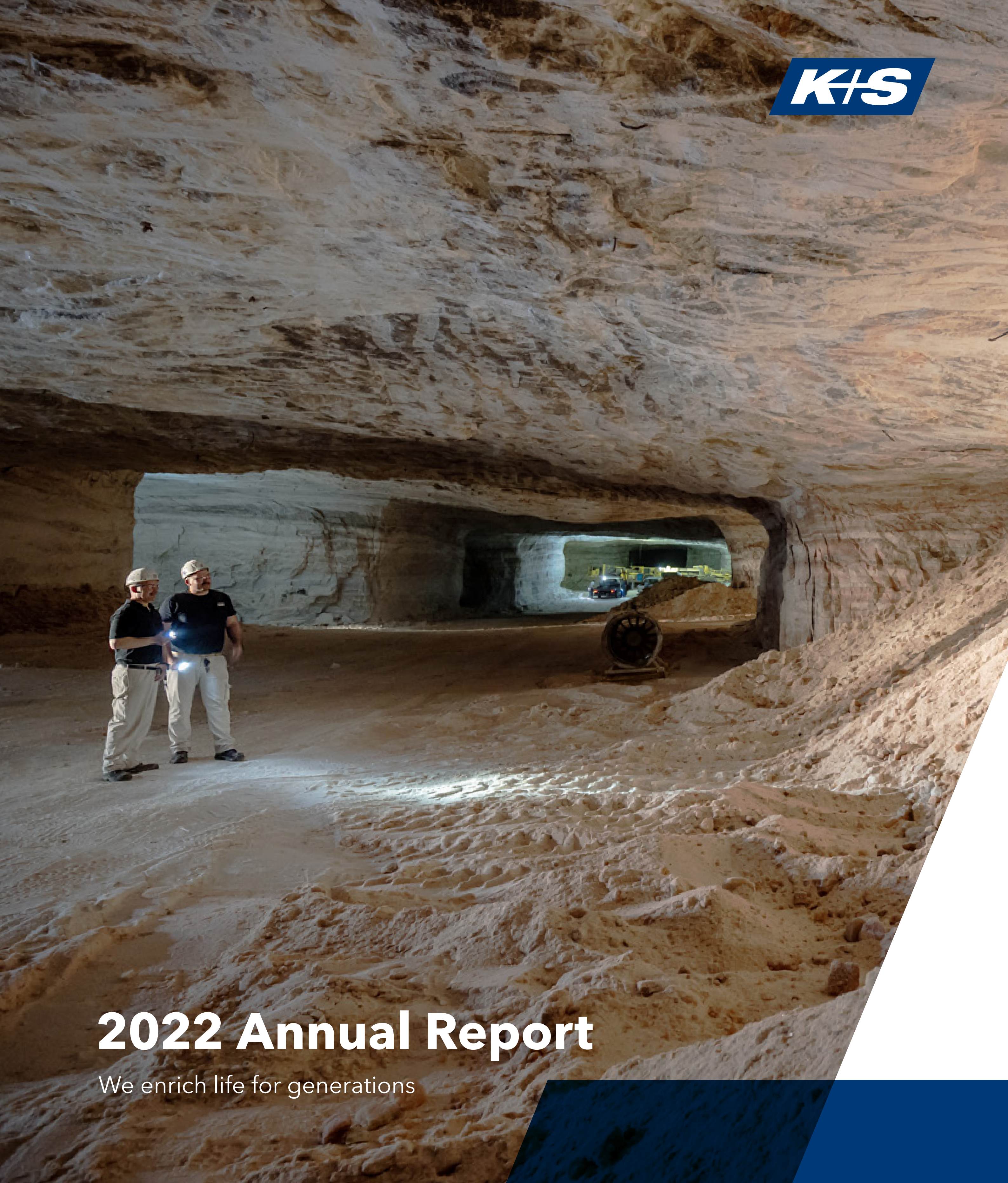

2022 Annual Report

We enrich life for generations

www.kpluss.com

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Cover: We enrich life for generations. Impressions of our Zielitz plant

KEY
- Audited reference within the Annual Report
- Unaudited reference within the Annual Report
- Unaudited reference on the Internet site

Links to our glossary or to the definition of the financial indicators are underlined.

We live our mission statement and strategy

We strive to implement our strategic priorities every day. We are optimizing our existing business, growing our core business, and establishing new business areas – everything in accordance with our climate strategy. The focus is on K+S as a team. Through their actions, each member of our team represents our corporate mission statement and therefore our strategy.

Find out more about the successful implementation of the corporate strategy by K+S employees on the following pages.

We ensure nutrition, health, and safety.

Quality is key

Dirk Heinrich, responsible for Production and Technology above ground at the Borth plant, knows why the quality of his products is important: "Almost everyone knows someone, at least in their extended circle of acquaintances, who is dependent on dialysis. Without our minerals and the quality of our high-purity salts, today's therapy options would be virtually inconceivable. That's what we work for every day."

By 2023, around 3.8 million people worldwide will be dependent on dialysis. This figure is expected to rise to 4.3 million by 2025. Common causes of kidney failure are diabetes or high blood pressure. What's often unknown: Besides dialysis machines for blood washing, high-purity potassium chloride as well as sodium chloride are also essential components of dialysis fluid. It clears out toxins, while at the same time, supplying the body with vital minerals, such as salt and potassium.

Dirk Heinrich, Head of Production and Technology above ground

»It's all about achieving high yields and the best qualities while using inputs economically.«

Christoph Weidemann, Regional Advisor at K+S

We enable the success of our customers.

Trust and long-term cooperation

All over the world, K+S supports agriculture with its fertilizer know-how. Our professionally trained employees provide on-site support to customers, share the latest research findings, and give individual fertilizer recommendations.

One of them: K+S Regional Advisor Christoph Weidemann. He provides support to direct customers and recipients of goods at the agricultural trade level in northwestern Germany. Another target group is the larger farms with which Weidemann maintains excellent relations. He meets agricultural engineers who have high professional standards for advisory services. Depending on the location, crop, and cultivation system, the requirements for needs-based fertilization differ. Nutrient quantity, application form, and fertilization timing: Everything must fit to achieve the desired harvest success!

The best nutrient combination for the plant is identified in individual advisory visits.

