

2nd Supplement, dated August 10, 2022 to the Base Prospectus dated March 18, 2022 as supplemented by the 1st Supplement dated May 11, 2022

This document constitutes a supplement (the "**Supplement**") for the purposes of Art. 8(10) and Art. 23(1) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, (the "**Prospectus Regulation**") to the base prospectus of Covestro AG dated March 18, 2022, (the "**Base Prospectus**") relating to issues of non-equity securities ("**Non-Equity Securities**") within the meaning of Art. 2(c) of the Prospectus Regulation by Covestro AG.



COVESTRO AG

(incorporated as a stock corporation (Aktiengesellschaft) in the Federal Republic of Germany)

EUR 5,000,000,000 Debt Issuance Programme

The Commission de Surveillance du Secteur Financier (the "**CSSF**") of the Grand Duchy of Luxembourg in its capacity as competent authority under the Prospectus Regulation has approved this Supplement as a supplement within the meaning of Art. 23(1) of the Prospectus Regulation. By approving this Supplement, CSSF gives no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the Issuer.

This Supplement together with the Base Prospectus, the 1st supplement to the Base Prospectus dated May 11, 2022 and the documents incorporated by reference are also available for viewing at www.bourse.lu.

The purpose of this Supplement is to supplement the Base Prospectus with information from the unaudited consolidated interim financial information of the Issuer as of and for the six-month period ended June 30, 2022, and to amend other disclosure on the Issuer.

This Supplement is supplemental to, and should be read in conjunction with the Base Prospectus as supplemented by the 1st supplement dated May 11, 2022. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

Covestro AG ("**Covestro AG**" or the "**Issuer**", together with its consolidated subsidiaries, the "**Group**") with its registered office in Leverkusen, Germany accepts responsibility for the information given in this Supplement.

The Issuer hereby declares that, to the best of its knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement for which it is responsible is in accordance with the facts and that this Supplement makes no omission likely to affect its import.

The Arranger and the Dealers have not separately verified the information contained in this Supplement. Neither the Arranger nor any of the Dealers makes any representation, expressly or implied, or accepts any responsibility, with respect to the accuracy or completeness of any information contained in this Supplement. Neither this Supplement nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arranger or the Dealers that any recipient of this Supplement or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Supplement and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arranger or the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Supplement nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

To the extent that there is any inconsistency between any statement included in this Supplement and any statement included or incorporated by reference in the Base Prospectus, the statements in this Supplement will prevail.

Save as disclosed on pages 2-9 of this Supplement, there has been no other significant new factor, material mistake or inaccuracy since the publication of the Base Prospectus.

1. Description of the Issuer and the Group – Shareholder Structure

On page 104 et seq. of the Base Prospectus, in the section "*Shareholder Structure*" the content shall be replaced by the following:

"Shareholder Structure

Covestro AG's share capital as of the date of this Base Prospectus amounts to EUR 193,200,000 divided into 193,200,000 ordinary registered shares with no-par value (*Stückaktien*). The share capital of Covestro AG is fully paid up.

On February 28, 2022, Covestro AG's Board of Management resolved to initiate a share buyback program in view of the company's successful business performance. The total volume of the program is approximately EUR 500 million (not including ancillary transaction costs), and it is expected to be completed within two years. The repurchased shares will then be retired and the capital stock reduced accordingly. The buyback of a first tranche of 1,605,790 shares was concluded on April 6, 2022. The buyback of a second tranche of 1,874,166 shares was concluded on June 23, 2022.

On the basis of the notifications received by Covestro AG as of the date of this Base Prospectus in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz - WpHG*) and pursuant to information provided by the respective shareholders, the following shareholders directly or indirectly hold more than 3 per cent. of Covestro AG's ordinary shares. The percentage values shown in the table below are based on the amount of voting rights last notified to Covestro AG with regard to the stated reference date by the respective shareholder pursuant to Sections 33 et seqq. WpHG in relation to Covestro AG's share capital as of the date of this Base Prospectus. It should be noted that the number of voting rights last notified could have changed since such notifications were submitted to Covestro AG without requiring the relevant shareholder to submit a corresponding voting rights notification if no notifiable thresholds have been reached or crossed:

<u>Shareholder</u>	<u>Actual (direct or indirect) ownership of Covestro AG Share of voting rights</u>
BlackRock Inc.	11,908,836 voting rights (6.16%)
The Goldman Sachs Group, Inc.	9,641,349 voting rights (4.99%)
UBS Group AG	6,442,278 voting rights (3.33%)
T. Rowe Price Group, Inc.	5,969,379 voting rights (3.09%)
Franklin Mutual Advisers, LLC	5,798,202 voting rights (3.00%)
Total	39,760,044 voting rights (20.58%)

