

**Report of the Board of Management to the Annual Stockholders' Meeting in accordance with Section 203 Para. 2 Sentence 2 AktG in conjunction with Section 186 Para. 4 Sentence 2 AktG (agenda item 9)**

The Board of Management submits to the company's Annual Stockholders' Meeting convened for May 24, 2023, the following written report pursuant to Section 203 Para. 2 Sentence 2 AktG in conjunction with Section 186 Para. 4 Sentence 2 AktG regarding the resolution to be adopted under agenda item 9 proposing the replacement of the previous Authorized Capital I through the creation of a new Authorized Capital I:

The authorization of the Board of Management granted by the Annual Stockholders' Meeting on May 15, 2018, to increase the capital stock by up to EUR 18,304,587 (Authorized Capital I) expires on May 14, 2023. There will then be no more authorized capital. There has been no Authorized Capital II for a long time. The previous Authorized Capital III already expired in 2022. The Annual Stockholder's Meeting shall therefore create a new Authorized Capital I so that the company retains its ability to quickly and flexibly cover its financial needs by means of equity financing in the future. The new Authorized Capital I shall again have a volume of 20% of the capital stock at the date of the resolution. However, the term shall be only three years instead of the previous five. Under agenda item 10, Authorized Capital III, which already expired on May 25, 2022, shall also be renewed with a volume of 10% of the current capital stock as Authorized Capital II, so that the company continues to have available authorized capital with a total volume of 30% of the capital stock. Under agenda item 11, a resolution shall also be adopted on the authorization to issue convertible and/or warrant bonds and/or income bonds (or combinations of these instruments) (collectively referred to as "bonds") plus conditional capital with a volume of up to 10% of the company's capital stock.

The sum of all new shares issued with subscription rights disappplied in accordance with the new Approved Capital I and II and the new shares issued to service bonds issued with subscription rights disappplied in accordance with the authorization proposed under agenda item 11 may not exceed a total of 10% of the company's current capital stock.

**Creation of a new Authorized Capital I**

The new Authorized Capital I that is to take the place of the previous Authorized Capital I provided for in Article 4 Para. 3 of the company's Articles of Association amounts to EUR 17,269,260 and is thus equal to 20% of the current capital stock totaling EUR 86,346,303.

The proposed new Authorized Capital I will enable the company, within reasonable limits, to continue to quickly and flexibly cover its financial needs in the future. Decisions about the coverage of need for capital generally have to be made quickly. It is therefore important that the company does not depend on the annually scheduled Annual Stockholders' Meetings or on an Extraordinary Stockholders' Meeting and that authorized capital is available at any time. Legislators have responded to this need by providing the instrument of authorized capital.

The chemical industry has been going through a process of global consolidation for several years. The new Authorized Capital I gives the company the necessary flexibility to respond appropriately to the changes and to play an active part in this process. In particular, the necessary financial foundation will be created to direct the strategic focus toward less cyclical, highly profitable growth options. In the past, the Board of Management has taken a responsible approach to the strategic realignment of the company in the interests of the company and of its stockholders. The previous authorizations to carry out capital measures were never fully utilized. The stockholders' legitimate interest in protection against dilution is met by including provisions in the Articles of Association that limit the total amount of capital measures with subscription rights disappplied to no more than 10% of the capital stock at the time of the resolution. This threshold is significantly lower than the previous options for capital measures with subscription

rights disappplied, which were capped at a total of 20% by way of a self-commitment on the part of the Board of Management.

Against this background, the new Authorized Capital I covers capital increases against cash and contributions in kind. Unlike the previous Authorized Capital I, however, the term shall be only three years instead of five as was customary in the past. The needs of the investors shall thus be met.

Stockholders are generally entitled to statutory subscription rights when the new Authorized Capital I is utilized. The subscription rights can also be granted by way of the new shares being acquired by one or more credit institutions or equivalent entities in accordance with Section 186 Para. 5 Sentence 1 AktG with the obligation to offer them to the stockholders of the company for subscription (indirect subscription right).

