 | 0–1.5 |

[1] The business entity level is used for impairment testing of recognized goodwill if this is performed at the level of groups of cash-generating units. At the level of the strategic business area as a cash-generating unit, the central impairment test is performed on property, plant and equipment and other intangible assets, as well as any directly allocated goodwill. If a business entity comprises only a single strategic business area, the level tested is designated as a strategic business area.

Due to the continued difficult economic conditions and a deterioration in the business outlook compared with the previous year in individual sub-areas, ad-hoc impairment tests were carried out at the level of cash-generating units in the fourth quarter. These tests indicated that the recoverable amount of the cash-generating units SPET in the Performance Materials segment and PCR and ECS in the Solutions & Specialties segment was lower than the relevant carrying amounts. In consequence, impairment losses of €106 million were recognized in the fourth quarter of 2024 as a result of the central impairment tests. These expenses were recognized in cost of goods sold (€77 million), selling expenses (€6 million), and research and development expenses (€23 million).

The results of these impairment tests are presented in the following:

**Overview of the results of the central impairment testing activities of 4th quarter 2024**

| Impairment Testing Level | Recoverable Amount | Impairment in million € | Other Intangibles, especially marketing rights and technology | Plant installations and machinery | Land, land rights and buildings | Construction in progress | Others |
|---|---|---|---|---|---|---|---|
| Standard Polyether-Polyole (SPET) | 26 | 59 | - | 35 | 19 | 5 | - |
| Powder Coating Resins (PCR) | 122 | 8 | - | 6 | 1 | 1 | - |
| Energy Curable Solutions (ECS) | 193 | 39 | 25 | 9 | 4 | - | 1 |

The recognized impairment losses are attributable in particular to reduced business expectations in light of the ongoing difficult supply and demand situation in large parts of the chemical industry, which was reflected in the corporate planning underlying the measurement model for forecasting future cash flows. In the case of SPET, low demand combined with increased supply is leading to high price pressure, which is having a lasting impact on achievable operating margins. The key planning assumption is that the current unsustainable price levels will stabilize at a low level starting in the coming fiscal year. In the case of PCR, reduced unit sales expectations, especially in comparison to the previous year, in light of the continued sluggish demand from key customer industries, are leading to reduced business expectations, which are impacting the forecast cash flows. Within the detailed planning period, average annual volume increases in the mid-single-digit percentage range and disproportionate EBITDA growth were factored in. At ECS, by contrast, this is due to increased competitive pressure in the optical fiber coatings business and reduced unit sales expectations due to a persistently low level of infrastructure investments. Average volume increases in the high single-digit percentage range and disproportionate EBITDA growth were factored in.

The carrying amount of the CA business entity includes a considerable proportion of goodwill valued at €532 million. The impairment test was based on a detailed planning period of three years, in which it was assumed that there would be average volume increases in the mid-single-digit percentage range and above-average EBITDA growth. A key planning assumption is that the current difficult economic environment will largely stabilize by the year 2026.

Taking into account the impairment of individual property, plant and equipment and other intangible assets, impairment losses in fiscal 2024 totaled €142 million (previous year: €45 million). Of this amount, €79 million (previous year: €43 million) was attributable to the Solutions & Specialties segment and €63 million (previous year: €2 million) to the Performance Materials segment. In the future, changes in assumptions or circumstances could require adjustments leading to additional impairment losses or, in the case of items other than goodwill, to reversals of impairment losses if developments run counter to expectations. The sensitivity analysis for all tested cash-generating units and the CA business entity assumed a linear 10% reduction in future free operating cash flow, a 10% increase in WACC, or a one percentage point reduction in the long-term growth rate. Except for the cash-generating units that were subject to impairment in previous fiscal years and whose carrying amount was confirmed by testing in fiscal 2024, no carrying amount would exceed the recoverbale amount in these scenarios of the tested unit. These areas do not include any recognized goodwill. However, the gradual normalization of the economic situation assumed for the determination of the recoverable amount of the individual cash-generating units, in particular the imbalance of global supply and demand, and capacity utilization at Covestro's own plants, can materially affect the recoverability of the individual cash-generating units in the next fiscal year and lead to reversals of impairment losses.

# 14. Investments Accounted for Using the Equity Method

The figures in the following two tables are estimated on the basis of the first three quarters for the full 2024 reporting year and show summarized data from the income statement and statement of financial position of the associate PO JV, LP, Houston, Texas (United States), which is accounted for using the equity method, and show the respective amounts recognized in the financial statements of the Covestro Group.

→ See note 5.1 "Scope of Consolidation and Investments" for an overview of the companies accounted for using the equity method.

In 2000, the polyols business and parts of the propylene oxide (PO) production operations of former Lyondell Chemicals Company, Houston, Texas (United States), were acquired with the objective of ensuring access to patented technologies and safeguarding the long-term supply of PO, a precursor for polyurethanes. As part of this strategy, a company was established to jointly produce PO (PO JV, LP, in which Covestro continues to hold a 39.4% interest, as in the prior year). Covestro benefits from fixed long-term supply quotas/volumes of PO produced by this company.

**Income statement data of PO JV, LP, Houston, Texas (United States)**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Sales | 2,029 | 1,969 |
| Net loss after taxes | (56) | (29) |
| Share of net loss after taxes | (22) | (9) |
| **Share of total comprehensive income after taxes** | **(22)** | **(9)** |

**Statement of financial position data of PO JV, LP, Houston, Texas (United States)**

| | Dec. 31, 2023 | Dec. 31, 2024 |
|---|---|---|
| | € million | € million |
| Noncurrent assets | 317 | 473 |
| Equity | 317 | 473 |
| **Share of equity** | **154** | **227** |
| Other | (3) | 6 |
| **Carrying amount** | **151** | **233** |

The following table summarizes the income statement data and the carrying amount of the equity-accounted associate Paltough Industries (1998) Ltd., Kibbutz Ramat Yohanan (Israel) (Covestro's interest remained unchanged from the prior year at 25%) and estimated on the basis of the first three quarters for the full 2024 reporting year:

**Income statement data and carrying amount of Paltough Industries (1998) Ltd., Kibbutz Ramat Yohanan (Israel)**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Income after taxes | 17 | 27 |
| Share of income after taxes | 2 | 5 |
| **Share of total comprehensive income after taxes** | **2** | **5** |
| **Carrying amount** | **31** | **36** |

# 15. Other Financial Assets

Other financial assets consisted of the following items:

**Other financial assets**

| | Dec. 31, 2023 | | Dec. 31, 2024 | |
|---|---|---|---|---|
| | Total | Of which current | Total | Of which current |
| | € million | € million | € million | € million |
| Loans and bank deposits | 352 | 279 | 96 | 27 |
| Other investments | 22 | – | 15 | – |
| Receivables from derivatives | 21 | 19 | 18 | 12 |
| Receivables under lease agreements | 10 | – | 12 | – |
| Miscellaneous financial assets | 15 | 13 | 14 | 9 |
| **Total** | **420** | **311** | **155** | **48** |

Loans and bank deposits as of December 31, 2024 mainly included initial funding loans of €64 million (previous year: €63 million), which are measured at fair value. In addition, the item contained in particular bank deposits of €23 million, which declined by €253 million in the fiscal year under review.

→ See note 25 "Contingent Liabilities and Other Financial Commitments."

→ See note 24.1 "Financial Instruments by Category" for further information regarding loans and bank deposits and other investments.

Receivables from derivatives consisted of the following items:

**Receivables from derivatives**

| | Dec. 31, 2023 | | Dec. 31, 2024 | |
|---|---|---|---|---|
| | Total | Of which current | Total | Of which current |
| | € million | € million | € million | € million |
| Receivables from forward exchange contracts | 19 | 19 | 6 | 6 |
| Receivables from commodity derivatives | – | – | 7 | 6 |
| Receivables from embedded derivatives | 2 | – | 5 | – |
| **Total** | **21** | **19** | **18** | **12** |

→ See note 24.2 "Financial Risk Management and Information on Derivatives."

Receivables under lease agreements relate to finance leases where Covestro is the lessor and the counterparty is the economic owner of the leased assets. Receivables under lease agreements are based on expected future lease payments of €55 million (previous year: €50 million) including an interest component of €43 million (previous year: €40 million). In the reporting year, interest income from finance leases of €2 million (previous year: €1 million) was recognized. Of the expected lease payments, €1 million is due within one year (previous year: €1 million), €6 million is due within the following four years (previous year: €5 million), and €48 million is due in subsequent years (previous year: €44 million).

The impairment losses determined as of the reporting date for financial assets not included in trade accounts receivable were not material.

# 16. Inventories

Inventories were comprised as follows:

**Inventories**

| | Dec. 31, 2023 | Dec. 31, 2024 |
|---|---|---|
| | € million | € million |
| Raw materials and supplies | 790 | 831 |
| Work in process, finished goods and goods purchased for resale[1] | 1,665 | 2,016 |
| Advance payments | 4 | 4 |
| **Total** | **2,459** | **2,851** |

1 In fiscal 2024, work in process comprises approximately 19% of inventories (previous year: approximately 19%).

In fiscal 2024, impairment losses on inventories of €45 million (previous year: €56 million) and reversals of impairment losses of €14 million (previous year: €25 million) were recognized through profit or loss in cost of goods sold.

The cost of goods sold included cost of inventories recognized as an expense of €11,671 million (previous year: €11,776 million).

# 17. Other Receivables

Other receivables consisted of the following:

**Other receivables**

| | Dec. 31, 2023 | | Dec. 31, 2024 | |
|---|---|---|---|---|
| | Total | Of which current | Total | Of which current |
| | € million | € million | € million | € million |
| Other tax receivables | 224 | 222 | 221 | 214 |
| Prepaid expenses | 95 | 92 | 99 | 95 |
| Net defined benefit asset | 66 | – | 72 | – |
| Contract assets | 65 | 64 | 45 | 45 |
| Reimbursement claims | 23 | 23 | 1 | 1 |
| Receivables from employees | 1 | 1 | 1 | 1 |
| Miscellaneous receivables | 136 | 94 | 203 | 161 |
| **Total** | **610** | **496** | **642** | **517** |

→ See note 6 "Sales" for further information on contract assets.

In fiscal 2024, Covestro was entitled to receive government grants of €115 million (previous year: €64 million) on the basis of the guideline entitled "Subsidies for indirect $CO_2$ costs" published by the German Federal Ministry for Economic Affairs and Climate Action on September 1, 2022; these subsidies are subject to specific measures to improve energy efficiency being carried out in accordance with section 4.2.1a of this guideline. These requirements must be met by no later than December 31, 2025, and Covestro expects to be able to meet these requirements, as in the previous years. There were receivables of €115 million at the reporting date (previous year: €57 million) related to these grants, which are reported as miscellaneous receivables.

# 18. Equity

The individual components of equity and changes in equity in fiscal years 2023 and 2024 are presented in the Covestro Group consolidated statement of changes in equity.

## Authorized and Conditional Capital

The Annual General Meeting (AGM) adopted a resolution on April 16, 2021, authorizing the Board of Management, with the approval of the Supervisory Board, to increase the capital stock of the company by up to €57,960,000 in the period through April 15, 2026 by issuing new, no-par value bearer shares against cash contributions and/or contributions in kind (Authorized Capital 2021).

The Authorized Capital 2021 has not been utilized to date.

On July 30, 2020, the AGM authorized the Board of Management to issue bonds with conversion or exchange rights or warrants, or with conversion obligations, or a combination of these instruments on up to 18,300,000 no-par value bearer shares of Covestro AG. Based on this authorization, convertible/warrant bonds can be issued up to a total nominal value of €2.0 billion by the company or a Group company in the period through July 29, 2025. The AGM in the year 2020 also resolved to conditionally increase the capital stock by up to €18.3 million by issuing up to 18,300,000 no-par value bearer shares to grant shares to the holders or creditors of such convertible/warrant bonds (Conditional Capital 2020).

The Conditional Capital 2020 has not been utilized to date.

## Capital Stock

Covestro AG's capital stock as of December 31, 2024, was unchanged at €189 million (previous year: €189 million).