Underground innovation protects the environment above ground

Secondary mining at the Unterbreizbach mine is practically André Schwarzer's godchild. This new mining technique has been under development there for over ten years. Valuable potash crude salt is once again extracted from the pillars supporting the mine workings. In return, Schwarzer and his colleagues install large quantities of backfill material, which ensures the stability of the mine: "It's a complex task that requires a lot of experience. We have proven that this process works and is safe," says Schwarzer.

The introduction of secondary mining at the adjacent Hattorf/Wintershall mine will be an important element of the Werra 2060 project. There, residues from potash processing are to be utilized as backfill material, which at the same time, will significantly reduce the growth of the Wintershall tailings pile. "In this way, we are contributing to environmental protection above ground with an innovation below ground," Schwarzer concludes.

»With our experience, we extract additional valuable crude salt while, at the same time, protecting the environment.«

André Schwarzer,
District Foreman of the Unterbreizbach mine

Secondary mining requires an additional conveyor belt in the mine to transport the backfill material to the extraction area.

Future-oriented utilization concepts for our infrastructure

The Zielitz site is our largest single site. Apart from the extraction of high-purity potassium chloride, however, Zielitz provides much more than just raw materials. The site's infrastructure offers a variety of possibilities. Here, innovative utilization concepts play a key role.

With his team, Head of Power Plant, Ingo Nieke, has implemented a climate project for the further development of energy efficiency. The aim of the project is the utilization of warm cooling water from the plant's own power station. The cooling water serves as a heat source for heating the shaft ventilation. The pilot plant will reduce natural gas consumption for heat generation of the shaft ventilation heating and electricity consumption for the cooling towers' operation. The optimized process will contribute to the reduction of Zielitz's CO_2 footprint by around 4,500 tonnes per year. This is roughly equivalent to the consumption of 1,100 single-family homes. These and other energy-efficiency measures will safeguard the future viability of our sites.

»At the Zielitz site, optimized processes make an important contribution to achieving our climate goals.«

Ingo Nieke, Head of Power Plant

Delivered new heating coil before installation.

We act as a partner with our communities.

For a brighter future

We assume responsibility – as a reliable employer, a strong partner to our regional stakeholders, and through social, charitable commitment. In the spirit of close relations, we foster an intensive exchange with all communities in which we operate.

The Youth+Us program of K+S in Canada supports local initiatives that celebrate diversity, encourage life skills, and provide young people with access to moments that inspire confidence, creativity, and character.

One of these initiatives is “Big Brothers Big Sisters”, in which socially disadvantaged children and youths are supported by mentors. These mentoring programs strive to realize the potential of young people, helping them to do better – physically, mentally, socially, emotionally, and academically. Paige Gignac, Community Investment Specialist at KSPC, coordinates support for over 60 organizations in Saskatchewan and Port Moody, British Columbia.

»We believe in providing young people access to more moments to remember forever.«

Paige Gignac, Community Investment Specialist, KSPC

Highlights 2022

€2.4 billion

EBITDA K+S Group
(2021: €1.1 billion)

Best annual result in the Company's history

Following the EBITDA expectation of €1.6 to €1.9 billion at the beginning of 2022, K+S achieved its best annual result in the history of the Company of €2.4 billion and exceeded the previous record by nearly €1 billion. For 2023, K+S anticipates achieving €1.3 billion to €1.5 billion, once again one of the best results in the Company's history.

Complete deleveraging in 2022

In 2022, K+S generated adjusted free cash flow before special effects of about €1.2 billion. K+S, therefore, completely reduced factoring and could report a net financial asset position as of the end of September for the first time in a long time.

»Werra 2060« project

The Werra 2060 project is of central importance in optimizing the existing business and further reducing the environmental footprint in our home country: It strengthens competitiveness while extending the life of the Werra plant with increased and more stable production.

Rating upgrade by S&P

Standard & Poor's upgraded the K+S rating from B+ (outlook "stable") to BB+ with a "positive" outlook during the year. An investment grade rating would be achieved with a further increase of only one notch.

OUR BOARD OF EXECUTIVE DIRECTORS [1]

Dr. Burkhard Lohr
Chief Executive Officer (CEO)
Chief Financial Officer (CFO)

Dr. Burkhard Lohr was born in Essen in 1963. After studying Business Administration at the University of Cologne, he joined Mannesmann AG in 1991. From 1993, he held various positions at Hochtief AG, Essen.

In 2001, Burkhard Lohr received his doctorate (Dr. rer. pol.) from the Technical University of Braunschweig. Since 2006, as CFO of Hochtief AG, he was responsible for Finance, Investor Relations, Accounting, Controlling, and Taxes. In 2008, he also assumed the position of Labor Director.

In 2012, he was appointed to the Board of Executive Directors of K+S Aktiengesellschaft, where he became Chairman on May 12, 2017. Currently, Mr. Lohr is also the Company's Chief Financial Officer.

Holger Riemensperger
Member of the Board of Executive Directors [1]
Labor Director

Holger Riemensperger was born in Heidelberg in 1970. After studying Process Engineering at the University of Applied Sciences in Mannheim, he began his professional career at STW Heidelberg in 1997.

In 1998, he joined Akzo Nobel Oleochemicals GmbH, where he held various positions until 2005. In 2006, he joined Cognis GmbH (now: BASF SE), where he held various positions as Business Director. From 2012 to 2017, he served as General Manager at Frutarom Health Ltd. In 2017, he assumed the role of Vice President at Bunge Loders Croklaan.

He was a member of the Board of Executive Directors of K+S Aktiengesellschaft and Labor Director.

[1] The Supervisory Board of K+S Aktiengesellschaft and Mr. Riemensperger have mutually agreed on a separation, as Mr. Riemensperger will take on new challenges in another company. He left K+S at the end of February 2023. Against this background, Dr. Carin-Martina Tröltzsch has already assumed her duties on the Board of Executive Directors of K+S Aktiengesellschaft on February 20, 2023.