With the Supervisory Board's approval, however, it shall be possible to disapply subscription rights in the following cases:

#### **Disapplication of subscription rights to eliminate fractional amounts in the event of capital increases**

With the approval of the Supervisory Board, it shall be possible to disapply subscription rights for fractional amounts in the event of capital increases against cash or contributions in kind. This is intended to facilitate the processing of an issue with a fundamental subscription right for stockholders. Fractional amounts can result from the respective issue volume and from the fact that it is necessary to present a technically feasible subscription ratio. For the individual stockholder, such fractional amounts are typically of low value. The potential dilutive effect is also negligible due to the limit on fractional amounts. On the other hand, the complexity of an issue without such disapplication is much greater for the company, which leads to additional costs. The disapplication of subscription rights thus serves the purpose of practicability and cost efficiency and simplifies the implementation of an issue. The new shares that are excluded from the stockholders' subscription rights as fractional shares are liquidated in the manner that is most beneficial for the company, either by selling them on a stock exchange or in another way.

#### **Disapplication of subscription rights in favor of holders of warrants and conversion rights or obligations**

Furthermore, it shall be possible, with the Supervisory Board's approval, to disapply subscription rights in the event of capital increases insofar as this is necessary in order to grant holders or creditors of the warrants or conversion rights granted or obligations imposed by the company or by its direct or indirect affiliates a subscription right to new no-par bearer shares to the extent to which they would be entitled as stockholders after exercising their warrant or conversion right or fulfilling the warrant or conversion obligation. To facilitate the placement of bonds on the capital market, the corresponding issue terms typically provide for protection against dilution. One possibility for protecting against dilution is to likewise grant the holders of warrants or conversion rights or obligations a right to subscribe to the new shares in a share issue in which the stockholders have a subscription right. They are thus treated as if they had already utilized their warrant or conversion right or had already fulfilled their warrant or conversion obligation. As in this case the dilution protection does not have to be guaranteed by a reduction of the warrant or conversion price, a higher issue price can be achieved for the no-par bearer shares to be issued upon conversion or exercise of the warrant. However, this approach is only possible if stockholders' subscription rights are disappplied. As the placing of bonds with conversion and/or warrant rights or obligations is facilitated by the granting of appropriate dilution protection, the disapplication of subscription rights serves the stockholders' interest in an optimum financial structure of their company.

**Disapplication of subscription rights in the event of capital increases against contributions in kind**

It shall also be possible to disapply stockholders' subscription rights, with the approval of the Supervisory Board, if the capital increase is carried out against contributions in kind, especially in connection with business combinations, where companies, parts of companies, interests in companies, or other assets including rights and receivables are acquired. This provides the company with the necessary flexibility to take advantage of opportunities that arise to acquire other companies, equity interests in companies or parts of companies as well as to carry out business combinations, but also to acquire other assets, such as rights or receivables, in order to improve its competitive position and to strengthen its profitability. The owners of attractive companies or other attractive acquisition targets frequently request voting shares from the buyer as consideration. So that the company can also acquire companies or other acquisition targets of this kind, it must be able to offer shares as consideration. As an acquisition of this kind usually takes place at short notice, it cannot typically be resolved upon by the Annual Stockholders' Meeting, which is held only once a year. This requires the creation of authorized capital that the Board of Management can quickly access – with the approval of the Supervisory Board. In such event, the Board of Management will ensure when determining the pricing ratios that stockholders' interests are appropriately protected, taking into account the stock exchange price of the company's share. However, a systematic link to a stock exchange price is not provided for here, in particular so as to prevent fluctuations in the stock market price from jeopardizing negotiation outcomes once they have been achieved. As already explained, the company will therefore be able to play an active part in shaping the global consolidation process in the chemical industry. The Board of Management will make use of this authorization on a case-by-case basis only when disapplication of subscription rights is in the best interests of the company.

**Disapplication of subscription rights in the event of cash capital increases pursuant to Section 186 Para. 3 Sentence 4 AktG**

Finally, stockholders' subscription rights may also be disapplied with the Supervisory Board's approval if the no-par bearer shares against cash contributions are issued at a price that is not significantly lower than the stock market price. Such an authorization enables the company to quickly and flexibly utilize market opportunities and to quickly cover possible capital requirements. Section 186 Para. 2 Sentence 2 AktG allows publication of the subscription price until the third from last day of the subscription period. In light of the frequently observed volatility of the stock markets, however, there is also a market risk over several days, which leads to safety discounts in the determination of the subscription price and thus to conditions that are not close to the market. If a subscription right exists, the uncertainty surrounding its exercise (subscription behavior) also jeopardizes successful placement with third parties or gives rise to additional costs. On the other hand, the disapplication of subscription rights allows for quick action and a placement close to the stock exchange price without the usual discounts when issuing subscription rights due to the high volatility on the stock markets. This way, the speedy capital procurement for the company can be optimized even further, especially as experience has shown that the ability to act more quickly results in greater cash inflow. Therefore, this form of capital increase is also in the stockholders' best interest.