**Change in capital stock**

| | Number of shares | Of which treasury shares | Shares carrying dividend rights | Capital stock |
|---|---|---|---|---|
| | number | number | number | € million |
| **Dec. 31, 2023** | **189,000,000** | **(259,670)** | **188,740,330** | **189** |
| **Dec. 31, 2024** | **189,000,000** | **(259,670)** | **188,740,330** | **189** |

Covestro AG's capital stock as of December 31, 2024, is divided into 189,000,000 (previous year: 189,000,000) no-par value bearer shares and is fully paid up. Each share confers the right to one vote.

As of December 31, 2024, the company held 259,670 treasury shares (previous year: 259,670), corresponding to 0.1% of the capital stock. The number of shares outstanding as of December 31, 2024, was unchanged at 188,740,330 (previous year: 188,740,330). As in the previous year, Covestro AG did not issue any treasury shares to employees as part of the Covestment share-based participation program.

## Capital Reserves

Covestro AG's capital reserves as of December 31, 2024, were unchanged at €3,740 million (previous year: €3,740 million).

The capital reserves include premiums from the issue of shares.

## Retained Earnings and Other Comprehensive Income

Retained earnings totaled €2,171 million (previous year: €2,291 million) as of December 31, 2024.

Retained earnings consist of the net income earned both in the current fiscal year and in the past less the dividends paid. This item also includes all remeasurements of the net defined benefit liability for post-employment benefit plans recognized in other comprehensive income and changes in equity instruments measured at fair value through other comprehensive income. Accumulated other comprehensive income includes foreign currency effects from the translation of the annual financial statements of foreign subsidiaries that are recognized directly in equity as well as the effects of changes in the value of derivatives used in cash flow hedges.

→ See note 24.2 "Financial Risk Management and Information on Derivatives" for further information on derivatives and changes in the cash flow hedge reserve from derivatives.

#### Dividend

The dividend available for distribution is based on the distributable profit reported in the annual financial statements of Covestro AG, which were prepared according to the provisions of the German Commercial Code (HGB). Since the 2020 annual financial statements, Covestro AG's dividend policy has been more closely linked to the Group's overall business situation and specifies that Covestro AG will distribute a portion of the Group's net income to shareholders of Covestro AG.

Since the Group again generated negative net income in fiscal 2024, no dividend will be paid to Covestro AG shareholders for fiscal 2024, as for fiscal 2023, in accordance with the current dividend policy. Due to the negative net income, in the year 2024, no dividend per share carrying dividend rights was paid for fiscal 2023.

### Equity Attributable to Noncontrolling Interests

The noncontrolling interests mainly relate to the equity of Covestro Eternal Resins (Kunshan) Co, Ltd, Kunshan (China), Covestro Eternal Resins (Far East) Ltd, Pingtung (Taiwan, Greater China), DIC Covestro Polymer Ltd, Tokyo (Japan), and Sumika Covestro Urethane Company, Ltd, Hyogo (Japan).

The changes in equity attributable to noncontrolling interests are presented in the following table:

**Changes in equity attributable to noncontrolling interests**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| **January 1** | **36** | **28** |
| Exchange differences on translation of operations outside the eurozone | (3) | – |
| Dividend payments | (1) | (1) |
| **Change in equity recognized in profit or loss** | **(4)** | **(6)** |
| **December 31** | **28** | **21** |

### Takeover Offer by the ADNOC Group

On October 1, 2024, Covestro AG signed an investment agreement with certain companies of the ADNOC Group, including XRG P.J.S.C. (XRG), Abu Dhabi (United Arab Emirates), (formerly: ADNOC International Limited, Abu Dhabi (United Arab Emirates)) and its subsidiary ADNOC International Germany Holding AG ("Bidder"). The investment agreement specifies, among other things, that the Bidder will submit to the shareholders of Covestro AG a public takeover offer for all outstanding shares of Covestro at a price of €62.00 per share. The offer was subject to a minimum acceptance ratio of 50% plus one share and the normal conditions of completion, including antitrust and foreign trade clearance, and clearance under EU law on foreign subsidies. The publication of the takeover offer on October 24, 2024 marked the start of the first offer period, which ended on November 27, 2024 with an acceptance ratio of 60.39%. During the second offer period from December 3, 2024 to December 16, 2024, the acceptance ratio increased to 81.77%. Together with the 9.81% of shares acquired by XRG directly and the shares tendered, this corresponds to a proportion of 91.58% of Covestro's share capital at the end of 2024.

→ See also Capital Market in the "Covestro Shares" and "Significant Events" sections of the Management Report.

# 19. Provisions for Pensions and Other Post-Employment Benefits

Provisions for pensions and other post-employment benefits were recognized for defined benefit obligations.

→ See note 9 "Personnel Expenses and Employee Numbers" for the expenses for defined contribution obligations.

The net defined benefit liability for post-employment benefit plans was accounted for as follows:

**Net defined benefit liability recognized in the statement of financial position**

| | Pensions | | Other post-employment benefits | | Total | |
|---|---|---|---|---|---|---|
| | Dec. 31, 2023 | Dec. 31, 2024 | Dec. 31, 2023 | Dec. 31, 2024 | Dec. 31, 2023 | Dec. 31, 2024 |
| | € million | € million | € million | € million | € million | € million |
| **Provisions for pensions and other post-employment benefits** | **346** | **269** | **118** | **118** | **464** | **387** |
| Germany | 228 | 143 | – | – | 228 | 143 |
| Other countries | 118 | 126 | 118 | 118 | 236 | 244 |
| **Net defined benefit asset** | **66** | **72** | **–** | **–** | **66** | **72** |
| Germany | 66 | 71 | – | – | 66 | 71 |
| Other countries | – | 1 | – | – | – | 1 |
| **Net defined benefit liability** | **280** | **197** | **118** | **118** | **398** | **315** |
| Germany | 162 | 72 | – | – | 162 | 72 |
| Other countries | 118 | 125 | 118 | 118 | 236 | 243 |

Expenses for defined benefit plans and for other post-employment benefits included the following components:

**Expenses for defined benefit plans**

| | Pension plans | | | | | | Other post-employment benefit plans | |
|---|---|---|---|---|---|---|---|---|
| | Germany | | Other countries | | Total | | Other countries | |
| | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 |
| | € million | € million | € million | € million | € million | € million | € million | € million |
| Current service cost | 46 | 50 | 11 | 11 | 57 | 61 | 2 | 2 |
| Past service cost | 6 | 12 | – | – | 6 | 12 | – | – |
| Plan settlements | – | – | (1) | (1) | (1) | (1) | – | – |
| **Service cost** | **52** | **62** | **10** | **10** | **62** | **72** | **2** | **2** |
| Interest expense from defined benefit obligation | 107 | 104 | 21 | 19 | 128 | 123 | 6 | 6 |
| Interest income from plan assets | (102) | (101) | (16) | (14) | (118) | (115) | – | – |
| **Net interest** | **5** | **3** | **5** | **5** | **10** | **8** | **6** | **6** |
| **Total expenses** | **57** | **65** | **15** | **15** | **72** | **80** | **8** | **8** |

In fiscal 2024, gains totaling €157 million (previous year: €9 million) from remeasurements of the net defined benefit liability were also recognized in other comprehensive income. This resulted largely from actuarial gains attributable to the increase in discount rates. Of this amount, €152 million (previous year: €17 million) relates to pension obligations and €5 million (previous year: €–8 million) to other post-employment benefit obligations.

The changes in the net defined benefit liability for post-employment benefit plans were as follows:

**Changes in the present value of the defined benefit obligation**

| | 2023 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Germany | Other countries | Total | Germany | Other countries | Total |
| | € million | € million | € million | € million | € million | € million |
| **January 1** | **2,931** | **614** | **3,545** | **3,194** | **596** | **3,790** |
| Current service cost | 46 | 13 | 59 | 50 | 13 | 63 |
| Past service cost | 6 | – | 6 | 12 | – | 12 |
| (Gains) / losses from plan settlements | – | (1) | (1) | – | (1) | (1) |
| Interest expense from defined benefit obligation | 107 | 27 | 134 | 104 | 25 | 129 |
| Net actuarial (gain) / loss | 166 | 19 | 185 | (107) | (14) | (121) |
| Due to change in financial assumptions | 137 | 18 | 155 | (97) | (27) | (124) |
| Due to change in demographic assumptions | – | 8 | 8 | – | 4 | 4 |
| Due to experience adjustments | 29 | (7) | 22 | (10) | 9 | (1) |
| Employee contributions | 16 | 1 | 17 | 18 | 1 | 19 |
| Payments due to plan settlements | – | (7) | (7) | – | (22) | (22) |
| Benefits paid out of plan assets | (36) | (42) | (78) | (84) | (36) | (120) |
| Benefits paid by the company | (42) | (15) | (57) | (5) | (18) | (23) |
| Exchange differences | – | (13) | (13) | – | 22 | 22 |
| **December 31** | **3,194** | **596** | **3,790** | **3,182** | **566** | **3,748** |
| of which other post-employment benefits | – | 121 | 121 | – | 122 | 122 |

**Changes in plan assets measured at fair value**

| | 2023 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Germany | Other countries | Total | Germany | Other countries | Total |
| | € million | € million | € million | € million | € million | € million |
| **January 1** | **2,751** | **379** | **3,130** | **3,047** | **362** | **3,409** |
| Interest income from plan assets | 102 | 16 | 118 | 101 | 14 | 115 |
| Return or (loss) on plan assets excluding amounts recognized as interest result | 182 | 14 | 196 | 55 | (13) | 42 |
| Employer contributions[1] | 33 | 8 | 41 | (5) | 9 | 4 |
| Employee contributions | 16 | 1 | 17 | 18 | 1 | 19 |
| Payments due to plan settlements | – | (7) | (7) | – | (22) | (22) |
| Benefits paid out of plan assets | (36) | (42) | (78) | (84) | (36) | (120) |
| Plan administration cost paid out of plan assets | (1) | – | (1) | (1) | – | (1) |
| Exchange differences | – | (7) | (7) | – | 10 | 10 |
| **December 31** | **3,047** | **362** | **3,409** | **3,131** | **325** | **3,456** |
| of which other post-employment benefits | – | 3 | 3 | – | 4 | 4 |

[1] Employer contributions may contain refunds of pension benefits paid for previous fiscal years.

### Effects of the asset ceiling

| | 2023 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Germany | Other countries | Total | Germany | Other countries | Total |
| | € million | € million | € million | € million | € million | € million |
| **January 1** | **14** | **1** | **15** | **15** | **2** | **17** |
| Net interest | – | – | – | – | – | – |
| Remeasurement of asset ceiling | 1 | 1 | 2 | 6 | – | 6 |
| Exchange differences | – | – | – | – | – | – |
| **December 31** | **15** | **2** | **17** | **21** | **2** | **23** |
| of which other post-employment benefits | – | – | – | – | – | – |

### Changes to the net defined benefit liability

| | 2023 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Germany | Other countries | Total | Germany | Other countries | Total |
| | € million | € million | € million | € million | € million | € million |
| **January 1** | **194** | **236** | **430** | **162** | **236** | **398** |
| Current service cost | 46 | 13 | 59 | 50 | 13 | 63 |
| Past service cost | 6 | – | 6 | 12 | – | 12 |
| (Gains) / losses from plan settlements | – | (1) | (1) | – | (1) | (1) |
| Net interest | 5 | 11 | 16 | 3 | 11 | 14 |
| Net actuarial (gain) / loss | 166 | 19 | 185 | (107) | (14) | (121) |
| (Return) or loss on plan assets excluding amounts recognized as interest result | (182) | (14) | (196) | (55) | 13 | (42) |
| Remeasurement of asset ceiling | 1 | 1 | 2 | 6 | – | 6 |
| Employer contributions[1] | (33) | (8) | (41) | 5 | (9) | (4) |
| Employee contributions | – | – | – | – | – | – |
| Payments due to plan settlements | – | – | – | – | – | – |
| Benefits paid out of plan assets | – | – | – | – | – | – |
| Benefits paid by the company | (42) | (15) | (57) | (5) | (18) | (23) |
| Plan administration cost paid out of plan assets | 1 | – | 1 | 1 | – | 1 |
| Exchange differences | – | (6) | (6) | – | 12 | 12 |
| **December 31** | **162** | **236** | **398** | **72** | **243** | **315** |
| of which other post-employment benefits | – | 118 | 118 | – | 118 | 118 |

[1] Employer contributions may contain refunds of pension benefits paid for previous fiscal years.

