Resolution recommendation and statement of the Board of Executive Directors and the Supervisory Board on agenda item 13

Recommended resolution

The Board of Executive Directors and the Supervisory Board propose to the Annual General Meeting to vote against a reduction of the share capital by cancellation of shares (Section 237 (3), (4) of the German Stock Corporation Act) after acquisition by the Company (Section 71 (1) No. 6 of the German Stock Corporation Act) and therefore in particular against the above proposed resolution of Deutsche Balaton Aktiengesellschaft under agenda item 13. The Board of Executive Directors and Supervisory Board also reaffirm their balanced proposal to pay a dividend of €1 per share under agenda item 2 combined with the announced share buyback with a volume of up to €200 million and propose to reject the announced countermotion by Deutsche Balaton AG to pay a dividend of €0.20 per share.

Statement

With the dividend for the 2022 financial year of €1.00 per share proposed under agenda item 2 and the share buyback announced on March 14, 2023 with a volume of up to €200 million and subsequent cancellation of own shares, capital of up to €391.4 million is expected to be returned to shareholders this year. This is more than 40 percent of the adjusted free cash flow for the 2022 financial year. With the announced share buyback via the stock exchange starting after the Annual General Meeting, around five percent of the share capital will be bought back by the end of February 2024 based on the share price in mid-March 2023 and subsequently retired. According to the motion of Deutsche Balaton AG, the share capital is to be reduced by up to 20%. Up to €1.3 billion would have to be spent on the proposed share buyback by way of a public buyback offer in 2023 alone. This would be significantly more than the adjusted free cash flow expected for the 2023 financial year. The Board of Executive Directors and the Supervisory Board consider their balanced proposal of a dividend and share buyback via the stock exchange totaling up to €391.4 million to be in the best interests of the shareholders and the Company.

1. Reasons for the proposal of the Board of Executive Directors and the Supervisory Board

The package proposed by the Board of Executive Directors and Supervisory Board will return capital of up to €391.4 million to shareholders. This corresponds to around €2 per share and is more than 40% of adjusted free cash flow in 2022. In the view of the Board of Executive Directors and Supervisory Board, this represents an attractive and appropriate way for shareholders to participate in the success of the Company – also taking into account the current outlook for the 2023 financial year. By dividing the capital return amount equally between the two instruments of dividend and share buyback via the stock exchange, sufficient account is also taken of the various interests of all shareholders.

The course adopted by the Board of Executive Directors and the Supervisory Board also takes into account, above all, the financing of the upcoming profitable future capital expenditure in the Werra 2060 project to secure the German potash sites and in the further ramp-up of the Bethune site in Canada. Both projects serve to strengthen the international competitiveness and earning power of the Company in the long term and therefore to create value in the interests of the shareholders.

Furthermore, the volume of the capital return proposed by the Board of Executive Directors and the Supervisory Board has been deliberately chosen to ensure adequate robustness and resilience of the Company in times of global uncertainties and geopolitical upheavals and the associated as well as cyclical volatilities (including potash and energy prices). The balanced proposal of the Board of Executive Directors and the Supervisory Board should enable the Company to achieve and sustain the desired investment grade rating. An investment grade rating ensures that the Company, with its capital-intensive business areas, has a high degree of flexibility in financing matters and cost-optimized access to the financial and capital markets. In the current environment, a higher distribution of capital and the debt required for this would jeopardize these goals and lead to a higher risk position for the Company.

In the future too, K+S intends to leverage financial opportunities to an appropriate extent to enable shareholders to participate in the success of the Company. As in the proposal for the financial year 2022, K+S will then take into account in a balanced manner the current market environment, cash flow expectations, and the different interests of all shareholders in the distribution volume and the selection of the instruments to be used (e.g., dividend and share buyback).

2. Reasons against the motion of Deutsche Balaton AG

The motion for resolution of Deutsche Balaton AG does not meet the interests of the Company and its shareholders for the following reasons:

- Implementation of the motion would result in a cash outflow from the Company of between just under €1.0 billion and €1.3 billion. The approach stated by Deutsche Balaton AG of extending this proposal to the period up to 2025 with a share buyback of around 50 percent of the shares issued would even mean a cash outflow of between €2.5 billion and €3.3 billion if the buyback price range remained unchanged. This would severely restrict the financial room for maneuver for the successful organic further development of the Company.

- The financing of a cash outflow of between €1.0 billion and €1.3 billion alone, together with the necessary capital expenditure in existing business, would necessitate the raising of substantial new loans or other external funds.

- A renewed significant net financial debt would weaken the Company's robustness and resilience in times of global uncertainties and geopolitical dislocations.

- At the same time, the Company's chances of achieving the investment grade rating it is seeking would be significantly reduced. This would have a significant impact on the Company's future refinancing options and standing on the capital market.

- The concept proposed by Deutsche Balaton AG is unilaterally tailored to shareholders who, like Deutsche Balaton AG, are organized as a domestic German corporation. The concept provides such shareholders with tax advantages. According to our assessment, more than 80 percent of our shareholders do not have such tax advantages or have them to a much lesser extent.

- Practice shows that, contrary to Deutsche Balaton AG's assertion, debt-financed share buybacks below the fair value of a share have also not automatically led to corresponding price increases. The motion of Deutsche Balaton AG is unbalanced and therefore not suitable for all shareholders to participate in the success of the Company in accordance with their different interests.

The Board of Executive Directors and the Supervisory Board therefore propose to the Annual General Meeting to vote against a reduction of the share capital by cancellation of shares after acquisition by the Company and therefore in particular against the motion for resolution of Deutsche Balaton AG under agenda item 13 and to follow the balanced management proposal for the appropriation of profits under agenda item 2 in combination with the share buyback and to reject the announced countermotion of Deutsche Balaton AG.