Protection against dilution is addressed by the fact that no-par bearer shares may only be sold at a price that is not significantly lower than the prevailing stock exchange price. The Board of Management will strive to minimize any discount on the stock exchange price, giving due consideration to the current market conditions. In this context, stockholders are protected by the fact that the discount on the stock exchange price at the time of the utilization of Authorized Capital I must not be significant, i.e. it must never exceed 5% of the current stock exchange price. Stockholders also have the option to maintain their share in the company's capital stock by acquiring additional shares on the stock market at any time.

The cash capital increase with subscription rights disapplied in accordance with Section 186 Para. 3 Sentence 4 AktG must not exceed 10% of the capital stock existing either at the time this authorization becomes effective or at the time it is exercised. This upper limit for the simplified disapplication of subscription rights is reduced by the pro rata amount of the capital stock attributable to the shares issued

or sold during the term of this authorization with subscription rights disappplied in direct or analogous application of Section 186 Para. 3 Sentence 4 AktG. Furthermore, this limit is decreased by shares that have been or will be issued in order to satisfy warrants or conversion rights or obligations, if the warrants or conversion rights or obligations were granted or imposed with subscription rights disappplied in accordance with Section 186 Para. 3 Sentence 4 AktG during the term of this authorization.

The authorization described above to disapply subscription rights in accordance with Section 186 Para. 3 Sentence 4 AktG will be accompanied, provided the company's Annual Stockholders' Meeting on May 24, 2023, resolves upon the Authorized Capital II proposed under agenda item 10, by a new Authorized Capital II of EUR 8,634,630, which includes a corresponding authorization to disapply subscription rights. In contrast to Authorized Capital II, the term of which runs to May 23, 2025, Authorized Capital I has a term until May 23, 2026. This staggering shall ensure that authorized capital with the option to disapply subscription rights in accordance with Section 186 Para. 3 Sentence 4 AktG is available to the company at all times. The stockholders are adequately protected against dilution as a result of the counting rules described above, according to which subscription rights in direct or analogous application of Section 186 Para. 3 Sentence 4 AktG can be disappplied only on one occasion.

### **Total amount of capital measures with subscription rights disappplied**

For the protection of the stockholders, the authorization contains a limit on the total amount of the company's capital measures with subscription rights disappplied, which is enshrined in the Articles of Association.

In total, shares issued on the basis of the authorization with stockholders' subscription rights disappplied may not, (i) together with shares issued by the company during the term of this authorization on the basis of other authorizations with subscription rights disappplied or (ii) together with shares issued or to be issued to service warrants or conversion rights or obligations, provided the warrants or conversion rights or obligations were granted or imposed during the term of the authorization with subscription rights disappplied, exceed 10% of the capital stock at the time this authorization becomes effective. Shares issued with subscription rights disappplied to eliminate fractional amounts in the event of capital increases are not counted toward the aforementioned limit. Utilization of own shares with subscription rights disappplied is likewise not counted toward the upper limit. These shares have already been issued and therefore exist already.

Authorized Capital II and the authorization to issue bonds likewise provide for this upper limit. Please refer to the reports of the Board of Management to the Annual Stockholders' Meeting on Authorized Capital II (agenda item 10) and on the authorization to issue warrant or convertible bonds (agenda item 11) in this respect.

### **Utilization of the new Authorized Capital I**

There are currently no specific plans to exercise the new Authorized Capital I. Such advance resolutions with the option to disapply subscription rights are customary nationally and internationally. In each of the individual cases mentioned in this authorization, the Board of Management will carefully review whether it will use the authorization to increase capital with stockholders' subscription rights disappplied. It will only do so if the Board of Management and the Supervisory Board judge the disapplication of subscription rights to be in the interest of the company and thus its stockholders. As in the past, the Board of Management will also treat this authorization responsibly.

The Board of Management will inform the Annual Stockholders' Meeting of any utilization of the above authorization.

Cologne, March 2023

LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert (Chairman)

Dr. Anno Borkowsky

Dr. Hubert Fink

Michael Pontzen