The pension obligations pertained mainly to Germany (85%; previous year: 84%) and the United States (11%; previous year: 11%). In Germany, current employees accounted for approximately 46% (previous year: approximately 48%) of entitlements under defined benefit plans, retirees or their surviving dependents for approximately 48% (previous year: approximately 46%), and former employees with vested pension rights for approximately 6% (previous year: approximately 6%). In the United States, current employees accounted for approximately 31% (previous year: approximately 32%) of entitlements under defined benefit plans, retirees or their surviving dependents for approximately 64% (previous year: approximately 63%), and former employees with vested pension rights for approximately 5% (previous year: approximately 5%).

Actual gains on plan assets relating to pension obligations amounted to €157 million (previous year: losses of €314 million). No income was accrued from plan assets for other post-employment benefits either in the reporting period or the prior year.

The present value of the defined benefit obligation for pensions and other post-employment benefits and the funded status of the funded obligations are presented in the following table:

**Defined benefit obligation and funded status**

| | Pension obligations | | Other post-employment benefit obligations | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 |
| | € million | € million | € million | € million | € million | € million |
| **Defined benefit obligation** | **3,669** | **3,626** | **121** | **122** | **3,790** | **3,748** |
| Unfunded | 94 | 96 | 116 | 116 | 210 | 212 |
| Funded | 3,575 | 3,530 | 5 | 6 | 3,580 | 3,536 |
| **Funded status of funded obligations** | | | | | | |
| Overfunding | 83 | 95 | – | – | 83 | 95 |
| Underfunding | 252 | 173 | 2 | 2 | 254 | 175 |

## Pension Entitlements and Other Post-Employment Benefit Obligations

The Covestro Group provides retirement benefits for most of its employees, either directly or by contributing to privately or publicly administered funds. Benefits vary according to the legal, tax, and economic conditions of each country and are generally based on employee compensation and years of service. The obligations relate both to existing retirees' pensions and to pension entitlements of future retirees.

Funded pension plans exist for employees in various countries. As a general rule, an individual investment strategy is determined for each of the Covestro Group's defined benefit pension plans taking into account the risk structure of the obligations (especially demographics, the current funded status, the structure of the expected future cash flows, interest sensitivity, biometric risks, etc.), the regulatory environment, and the existing level of risk tolerance or risk capacity. A strategic target investment portfolio is then developed in line with the plan's risk structure, taking capital market factors into consideration. Further determinants include risk diversification, portfolio efficiency, and the need for both a country-specific and a global risk/return profile centered on ensuring the payment of all future benefits. Since the capital investment strategy for each pension plan is always developed individually in light of the plan-specific conditions listed above, the investment strategies for different pension plans may vary considerably. The investment strategies are generally geared less toward maximizing absolute returns and more toward ensuring that the pension commitments can be financed with a sufficient degree of probability. For plan assets, stress scenarios are simulated and other risk analyses (such as value at risk) are undertaken with the aid of risk management systems.

In addition to investment strategies tailored to the obligations, funding in the form of regular or unscheduled contributions is also an effective instrument for reducing risk. Potential funding measures for pension obligations are therefore selected taking specific national regulatory requirements and liquidity into account. If an unscheduled contribution is made, the funded status may increase significantly under certain circumstances and thereby reduce the volatility of the net defined benefit liability recognized. As a consequence the level of liability-driven investments in plan assets can be further increased. In addition, the expected future liability on operating cash flows is reduced due to the increase in plan assets that are available to settle pension payments.

Bayer-Pensionskasse VVaG, Leverkusen (Germany), (Bayer-Pensionskasse) constitutes a major pension plan for Covestro. It has been closed to new members since January 1, 2005. This legally independent fund operates as a life insurance company and is therefore subject to the German Insurance Supervision Act (VAG). The benefit obligations covered by Bayer-Pensionskasse comprise retirement, surviving dependents', and disability pensions. It is financed with contributions from active members and their employers. The company contribution is a certain percentage of the employee contribution. This percentage is the same for all participating employers and is set by agreement between the plan's executive committee and supervisory board, acting on a proposal from the responsible actuary. It takes into account the differences between the actuarial estimates and the actual values for the factors used to determine liabilities and contributions. Bayer AG, Leverkusen (Germany), may adjust the company contribution in agreement with the plan's executive committee and supervisory board, acting on a proposal from the responsible actuary. The plan's liability is governed by Section 1, Paragraph 1, Sentence 3 of Germany's Occupational Pensions Act (BetrAVG). This means that if the pension plan exercises its right under the articles of association to reduce benefits, each participating employer has to make up the resulting difference. Covestro is not liable for the obligations of other participating employers, even if they cease to participate in the plan.

Pension entitlements were granted via Rheinische Pensionskasse VVaG, Leverkusen (Germany), (Rheinische Pensionskasse) between January 1, 2005, and December 31, 2020. It has been closed to new members since January 1, 2021. Future pension payments from this plan are based among other aspects on contributions and the return on plan assets; a guaranteed interest rate applies.

The Bayer-Pensionskasse and the Rheinische Pensionskasse pension obligations are classified as multi-employer plans as defined by IAS 19 (Employee Benefits). A defining characteristic of multi-employer plans is that assets from various employers not under common control are pooled at plan level and used to collectively grant pension benefits to employees. Allocation mechanisms that would permit an exact distribution of the plan assets managed by the pension plan to individual employers often do not exist, as in the case of Bayer-Pensionskasse and Rheinische Pensionskasse. Covestro therefore applies an estimation method that is adequately suited to this purpose to calculate its proportional share of the assets of these pension plans.

Pension entitlements for newly hired employees have been granted in accordance with Pensionplan2021 since January 1, 2021. This is a funded company pension plan. Contributions are invested in an age-based investment model at the individual employee level. Future pension payments are determined based on the contributions paid in and the return achieved. The pension entitlements are managed by Metzler Trust e.V., Frankfurt am Main (Germany) (Metzler Trust). Individuals employed at Covestro prior to January 1, 2021, who acquired pension entitlements via Rheinische Pensionskasse were entitled to switch to Pensionsplan2021 until the beginning of 2024.

Metzler Trust is also used as a pension vehicle for further obligations than Pensionplan2021. It covers further retirement provision arrangements for German employees of the Covestro Group, such as the conversion of salary entitlements into pension entitlements, pension obligations, and components of other direct commitments. Metzler Trust covers the majority of the funded pension commitments in Germany. In this context, approximately 40% (previous year: approximately 28%) of the investment total is subject to ESG (environmental, social, and governance) criteria.

The defined benefit pension plans in the United States have been frozen for some years, and no significant new entitlements can be earned under these plans. The assets of all the U.S. pension plans are held by a master trust for reasons of efficiency. The applicable regulatory framework is based on the Employee Retirement Income Security Act (ERISA). Covestro continues to bear the actuarial risks such as investment risk, interest rate risk, and longevity risk.

The other post-employment benefit obligations outside Germany are mainly related to retirees' health care benefit payments in the United States.

The fair value of the plan assets to fund pensions and other post-employment benefit obligations was as follows:

**Fair Value of Plan Assets as of December 31**

| | Germany | | Other countries | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 |
| | € million | € million | € million | € million | € million | € million |
| **Plan assets based on quoted prices in active markets** | | | | | | |
| Real estate and special real estate funds | – | – | 6 | – | 6 | – |
| Equities and equity funds | 229 | 191 | 39 | 29 | 268 | 220 |
| Callable debt instruments | – | – | 8 | – | 8 | – |
| Noncallable debt instruments | 1,072 | 1,061 | 36 | 29 | 1,108 | 1,090 |
| Bond funds | 323 | 336 | 159 | 147 | 482 | 483 |
| Cash and cash equivalents | 230 | 275 | 7 | 12 | 237 | 287 |
| Other | – | – | 1 | – | 1 | – |
| | **1,854** | **1,863** | **256** | **217** | **2,110** | **2,080** |
| **Plan assets for which quoted prices in active markets are not available** | | | | | | |
| Real estate and special real estate funds | 300 | 314 | – | – | 300 | 314 |
| Equities and equity funds | 127 | 156 | – | – | 127 | 156 |
| Callable debt instruments | 300 | 343 | – | – | 300 | 343 |
| Noncallable debt instruments | 261 | 268 | – | – | 261 | 268 |
| Derivatives | 27 | 23 | – | – | 27 | 23 |
| Other | 178 | 164 | 106 | 108 | 284 | 272 |
| | **1,193** | **1,268** | **106** | **108** | **1,299** | **1,376** |
| **Total plan assets** | **3,047** | **3,131** | **362** | **325** | **3,409** | **3,456** |
| of which other post-employment benefits | – | – | 3 | 4 | 3 | 4 |

No properties leased by Group companies were included in the fair value of the domestic plan assets. Likewise, there were no Covestro shares or bonds held through funds. Other plan assets comprise mortgage loans granted, other receivables, and qualified insurance policies.

## Risks

The risks from defined benefit plans arise partly from the defined benefit obligations and partly from the investment in plan assets. The risks lie in the possibility that higher direct pension payments will have to be made to the beneficiaries and/or that additional contributions will have to be made to plan assets in order to meet current and future pension obligations.

→ For further information, please refer to "Financial Opportunities and Risks" in the Combined Management Report.

### Demographic/Biometric Risks

Since a large proportion of the defined benefit obligations consists of lifelong pensions or surviving dependents' pensions, longer claim periods or earlier claims may result in higher benefit obligations, higher benefit expenses and/or higher pension payments than previously anticipated.

### Investment Risks

If the actual return on plan assets were below the return anticipated on the basis of the discount rate, the net defined benefit liability would increase, assuming there were no changes in other parameters. This could happen as a result of a drop in share prices, increases in market rates of interest, default of individual debtors, or the purchase of low-risk but low-interest bonds.

### Interest Rate Risks

Declining capital market interest rates, especially for high-quality corporate bonds, would increase the defined benefit obligation. This effect would be at least proportionately offset by the ensuing increase in the market values of the debt instruments held in plan assets.

### Measurement Parameters and their Sensitivities

The bond portfolio consists exclusively of high-quality corporate bonds with a rating of at least AA or AAA. The portfolio does not include any government-guaranteed or secured bonds. The following weighted parameters were used to measure the pension obligations as of December 31 and the expense for pensions and other post-employment benefits in the respective reporting year.

**Parameters for benefit obligations**

| | Germany | | Other countries | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 |
| | % | % | % | % | % | % |
| **Pension obligations** | | | | | | |
| Discount rate | 3.30 | 3.50 | 4.45 | 4.85 | 3.45 | 3.65 |
| Projected future salary increases | 3.00 | 3.00 | 3.65 | 3.60 | 3.10 | 3.05 |
| Projected future benefit increases | 2.00 | 2.00 | 3.15 | 3.15 | 2.15 | 2.15 |
| **Other post-employment benefit obligations** | | | | | | |
| Discount rate | – | – | 4.90 | 5.55 | 4.90 | 5.55 |

In Germany, the Heubeck 2018 G mortality tables were used, and in the United States the MP-2021 Mortality Tables. The parameters for measuring the benefit expense are the same as those used to measure the benefit obligations in the most recent annual financial statements.