For current information on the responsibilities of the individual members of the Board of Executive Directors, please refer to our bylaws for the Board of Executive Directors, which can also be found on the K+S website.
www.kpluss.com/boardofexecutivedirectors

ALREADY APPOINTED MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

START OF MANDATE: FEBRUARY 20, 2023

Dr. Carin-Martina Tröltzsch
Member of the Board of Executive Directors

Dr. Carin-Martina Tröltzsch was born in Bergisch Gladbach in 1968. She studied Agricultural Sciences at the Rheinische Friedrich-Wilhelms-University in Bonn, where she received her doctorate in 1995. Since 1996, she has held various positions at DuPont de Nemours, including Sales Manager Germany, Logistics Operations Leader EMEA, and Managing Director Germany, as well as Business Unit Leader Agriculture for Central Europe. In 2018, she assumed the position of CEO Germany, Austria, Switzerland at Corteva Agriscience, where she most recently served as Head of Business Strategy & Development Europe.

START OF MANDATE: MARCH 15, 2023

Dr. Christian H. Meyer
Member of the Board of Executive Directors

Dr. Christian H. Meyer was born in Oldenburg in 1971. Following his training as a publishing house clerk and his studies in Business Administration and his doctorate (Dr. rer. pol.) at the Georg August-University in Göttingen, he began his professional career in 2004 at Deloitte GmbH Wirtschaftsprüfungsgesellschaft, where he has worked as a tax advisor, auditor, and most recently as a partner in Audit & Assurance. Since 2013, he has also held a lectureship in Group Accounting at the Faculty of Economics at the Georg-August University of Göttingen.

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Dear shareholders, ladies and gentlemen,

The year 2022 was an outstanding year for K+S. At €2.4 billion, we generated by far the best annual result in the history of the Company. Adjusted free cash flow reached about €1.2 billion. Consequently, your K+S has been financial-debt-free since the end of the 2022.

At the same time, in the past year we have been confronted with changes in the world that were unimaginable for a long time: With the first missile strikes in Kiev in February 2022, the world has become a different place. Economic upheavals, an energy crisis, disruptions to global supply chains, as well as rapid inflation are consequences of the Ukraine war we are still clearly facing today.

»At €2.4 billion, we achieved by far the best annual result in the Company's history.«

Dr. Burkhard Lohr

K+S has performed excellently in this tense political and economic environment. We have developed and implemented customized solutions promptly and with foresight to safeguard production at our domestic sites and realize cost savings. At the same time, we intensively pursued the establishment of alternative plants such as power-to-heat or the use of propane gas in power plant and energy technology to avoid energy bottlenecks. The future-proof transformation of our energy supply represents a decisive step towards achieving our climate goals.

Securing our gas requirements for the long term is also part of our business policy. This has paid off in the 2022 financial year with a cost advantage in the mid-triple-digit million euro range.

As a result of our forward-looking actions, we have also secured our natural gas requirements in terms of price for 2023 almost completely, as well as to a large extent for 2024. Moreover, K+S covers large volumes of its electricity requirements from its own production.

We will not make use of the cap on electricity and gas prices adopted by law at the beginning of this year. Therefore, the full dividend capacity of your K+S will be preserved.

Ladies and gentlemen,

We contribute to securing the supply of urgently needed products from European and Canadian raw materials for agriculture, industry, and private consumers. The relevance of the associated avoidance of dependencies became particularly apparent last year.

Our strategic focus on securing long-term economic success has been, and continues to be, correct: We are focusing on optimizing our existing business, growing our core business, and developing new business areas. With a strong balance sheet, we are better prepared for this than ever.

Our extensive Werra 2060 project strengthens the competitiveness of your K+S and extends the life of the plant with higher and more stable production. We secure jobs in the region in the long term and sustainably reduce the environmental footprint of domestic potash production.

By focusing our production on wastewater-free treatment processes, it will be possible to more than halve the process water of the Werra plant while simultaneously operating the power plants with significantly minimized natural gas requirements and reducing CO_2 emissions. Furthermore, the yield of mineral-containing crude salt will be significantly increased.

The conversion of processes, which will be implemented during ongoing production, will also be accompanied by further development of the product portfolio, particularly in the area of our specialties. Our product portfolio will become more competitive overall in terms of cost, sustainability, and quality criteria.

On the other side of the Atlantic, we are continuing to intensively push ahead with the ramp-up of our potash plant in Bethune. At the same time, we have launched initial projects to grow our core business, and develop new business areas.

All of this is achieved through the dedicated and passionate day-to-day efforts of our teams, from above and below ground to marketing, sales, and administration. We would like to express our sincere thanks to all our colleagues – and I am sure I speak on your behalf as well.

Ladies and gentlemen,

We are very positive about the current year: We expect continued strong demand in the market and an overall attractive price level. The occurred normalization of potash prices at a high level should be accompanied by an increase in demand for output in the first half of 2023, as profitability in agriculture is intact in all sales regions.

From today's perspective, we see EBITDA in a range between €1.3 billion and €1.5 billion in the 2023 financial year. Adjusted free cash flow is expected to be between €700 million and €900 million. For K+S, this would make 2023 once again one of the most successful years in the history of the Company.

We would also like you, our shareholders, to participate appropriately in our success and return capital totaling €2 per share to you. To reflect your different interests , we are dividing this amount equally between two instruments – the dividend and the share buyback.

Against this background, the Board of Executive Directors and the Supervisory Board will propose a dividend of €1.00 per share for the 2022 financial year to the Annual General Meeting. Furthermore, the Board of Executive Directors and Supervisory Board have resolved to buy back own shares to the equivalent of up to €1.00 per share and subsequently cancel them. The buyback is to begin after the Annual General Meeting on May 10, 2023.

I would like to thank you, dear shareholders, on behalf of the Board of Executive Directors, for your confidence in K+S.

Looking optimistically into the future, we assure you that we will continue to act decisively to successfully drive our Company forward.

All the best!

Dr. Burkhard Lohr
Chief Executive Officer

SUPERVISORY BOARD REPORT

Dr. Andreas Kreimeyer
Chairman of the Supervisory Board

Dear shareholders,

The year 2022 is one that not only shattered the existing world order, but also shook the carefree lives we had been accustomed to for decades.

Russia's invasion of Ukraine has radically and profoundly changed the world we thought we knew. The new geopolitical realities comprise: changing global partnerships, realigned established value chains, shaken structures of our prosperity, as well as skyrocketing energy and commodity prices. These are all issues, we have to deal with on a daily basis. The energy-intensive European industry, especially the German industry, is struggling to maintain its competitiveness. This year, characterized by a turning point in history, will have a lasting impact on our future.