"

2. Description of the Issuer and the Group – Selected Consolidated Financial Information

On page 106 et seqq. of the Base Prospectus, in the section "*Selected Consolidated Financial Information*" the content shall be replaced by the following content:

"Selected Consolidated Financial Information

The following selected historical financial information for the Group is based on the audited consolidated financial statements of Covestro AG as of and for the financial years ended December 31, 2021, and December 31, 2020, and on the unaudited consolidated interim financial information of Covestro AG as of and for the six-month period ended June 30, 2022.

Consolidated Income Statement

	For the six-month period ended June 30,		Financial year ended December 31,	
	2022	2021	2021	2020
<i>(amounts in EUR million, earnings per share in EUR)</i>	<i>(unaudited)</i>		<i>(audited)</i>	
Sales	9,386	7,263	15,903	10,706
Gross profit	2,106	2,189	4,428	2,499
EBIT ⁽¹⁾	896	1,163	2,262	696

	For the six-month period ended June 30,		Financial year ended December 31,	
	2022	2021	2021	2020
<i>(amounts in EUR million, earnings per share in EUR)</i>	<i>(unaudited)</i>		<i>(audited)</i>	
Financial result	(72)	(47)	(77)	(91)
Income before income taxes	824	1,116	2,185	605
Income after income taxes	615	845	1,619	454
<i>Basic earnings per share</i>	<i>3.20⁽²⁾</i>	<i>4.36⁽³⁾</i>	<i>8.37⁽⁴⁾</i>	<i>2.48⁽⁵⁾</i>
<i>Diluted earnings per share</i>	<i>3.20⁽²⁾</i>	<i>4.36⁽³⁾</i>	<i>8.37⁽⁴⁾</i>	<i>2.48⁽⁵⁾</i>

(1) EBIT: Income after income taxes plus financial result and income tax expense.

(2) Weighted average number of outstanding no-par voting shares of Covestro AG in issue: 192,101,348.

(3) Weighted average number of outstanding no-par voting shares of Covestro AG in issue: 193,160,544.

(4) Weighted average number of outstanding no-par voting shares of Covestro AG in issue: 193,165,396.

(5) Weighted average number of outstanding no-par voting shares of Covestro AG in issue: 184,912,207.

Consolidated Statement of Financial Position

	As of June 30,	As of December 31,	
	2022	2021	2020
<i>(amounts in EUR million)</i>	<i>(unaudited)</i>	<i>(audited)</i>	
Noncurrent assets	8,693	8,610	6,734
Current assets	7,429	6,961	6,190
Total assets	16,122	15,571	12,924
Equity	8,494	7,762	5,644
Equity attributable to Covestro AG shareholders	8,443	7,696	5,607
Noncurrent liabilities	3,488	4,203	4,916
Current liabilities	4,140	3,606	2,364
Total equity and liabilities	16,122	15,571	12,924

3. Description of the Issuer and the Group – Recent Events

On page 121 et seq. of the Base Prospectus, in the section "*Recent Event*" the content shall be replaced by the following:

"Recent Events

On February 28, 2022 the Issuer has resolved on a share buyback program. The program amounts to a total volume of approximately EUR 500 million (without ancillary transaction costs) and shall be concluded within two years. The buyback of a first tranche of shares was concluded in April 2022 and the buyback of a second tranche of shares in June 2022.

On August 8, 2022 the Issuer announced that it has signed a definitive agreement to sell its Additive Manufacturing business to Stratasys, Ltd. The selling price amounts to approximately EUR 43 million. In addition, there is a potential earn-out of up to EUR 37 million, which is subject to the achievement of various performance metrics. With the decision to sell the Additive Manufacturing business, the Issuer continues its portfolio optimization with the goal to position itself even more efficiently in the market and to be able to place greater focus on its extensive offering for customers in its core industries. The divested business includes employees, research and development facilities, production assets and offices in the Netherlands, Germany, the U.S. and China as well as access to a large network of partners globally. The business offers material solutions for common polymer 3D printing processes. The portfolio of the Additive Manufacturing business also includes products from the Resins & Functional Materials business acquired from Koninklijke DSM N.V., Heerlen (Netherlands) in 2021. The transaction is planned to be closed in the first quarter of 2023.

There were no other recent events particular to the Issuer which are to a material extent relevant to the evaluation of its solvency."