The parameter sensitivities were computed by expert actuaries based on a detailed evaluation similar to that performed to determine the net defined benefit liability. Altering individual parameters by 0.5 percentage points (mortality by 10% per beneficiary) while leaving the other parameters unchanged would have impacted pension and other post-employment benefit obligations as of the end of fiscal 2024 as follows:

**Sensitivity analysis of benefit obligations**

| | Germany | | Other countries | | Total | |
|---|---|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| | € million | € million | € million | € million | € million | € million |
| **Pension obligations** | | | | | | |
| 0.5 percentage points change in discount rate | (227) | 256 | (17) | 18 | (244) | 274 |
| 0.5 percentage points change in projected future salary increases | 11 | (10) | 2 | (2) | 13 | (12) |
| 0.5 percentage points change in projected future benefit increases | 153 | (139) | – | – | 153 | (139) |
| 10% change in mortality | (78) | 87 | (7) | 8 | (85) | 95 |
| **Other post-employment benefit obligations** | | | | | | |
| 0.5 percentage points change in discount rate | – | – | (5) | 6 | (5) | 6 |
| 10% change in mortality | – | – | (2) | 3 | (2) | 3 |

**Sensitivity analysis of benefit obligations (previous year)**

| | Germany | | Other countries | | Total | |
|---|---|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| | € million | € million | € million | € million | € million | € million |
| **Pension obligations** | | | | | | |
| 0.5 percentage points change in discount rate | (240) | 271 | (18) | 20 | (258) | 291 |
| 0.5 percentage points change in projected future salary increases | 12 | (12) | 2 | (2) | 14 | (14) |
| 0.5 percentage points change in projected future benefit increases | 159 | (145) | 1 | – | 160 | (145) |
| 10% change in mortality | (80) | 89 | (8) | 8 | (88) | 97 |
| **Other post-employment benefit obligations** | | | | | | |
| 0.5 percentage points change in discount rate | – | – | (6) | 6 | (6) | 6 |
| 10% change in mortality | – | – | (2) | 3 | (2) | 3 |

Due to their nature as pension benefits, the obligations of Covestro LLC, Pittsburgh, Pennsylvania (United States), in particular, for employees' post-employment health care costs are also recognized under obligations similar to pensions. The valuation of health care costs was based on the assumption that they will increase at a rate of 7% (previous year: 7%), which should gradually decline to 5% (previous year: 5%) by 2034. The following table shows the impact of a one-percentage-point change in the assumed health care cost increase rates:

**Sensitivity analysis of health care cost increases**

| | 2023 | | 2024 | |
|---|---|---|---|---|
| | Increase of one percentage point | Decrease of one percentage point | Increase of one percentage point | Decrease of one percentage point |
| | € million | € million | € million | € million |
| Impact on other post-employment benefit obligations | 7 | (6) | 6 | (6) |

### Employer Contributions Made or Expected

The following payments or transfers correspond to the employer contributions made or expected to be made to funded benefit plans:

**Employer contributions made or expected**

| | Germany | | | | Other countries | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024 expected | 2024 | 2025 expected | 2023 | 2024 expected | 2024 | 2025 expected |
| | € million | € million | € million | € million | € million | € million | € million | € million |
| Pension obligations | 33 | 35 | (5) | 37 | 7 | 6 | 8 | 8 |
| Other post-employment benefit obligations | – | – | – | – | 1 | – | 1 | – |
| **Total** | **33** | **35** | **(5)** | **37** | **8** | **6** | **9** | **8** |

Employer contributions paid in fiscal 2024 contain refunds of pension benefits paid for previous fiscal years.

Pensions and other post-employment benefits payable in the future from funded and unfunded plans are estimated as follows:

**Future benefit payments**

| | Payments from plan assets | | | | Payments by the company | | | |
|---|---|---|---|---|---|---|---|---|
| | Pensions | | Other post-employment benefits | | Pensions | | Other post-employment benefits | |
| | Germany | Other countries | Other countries | Total | Germany | Other countries | Other countries | Total |
| | € million | € million | € million | € million | € million | € million | € million | € million |
| 2025 | 48 | 39 | – | 87 | 59 | 8 | 9 | 76 |
| 2026 | 51 | 32 | 1 | 84 | 59 | 7 | 9 | 75 |
| 2027 | 55 | 38 | – | 93 | 62 | 7 | 9 | 78 |
| 2028 | 58 | 39 | 1 | 98 | 65 | 7 | 9 | 81 |
| 2029 | 62 | 37 | – | 99 | 68 | 7 | 9 | 84 |
| 2030–2034 | 357 | 152 | 3 | 512 | 383 | 35 | 47 | 465 |

The weighted average term of the pension obligations is 16.1 years (previous year: 16.8 years) in Germany and 8.6 years (previous year: 8.4 years) in other countries. The weighted average term of the obligations for other post-employment benefits in other countries is 9.5 years (previous year: 9.6 years).

# 20. Other Provisions

**Changes in other provisions**

| | Taxes | Environ-mental protection | Restruc-turing | Trade-related commit-ments | Litigations | Personnel commit-ments | Miscella-neous | Total |
|---|---|---|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million | € million | € million | € million |
| **December 31, 2023** | **1** | **52** | **4** | **27** | **2** | **369** | **93** | **548** |
| Additions | 3 | 2 | 20 | 33 | 4 | 313 | 86 | 461 |
| Utilization | (4) | (1) | (14) | (32) | (2) | (280) | (39) | (372) |
| Reversal | – | (1) | (4) | (6) | – | (22) | (18) | (51) |
| Interest cost | – | – | – | – | – | 3 | 1 | 4 |
| Exchange differences | 1 | 2 | 1 | – | 1 | 7 | (1) | 11 |
| **December 31, 2024** | **1** | **54** | **7** | **22** | **5** | **390** | **122** | **601** |
| of which noncurrent | – | 50 | 3 | – | – | 152 | 48 | 253 |

## Taxes

Provisions for taxes comprised provisions for other types of non-income taxes amounting to €1 million (previous year: €1 million).

## Environmental Protection

Provisions for environmental protection mainly relate to the rehabilitation of contaminated land and recultivation of landfills as well as water protection measures at sites in the United States and Spain.

## Restructuring

As of December 31, 2024, provisions for restructuring included €6 million (previous year: €4 million) for severance payments.

## Personnel

Personnel-related provisions are mainly those recorded for short-term and long-term variable compensation and other personnel-related provisions.

### Long-term Incentive Programs

The Covestro Group’s long-term incentive programs entail commitments offered collectively to different groups of employees. As a general rule, all obligations from long-term compensation programs are covered by provisions. As of the reporting date, their amount corresponds to the fair value of the entitlement earned of the respective commitments to the employee groups. All resulting valuation adjustments are recognized in profit or loss.

The Board of Management, senior executives, and other managerial employees at Covestro are entitled to participate in the Prisma long-term, share-based compensation program. A percentage of the employee’s annual base salary – based on his/her position – is defined as a target for variable payments (Prisma target opportunity). The payout is calculated by multiplying the Prisma target opportunity by the total shareholder return (total of Covestro’s closing stock price* and all of the dividends distributed in the relevant performance period divided by the opening stock price) and the performance of Covestro’s stock relative to the STOXX Europe 600 Chemicals index**. In 2021, Prisma was expanded to include a sustainability component that encompasses Covestro’s target for reducing annual greenhouse gas emissions [$CO_2$ equivalents] at the Scope 1 emissions level. For the tranche beginning in fiscal 2023, Scope 2 emissions were added to the sustainability component. Starting in fiscal 2024, Prisma was extended by a further two metrics from the ESG “Social” aspect, the participation factor, and the RIR factor.

→ See Compensation Report, section “Long-Term Variable Compensation” for more information on the LTI sustainability component

* Calculated as the average value of the last 30 exchange trading days in the relevant performance period .
** STOXX Europe 600 Chemicals: Sector index by index issuer STOXX; the STOXX Europe 600 comprises 600 European companies.

The payout is capped at 200% of the Prisma target opportunity. The target achievement for the 2020–2023 tranche amounted to 119.9% and was distributed in the amount of €29 million, mainly in January 2024.

The net expense for all long-term incentive programs amounted to €68 million (previous year: €57 million).

The fair value of the Prisma share-based incentive program recognized in the provision amounted to €129 million as of December 31, 2024 (previous year: €87 million). As of December 31, 2024, Covestro's stock price and the STOXX Europe 600 Chemical Index were fixed for measuring the Prisma provision. The fair value was calculated on the basis of a Covestro share price of €62 and a STOXX Europe 600 Chemical level of 1,209.19 points.

### Miscellaneous

The rise in miscellaneous provisions relates primarily to provisions for restoration obligations.

# 21. Financing and Financial Debt

The €5.0 billion Debt Issuance Program launched in the first quarter of 2016 is a key form of external financing. Of the euro bonds issued in March 2016, the final tranche outstanding with a volume of €500 million was repaid as scheduled in fiscal 2024. The fixed-rate euro bonds issued in 2020 with a total volume of €1.0 billion will mature in February 2026 (a coupon of 0.875% and a volume of €500 million) and in June 2030 (a coupon of 1.375% and a volume of €500 million).

In addition, Covestro published a Green Financing Framework in May 2022, on the basis of which the first green euro bond was issued in November 2022 with a fixed coupon of 4.75% and a volume of €500 million, maturing in November 2028. All the proceeds from the bond issue were used to finance sustainable projects.

As of December 31, 2024, the Group had total credit facilities of €2,700 million (previous year: €2,700 million) at its disposal. Of this amount, €2.5 billion is attributable to the five-year syndicated revolving credit facility arranged in March 2020. This credit facility's term has been extended until March 2027 due to the exercising of two options to extend the term by one year in each case. A feature of the credit line is its link to an ESG (environment, social, and governance) rating: The better (worse) the externally calculated ESG score is, the lower (higher) the interest component of the credit facility.

All existing credit lines of €2,700 million remained unused as of the reporting date (previous year: €2,700 million unused).

Covestro issued Schuldschein loans in the equivalent amount of approximately €650 million in October 2022. The proceeds from the issue were used for general corporate financing and to replace short-term with long-term liquidity. The Schuldschein loans are likewise linked to an ESG rating. As of the reporting date December 31, 2024, obligations from Schuldschein loans amounted to of €392 million.

Covestro AG took out a €200 million research and development loan from the European Investment Bank (EIB) in September 2024. The focus here is, in particular, on sustainability and the circular economy in the European Union. This EIB loan has a term until September 2030. In addition, there are liabilities to the EIB from loans taken out in fiscal 2020 in the amount of €225 million and a term until September 2025.

As of December 31, 2024, commercial papers amounting to €40 million were outstanding under the Euro Commercial Paper Program (ECPP) established in fiscal 2022 with a potential total volume of €1.5 billion.

Financial debt consisted of the following:

**Financial debt**

| | Dec. 31, 2023 | | Dec. 31, 2024 | |
|---|---|---|---|---|
| | Total | Of which current | Total | Of which current |
| | € million | € million | € million | € million |
| Bonds | 1,990 | 500 | 1,492 | – |
| Liabilities to banks | 657 | 41 | 870 | 519 |
| Lease liabilities | 743 | 110 | 736 | 143 |
| Liabilities from forward exchange contracts | 15 | 15 | 17 | 10 |
| Other financial debt | 2 | 1 | 41 | 40 |
| **Total** | **3,407** | **667** | **3,156** | **712** |

**Maturities of financial debt**

| | Dec. 31, 2023 | | Dec. 31, 2024 |
|---|---|---|---|
| Maturity | € million | Maturity | € million |
| 2024 | 667 | 2025 | 712 |
| 2025 | 578 | 2026 | 651 |
| 2026 | 592 | 2027 | 241 |
| 2027 | 233 | 2028 | 571 |
| 2028 | 556 | 2029 | 88 |
| 2029 or later | 781 | 2030 or later | 893 |
| **Total** | **3,407** | **Total** | **3,156** |

The Covestro Group's financial debt is unsecured.

## Lease Liabilities

Lease payments of €874 million (previous year: €886 million) are to be made to the respective lessors in future years; of this amount, the interest component amounts to €138 million (previous year: €143 million). The lease liabilities mature as follows:

**Lease liabilities**

| | Dec. 31, 2023 | | | | Dec. 31, 2024 | | |
|---|---|---|---|---|---|---|---|
| | Lease payments | Interest component | Lease liabilities | | Lease payments | Interest component | Lease liabilities |
| Maturity | € million | € million | € million | Maturity | € million | € million | € million |
| 2024 | 132 | 22 | 110 | 2025 | 167 | 24 | 143 |
| 2025 | 137 | 23 | 114 | 2026 | 169 | 23 | 146 |
| 2026 | 109 | 16 | 93 | 2027 | 129 | 15 | 114 |
| 2027 | 119 | 13 | 106 | 2028 | 86 | 11 | 75 |
| 2028 | 69 | 9 | 60 | 2029 | 72 | 9 | 63 |
| 2029 or later | 320 | 60 | 260 | 2030 or later | 251 | 56 | 195 |
| **Total** | **886** | **143** | **743** | **Total** | **874** | **138** | **736** |

# 22. Other Financial Liabilities

Other financial liabilities were comprised as follows:

**Other financial liabilities**

| | Dec. 31, 2023 | | Dec. 31, 2024 | |
|---|---|---|---|---|
| | Total | Of which current | Total | Of which current |
| | € million | € million | € million | € million |
| Refund liabilities | 97 | 97 | 104 | 104 |
| Accrued interest on liabilities | 19 | 16 | 16 | 16 |
| Liabilities from derivatives | – | – | 1 | 1 |
| Miscellaneous financial liabilities | 28 | 15 | 24 | 12 |
| **Total** | **144** | **128** | **145** | **133** |

Liabilities from derivatives mainly comprised liabilities from embedded derivatives amounting to €1 million (previous: €0 million).