As a result of high global demand and limited supply, MOP prices rose rapidly over the year and only returned to a satisfactory level in the fourth quarter. We, therefore, achieved the highest level of profitability in our Company's history in 2022.

Despite the difficult political and economic environment, we not only successfully mastered the challenges of day-to-day business, but also consistently worked on transforming our Company in line with our strategy. Our activities have focused on the Werra 2060 and Ramp-up Bethune projects, which will increase our global competitive strength and contribute to achieving the ambitious goals of our climate strategy.

At the same time, we have further strengthened our Board of Executive Directors, taking into account the medium-term succession planning and communicated gender targets. In this context, I am pleased to welcome Dr. Tröltzsch and Dr. Meyer to the Board of Executive Directors.

On behalf of the Supervisory Board, I would like to thank all employees for their outstanding commitment and loyalty in this difficult business environment. Our thanks also extend to the members of the Board of Executive Directors, who are guiding K+S through this difficult phase, as well as to the employee representatives and works councils, who are contributing to the achievement of ambitious goals in a constructive and forward-looking manner. I would like to thank you, our shareholders, for accompanying us through the challenging year 2022 critically but always constructively.

ADVISING THE BOARD OF EXECUTIVE DIRECTORS AND MONITORING OF MANAGEMENT

During the 2022 financial year, the Supervisory Board diligently performed the supervisory and advisory functions incumbent on it by law and in accordance with the Articles of Association and its bylaws. Numerous matters were discussed in depth and resolutions were adopted on transactions requiring approval. We continuously monitored the Board of Executive Directors' management of the Company and advised the Board on the governance of the Group. We were always involved in decisions of fundamental importance in a timely and appropriate manner. The Board of Executive Directors regularly briefed us promptly and comprehensively on the business development of the Company and its customer segments, the financial position, net assets, and earnings, the employment situation, the progress of important investment projects, planning, and the further strategic development of the Company. Deviations from planning were explained to the Supervisory Board in detail. The risk situation and risk management were carefully considered. The Supervisory Board received written reports from the Board of Executive Directors to prepare for meetings. In particular, the Chairman of the Supervisory Board also remained in close personal contact with the Board of Executive Directors beyond the meetings and regularly discussed significant events as well as upcoming resolutions. The shareholder and employee representatives regularly discussed important agenda items at separate meetings prior to meetings of the Supervisory Board.

Following the COVID-19 regulations applicable in each case, the meetings of the Supervisory Board and its committees were predominantly held as physical meetings with a virtual attendance option. Seven Supervisory Board meetings were held In 2022. The average attendance rate of the 16 Supervisory Board members at these meetings was 98% in the reporting period. Six meetings were attended by all Supervisory Board members; one member was unable to attend one meeting. The absence was excused. All six meetings of the **Audit Committee** were held virtually. One member was excused from one meeting. The **Nomination Committee** held six meetings, attended by all members. Three of these meetings were in-person, two were hybrid, and one was virtual. Of the eight meetings of the **Personnel Committee**, four were held as physical meetings, three were virtual, and one was hybrid. Seven meetings were attended in full. One member was excused from one meeting. The **Strategy Committee** held three virtual meetings, attended by all members. After the completion of the FREP examination, the **Ad Hoc Special Committee FREP Examination** has no longer existed since the 2022 financial year. The **ESG Committee**, which was newly convened in 2022, held two physical meetings, attended by all members.

COMPOSITION OF THE BOARD OF EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

The Supervisory Board of K+S Aktiengesellschaft has mutually agreed with the former Chief Financial Officer, Mr. Thorsten Boeckers, to terminate Mr. Boeckers' service agreement at the end of February 2022. At the same time, the Supervisory Board of K+S Aktiengesellschaft appointed Dr. Christian H. Meyer as the new Chief Financial Officer. He will assume office on March 15, 2023. On February 20, 2023, Dr. Carin-Martina Tröltzsch began her duties at K+S as a further member of the Board of Executive Directors.

The composition of the Supervisory Board changed as follows in the year under review:

Following the expiration of Mr. Thomas Kölbl's Supervisory Board mandate at the end of the Annual General Meeting in 2022, he was re-elected as a shareholder representative on the Supervisory Board. Mr. Lars Halbleib was appointed as a member of the Supervisory Board by court appointment effective August 12, 2022. He succeeded Mr. Axel Hartmann, who resigned from the Supervisory Board of K+S Aktiengesellschaft as of May 31, 2022, for reasons of retirement. His role on the Mediation Committee was taken over by Mr. André Bahn, and his role on the Audit Committee was taken over by Mr. Lars Halbleib. In the course of the establishment of, and appointments to, the ESG Committee, Ms. Jella Benner-Heinacher assumed the chair of this committee.

Its other members are Ms. Petra Adolph, Mr. Markus Heldt, and Mr. Peter Trotha. Ms. Jella Benner-Heinacher's activities on the Nomination Committee were taken over by Dr. Rainier van Roessel.

SUPERVISORY BOARD MEETINGS
Five ordinary and two extraordinary Supervisory Board meetings were held in the 2022 financial year.

At its first meeting of the year on February 16, 2022, which was convened as an extraordinary meeting, the members of the Supervisory Board resolved on personnel matters at the level of the Board of Executive Directors. Furthermore, the target agreements of the members of the Board of Executive Directors for the 2022 financial year and the determination of target achievement in 2021 were resolved.

In the presence of the auditors of the financial statements (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft), the Supervisory Board examined the annual financial statements, the consolidated financial statements, and the combined management report, including the non-financial statement and the remuneration report contained in the management report for the 2021 financial year, approved the financial statements on the recommendation of the Audit Committee, and, after intensive discussion, resolved to endorse the proposal of the Board of Executive Directors for the appropriation of profits at its ordinary meeting on March 9, 2022. The business situation and the outlook for the current year were discussed in detail and the proposed resolutions for the 2022 Annual General Meeting were also approved.

At the ordinary meeting on May 11 and 13, 2022, the Board of Executive Directors presented an overview of the development of the business situation in the first quarter of 2022, with a particular focus on the potential impact of a gas shortage on the Company. Moreover, it also reported on current developments in occupational safety. The Chairman of the Audit Committee reported to the Supervisory Board on its most recent meeting. Furthermore, the Supervisory Board approved the Audit Committee's proposal to appoint PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft for the audit of the 2022 Half-Year Financial Statements. A further report was given on the status of implementing the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) in the K+S Group.

