

**Report of the Board of Management to the Annual Stockholders' Meeting in accordance with Section 221 Para. 4 Sentence 2 AktG in conjunction with Section 186 Para. 4 Sentence 2 AktG (agenda item 11)**

The Board of Management submits to the company's Annual Stockholders' Meeting convened for May 24, 2023 the following written report pursuant to Section 221 Para. 4 Sentence 2 AktG in conjunction with Section 186 Para. 4 Sentence 2 AktG regarding the resolution to be adopted under agenda item 11 proposing the creation of a new authorization to issue convertible and/or warrant bonds and/or income bonds (or combinations of these instruments) (collectively referred to as "bonds") – also with subscription rights disappplied in each case – and new conditional capital:

The authorization approved at the Annual Stockholders' Meeting of May 15, 2018, to issue convertible and/or warrant bonds, profit-participation rights and/or income bonds (or combinations of these instruments) and the conditional capital expire on May 14, 2023. They shall therefore be replaced by a new authorization as well as new conditional capital.

The proposed authorization is intended to authorize the Board of Management, with the approval of the Supervisory Board, to issue bonds with a total nominal value of up to EUR 1,000,000,000 on or more occasions until May 23, 2026, as well as to create conditional capital of up to EUR 8,634,630 to service the warrant and conversion rights or obligations that shall thus amount 10% of the capital stock at the time of the resolution.

Adequate capitalization provides an essential basis for the development of the company. By issuing bonds, the company can utilize attractive financing opportunities on the capital market in addition to the traditional options of raising debt or equity capital. Issuing bonds allows, for example, low-interest debt to be raised that can be classified both for rating purposes and for accounting purposes as equity or near equity.

Unlike the authorization granted by the Annual Stockholders' Meeting of May 15, 2018, and expiring on May 14, 2023, the new authorization no longer allows the issue of profit-participation rights, but only of convertible and/or warrant bonds and/or income bonds (or combinations of these instruments). The needs of the investors shall thus be met.

**Stockholders' subscription rights**

In accordance with Section 221 Para. 4 AktG in conjunction with Section 186 Para. 1 AktG, stockholders are generally entitled to the statutory right to subscribe to bonds to which warrants or conversion rights or obligations are attached. If the stockholders are not allowed to subscribe directly to the bonds, the Board of Management can utilize the option to issue bonds to one or more credit institutions or equivalent entities in accordance with Section 186 Para. 5 Sentence 1 AktG with the obligation to offer the bonds to the stockholders in line with their subscription right (indirect subscription right in accordance with Section 186 Para. 5 AktG).

**Disapplication of subscription rights for fractional amounts and in favor of the holders or creditors of conversion rights and warrant rights or obligations that have already been issued**

The disapplication of subscription rights for fractional amounts allows the requested authorization to be utilized through rounded amounts. This makes it easier to process the stockholders' subscription rights.

The disapplication of subscription rights in favor of the holders or creditors of conversion and warrant rights or obligations that have already been issued has the advantage that the conversion or warrant

price for the conversion or warrant rights or obligations already issued does not need to be reduced and a higher cash inflow overall is enabled as a result.

Both instances of the disapplication of subscription rights are therefore in the interest of the company and thus its stockholders.

#### **Disapplication of subscription rights pursuant to Section 221 Para. 4 Sentence 2 AktG, Section 186 Para. 3 Sentence 4 AktG**

Furthermore, the Board of Management is authorized, with the approval of the Supervisory Board, to completely disapply stockholders' subscription rights if bonds to which warrants or conversion rights or obligations are attached are issued against cash payment at a price that is not significantly lower than the market value of these bonds. As a result, the company gains the ability to take advantage of favorable market situations quickly and at short notice and, by setting conditions close to the market, to obtain better conditions when determining the interest rate, warrant or conversion price, and issue price of the bonds. If subscription rights were upheld, it would not be possible to set conditions close to the market or to conduct a smooth placement. Section 186 Para. 2 AktG allows publication of the subscription price (and thus the conditions of these bonds) 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 bond conditions 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. Finally, if a subscription right is granted, the company is unable to react at short notice to favorable or unfavorable market conditions on account of the length of the subscription period, but is exposed to declining share prices during the subscription period, which can lead to equity funding that is not favorable for the company.