→ See note 24.2 "Financial Risk Management and Information on Derivatives."

Other financial liabilities include a commitment to acquire the remaining 20% interest in DIC Covestro Polymers Ltd., Tokyo (Japan). If this put option is exercised by the seller, the sale to Covestro would be effective in fiscal 2030.

# 23. Other Nonfinancial Liabilities

Other nonfinancial liabilities were comprised as follows:

**Other nonfinancial liabilities**

| | Dec. 31, 2023 | | Dec. 31, 2024 | |
|---|---|---|---|---|
| | Total | Of which current | Total | Of which current |
| | € million | € million | € million | € million |
| Other tax liabilities | 58 | 58 | 84 | 84 |
| Deferred income | 22 | 22 | 17 | 17 |
| Public grants and subsidies | 33 | 13 | 34 | 9 |
| Liabilities to employees | 52 | 48 | 43 | 42 |
| Social security liabilities | 19 | 19 | 16 | 16 |
| Contract liabilities | 44 | 44 | 49 | 49 |
| Miscellaneous liabilities | – | – | 5 | 4 |
| **Total** | **228** | **204** | **248** | **221** |

→ See note 6 "Sales" for further information on contract liabilities.

# 24. Financial Instruments

## 24.1 Financial Instruments by Category

The following tables show the carrying amounts and fair values of the individual financial assets and liabilities in accordance with IFRS 9 (Financial Instruments):

**Carrying amounts of financial instruments and their fair values as of December 31, 2024**

| | | Measurement according to IFRS 9 | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Amortized cost | Fair value through other comprehen-sive income | Fair value recognized through profit or loss | Measure-ment according to IFRS 16 | Fair value |
| | € million | € million | € million | € million | € million | € million |
| **Financial assets** | | | | | | |
| Trade accounts receivable | 1,749 | 1,749 | | | | 1,749 |
| Other financial assets | 155 | | | | | |
| Loans and bank deposits | 96 | 24 | – | 72 | | 96 |
| Other investments | 15 | | 15 | – | | 15 |
| Receivables from forward exchange contracts[1] | 6 | | | 6 | | 6 |
| Receivables from commodity derivatives[2] | 7 | | 7 | | | 7 |
| Receivables from embedded derivatives[1] | 5 | | | 5 | | 5 |
| Receivables under lease agreements | 12 | | | | 12 | 26 |
| Miscellaneous financial assets | 14 | 14 | – | – | | 14 |
| Cash and cash equivalents | 509 | 509 | | | | 509 |
| **Financial liabilities** | | | | | | |
| Financial debt | 3,156 | | | | | |
| Bonds | 1,492 | 1,492 | | | | 1,492 |
| Liabilities to banks | 870 | 870 | | | | 877 |
| Lease liabilities | 736 | | | | 736 | |
| Liabilities from forward exchange contracts[1] | 17 | | | 17 | | 17 |
| Other financial debt | 41 | 41 | | – | | 41 |
| Trade accounts payable | 2,101 | 2,101 | | | | 2,101 |
| Other financial liabilities | 145 | | | | | |
| Refund liabilities | 104 | 104 | | | | 104 |
| Accrued interest on liabilities | 16 | 16 | | | | 16 |
| Liabilities from commodity derivatives[2] | | | – | | | |
| Liabilities from embedded derivatives[1] | 1 | | | 1 | | 1 |
| Miscellaneous financial liabilities | 24 | 24 | – | – | | 24 |

[1] Derivatives that do not qualify for hedge accounting.
[2] Derivatives that qualify for hedge accounting.

**Carrying amounts of financial instruments and their fair values as of December 31, 2023**

| | | Measurement according to IFRS 9 | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Amortized cost | Fair value through other comprehensive income | Fair value recognized through profit or loss | Measurement according to IFRS 16 | Fair value |
| | € million | € million | € million | € million | € million | € million |
| **Financial assets** | | | | | | |
| Trade accounts receivable | 1,898 | 1,898 | | | | 1,898 |
| Other financial assets | 420 | | | | | |
| Loans and bank deposits | 352 | 277 | – | 75 | | 352 |
| Other investments | 22 | | 22 | – | | 22 |
| Receivables from forward exchange contracts[1] | 19 | | | 19 | | 19 |
| Receivables from commodity derivatives[2] | | | – | | | |
| Receivables from embedded derivatives[1] | 2 | | | 2 | | 2 |
| Receivables under lease agreements | 10 | | | | 10 | 30 |
| Miscellaneous financial assets | 15 | 15 | – | – | | 15 |
| Cash and cash equivalents | 625 | 625 | | | | 625 |
| **Financial liabilities** | | | | | | |
| Financial debt | 3,407 | | | | | |
| Bonds | 1,990 | 1,990 | | | | 1,971 |
| Liabilities to banks | 657 | 657 | | | | 664 |
| Lease liabilities | 743 | | | | 743 | |
| Liabilities from forward exchange contracts[1] | 15 | | | 15 | | 15 |
| Other financial debt | 2 | 2 | | – | | 2 |
| Trade accounts payable | 1,895 | 1,895 | | | | 1,895 |
| Other financial liabilities | 144 | | | | | |
| Refund liabilities | 97 | 97 | | | | 97 |
| Accrued interest on liabilities | 19 | 19 | | | | 19 |
| Liabilities from commodity derivatives[2] | | | – | | | |
| Liabilities from embedded derivatives[1] | – | | | – | | – |
| Miscellaneous financial liabilities | 28 | 28 | – | – | | 28 |

[1] Derivatives that do not qualify for hedge accounting.
[2] Derivatives that qualify for hedge accounting.

The fair values of financial instruments are determined and reported in accordance with IFRS 13 (Fair Value Measurement) on the basis of the fair value hierarchy described below:

Level 1 covers fair values determined on the basis of quoted, unadjusted prices that exist in active markets.

Level 2 comprises fair values determined on the basis of parameters that are observable in an active market.

Level 3 applies to fair values determined using parameters whose input factors are not based on observable market data.

Because of the generally short maturities of cash and cash equivalents, loans and bank deposits, trade accounts receivable and payable, and other financial assets and liabilities, their carrying amounts do not significantly differ from the fair values.

The fair values of noncurrent receivables under lease agreements are calculated on the basis of interest curves observable in the market. Additionally, a discount for cash flows that are very far in the future is applied as an unobservable factor.

The following table shows the assignment of the financial instruments to the three-level fair value hierarchy:

**Fair value hierarchy of financial instruments**

| | Fair value Dec. 31, 2023 | Level 1 | Level 2 | Level 3 | Fair value Dec. 31, 2024 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million | € million | € million | € million |
| **Financial assets carried at fair value** | | | | | | | | |
| Loans and bank deposits | 75 | – | 66 | 9 | 72 | – | 67 | 5 |
| Other investments | 22 | – | – | 22 | 15 | – | 1 | 14 |
| Receivables from forward exchange contracts[1] | 19 | – | 19 | – | 6 | – | 6 | – |
| Receivables from commodity derivatives[2] | – | – | – | – | 7 | – | 7 | – |
| Receivables from embedded derivatives[1] | 2 | – | – | 2 | 5 | – | – | 5 |
| **Financial liabilities carried at fair value** | | | | | | | | |
| Liabilities from forward exchange contracts[1] | 15 | – | 15 | – | 17 | – | 17 | – |
| Liabilities from embedded derivatives[1] | – | – | – | – | 1 | – | – | 1 |
| **Financial liabilities not carried at fair value** | | | | | | | | |
| Bonds | 1,971 | 1,971 | – | – | 1,492 | 1,492 | – | – |
| Liabilities to banks | 664 | – | 664 | – | 877 | – | 877 | – |
| Other financial debt | 2 | – | 2 | – | 41 | – | 41 | – |

[1] Derivatives that do not qualify for hedge accounting.
[2] Derivatives that qualify for hedge accounting.

Reallocation between the different levels of the fair value hierarchy takes place at the end of the reporting period in which the change occurred. During the fiscal year, no financial instruments were reallocated to a different level of the fair value hierarchy.

→ See note 3 "Accounting policies" for detailed information on the calculation of the fair value of financial instruments and their assignment to the fair value hierarchy.

The table below shows the changes in Level 3 financial instruments:

**Changes in the net amount of financial assets and liabilities allocated to Level 3**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| **Net carrying amounts, Jan. 1** | **33** | **33** |
| Gains/(losses) recognized in profit or loss | – | 2 |
| of which related to assets/liabilities recognized in the statement of financial position | – | 2 |
| Gains/(losses) recognized outside profit or loss | – | (8) |
| Additions of assets/(liabilities) | – | 1 |
| Settlements of (assets)/liabilities | – | (5) |
| **Net carrying amounts, Dec. 31** | **33** | **23** |

The gains and losses from Level 3 financial assets and liabilities are reported as follows:

- Gains and losses from embedded derivatives recognized in profit or loss are reported in other operating income or expenses
- Gains and losses from other debt instruments recognized in profit or loss are reported in the other financial result
- Gains and losses from other financial investments are reported in other comprehensive income from equity instruments

The classification of income, expenses, gains, and losses from financial instruments by measurement category in accordance with IFRS 9 is shown in the table below:

**Net result by measurement category in accordance with IFRS 9**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| **Financial assets carried at amortized cost** | **77** | **63** |
| of which net interest | 40 | 33 |
| **Equity instruments measured at fair value through other comprehensive income** | **1** | **1** |
| of which net interest | – | – |
| **Financial instruments measured at fair value through profit or loss** | **(78)** | **(6)** |
| of which net interest | (30) | (20) |
| **Financial liabilities carried at amortized cost** | **(88)** | **(155)** |
| of which net interest | (101) | (99) |

### Investments in Equity Instruments Measured at Fair Value through Other Comprehensive Income

Covestro acts as a start-up investor as part of the Covestro Venture Capital (COVeC) approach newly developed in fiscal 2020. Investments associated with COVeC activities are recognized either as debt instruments at fair value through profit and loss or as other financial investments at fair value directly in equity, depending on the contractual design.

Other financial investments are recognized at fair value directly in equity because they are held for the long term for strategic reasons. Other financial investments amount to €15 million (previous year: €22 million), of which €11 million (previous year: €18 million) was attributable to Hydrogenious LOHC Technologies GmbH, Erlangen (Germany), and €3 million (previous year: €3 million) to Hi-Bis GmbH, Bitterfeld-Wolfen (Germany). In fiscal 2024, the Covestro Group received dividends of €1 million (previous year: €1 million) from other financial investments, of which €1 million (previous year: €1 million) was attributable to Hi-Bis GmbH.

### Supplier Finance Arrangements

A small number of Covestro’s suppliers are participating in a prefinancing program (supplier finance arrangements, SFAs) as part of efforts to improve supplier relations. Under this program, suppliers are given the opportunity to have the invoice underlying the current trade payable paid before it is due, with a discount. Covestro does not incur any additional costs as a result of the program.

Such scenarios could lead to a change in the presentation of the original liability in the consolidated financial statements if the nature, function, and risk of the liability subject to the financing program differs from other trade payables. In the case of the current programs, however, the underlying conditions do not result in any changes to the presentation in the consolidated financial statements because neither is the liability legally extinguished, nor are the contractual terms substantially modified. For this reason, the corresponding amounts continue to be reported under trade payables and the associated cash flows are therefore included in cash flows from operating activities in the statement of cash flows.

As of the December 31, 2024, reporting date, there are outstanding liabilities to 70 suppliers that are part of a supplier finance arrangement, amounting to a total of €93 million and thus accounting for approximately 4.4% of the total reported trade payables (€2,101 million). Of this amount, the suppliers in question have already received €85 million.