At the ordinary meeting on August 24, 2022, a report was provided on succession planning on the shareholder side of the Supervisory Board and on the Board of Executive Directors. The Supervisory Board resolved to establish an ESG Committee and decided on its membership. Furthermore, the Supervisory Board dealt with a potential adjustment of the remuneration of the Supervisory Board and the Board of Executive Directors, taking into account the analysis of the voting results of the Annual General Meeting and feedback from individual investor representatives.

The Supervisory Board dealt in depth with the Werra 2060 project and approved it. The Chairmen of the Audit and Strategy Committees reported on their most recent meetings. Following the recommendation by the Audit Committee, the Supervisory Board resolved to appoint PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft for the audit of the consolidated and financial statements, the non-financial statement, and the remuneration report for the 2022 financial year. The Board of Executive Directors reported to the Supervisory Board on the current business situation of the K+S Group. Additionally, the results of the scenario analysis were presented, with which the corporate strategy is reviewed considering the most recent geopolitical events.

At its ordinary meeting on October 27, 2022, the sustainability KPI reporting was presented and discussed in detail. The Chairman of the Audit Committee reported on its most recent meeting. Additionally, the Supervisory Board dealt in detail with current governance issues, the internal control system, the compliance management system, the risk management system, and the work of internal auditing.

At the ordinary meeting on November 30, 2022, the Chairman of the Nomination and Personnel Committee reported on developments in succession planning for the shareholder side of the Supervisory Board and for the Board of Executive Directors. The Chairman of the Strategy Committee reported on its most recent meeting. The planning of the K+S Group for 2023, including the financing and capital expenditure framework, as well as projects requiring approval, was examined in detail – also for consistency with the strategic objectives – and approved. The Chairman of the Audit Committee and the Chairwoman of the ESG Committee reported on their most recent meetings. Furthermore, the Board of Executive Directors provided information on current developments regarding the ramp-up of the Bethune plant.

The last meeting of the year was held on December 13, 2022. This was an extraordinary meeting. Following the recommendation of the Nomination Committee, the Supervisory Board determined candidates to be proposed for election as shareholder representatives on the Supervisory Board at the 2023 Annual General Meeting. Additionally, Dr. Carin-Martina Tröltzsch was appointed to the Board of Executive Directors. The Supervisory Board resolved adjustments to the remuneration system and the level of remuneration of the Board of Executive Directors. Additionally, the Supervisory Board determined the adjustment of the pension caps as of January 1, 2023. On the recommendation of the Personnel Committee, the Supervisory Board resolved to submit the increase in Supervisory Board remuneration to the 2023 Annual General Meeting for approval. Furthermore, the joint 2022/2023 Declaration of Compliance by the Board of Executive Directors and Supervisory Board was approved.

Declaration on corporate governance

COMMITTEE MEETINGS

In addition to the Mediation Committee required by law, the Supervisory Board has established six more committees to support its tasks and responsibilities: the Audit Committee, the Personnel Committee, the Nomination Committee, the Strategy Committee, the ESG Committee, and a special committee. Following the completion of the FREP examination, the Audit Ad Hoc Special Committee FREP Examination has no longer existed since the 2022 financial year. An overview of these committees and their composition can be found in the management report on pages 96 – 97 and on the K+S Aktiengesellschaft website under "About K+S." There, you can also find the bylaws for the Supervisory Board and its committees.

The **Audit Committee** met a total of six times in 2022. On February 28, 2022, in the presence of the financial statement auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, as well as the Chairman of the Board of Executive Directors and the Chief Financial Officer, the committee examined the 2021 annual financial statements of K+S Aktiengesellschaft, the 2021 consolidated financial statements, the combined management report, including the non-financial statement and the remuneration report contained in the management report, as well as the proposal of the Board of Executive Directors for the appropriation of profits. At its meeting on March 24, 2022, the Audit Committee recommended that the appointment of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as the auditors of the financial statements be proposed to the Annual General Meeting. Due to the increased statutory requirements, the Audit Committee engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to conduct a FISG readiness review. Its results were discussed in the presence of the auditors.

On August 8, 2022, the committee recommended the engagement of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to audit the consolidated and financial statements, the non-financial statement, and the remuneration report for the 2022 financial year. In conclusion, the committee discussed the focal points of the 2022 audit and the results of the quality assessment for the audit of financial statements.

At its meeting on October 20, 2022, the committee was informed about current governance issues. The Chief Compliance Officer provided a comprehensive report on the internal control system, the compliance management system, and the risk management system of the K+S Group. The committee acknowledged and approved the report given by the Chief Compliance Officer. The Head of Internal Auditing reported on his work in the K+S Group. The Audit Committee was also informed about developments regarding consulting fees and donations/sponsorships.

On May 6, August 8, and November 8, 2022, the members of the Audit Committee as well as the Chairman of the Board of Executive Directors resp. the Chief Financial Officer discussed the past quarters and the Quarterly Reports and Half-Yearly Financial Report due for publication. Moreover, at its meeting on May 6, 2022, the committee recommended to the full Supervisory Board to appoint PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as auditors for the 2022 Half-Year Financial Report. On August 8, 2022, the auditors presented the results of the review of the Half-Year Financial Report.

The **Personnel Committee**, which prepares personnel decisions of the Supervisory Board and is responsible for other Board of Executive Directors' matters, met eight times in 2022. It dealt with the termination of Mr. Boeckers' service agreement and the appointment of Dr. Meyer as a member of the Board of Executive Directors, as well as the target agreement and target achievement of the Board of Executive Directors. Short- and long-term succession planning for the Board of Executive Directors was also a focus. The Personnel Committee selected various candidates in a structured selection process with professional support, and recommended them to the Supervisory Board for an interview.

As part of the analysis of the voting results of the Annual General Meeting, the Personnel Committee again dealt intensively with the remuneration system of the Board of Executive Directors and recommended an adjustment of the remuneration system as of January 1, 2023. The Personnel Committee also addressed the pension modules caps for the members of the Board of Executive Directors. Additionally, the Personnel Committee discussed the remuneration of the Supervisory Board.

