



March 15, 2023

Dr. Burkhard Lohr | Chairman of the Board of Executive Directors

# Annual Press Conference

2022 Financial Year

**Welcome**



Ladies and Gentlemen,

Welcome to today's Annual Press Conference here in Frankfurt.

I would like to extend a very warm welcome to my colleague on the Board of Executive Directors, Dr. Christian Meyer. Today is his first day as Chief Financial Officer at K+S. Mr. Meyer already knows our Company very well from a different perspective and will briefly introduce himself to you personally after my remarks. We are both very much looking forward to working together on the Board of Executive Directors.

Before we talk about the 2022 financial year as well as our outlook for the current year and much more, we want to show you the trailer for our new image film series. Don't worry, it only lasts just under a minute. Start the film, please.



A note after this brief introduction: you are welcome to watch three additional films on our website and social media profiles.

## 2022: Best annual result in the Company's history



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K+S

Ladies and Gentlemen

Let me now present our results for the past financial year:  
2022 was an outstanding year for K+S!

With operating earnings of 2.4 billion euros, we generated by far the best annual result in the history of the Company!

Adjusted free cash flow also reached a peak of around €1.2 billion. Significantly higher average prices in the Agriculture customer segment and for industrial products containing potash in particular were the main factors contributing to this positive development.

At the same time, however, we were confronted with changes in the world last year that were unimaginable for a long time: Since the start of the Russian war of aggression on Ukraine, the world has become a different place.

Economic upheavals, rising inflation, the escalation of the food and energy crisis as well as significant disruptions in global supply chains are the main consequences.

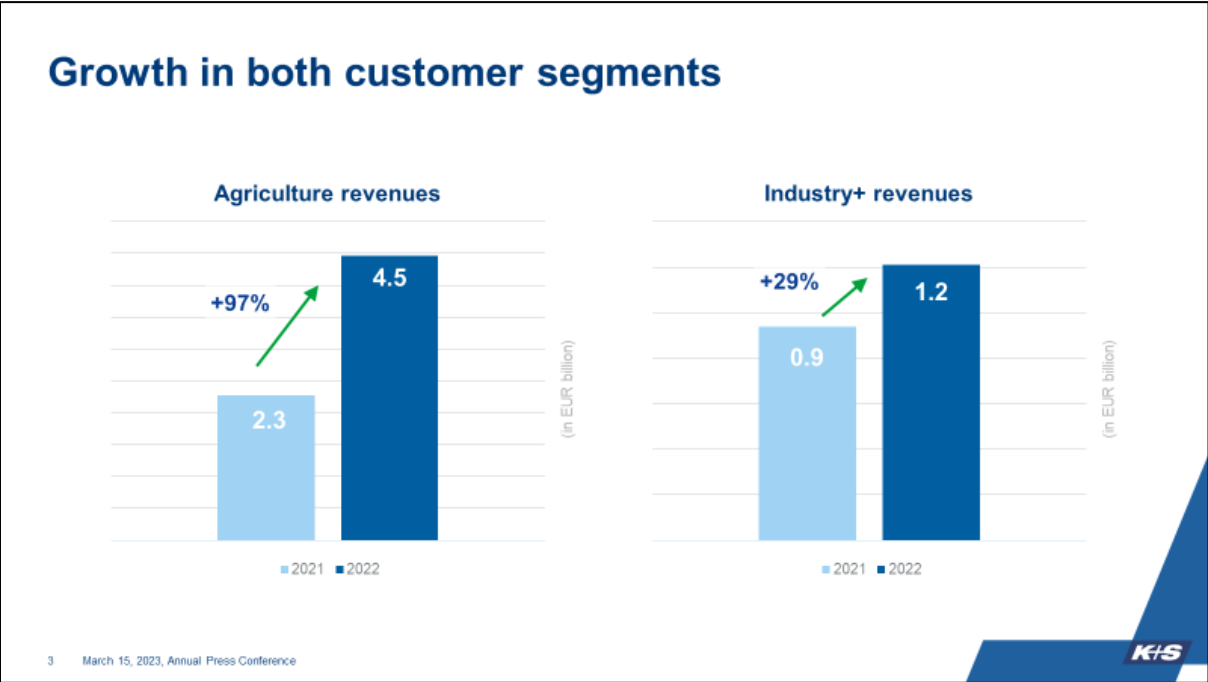
K+S has performed excellently in this tense political and economic environment.

It's part of our business policy to secure the high gas requirements of our power plants for the long term and conclude corresponding supply contracts. This paid off in the 2022 financial year with a cost advantage in the mid three-digit million-euro range.

We have also secured almost all our natural gas supplies for the current year 2023 and most of them for 2024.

At the same time, we cover large volumes of our electricity requirements from our own power plants. Therefore, we could always secure production at our domestic sites.

In the event of a gas shortage, we are driving forward the establishment of alternative power plant and energy technologies to avoid energy bottlenecks. Keywords are new power-to-heat plants or the use of propane gas.



Dear Ladies and Gentlemen,

When looking at the operating business performance and our customer segments, it becomes clear that the largest share of our earnings improvement in 2022 is attributable to the fertilizer business.