The periods for the payment terms of these SFA liabilities outstanding as of the reporting date can be broken down into “up to 60 days” (as of the reporting date, 5 suppliers with outstanding liabilities of €11 million), “61 to 120 days” (as of the reporting date, 33 suppliers with outstanding liabilities of €33 million), “121 to 180 days” (as of the reporting date, 30 suppliers with outstanding liabilities of €47 million), and “more than 180 days” (as of the reporting date, 2 suppliers with outstanding liabilities of €2 million).

The periods for the payment terms of trade accounts payable not covered by a supplier finance arrangement also range from 0 to 360 days. This breakdown reflects the diversity of our supplier relationships, although the focus is on standard market payment terms.

The change in liabilities included in supplier finance arrangements primarily results from increases attributable to the purchase of goods and services and subsequent payment. There were no significant non-cash changes in these liabilities.

## 24.2 Financial Risk Management and Information on Derivatives

### Capital Management

The main purpose of financial management is to ensure solvency at all times, continuously optimize capital costs, and reduce the risks of financing measures. Financial management for the Covestro Group is performed centrally by Covestro AG.

Capital management pursues a prudent debt management strategy, drawing on a balanced financing portfolio, which is based primarily on bonds, Schuldschein loans, commercial papers, syndicated credit facilities, and bilateral loan agreements.

Covestro intends to maintain financing structures and financial ratios that support a solid investment-grade rating in the future. As in fiscal 2023, Covestro AG currently holds a Baa2 investment-grade rating with a stable outlook from the rating agency Moody's Investors Service, London (United Kingdom).

For its capital management, Covestro uses, among other tools, debt ratios published by recognized rating agencies, such as gross financial debt including provisions for pensions (adjusted gross financial debt) in relation to EBITDA as well as cash flow figures in relation to net financial debt including provisions for pensions.

**Adjusted gross financial debt/EBITDA**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Gross financial debt | 3,388 | 3,150 |
| Provisions for pensions | 346 | 269 |
| **Adjusted gross financial debt** | **3,734** | **3,419** |
| EBITDA | 1,080 | 1,071 |
| **Adjusted gross financial debt/EBITDA** | **3.5x** | **3.2x** |

→ For information on the composition of gross financial debt and net financial debt, see the explanations in the Group Management Report on "Net Financial Debt."

→ See also the explanations in the Group Management Report on "Financial Management."

### Credit Risk

Credit risk is the risk of a loss for the Covestro Group when a counterparty is unable to meet its payment obligations arising from a financial instrument as contractually stipulated. Payment obligations to the Covestro Group primarily comprise trade accounts receivable, debt instruments, other financial assets, and contract assets.

The carrying amount of the financial assets and the contract assets represents the maximum credit risk exposure.

The impairment loss for financial assets and contract assets recognized during the year resulted almost exclusively from impairment losses on trade accounts receivable. Net impairment losses amounted to €7 million (previous year: €3 million) in the reporting year.

### Trade Accounts Receivable and Contract Assets

The following table presents the gross carrying amounts and the expected losses for trade accounts receivable and contract assets:

**Expected credit loss by category as of December 31**

| | Cluster | | | | | |
|---|---|---|---|---|---|---|
| **2024** | **A** | **B** | **C** | **D** | **E** | **Total** |
| Expected loss rate (%) | 0.01 | 0.03 | 0.12 | 0.70 | 6.00 | |
| Gross amount (€ million) | 319 | 648 | 660 | 129 | 43 | 1,799 |
| Expected loss (€ million) | – | – | (1) | (1) | (3) | (5) |
| **2023** | **A** | **B** | **C** | **D** | **E** | **Total** |
| Expected loss rate (%) | 0.01 | 0.03 | 0.12 | 0.70 | 6.00 | |
| Gross amount (€ million) | 335 | 626 | 806 | 157 | 44 | 1,968 |
| Expected loss (€ million) | – | – | (1) | (1) | (3) | (5) |

The accumulated impairment losses amounted to €30 million (previous year: €30 million) for those customers that the Covestro Group considers credit impaired on the basis of this assessment. The corresponding gross carrying amount was €31 million (previous year: €30 million). Indicators for customers being credit impaired include significant financial difficulties of the customer and a breach of contract such as default or delinquency. Determining that a customer is credit impaired does not occur automatically when payments are overdue for more than 90 days but is instead always based on the individual assessment conducted by Credit Management.

Total impairment losses for trade accounts receivable and contract assets changed as follows:

**Reconciliation of expected credit loss**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| **Valuation allowances, Jan. 1** | **(36)** | **(35)** |
| Net remeasurement of valuation allowances | (3) | (7) |
| Write-offs | 4 | 7 |
| **Valuation allowances, Dec. 31** | **(35)** | **(35)** |

The Covestro Group limits the credit risk exposure from trade accounts receivable by stipulating the shortest payment terms possible. In addition, the Covestro Group has a widely diversified customer portfolio. In order to avoid concentration of risk, customer limits are set, regularly monitored, and exceeded only in agreement with Credit Management.

Receivables of €19 million (previous year: €17 million) are secured mainly by letters of credit.

## Debt Instruments

The Covestro Group generally pursues a conservative investment policy based on a strategy of maintaining liquidity and safeguarding value. Consequently, investments are mainly limited to counterparties with investment-grade ratings, simple debt instruments, and short-term investment horizons. Credit risks, particularly concentration of risk with individual counterparties, are managed by means of a Group-wide limit system in conjunction with ongoing monitoring. Covestro also acts as a start-up investor as part of the Covestro Venture Capital (COVeC) approach newly developed in fiscal 2020. Investments associated with COVeC activities are recognized either as debt instruments at fair value through profit and loss or as other financial investments at fair value directly in equity, depending on the contractual design.

As in the previous year, Covestro did not undertake any material reclassifications of debt instruments between the levels of the general impairment model during the fiscal year. The Covestro Group held no collateral for debt instruments in fiscal 2024 or in the previous year.

Because of the low credit risk profile, the Covestro Group is not exposed to significant credit risk from debt instruments. For fiscal 2024 and for the previous year, the risk provision calculated using the general approach is immaterial both overall and for the individual stages.

## Currency Risks

Currency opportunities for and risks to the Covestro Group result from changes in exchange rates and the related changes in the value of financial instruments (including receivables and payables) and future cash inflows and outflows denominated in foreign currencies. Material receivables and payables in liquid currencies from operating and financial activities are generally fully hedged through forward exchange contracts. A value-at-risk approach is used to manage foreign currency exposures arising from planned receivables and liabilities. As in the previous year, the planned foreign currency exposure was not hedged. It will be hedged using forward contracts if the foreign currency risk increases significantly. The extent of the currency risk is presented below by means of a sensitivity analysis.

The currency risk shown in the sensitivity analysis results from the following:

- The unsecured portion of receivables and payables in nonfunctional currencies
- Unsecured bank deposits and liabilities to banks in nonfunctional currencies

Sensitivities were determined based on a hypothetical scenario in which the euro depreciates by 10% against all other currencies compared with the year-end exchange rates. Under this scenario, the estimated hypothetical gains recognized in profit or loss as of December 31, 2024, would have totaled €5.5 million (previous year: €3.8 million). The table below shows the distribution of these effects among the individual currencies:

**Sensitivity by currency - depriciation of €**

| | 2023 | | 2024 |
|---|---|---|---|
| Currency | € million | Currency | € million |
| CNY | 1.6 | USD | 3.0 |
| USD | 1.4 | CNY | 1.3 |
| MXN | 0.2 | MXN | 0.6 |
| Other | 0.6 | Other | 0.6 |
| **Total** | **3.8** | **Total** | **5.5** |

A hypothetical scenario in which the euro appreciates by 10% against all other currencies compared with the year-end exchange rates would lead to losses recognized in profit or loss in approximately the same amount.

**Sensitivity by currency - appreciation of €**

| | 2023 | | 2024 |
|---|---|---|---|
| Currency | € million | Currency | € million |
| CNY | (2.3) | USD | (3.0) |
| USD | (1.5) | CNY | (1.2) |
| MXN | (0.2) | MXN | (0.6) |
| Other | (0.5) | Other | (0.6) |
| **Total** | **(4.6)** | **Total** | **(5.4)** |

## Liquidity Risk

Liquidity risk is the risk of not being able to meet existing or future payment obligations. The liquidity status of all material Group companies is continuously planned and monitored. Liquidity is secured via cash pooling agreements as well as internal and external financing. The syndicated, revolving credit facility of €2.5 billion, which is available through March 2027, particularly provides additional financial flexibility.

The liquidity risks to which the Covestro Group was exposed from its financial instruments can be divided into obligations for interest and repayment installments on financial liabilities, payment obligations arising from derivatives and loan commitments. The following tables show the maturity structure of the nondiscounted contractually agreed payments arising from these line items:

**Maturity analysis of financial liabilities and derivative financial instruments**

| | Carrying amount | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|
| | Dec. 31, 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | after 2029 |
| | € million | € million | € million | € million | € million | € million | € million |
| Financial debt | | | | | | | |
| Bonds | 1,492 | 24 | 535 | 31 | 530 | 7 | 507 |
| Liabilities to banks | 870 | 539 | 11 | 139 | 7 | 32 | 204 |
| Lease liabilities | 736 | 167 | 169 | 129 | 86 | 72 | 251 |
| Other financial debt | 41 | 40 | – | – | – | – | 1 |
| Trade accounts payable | 2,101 | 2,101 | – | – | – | – | – |
| Other financial liabilities | | | | | | | |
| Refund liabilities | 104 | 104 | – | – | – | – | – |
| Accrued interest on liabilities | 16 | 16 | – | – | – | – | – |
| Miscellaneous financial liabilities | 24 | 12 | 2 | – | – | – | 10 |
| Liabilities from derivatives | | | | | | | |
| Liabilities from forward exchange contracts[1] | 17 | 10 | 7 | – | – | – | – |
| Liabilities from embedded derivatives[1] | 1 | – | – | – | – | – | 1 |
| Receivables from derivatives | | | | | | | |
| Receivables from forward exchange contracts[1] | 6 | 6 | – | – | – | – | – |
| Receivables from commodity derivatives[2] | 7 | 6 | 1 | – | – | – | – |
| Receivables from embedded derivatives[1] | 5 | – | – | – | – | – | 5 |
| Loan commitments | – | 160 | – | – | – | – | – |

| | Carrying amount | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|
| | Dec. 31, 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | after 2028 |
| | € million | € million | € million | € million | € million | € million | € million |
| Financial debt | | | | | | | |
| Bonds | 1,990 | 544 | 35 | 535 | 31 | 531 | 513 |
| Liabilities to banks | 657 | 64 | 482 | 6 | 133 | 1 | 26 |
| Lease liabilities | 743 | 132 | 137 | 109 | 119 | 69 | 320 |
| Other financial debt | 2 | 1 | – | – | – | – | 1 |
| Trade accounts payable | 1,895 | 1,895 | – | – | – | – | – |
| Other financial liabilities | | | | | | | |
| Refund liabilities | 97 | 97 | – | – | – | – | – |
| Accrued interest on liabilities | 19 | 16 | 2 | – | 1 | – | – |
| Miscellaneous financial liabilities | 28 | 15 | 3 | – | – | – | 10 |
| Liabilities from derivatives | | | | | | | |
| Liabilities from forward exchange contracts[1] | 15 | 15 | – | – | – | – | – |
| Receivables from derivatives | | | | | | | |
| Receivables from forward exchange contracts[1] | 19 | 19 | – | – | – | – | – |
| Receivables from embedded derivatives[1] | 2 | – | 2 | – | – | – | – |
| Loan commitments | | 156 | – | – | – | – | – |

[1] Derivatives that do not qualify for hedge accounting.

[2] Derivatives that qualify for hedge accounting.

In addition to recognized nonderivative liabilities and derivative financial instruments, there are loan commitments of €160 million (previous year: €156 million), which are mainly attributable to the obligation, under certain conditions, to grant initial funding loans to Bayer-Pensionskasse VVaG, Leverkusen (Germany), and Rheinische Pensionskasse VVaG, Leverkusen (Germany. As of December 31, 2024, this resulted in unchanged obligations of €156 million (previous year: €156 million), which may result in disbursements by Covestro AG in subsequent years.