Detailed information on the amount of remuneration for the Board of Executive Directors in 2022 and the structure of the current remuneration system can be found on pages 142–162 of the remuneration report prepared in accordance with Section 162 of the German Stock Corporation Act (Aktiengesetz, AktG).

The members of the **Nomination Committee** met six times in 2022. The subject of their deliberations involved, in particular, short- and long-term succession planning for the Supervisory Board and the related selection of candidates under consideration of the competence profile as well as the results from the efficiency test.

The **Strategy Committee** met three times in 2022. It dealt intensively with the Werra 2060 and Ramp-up Bethune projects. Additionally, the Strategy Committee reviewed the strategy in light of the shifting geopolitical situation and considered various scenarios in this respect. Other key issues were the appropriation of free liquidity and the annual planning for 2023, with members of the Audit Committee attending this discussion.

The **Mediation Committee** did not have to be convened in the past financial year.

The **ESG Committee** was newly established in August 2022 and met twice. The focus was on occupational safety, the sustainability KPIs, and a cross-comparison of K+S sustainability activities.

A **special committee** was newly established in January 2023. Its tasks are described on page 97.

The members of the Supervisory Board are responsible for the training and further development measures required for their duties, such as on changes in the legal framework, and are supported in this by the Company. Internal information events are offered as required for targeted further training. Prior to assuming office, it is discussed with new members of the Supervisory Board in what form they require support, e.g., with regard to German legislation, and K+S provides appropriate support.

An overview of the individualized attendance of Supervisory Board members at plenary and committee meetings can be found in the following table. **A.1**

ATTENDANCE OF MEETINGS BY MEMBERS OF THE SUPERVISORY BOARD OF K+S AKTIENGESELLSCHAFT IN THE 2022 FINANCIAL YEAR **A.1**

Supervisory Board members	Meetings, incl. committee meetings	Total number of full Board meetings	Attendance of full Board meetings	Total number of committee meetings	Attendance of committee meetings	Attendance as a percentage of total
Dr. Andreas Kreimeyer	30	7	7	23	23	100%
Ralf Becker	24	7	7	17	16	96%
Petra Adolph	15	7	7	8	8	100%
André Bahn	10	7	7	3	3	100%
Jella Benner-Heinacher	18	7	7	11	11	100%
Philip Freiherr von dem Bussche	16	7	7	9	9	100%
Prof. Dr. Elke Eller	15	7	7	8	7	93%
Gerd Grimmig	13	7	7	6	6	100%
Lars Halbleib (since Aug. 8)	6	4	4	2	2	100%
Axel Hartmann (until May 31)	6	3	3	3	3	100%
Markus Heldt	9	7	7	2	2	100%
Michael Knackmuß	15	7	7	8	8	100%
Thomas Kölbl	13	7	7	6	5	92%
Gerd Kübler	7	7	7	–	–	100%
Dr. Rainier van Roessel	10	7	7	3	3	100%
Peter Trotha	9	7	7	2	2	100%
Brigitte Weitz	7	7	6	–	–	86%
Total	223	112	99%	111	97%	98%

CONFLICTS OF INTEREST

No conflicts of interest of members of the Board of Executive Directors or the Supervisory Board requiring disclosure to the Annual General Meeting were reported to the Supervisory Board during the reporting period.

AUDIT OF THE 2022 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, audited the annual financial statements of K+S Aktiengesellschaft, prepared by the Board of Executive Directors in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements prepared on the basis of the International Financial Reporting Standards, as adopted by the EU, and the supplementary German legal requirements required to be applied in accordance with Section 315e (1) HGB, and the combined management and Group management report for the 2022 financial year. The annual financial statements and the consolidated financial statements both received unqualified audit opinions. In addition to the statutory audit, the Supervisory

Board of K+S Aktiengesellschaft commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to audit the conformity with limited assurance of the combined non-financial statement in accordance with Sections 315b, 315c in conjunction with 289c to 289e HGB and Article 8 of the EU SF Taxonomy Regulation (Regulation (EU) No. 2020/852), and to conduct a formal and substantive audit of the remuneration report prepared in accordance with Section 162 AktG. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft reported the results to the Audit Committee of K+S Aktiengesellschaft at its meeting on March 2, 2023, and to the Supervisory Board at its meeting on March 14, 2023. Based on the audit procedures performed and the audit evidence obtained, no matters have come to the attention of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft that cause PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to believe that the combined non-financial statement of the Company for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with sections 315b, 315c in conjunction with Sections 289c to 289e HGB, the EU SF Taxonomy Regulation, the delegated acts adopted in this respect, as well as the interpretation by the legal representatives presented in the "EU SF Taxonomy Regulation" section of the combined non-financial statement. The aforementioned documents, the Board of Executive Directors' proposal concerning the appropriation of profits, and the audit reports of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, each of which had been submitted to the members of the Audit Committee and the Supervisory Board on time, were each addressed extensively at the Audit Committee meeting held on March 2, 2023, as well as at the Supervisory Board meeting held on March 14, 2023, in the presence of the auditor. All questions raised at both meetings were answered satisfactorily by the Board of Executive Directors and the auditor. Following its own examination of the reports presented, the Supervisory Board did not raise any objections. It agreed with the Board of Executive Directors in its assessment of the position of K+S Aktiengesellschaft and of the Group and, at the suggestion of the Audit Committee, approved the financial statements for the 2022 financial year. The 2022 annual financial statements of K+S Aktiengesellschaft have therefore been adopted. The Supervisory Board agreed to the proposal of the Board of Executive Directors for the 'Declaration on corporate governance' (page 95). The resolution on the appropriation of profits proposed by the Board of Executive Directors was also examined, particularly with regard to the present and expected future financial situation of the K+S Group. Following extensive discussions, the Supervisory Board also approved this proposal made by the Board of Executive Directors.

All the best!

On behalf of the Supervisory Board
Dr. Andreas Kreimeyer
Chairman of the Supervisory Board

Kassel, March 14, 2023

K+S ON THE CAPITAL MARKET

In 2022, the stock markets were particularly impacted by geopolitical events. The sanctions against Belarus and Russia, as well as the associated energy concerns, were clearly noticeable on the capital market. The K+S share closed the 2022 stock market year at a closing price of €18.38. This corresponds to a significant increase of 21% compared with the closing price of the previous year (€15.19) and contrasts with a 28% decrease in the MDAX.