Demand in the Agriculture customer segment was extremely strong in the first half of the year and encountered limited

availability on the world market. Potash exports from Russia declined sharply from the second quarter onwards, even without sanctions, due to the war in Ukraine. Moreover, most of the sales channels for potash deliveries from Belarus were blocked due to the sanctions imposed, so that only small volumes could be exported.

In total, there was a shortfall of around 15 million tonnes in the market. Particularly in Northern and Eastern Europe, where the market share of these producers was high, demand therefore shifted towards the other competitors.

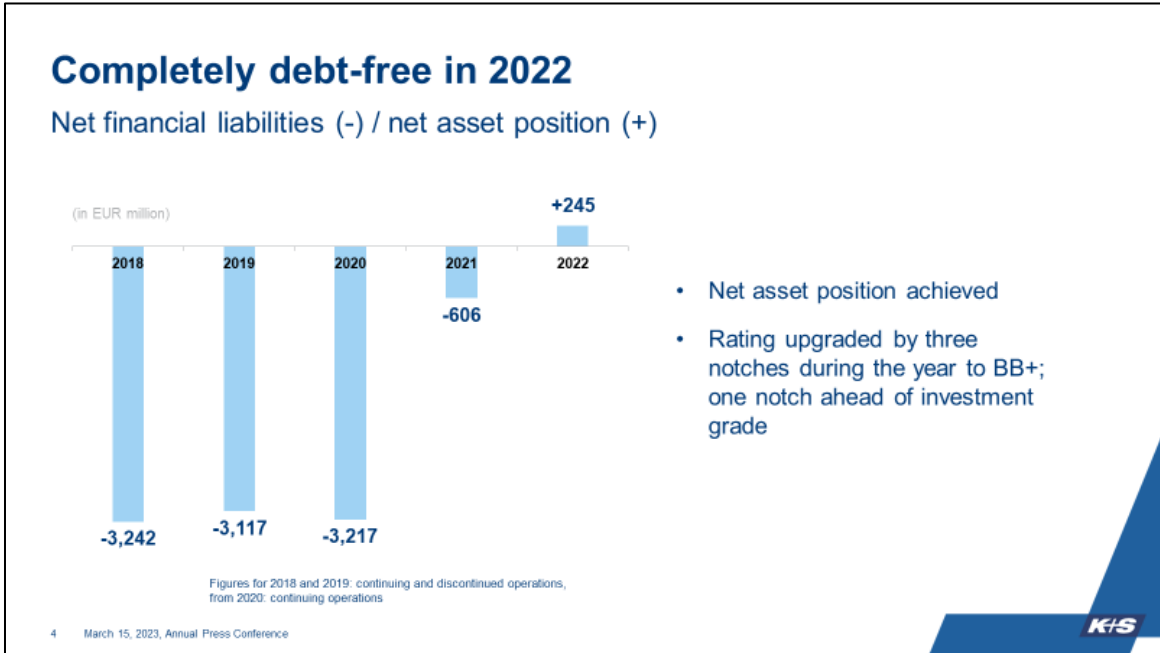
As a result of this development, potash prices again rose very significantly in all sales regions. In Brazil, the USD 1,000 per tonne mark was even exceeded in the meantime for individual supplies.

In the second half of the year, customers adopted a wait-and-see attitude, as there was no imminent application season for potash in the final months of the year. Accordingly, prices returned to normal at a high level during this period, although with regional differences.

The Industry+ customer segment, with its wide range of product applications, was characterized overall by a favorable demand trend. We saw rising prices for both potash and salt products.

Demand from the chemical industry as well as for products for the food and feed industries remained at a high level. Demand for products for the oil, gas, and pharmaceutical industries continued to improve.

As a result of weather conditions, demand for de-icing salts normalized after an above-average previous year.



Ladies and Gentlemen,

By the end of 2022, K+S is debt-free!

We can report a positive net asset position again.

Following the sale of the Americas operating unit in 2021 and the once again very good operating business last year, we have significantly reduced financial debt through repayments and early bond buybacks.

The rating agency Standard & Poor's subsequently upgraded our rating by a total of three notches. With a further increase of just one notch, we will finally achieve the targeted investment grade rating again.

### Shareholder participation in the Company's success

Combination of dividend distribution and share buyback

|               |                        |
|---------------|------------------------|
| Dividend      | €191.4 million         |
| Share buyback | up to €200.0 million * |

- ▶ up to €391.4 million or around €2.00 per share, respectively
- ▶ equivalent to > 40% of the adjusted 2022 free cash flow

\* At K+S share closing price on 13 March 2023 of €20.38, this would result in a share buyback of up to about 5% of the share capital. To start after AGM 2023 and to last until end of February 2024, at the latest.