4. Description of the Issuer and the Group – Significant Changes

On page 122 of the Base Prospectus, in the section "*Significant Changes*" the content shall be replaced by the following:

"Significant Changes

There have been no significant changes with regard to the financial position or the financial performance of the Group since June 30, 2022."

5. Description of the Issuer and the Group – Trend Information

On page 122 of the Base Prospectus, in the section "*Trend Information*" the content shall be replaced by the following:

"Trend Information

On July 29, 2022, the Issuer announced that, as a consequence of the recent significant further increase in energy costs and a further weakening global economy, its forecast concerning the expected development of certain financial measures in the financial year 2022 had to be reduced compared to the original guidance.

There has been no material adverse change in the prospects of Covestro AG since December 31, 2021."

6. Description of the Issuer and the Group – Consolidated Financial Information

On pages 122 et seqq. of the Base Prospectus, in the section "*Consolidated Financial Information*" the content up to and excluding the sub-section "*Alternative Performance Measures, Core Volume Growth and Green House Gas Emissions*" shall be replaced by the following content:

"Consolidated Financial Information

The following historical financial information for the Group is based on the audited consolidated financial statements of Covestro AG as of and for the financial years ended December 31, 2021, and December 31, 2020, and on the unaudited consolidated interim financial information of Covestro AG as of and for the six-month period ended June 30, 2022, which are all incorporated by reference in this Base Prospectus and should be read together with them. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted in the European Union. The full year consolidated financial statements of the Group were audited by KPMG and issued with an unqualified auditor's report.

Consolidated Income Statement

	For the six-month period ended June 30,		Financial year ended December 31,	
	2022	2021	2021	2020
<i>(amounts in EUR million, earnings per share in EUR)</i>	<i>(unaudited)</i>		<i>(audited)</i>	
Sales	9,386	7,263	15,903	10,706
Cost of goods sold	(7,280)	(5,074)	(11,475)	(8,207)
Gross profit	2,106	2,189	4,428	2,499
Selling expenses	(797)	(670)	(1,428)	(1,195)
Research and development expenses	(190)	(160)	(341)	(262)
General administration expenses	(189)	(203)	(415)	(310)
Other operating income	34	52	99	63
Other operating expenses	(68)	(45)	(81)	(99)
EBIT⁽¹⁾	896	1,163	2,262	696
Equity-method loss	(10)	(7)	(15)	(13)
Result from other affiliated companies	-	1	2	1
Interest income	37	15	38	26
Interest expense	(57)	(41)	(79)	(73)

	For the six-month period ended June 30,		Financial year ended December 31,	
	2022	2021	2021	2020
<i>(amounts in EUR million, earnings per share in EUR)</i>	<i>(unaudited)</i>		<i>(audited)</i>	
Other financial result	(42)	(15)	(23)	(32)
Financial result	(72)	(47)	(77)	(91)
Income before income taxes	824	1,116	2,185	605
Income taxes	(209)	(271)	(566)	(151)
Income after income taxes	615	845	1,619	454
of which attributable to noncontrolling interest	-	3	3	(5)
of which attributable to Covestro AG shareholders (net income)	615	842	1,616	459
<i>Basic earnings per share</i>	<i>3.20⁽²⁾</i>	<i>4.36⁽³⁾</i>	<i>8.37⁽⁴⁾</i>	<i>2.48⁽⁵⁾</i>
<i>Diluted earnings per share</i>	<i>3.20⁽²⁾</i>	<i>4.36⁽³⁾</i>	<i>8.37⁽⁴⁾</i>	<i>2.48⁽⁵⁾</i>

(1) EBIT: Income after income taxes plus financial result and income taxes.

(2) Weighted average number of outstanding no-par voting shares of Covestro AG in issue: 192,101,348.

(3) Weighted average number of outstanding no-par voting shares of Covestro AG in issue: 193,160,544.

(4) Weighted average number of outstanding no-par voting shares of Covestro AG in issue: 193,165,396.

(5) Weighted average number of outstanding no-par voting shares of Covestro AG in issue: 184,912,207.