CAPITAL MARKET DATA[1] **A.2**

in € million		2018	2019	2020	2021	2022
Closing price on December 31	Xetra €	15.72	11.12	7.79	15.19	18.38
Highest price	Xetra €	25.75	18.61	11.20	16.33	35.36
Lowest price	Xetra €	15.03	9.70	5.12	8.23	15.10
Average number of shares	million	191.4	191.4	191.4	191.4	191.4
Market capitalization on December 31	€ billion	3.0	2.1	1.5	2.9	3.5
Average trading volume per day	million units	1.34	1.40	1.68	1.32	1.31
Enterprise value (EV) on December 31	€ billion	7.4	6.7	6.1	4.7	4.4
Enterprise value to revenues (EV/revenues)	x-times	1.8	1.6	1.6	1.5	0.8
Enterprise value to EBITDA (EV/EBITDA)	x-times	12.3	10.5	13.7	4.4	1.8
Book value per share	€/share	21.65	23.49	11.61	27.48	35.11
Earnings per share, adjusted, excluding impairment effects	€/share	–	0.08	–0.83	2.54	7.81
Earnings per share, adjusted[2]	€/share	0.45	0.41	–9.42	15.92	7.81
– thereof continuing operations	€/share	–	0.08	–10.04	11.40	7.81
– thereof impairment loss (–)/reversal of impairment loss (+) on property, plant and equipment and intangible assets	€/share	–	–	–9.21	8.86	–
– thereof discontinued operations	€/share	–	0.33	0.62	–0.25	–
Dividend per share[3]	€/share	0.25	0.04	–	0.20	1.00[4]
Total dividend payout[3]	€ million	47.9	7.7	–	38.3	191.4
Payout ratio[3,5]	%	55.6	9.8	–	7.9	12.7
Dividend yield (closing price)[3]	%	1.6	0.4	–	1.3	5.4

[1] For the years 2018 to 2020, the figures relate to the continuing and discontinued operations of the K+S Group; from 2021, the figures relate to the continuing operations of the K+S Group.
[2] The adjusted key figures include the result from operating forecast hedges for the respective reporting period, which eliminates effects from changes in the fair value of hedging transactions (see also 'Notes to the income statement and statement of comprehensive income' from page 187). Similarly, effects on deferred and cash taxes attributable to these transactions are also adjusted; tax rate 2022: 30.2% (2021: 30.2%).
[3] In 2019, the dividend proposal was adjusted from the previous €0.15 to the minimum dividend to maintain eligibility for KfW funding. In 2022, the figure corresponds to the proposed dividend.
[4] In addition to the dividend of €1.00 per share, the Board of Executive Directors and Supervisory Board have resolved to buy back own shares to the equivalent of up to around €1 per share resp. up to €200 million in total and subsequently cancel them. The buyback is intended to start after the annual general meeting on May 10, 2023.
[5] Based on adjusted Group earnings after tax. In 2021, the payout ratio relates to earnings per share, adjusted, excluding impairment effects.

THE SHARE

GLOBAL ECONOMY SIGNIFICANTLY AFFECTED BY GEOPOLITICAL SITUATION

The global economy in 2022 was no longer characterized solely by the impact of the COVID-19 pandemic. Rather, the stock markets in 2022 were significantly influenced by geopolitical developments. The sanctions against Belarus and Russia, as well as the associated energy concerns, were clearly noticeable on the capital market.

This development was also reflected in the German benchmark index DAX. The DAX recorded a negative performance of around 12% in 2022 and closed the year at 13,924 points. The MDAX closed at 25,118 points, down 28%. The global MSCI World Index also performed negatively, declining by 20% to close the year at 2,603 points. **A.3**

SANCTIONS AGAINST BELARUS AND GEOPOLITICAL DEVELOPMENTS CAUSED VOLATILITY IN THE K+S SHARE

In April, the K+S share reached its high for 2022 at €35.36. This was attributable to the macroeconomic and geopolitical effects following Russia's attack on Ukraine on February 24, 2022. Well before this date – around the middle of 2021 – the global potash market was already characterized by solid demand, rising potash prices, and stable agricultural prices. The sanctions against Belarus caused potash prices to rise further. Following the beginning of the war, concerns about a supply shortage due to a potential shortfall of volumes from Russia intensified this situation. In the second quarter of 2022, concerns about securing energy supplies prevailed. As a result, the K+S share price gradually began to decline from its high. Like almost all industrial operations in Germany, K+S is dependent on the reliable supply of natural gas for its European production. Due to a wait-and-see attitude on the part of customers, also as a result of declining prices, the share price fell in the fall. As the year progressed, the share trended sideways and closed the 2022 stock market year at a closing price of €18.38, despite ongoing concerns on the capital market. This represents a significant increase of 21% compared with the closing price of the previous year (year-end price 2021: €15.19).

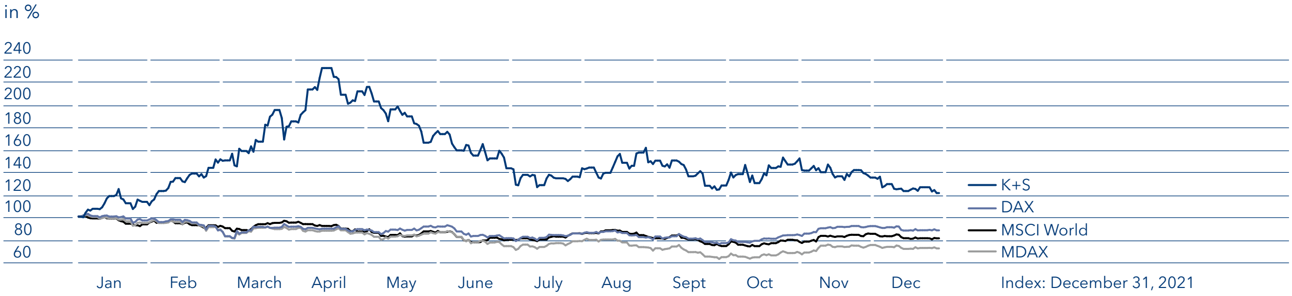
The short selling rate (only reportable short sales of 0.5% or more taken into account) at the end of the year decreased to 0.54% compared with the previous year's level of 3.58% (source: Bundesanzeiger).