→ See note 28.1 “Related Companies.”

In this analysis, foreign currencies were translated at closing rates. Derivative financial instruments are reported as net amounts.

## Interest Rate Risks

Interest rate opportunities and risks for the Covestro Group arise from changes in capital market interest rates, which could lead to changes in the fair value of fixed-rate financial instruments and in interest payments in the case of floating-rate instruments. To minimize adverse effects, interest rate risk is managed centrally based on an optimized debt maturity structure.

A sensitivity analysis based on our net floating-rate receivables and payables position at the end of fiscal 2024, taking into account the interest rates relevant to our receivables and payables in all principal currencies, produced the following result: A hypothetical increase in the interest rates by 100 basis points or one percentage point would (assuming currency exchange rates remain constant) result in an increase in interest expense of €15.3 million (previous year: €6.3 million). A corresponding hypothetical reduction in interest rates would lead to a decline in interest expenses by the same amount.

## Raw Material Price Risks

The Covestro Group requires significant quantities of different forms of energy and petrochemical feedstocks for its production processes. Procurement prices for energy and raw materials may fluctuate significantly. Important raw materials are procured on the basis of long-term supply agreements and active supplier management to minimize substantial price fluctuations.

In addition, the energy price risk for electricity and natural gas at Covestro's German sites has been hedged in advance for a portion of the projected electricity and natural gas requirements with a rolling time horizon of 18 months since fiscal 2024 using derivatives. The energy price risk relating to natural gas is also hedged for the natural gas price component in the price paid for steam by Covestro Deutschland AG. The identifiability and measurability of this steam risk component are based on the existing relevant contractual arrangement.

Energy price risk relating to electricity and natural gas is hedged using fixed-for-floating swaps based on the average day-ahead price for a given month and a given energy volume in megawatt hours, which are designated as cash flow hedges as part of hedge accounting. The risk of variability in payments due under a group of highly probable forecast electricity and natural gas purchase transactions based on the average day-ahead price is exactly offset using fixed-for-floating swaps that specify net cash settlement of the payments. A direct hedging ratio is used, i.e., the hedge ratio is 1:1. Potential hedge ineffectiveness could result primarily from the cancellation of originally planned purchases, which would lead to a different average realized monthly energy price due to the difference between expected demand falling below the hedged notional amount. The average hedging price of the designated fixed-for-floating swaps held as of December 31, 2024, to hedge energy price risk was €93.4/MWh for electricity and €41.4/MWh for natural gas.

The effects of the hedging relationships on the statement of financial position, the hedged notional amount, and the hedge ineffectiveness to be determined are presented for fiscal 2024 in the following table:

**Cash flow hedge accounting effects in fiscal 2024[1]**

| | 2024 |
|---|---|
| | € million |
| Carrying amount of hedging instruments | |
| Financial assets | 7 |
| Financial liabilities | – |
| Nominal value of hedging instruments | 89 |
| of which current | 72 |
| of which noncurrent | 17 |
| Change in fair values for assessing ineffectiveness | |
| Hedging instrument | 7 |
| Hedged transaction | (7) |

[1] No prior-year figures are shown as hedge accounting was not used until fiscal 2024.

The carrying amounts of cash flow hedges are reported under the "other financial assets" item in the statement of financial position in the case of financial assets and under the "other financial liabilities" item in the case of financial liabilities.

A reconciliation of the cash flow hedge reserve (before tax) in equity is shown in the table below:

**Changes in the cash flow hedge reserve (before tax) in fiscal 2024[1]**

| | 2024 |
|---|---|
| | € million |
| **January 1, 2024** | **–** |
| Hedging effects recognized in other comprehensive income | 7 |
| Transfer of cash flow hedge reserve to inventories | (1) |
| **December 31, 2024** | **6** |

[1] No prior-year figures are shown as hedge accounting was not used until fiscal 2024.

To determine the sensitivities, an increase or decrease of 10% in the price of natural gas or electricity compared with the average hedging price of the designated fixed-for-floating swaps held as of December 31, 2024, was assumed. Measurement of the fixed-for-floating swaps held at the reporting date would result in a corresponding increase in other components of equity from hedging transactions by €3.5 million for natural gas and by €5.9 million for electricity. A reduction would lead to a decrease in other components of equity from hedging transactions in the same amount.

### Other Market Risks

As of the reporting date, Covestro had recognized embedded derivatives from virtual power plant agreements (vPPAs) at a positive fair value of €5 million. These derivatives result from long-term agreements to purchase electricity from renewable sources of energy, which were entered into to further the company's sustainability targets.

To determine the sensitivities, it was assumed that the underlying price of electricity and the underlying production volume in MWh would increase or decrease by 10% in each case. If the assumed price of electricity increased by 10%, the fair value of the embedded derivatives would be unchanged at €5 million. The same applies to an increase in the assumed production volume in MWh by 10%. If the assumed price of electricity decreased by 10%, the fair value of the embedded derivatives would decline to €3 million, and if the assumed production volume in MWh decreased by 10%, their fair value would fall to €4 million.

### Global Netting or Similar Agreements

As of the reporting date, the nominal volume of the forward exchange contracts used to hedge currency risk amounted to €1,800 million (previous year: €2,415 million).

Covestro has entered into master netting or similar agreements for derivative financial instruments. These take effect in particular in the event of the insolvency of one of the contractual partners involved. The derivative financial instruments covered by netting agreements from the perspective of the Covestro Group are presented in the table below:

**Disclosures for netting of financial assets and liabilities as of December 31**

| | Gross amounts of financial assets/liabilities | Net amounts of financial assets/liabilities presented in the statement of financial position | Amounts in the statement of financial position eligible for netting covered by netting agreements | Net amounts after possible netting |
|---|---|---|---|---|
| | € million | € million | € million | € million |
| **2024** | | | | |
| Receivables from forward exchange contracts | 6 | 6 | 1 | 5 |
| Liabilities from forward exchange contracts | 17 | 17 | 1 | 16 |
| **2023** | | | | |
| Receivables from forward exchange contracts | 19 | 19 | 5 | 14 |
| Liabilities from forward exchange contracts | 15 | 15 | 5 | 10 |

# 25. Contingent Liabilities and Other Financial Commitments

## Contingent Liabilities

The following table shows contingent liabilities from warranty agreements and other contingent liabilities as of the reporting date:

**Contingent liabilities**

| | Dec. 31, 2023 | Dec. 31, 2024 |
|---|---|---|
| | € million | € million |
| Warranty contracts | 2 | 2 |
| Other contingent liabilities | 5 | 7 |
| **Total** | **7** | **9** |

## Other Financial Commitments

Other financial obligations consisted of the following:

**Other financial commitments**

| | Dec. 31, 2023 | Dec. 31, 2024 |
|---|---|---|
| | € million | € million |
| Orders already placed for started or planned investment projects | 376 | 383 |
| Loan commitments to pension funds | 156 | 156 |
| Agreement on investment in BioBTX, Groningen (Netherlands) | – | 4 |
| **Total** | **532** | **543** |

Some of the pension obligations allocable to the Covestro Group are funded through pension institutions used jointly with other companies (especially Bayer AG, Leverkusen (Germany)). In such cases, it can generally be contractually ensured that Covestro participates accordingly in funding measures that serve to guarantee adequate funding status and/or adequate solvency capital of these pension institutions for the long term. To this end, Covestro AG agreed to grant interest-bearing loans of up to €208 million to Bayer-Pensionskasse VVaG, Leverkusen (Germany), and up to €11 million to Rheinische Pensionskasse VVaG, Leverkusen (Germany), for the effective initial fund to be drawn down as required. There was no change compared with the previous year in loan commitments to pension funds as of December 31, 2024 (December 31, 2023: €156 million).

→ See note 28.1 "Related Companies."

In fiscal 2024, Covestro acquired an equity investment in BioBTX, Groningen (Netherlands), to promote chemical recycling as part of the circular economy. The investment, which amounts to €5 million is part of the Covestro Venture Capital program. The aim is to accelerate the transition to intelligent recycling technologies and to obtain chemical raw materials for Covestro's supply chains. The first tranche of €1 million was already paid in June 2024. The remaining €4 million will be paid in two tranches in fiscal 2025.

# 26. Legal Risks

The litigation described in the following represents a material legal risk from today's perspective, although the existence of other potential material legal risks cannot be ruled out.

### Civil Class Action Lawsuits over Diisocyanates (in the United States)

On July 9, 2018, Covestro LLC, Pittsburgh, Pennsylvania (United States) – as one of numerous other defendants – was served the first of now 12 class action lawsuits initiated by various U.S. diphenylmethane diisocyanate (MDI) and toluene diisocyanate (TDI) customers. The plaintiffs allege that the defendants have violated various provisions of the Sherman Antitrust Act since January 1, 2015, by acting in coordination to limit production capacities of MDI and TDI and, at the same time, raising prices for these products in the market. On October 3, 2018, the Judicial Panel on Multidistrict Litigation ruled that all class action lawsuits in pretrial proceedings would be centralized in the District Court for the Western District of Pennsylvania. Based in essence on the same assertions and the violations of federal consumer protection and antitrust laws allegedly resulting from them, the attorney general of the state of Mississippi filed a separate civil complaint against Covestro LLC and numerous other defendants on behalf of the state and its citizens in September 2019. In November 2020, the parties suspended these lawsuits without prejudice for a period of two years. Owing to the time which has passed, the suspension of the limitation period agreed at the time with regard to the claims of the state and its citizens expired again in November 2022. Covestro currently considers these claims without merit and will therefore use all legal means to defend itself against these allegations – also in light of the official conclusion in November 2018 of the six-month investigation by the U.S. Department of Justice into possible anticompetitive practices in relation to MDI. The case is still in the discovery phase.

The following legal case reported in the past has been concluded:

### Carbon Monoxide Pipeline from Dormagen to Krefeld-Uerdingen

The carbon monoxide pipeline is intended to connect the chemical production sites at Dormagen (Germany) and Krefeld-Uerdingen (Germany) and complement the network already existing between Dormagen and Leverkusen (Germany). The aim is to ensure a safe and reliable supply of carbon monoxide to and across all sites. Although the pipeline was almost completed by the end of year 2009, it cannot currently be brought into operation because of ongoing court proceedings. Following confirmation by the Düsseldorf Administrative Court in the year 2011 that there were no grounds to challenge the material aspects of the planning permission decision, in particular the safety of the materials used and the legal conformity of the relevant pipeline act (Rohrleitungsgesetz), the plaintiffs and the regional government against which legal proceedings had been instituted lodged appeals before the Higher Administrative Court for the state of North Rhine-Westphalia in Münster (Higher Administrative Court). In the year 2014, the Higher Administrative Court raised no objections in principle to the safety and routing of the pipeline, but questioned the constitutionality of the pipeline act which forms the legal basis for the project. On December 21, 2016, Germany's Federal Constitutional Court dismissed the corresponding constitutionality question referred to it by the Higher Administrative Court as inadmissible and confirmed the legal opinion of the Covestro Group. Subsequently, the Higher Administrative Court again considered the facts of the appeal and, in a decision rendered on August 31, 2020, dismissed the actions against the planning permission decision. In addition, the Higher Administrative Court rejected an appeal against its ruling. The plaintiffs then filed a complaint against the denial of leave to appeal with the Federal Administrative Court in Leipzig in February 2021. The German Federal Constitutional Court dismissed the denial of leave to appeal on December 14, 2021. The judgment by the Higher Administrative Court is therefore final. In rulings dated February 28, 2023, May 2, 2023, and June 13, 2023, the Düsseldorf Administrative Court dismissed the only remaining actions brought by two private plaintiffs, Bund für Umwelt und Naturschutz Deutschland e.V. (BUND), and four cities/municipalities against the planning permission decision by reference to the final ruling of the Higher Administrative Court and did not allow an appeal. The application for permission to appeal, which was nonetheless possible, was submitted by the due date by the city of Hilden alone. With a decision dated January 24, 2025, the Higher Administrative Court in Münster rejected the applications by the city of Hilden.

# Other Information

## 27. Notes to the Statement of Cash Flows

### 27.1 Cash Flows from Operating Activities

The net cash inflow from operating activities of €870 million (previous year: €997 million) reflects the operating surplus and also takes into account changes in working capital and noncash income and expenses.