Consolidated Statement of Financial Position

	As of June 30,	As of December 31,	
	2022	2021	2020
<i>(amounts in EUR million)</i>	<i>(unaudited)</i>	<i>(audited)</i>	
Noncurrent assets	8,693	8,610	6,734
Goodwill	753	757	255
Other intangible assets	692	706	109
Property, plant and equipment	6,171	6,032	5,175
Investments accounted for using the equity method	181	172	173
Other financial assets	45	49	32
Other receivables	247	76	65
Deferred taxes	604	818	925
Current assets	7,429	6,961	6,190
Inventories	3,673	2,914	1,663
Trade accounts receivable	2,771	2,343	1,593
Other financial assets	67	493	1,144
Other receivables	456	434	295
Claims for income tax refunds	147	128	55
Cash and cash equivalents	315	649	1,404
Assets held for sale	-	-	36
Total assets	16,122	15,571	12,924
Equity	8,494	7,762	5,644
Capital stock of Covestro AG	190	193	193
Capital reserves of Covestro AG	3,780	3,927	3,925
Other reserves	4,473	3,576	1,489
Equity attributable to Covestro AG shareholders	8,443	7,696	5,607
Equity attributable to noncontrolling interest	51	66	37
Noncurrent liabilities	3,488	4,203	4,916

	As of June 30, 2022	As of December 31,	
	(unaudited)	2021	2020
<i>(amounts in EUR million)</i>		<i>(audited)</i>	
Provisions for pensions and other post-employment benefits	473	1,199	2,123
Other provisions	196	223	218
Financial liabilities	2,353	2,349	2,277
Income tax liabilities	113	98	88
Other liabilities	29	34	31
Deferred taxes	324	300	179
Current liabilities	4,140	3,606	2,364
Other provisions	338	637	155
Financial liabilities	806	192	622
Trade accounts payable	2,560	2,214	1,241
Income tax liabilities	128	239	74
Other liabilities	308	324	262
Liabilities directly related to assets held for sale	-	-	10
Total equity and liabilities	16,122	15,571	12,924

Consolidated Statement of Cash Flows

	For the six-month period ended June 30,		Financial year ended December 31,	
	2022	2021	2021	2020
<i>(amounts in EUR million)</i>	<i>(unaudited)</i>		<i>(audited)</i>	
Income after income taxes	615	845	1,619	454
Income taxes	209	271	566	151
Financial result	72	47	77	91
Income taxes paid	(360)	(176)	(546)	(155)
Depreciation, amortization, impairment losses and impairment loss reversals	457	397	823	776
Change in pension provisions	12	21	31	25
(Gains)/losses on retirements of noncurrent assets	-	(8)	(3)	8
Decrease/(increase) in inventories	(651)	(528)	(987)	160
Decrease/(increase) in trade accounts receivable	(335)	(446)	(462)	(106)
(Decrease)/increase in trade accounts payable	291	394	722	(154)
Changes in other working capital/other noncash items	(425)	164	353	(16)
Cash flows from operating activities	(115)	981	2,193	1,234
Cash outflows for additions to property, plant, equipment and intangible assets	(330)	(289)	(764)	(704)
Cash inflows from sales of property, plant, equipment and other assets	3	10	11	6
Cash inflows from divestments less divested cash	6	-	12	(3)
Cash outflows for noncurrent financial assets	(7)	(22)	(34)	(16)
Cash inflows from noncurrent financial assets	1	2	25	7

	For the six-month period ended June 30,		Financial year ended December 31,	
	2022	2021	2021	2020
Cash outflows for acquisitions less acquired cash	-	(1,469)	(1,469)	-
Interest and dividends received	33	17	36	30
Cash inflows from/(outflows for) other current financial assets	448	606	188	(1,089)
Cash flows from investing activities	154	(1,145)	(1,995)	(1,769)
Capital contributions	-	-	-	444
Reissuance / Reacquisition of treasury shares	(150)	-	2	4
Dividend payments and withholding tax on dividends	(653)	(257)	(262)	(221)
Issuances of debt	579	2	51	1,775
Retirements of debt	(90)	(98)	(675)	(719)
Interest paid	(63)	(42)	(81)	(79)
Cash outflows for the purchase of additional interests in subsidiaries	(4)	-	-	-
Cash flows from financing activities	(381)	(395)	(965)	1,204
Change in cash and cash equivalents due to business activities	(342)	(559)	(767)	669
Cash and cash equivalents at beginning of period	649	1,404	1,404	748
Change in cash and cash equivalents due to changes in scope of consolidation	-	-	-	1
Change in cash and cash equivalents due to exchange rate movements	8	11	12	(14)
Cash and cash equivalents at end of period	315	856	649	1,404

7. Documents incorporated by reference

On page 137 of the Base Prospectus, the section "*Documents incorporated by reference*" shall be replaced by the following:

"DOCUMENTS INCORPORATED BY REFERENCE"

The pages specified below of the following documents, which have previously been published or are published simultaneously with this Base Prospectus and which have been filed with the CSSF, are incorporated by reference into this Base Prospectus:

- (i) Annual Report 2021 of the Group (the "**Annual Report 2021**"), comprising the English language translation of the respective German language audited consolidated financial statements of Covestro AG as of and for the year ended December 31, 2021, and the German language independent auditor's report (*Bestätigungsvermerk des unabhängigen Abschlussprüfers*) in respect thereof;
- (ii) Annual Report 2020 of the Group (the "**Annual Report 2020**"), comprising the English language translation of the respective German language audited consolidated financial statements of Covestro AG as of and for the year ended December 31, 2020, and the German language independent auditor's report (*Bestätigungsvermerk des unabhängigen Abschlussprüfers*) in respect thereof;
- (iii) Unaudited Consolidated Interim Financial Information of Covestro AG as of and for the three-month period ended March 31, 2022, (the "**Interim Financial Information Q1 2022**");
- (iv) Unaudited Consolidated Interim Financial Information of Covestro AG as of and for the six-month period ended June 30, 2022, (the "**Interim Financial Information H1 2022**");

- (v) Extract from the base prospectus of Covestro AG relating to the EUR 5,000,000,000 debt issuance programme dated March 12, 2020 (the "**Base Prospectus 2020**"); and
- (vi) Extract from the base prospectus of Covestro AG relating to the EUR 5,000,000,000 debt issuance programme dated February 26, 2016 (the "**Base Prospectus 2016**").

The non-incorporated parts of such documents, i.e. the pages not listed in the tables below, are either not relevant for the investor or covered elsewhere in the Base Prospectus.

(i) Extracted from: Covestro – Annual Report 2021

Consolidated Income Statement	page 207
Consolidated Statement of Comprehensive Income	page 208
Consolidated Statement of Financial Position	page 209
Consolidated Statement of Cash Flows	page 210
Consolidated Statement of Changes in Equity	page 211
Notes to the Consolidated Financial Statements	pages 212 - 288
Independent Auditor's Report	pages 291 - 300

(ii) Extracted from: Covestro– Annual Report 2020

Consolidated Income Statement	page 187
Consolidated Statement of Comprehensive Income	page 188
Consolidated Statement of Financial Position	page 189
Consolidated Statement of Cash Flows	page 190
Consolidated Statement of Changes in Equity	page 191
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Independent Auditor's Report	pages 274 - 282

(iii) Extracted from: Covestro– Interim Financial Information Q1 2022

Consolidated Income Statement	page 12
Consolidated Statement of Comprehensive Income	page 13
Consolidated Statement of Financial Position	page 14
Consolidated Statement of Cash Flows	page 15

(iv) Extracted from: Covestro– Interim Financial Information H1 2022

Consolidated Income Statement	page 26
Consolidated Statement of Comprehensive Income	page 27
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Notes to the Consolidated Interim Financial Statements	pages 31 - 46
Review Report	page 49

(v) Extracted from: Base Prospectus 2020

Terms and Conditions of the Notes	pages 27 - 85
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(vi) Extracted from: Base Prospectus 2016

All of these pages shall be deemed to be incorporated by reference into, and to form part of, this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus may be obtained (without charge) from the registered office of the Issuer and the website of the Luxembourg Stock Exchange (www.bourse.lu).

Electronic versions of the documents incorporated by reference are also available on the website of the Issuer (<https://www.covestro.com>) and can be accessed by using the following hyperlinks:

1. Covestro – Annual Report 2021:

https://www.covestro.com/-/media/covestro/corporate/investors/financial-documents-and-presentations/financial-documents/en/2021/q4/covestro_annual_report_2021.pdf

2. Covestro – Annual Report 2020:

<https://report.covestro.com/annual-report-2020/servicepages/downloads/files/covestro-ar20-entire.pdf>

3. Covestro – Interim Financial Information Q1 2022:

<https://report.covestro.com/quarterly-statement-q1-2022/servicepages/downloads/files/entire-covestro-q1-22.pdf>

4. Covestro – Interim Financial Information H1 2022:

<https://report.covestro.com/half-year-financial-report-2022/servicepages/downloads/files/covestro-hyr-22-entire.pdf>

5. Covestro – Base Prospectus 2020:

<https://www.covestro.com/-/media/covestro/corporate/investors/debt/debt-issuance-program/documents/covestro-debt-issuance-program-base-prospectus-2020.pdf>

6. Covestro – Base Prospectus 2016:

<https://www.covestro.com/-/media/covestro/corporate/investors/debt/debt-issuance-program/documents/covestro-base-prospectus-2016.pdf>

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Registered Office of the Issuer

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