In accordance with Section 221 Para. 4 Sentence 2 AktG, the provision of Section 186 Para. 3 Sentence 4 AktG applies mutatis mutandis to this case where subscription rights are completely disappplied. The limit stipulated there for the disapplication of subscription rights of 10% of the capital stock must be complied with on the basis of the content of the resolution. The volume of the conditional capital that in this case is to be made available at most to secure the warrants or conversion rights or obligations may not exceed 10% of the capital stock existing when the authorization to disapply subscription rights in accordance with Section 186 Para. 3 Sentence 4 AktG becomes effective. A corresponding requirement in the authorization resolution also ensures that the 10% limit is also not exceeded in the case of a capital reduction, as expressly 10% of the capital stock may not be exceeded in accordance with the authorization to disapply subscription rights either at the time that this authorization becomes effective or – if the value is lower – at the time this authorization 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. Section 186 Para. 3 Sentence 4 AktG also stipulates that the issue price may not be significantly lower than the stock market price. This is intended to ensure that the financial value of the shares is not appreciably diluted. Whether such dilution occurs when bonds to which warrants or conversion rights or obligations are attached are issued with subscription rights disappplied can be determined by calculating the hypothetical market value of the bonds using recognized, especially actuarial methods, and comparing it with the issue price. If, after an examination with due care and diligence, this issue price is only insignificantly lower than the hypothetical market price at the time the bonds are issued, then in accordance with the meaning and intention of the regulation in Section 186 Para. 3 Sentence 4 AktG the disapplication of subscription rights is permissible because of the insignificant discount. The resolution therefore stipulates that, before issuing the bonds to which warrants or conversion rights or obligations are attached, the Board of Management must, after conducting an examination with due care and diligence, come to the opinion that the stipulated issue price will not lead to any appreciable dilution of the value of the shares, as the issue price of the bonds is not significantly lower than their hypothetical market value calculated using recognized, especially actuarial methods. The notional market value of a subscription right would thus be reduced almost to zero, so the disapplication of

subscription rights cannot result in an appreciable financial disadvantage for stockholders. All of this ensures that the value of the shares is not appreciably diluted due to the disapplication of subscription rights.

Stockholders also have the option to maintain their share in the company's capital stock, even after conversion or warrant rights are exercised or the warrant or conversion obligation arises, by acquiring additional shares on the stock market at any time. In contrast, the authorization to disapply subscription rights allows the company to set conditions close to the market, to ensure the greatest possible security with regard to the ability to make placements with third parties, and to take advantage of favorable market conditions at short notice to the benefit of the company and thus its stockholders.

### **Disapplication of subscription rights in the case of income bonds that are structured in a similar way to debentures and do not have a warrant or conversion right or obligation**

The Board of Management is furthermore authorized, with the approval of the Supervisory Board, to disapply stockholders' subscription rights as a whole if income bonds without warrants or conversion rights or obligations are to be issued when these income bonds are structured in a similar way to debentures. This is the case if they do not convey any membership rights in the company, do not grant any share in the liquidation proceeds, or the interest rate is not calculated on the basis of net income, balance sheet profit or the dividend. In addition, the interest rate and the issue price of the income bonds must be consistent with the market conditions prevailing at the time of the issue. If the stated criteria are met, the disapplication of subscription rights results in no disadvantages for the stockholders, as the income bonds do not convey any membership rights and also do not grant any share in the liquidation proceeds or in the profit of the company.

### **Issue price**

With the exception of a conversion obligation or a right to delivery of shares, the issue price for the new shares must amount to at least 80% of the stock exchange price determined close to the time when bonds to which warrants or conversion rights or obligations are attached are issued. The possibility of a markup (which can increase after the term of the warrant or convertible bond) ensures that the terms and conditions of the convertible or warrant bonds can account for the respective capital market conditions when they are issued.

In cases involving a conversion obligation or a right to delivery of shares, the issue price of the new shares must, pursuant to the bond conditions, be equivalent to the volume-weighted average closing price of the company's no-par share in electronic trading on the Frankfurt Stock Exchange during the 10 trading days before or after the final maturity date, even if this average price is lower than the minimum price stated above.

### **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 stockholders' subscription rights disappplied.

If bonds with conversion rights or warrants or conversion obligations are issued with stockholders' subscription rights disappplied under this authorization, shares to be issued to service such bonds may not exceed a proportion of 10% of the capital stock at the time this authorization becomes effective. Shares issued or to be issued during the term of this authorization until the time of its utilization on the basis of other authorizations with subscription rights disappplied must be counted toward this limit, but not shares issued with subscription rights disappplied to eliminate fractional amounts in the event of capital increases. Utilization of own shares with subscription rights disappplied is not counted toward the 10% limit.

Authorized Capital I and II likewise provide for this upper limit. Please refer to the reports of the Board of Management to the Annual Stockholders' Meeting on Authorized Capital I (agenda item 9) and on Authorized Capital II (agenda item 10) in this respect.

**Utilization of the authorization to issue convertible or warrant bonds**

There are currently no specific plans to utilize the authorization to issue convertible or warrant bonds. In each case, the Board of Management will carefully review whether the utilization of the authorization is in the interests of the company and its stockholders. The Board of Management will report to the Annual Stockholders' Meeting on each and any utilization of this authorization.

Cologne, March 2023

LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert (Chairman)

Dr. Anno Borkowsky

Dr. Hubert Fink

Michael Pontzen