The €127 million (12.7%) decrease in cash flows from operating activities compared with the previous year resulted primarily from a €9 million decline in EBITDA and a €330 million decline in funds freed up from working capital, which were partially offset by €164 million lower income tax payments. The change in working capital was predominantly driven by a rise in inventories, which was partially offset by lower trade accounts receivable.

### 27.2 Cash Flows from Investing Activities

Net cash outflow for investing activities in 2024 amounted to €423 million (previous year: €925 million).

This mainly related to cash outflows for additions to property, plant, equipment, and intangible assets of €781 million (previous year: €765 million). These were offset in particular by cash inflows from other current financial assets in the amount of €296 million (previous year: cash outflows of €305 million), which resulted primarily from net cash proceeds of €252 million from short-term bank deposits. There were also cash inflows from sales of property, plant, equipment and other assets of €76 million (previous year: €2 million), which resulted in particular from the sale of intangible assets amounting to €46 million.

### 27.3 Cash Flows from Financing Activities

The net cash outflow from financing activities amounted to €565 million in fiscal 2024 (previous year: €639 million). Net credit repayment amounted to €414 million (previous year: €417 million). Short-term borrowing and debt repayment were netted.

As in the previous year, no dividend was paid to Covestro AG shareholders in 2024.

The total interest payments of €150 million (previous year: €169 million) in the year 2024 presented in cash flows from financing activities were mainly attributable to bonds and liabilities to banks, forward exchange transactions to hedge foreign currency risk, and lease liabilities. In addition, capitalized interest amounting to €15 million (previous year: €12 million) was recognized together with the associated assets under cash outflows for additions to property, plant, equipment, and intangible assets in cash flows from investing activities.

The following table shows the reconciliation of the changes in liabilities from financing activities to the cash flows from financing activities reported in the statement of cash flows.

Starting in the 2024 reporting year, interest payments are presented as part of the cash changes in liabilities from financing activities. In addition, the carrying amounts of liabilities from accrued interest and miscellaneous other financial liabilities are reconciled. The prior-year presentation has been modified accordingly.

**Reconciliation of liabilities from financing activities in fiscal 2024**

| | | | Noncash changes | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Carrying amounts Dec. 31, 2023 | Cash changes[1] | Changes due to exchange rate move-ments | Changes in measure-ment | Divest-ments | Lease contracts | Other changes[2] | Other[3] | Carrying amounts Dec. 31, 2024 |
| | € million | € million | € million | € million | € million | € million | € million | € million | € million |
| Bonds | 1,990 | (500) | – | | – | | 2 | | 1,492 |
| Liabilities to banks | 657 | 202 | 11 | | – | | – | | 870 |
| Lease liabilities | 743 | (185) | 22 | | – | 126 | 30 | | 736 |
| Receivables / liabilities from forward exchange contracts | (4) | (43) | – | 8 | – | | – | 50 | 11 |
| Other financial debt | 2 | 39 | – | | – | | – | | 41 |
| Accrued interest on liabilities | 19 | (64) | – | | – | | 76 | (15) | 16 |
| Other miscellaneous financial liabilities[4] | – | (3) | – | | – | | 3 | | – |
| **Total** | **3,407** | **(554)** | **33** | **8** | **–** | **126** | **111** | **35** | **3,166** |

[1] In addition to payments related to equity transactions, the difference compared with the statement of cash flows is mainly attributable to the interest payments shown. The interest payments shown in the statement of cash flows also include fees and other financial expenses for obtaining money and credit, as well as payments that do not relate to liabilities from financing activities.

[2] In addition to accrued interest, these relate mainly to discount unwinding.

[3] Includes cash changes outside cash flows from financing activities.

[4] The differences of €24 million (previous year: €28 million) compared with the other financial liabilities presented in note 22 "Other Financial Liabilities" arise from items not related to financing activities.

**Reconciliation of liabilities from financing activities in fiscal 2023**

| | | | Noncash changes | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Carrying amounts Dec. 31, 2022 | Cash changes[1] | Changes due to exchange rate move-ments | Changes in measure-ment | Divest-ments | Lease contracts | Other changes[2] | Other[3] | Carrying amounts Dec. 31, 2023 |
| | € million | € million | € million | € million | € million | € million | € million | | € million |
| Bonds | 1,988 | – | – | | – | | 2 | | 1,990 |
| Liabilities to banks | 922 | (261) | (10) | | (4) | | 10 | | 657 |
| Lease liabilities | 746 | (184) | (23) | | – | 176 | 28 | | 743 |
| Receivables / liabilities from forward exchange contracts | (10) | (61) | (1) | 81 | – | | – | (13) | (4) |
| Other financial debt | 1 | – | – | | 4 | | (3) | | 2 |
| Accrued interest on liabilities | 20 | (67) | – | | – | | 78 | (12) | 19 |
| Other miscellaneous financial liabilities[4] | – | (3) | – | | – | | 3 | | – |
| **Total** | **3,667** | **(576)** | **(34)** | **81** | **–** | **176** | **118** | **(25)** | **3,407** |

[1] In addition to payments related to equity transactions, the difference compared with the statement of cash flows is mainly attributable to the interest payments shown. The interest payments shown in the statement of cash flows also include fees and other financial expenses for obtaining money and credit, as well as payments that do not relate to liabilities from financing activities.

[2] In addition to accrued interest, these relate mainly to discount unwinding.

[3] Includes cash changes outside cash flows from financing activities.

[4] The differences of €28 million (previous year: €37 million) compared with the other financial liabilities presented in note 22 "Other Financial Liabilities" arise from items not related to financing activities.

# 28. Related Companies and Persons

## 28.1 Related Companies

Related entities as defined in IAS 24 (Related Party Disclosures) are those legal entities that are able to exert at least significant influence on Covestro AG and its subsidiaries or over which Covestro AG or its subsidiaries exercise control or have at least a significant influence, or which are controlled by a related person or a close family member of such a person. These include unconsolidated subsidiaries, joint ventures and associates, post-employment benefit plans, and other related parties.

**Receivables from and liabilities to related companies**

| | Dec. 31, 2023 | | Dec. 31, 2024 | |
|---|---|---|---|---|
| | Receivables | Liabilities | Receivables | Liabilities |
| | € million | € million | € million | € million |
| Nonconsolidated subsidiaries and associates | – | 7 | – | 3 |
| Associates accounted for using the equity method | 7 | 3 | 7 | 5 |
| Post-employment benefit plans | 63 | – | 64 | – |

Receivables from and payables to related companies mainly relate to leases and financing arrangements, supply and service relationships, and other transactions. No impairment losses were recognized on receivables from related companies in the reporting year or in the previous year.

Receivables from pension plans (excluding interest) with a fair value of €64 million as of December 31, 2024 (previous year: €63 million) resulted from initial funding loans granted. Covestro AG has agreed to provide Bayer-Pensionskasse VVaG, Leverkusen (Germany), with an interest-bearing initial funding loan of up to €208 million and Rheinische Pensionskasse VVaG, Leverkusen (Germany), with an interest-bearing initial funding loan of up to €11 million, both at their request. The pension funds are entitled to draw down amounts necessary to meet their regulatory solvency requirements at any time up to the amounts disclosed. The outstanding receivables are subject to a five-year interest rate adjustment mechanism. The loan commitments to the pension funds are recognized as other financial obligations.

→ See note 25 "Contingent Liabilities and Other Financial Commitments."

**Sales and purchases of goods and services to/from related companies**

| | 2023 | | 2024 | |
|---|---|---|---|---|
| | Sales of goods and services | Purchases of goods and services | Sales of goods and services | Purchases of goods and services |
| | € million | € million | € million | € million |
| Nonconsolidated subsidiaries and associates | 45 | 74 | 44 | 68 |
| Associates accounted for using the equity method | 16 | 689 | 25 | 755 |

The goods and services received from associates accounted for using the equity method mainly resulted from the ongoing business operations with PO JV, LP, Houston, Texas (United States). Covestro benefits from fixed long-term supply quotas/volumes of propylene oxide (PO) from this company's production.

→ See note 14 "Investments Accounted for Using the Equity Method."

## 28.2 Related Persons

Related persons as defined in IAS 24 include the corporate officers of Covestro AG, who are the members of the Board of Management and Supervisory Board.

### Compensation of the Corporate Officers

The compensation for corporate officers of Covestro AG in fiscal 2024 amounted to €15,932 thousand (previous year: €13,944 thousand), including the compensation of the Supervisory Board amounting to €2,523 thousand (previous year: €2,515 thousand).

This compensation is shown below:

**Compensation of the corporate officers according to IFRSs**

| | 2023 | 2024 |
|---|---|---|
| | € thousand | € thousand |
| Total short-term compensation | 7,665 | 7,410 |
| Total share-based compensation (long-term incentive) | 4,915 | 7,046 |
| Service cost for pension entitlements earned in the respective year | 1,364 | 1,476 |
| **Aggregate compensation (IFRSs)** | **13,944** | **15,932** |

Aggregate compensation of the members of the Board of Management according to the German Commercial Code (HGB) amounted to €8,826 thousand (previous year: €8,430 thousand).

Since 2016, the members of the Board of Management have been entitled to participate in the Prisma long-term share-based compensation program, as long as they are employed by the Covestro Group, and acquire for their own account and hold an individually defined number of Covestro shares as specified by the guidelines. The fair value of the long-term share-based compensation (Prisma) granted to the Board of Management in fiscal 2024 was €3,939 thousand (previous year: €2,899 thousand).

Provisions of €13,038 thousand (previous year: €11,706 thousand) were recognized for short-term and long-term variable cash compensation for the members of the Board of Management serving during fiscal 2024. At the end of the year, the present value of the defined benefit pension obligations for the current members of the Board of Management was €7,960 thousand (previous year: €6,499 thousand). For former members of the Board of Management, provisions of €2,699 thousand (previous year: €2,421 thousand) were recognized for long-term share-based cash compensation. The present value of the defined benefit pension obligations for former members of the Board of Management was €11,727 thousand (previous year: €12,060 thousand).

Supervisory Board compensation is exclusively non-performance-related. In addition to their compensation as members of the Supervisory Board, those employee representatives who are employees of Covestro Group companies receive compensation unrelated to their service on the Supervisory Board. The total amount of such compensation was €671 thousand (previous year: €555 thousand). Pension obligations for employee representatives on the Supervisory Board amounted to €2,258 thousand (previous year: €2,229 thousand). Pension obligations for employee representatives who had left the Supervisory Board and the company totaled €1,108 thousand (previous year: €1,137 thousand).

As in the previous year, the company did not grant any advances or loans to members of the Board of Management or the Supervisory Board in fiscal 2024.

→ For further information, please refer to the Compensation Report

# 29. Audit Fees

Since fiscal 2018, KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (Germany) (KPMG AG), has been the elected statutory auditor of Covestro AG and the Covestro Group. Dr. Kathryn Ackermann has been the auditor primarily responsible for carrying out the audit of the consolidated financial statements since April 21, 2022. Dr. Kathryn Ackermann and Marc Ufer were responsible for carrying out the 2024 audit of the consolidated financial statements. Dr. Kathryn Ackermann and Mr. Marc Ufer first signed the Independent Auditor's Report on December 31, 2022.

The following fees were recognized as expenses in the given fiscal year for the services provided by KPMG AG:

**Audit fees**

| | 2023 | 2024 |
|---|---|---|
| | € million | € million |
| Audit services | 3.4 | 3.6 |
| Other assurance services | 1.1 | 2.3 |
| **Total** | **4.5** | **5.9** |

The fees for the auditing of financial statements in fiscal 2024 mainly comprise those for the statutory audit of the consolidated financial statements and the single-entity financial statements of Covestro AG and its subsidiaries in Germany.

The fees for other assurance services in fiscal 2024 include, in particular, the review of financial information between reporting dates, the audit of sustainability information, and special energy industry audits. The audit of sustainability information essentially comprises the separate audit of the Group Sustainability Report, which was prepared for the first time this year in full application of the European Sustainability Reporting Standards (ESRS).

# 30. Events after the End of the Reporting Period

No events have occurred since January 1, 2025, that have a material impact on the net assets, financial position and results of operations of the Covestro Group.

Leverkusen, February 20, 2025
Covestro AG
The Board of Management