We communicated our dividend policy in the strategy published in 2021. This provides for a basic dividend of 15 cents per share, with the possibility to be increased by a discretionary premium in the event of good economic development. At the time this dividend policy was set, the focus was on rapidly reducing the Company's debt, securing its financing capability, and creating a solid balance sheet. Following the sale of OU Americas, net financial liabilities were still in the higher three-digit million € range and, at the potash price level at the time, the debt reduction would have progressed much more slowly. Following the business development in 2022, which has already resulted in K+S being in a net asset position, we will revise the distribution policy for future decisions on the participation of shareholders in the success of the Company.

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Our shareholders will participate appropriately in the success of the Company, and we will return capital to them of up to 400 million euros. This is equivalent to around 2 euros per share, or more than 40 percent of the free cash flow generated in 2022, respectively.

We will distribute this amount 50 percent each between two instruments - dividends and share buybacks - to reflect the differing interests of institutional and private investors.

In making this decision, we considered the following:

1. Various interests in our diversified shareholder structure
2. Financing our profitable investments in the Werra 2060 project and the further ramp-up in Bethune ahead of us
3. Moreover, the amount has been chosen deliberately. In view of our volatile business and the ongoing geopolitical upheavals with all their uncertainties, we want to be very careful with our debt in this phase.

This year, we are working on our new dividend strategy in the new Board of Executive Directors team, aiming to ensure that shareholders continue to participate appropriately in our success in the future.



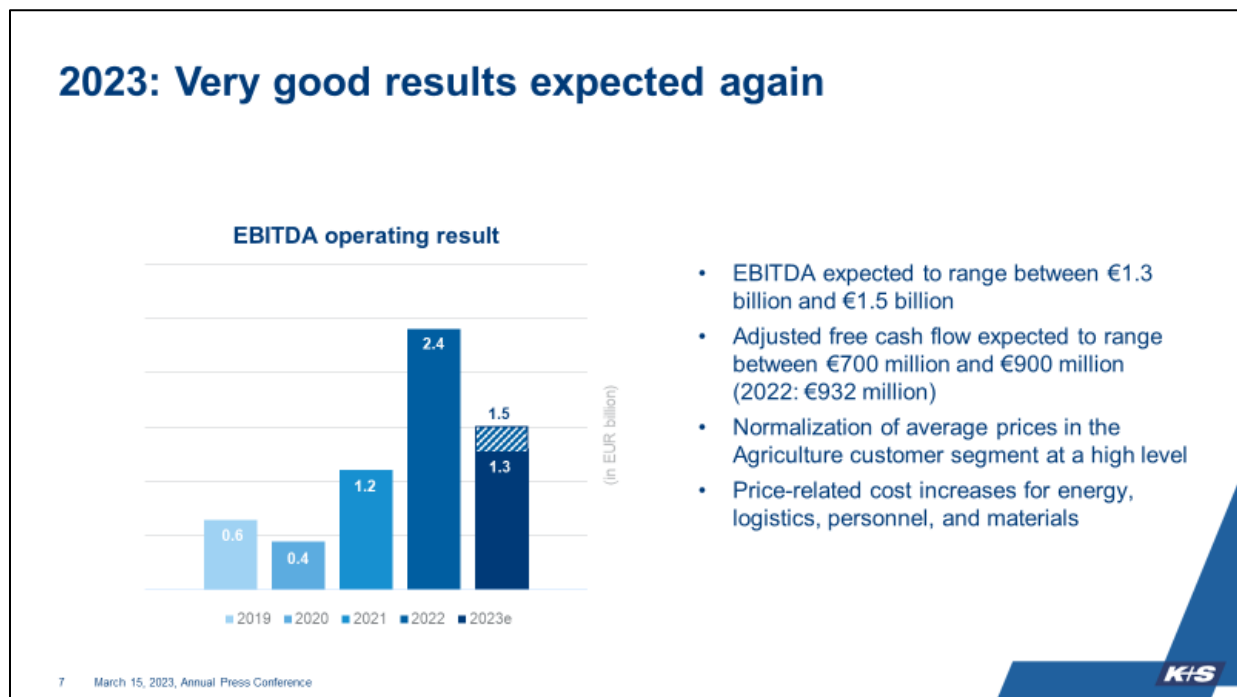
Ladies and Gentlemen,

We are also very positive about the current year. We expect good demand in the market and an attractive price level overall, although at a lower level than in the previous year.

Most importantly, profitability in agriculture is intact in all sales regions. The expected increase in demand will be accompanied by limited supplies of potash from Russia and Belarus again this year.

As you can see from the development in Brazil, prices have now returned to normal following the overheating in spring 2022. This means that average prices in our Agriculture customer segment will be lower again in the current year.

Nevertheless, the current price level is very attractive for us in a historical comparison.



At the same time, we expect a further increase in costs, particularly for energy, logistics, and materials, as well as higher wage costs following the collective wage agreement reached at the end of February this year.

Overall, from today's perspective we expect our EBITDA in the 2023 financial year to range between 1.3 and 1.5 billion euros.

Adjusted free cash flow is expected to range between 700 and 900 million euros.

Therefore, 2023 will be another good year for K+S.

Ladies and Gentlemen,

I will now conclude my presentation and hand over to my colleague Mr. Meyer, who will now briefly introduce himself to you.

Afterwards, I look forward to answering your questions.

Thank you!