www.kpluss.com/share

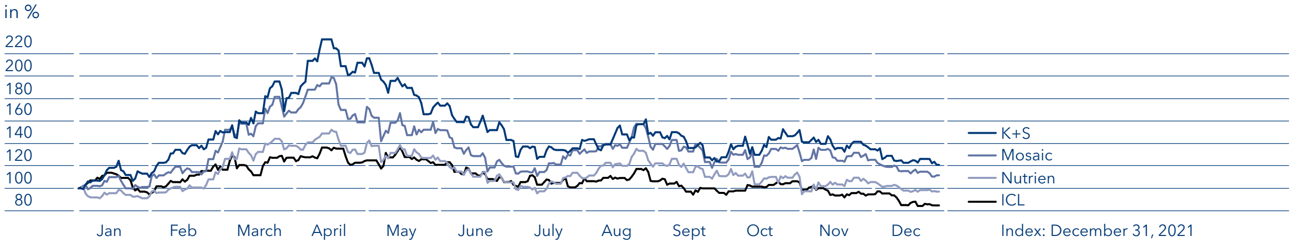
SHARE PRICES OF COMPETITORS

We also track the share price development in comparison with our publicly traded competitors. These include, above all, the fertilizer producers Nutrien from Canada, Mosaic from the USA,

K+S SHARE PERFORMANCE COMPARED WITH DAX, MDAX, AND MSCI WORLD IN 2022 **A.3**



K+S SHARE PERFORMANCE COMPARED WITH COMPETITORS IN 2022 **A.4**



Source: Bloomberg

and ICL from Israel. While the competitors' shares recorded a mixed performance up to the end of the year (Nutrien –3%, Mosaic +12%, ICL –15%), the K+S share gained 21% over the same period. **A.4**

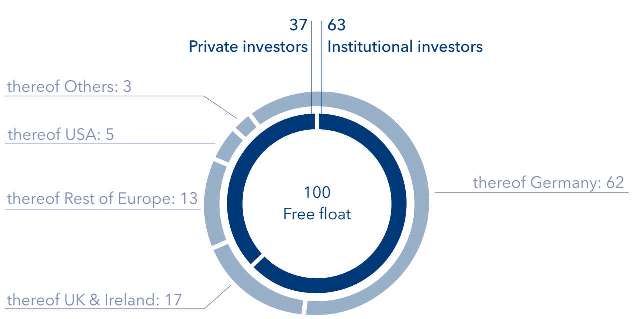
SHAREHOLDER STRUCTURE

According to the free float definition of Deutsche Börse AG, the free float is 100%. By December 31, 2022, the following shareholders had notified us of shareholdings above the statutory reporting thresholds:

+ BlackRock, Inc.: 4.96% (notification dated May 10, 2022)
+ Norges Bank: 3.80% (notification dated August 23, 2022)
+ The Goldman Sachs Group, Inc.: 3.65% (notification dated May 26, 2022)
+ Dimensional Holdings Inc.: 3.49% (notification dated March 3, 2021)
+ DWS Investment GmbH: 3.00% (notification dated March 3, 2022)

SHAREHOLDER STRUCTURE **A.5**

in %



AMERICAN DEPOSITARY RECEIPTS FOR TRADING IN NORTH AMERICA

In North America, we have offered an American Depositary Receipts (ADR) program to assist investors there in trading in K+S securities since 2009 and are, therefore, expanding the international shareholder base. As ADRs are quoted in US dollars and the dividends are also paid in US dollars, they are essentially similar to US stocks. Two ADRs correspond to a single K+S share. ADRs are traded on the OTC (over-the-counter) market in the form of a "level 1" ADR program. The K+S ADRs are listed on the OTCQX trading platform. In the 2022 financial year, the ADRs increased from USD 8.75 on December 31, 2021 to USD 9.88 on December 31, 2022, recording an increase of 13%. The delta to the development of the K+S share is currency-related.

www.kpluss.com/adr

www.otcmarkets.com

SHAREHOLDERS' PARTICIPATION IN THE SUCCESS OF THE COMPANY

We announced 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 the Americas operating unit, net financial liabilities were still in the higher triple-digit million euro range and, at the potash price level at the time, debt reduction would have progressed much more slowly. Since the business development in the past financial year has already had the effect for K+S to report a net asset position, we will revise the dividend policy for future decisions on shareholders' participation in the success of the Company.

We would like our shareholders to participate appropriately in our success in the 2022 financial year and return capital in a total of up to around €2 per share or €391.4: Taking into account the different interests of our shareholders, we will split this amount equally between two instruments – dividend and share buyback (with subsequent cancellation of shares).

Against this backdrop, the Board of Executive Directors and the Supervisory Board will propose to the Annual General Meeting a dividend for the 2022 financial year of €1.00 per share (total dividend payout: €191.4 million) (previous year: €0.20 per share; total dividend payout: €38.3 million). Furthermore, the Board of Executive Directors and the Supervisory Board of K+S Aktiengesellschaft have resolved to buy back own shares. This is based on the authorization granted by the Annual General Meeting on June 10, 2020, to buy back up to 10% of the share capital. Shares with a value of up to €200 million are to be bought back and subsequently canceled. Based on the share price at the end of February 2023, this would, for example, correspond to a share of up to just under 5% of the share capital. The buyback shall start after the Annual General Meeting on May 10, 2023.

Corporate strategy
Report on expected developments

BONDS AND RATING

Like the shares, our bonds were quoted more strongly during the first four months in view of rising agricultural prices. The general strain on the capital market caused by the geopolitical situation and the associated increase in reference interest rates also caused bond prices for K+S to decline. During the course of 2022, we took advantage of attractive market conditions to repurchase further shares of our bonds ahead of schedule. A buyback tender offer for the bond maturing in 2024 was also submitted in November 2022, which reduced the outstanding volume by a further €116.4 million. On December 14, 2022, the 3-months par call of our bond maturing in April 2023 was utilized and the bond matured on January 6, 2023. **A.6**

BOND PRICES AND YIELDS **A.6**

	Dec 31, 2022	
in %	Price	Yield
K+S bond (April 2023[1]); coupon: 2.625%	–[1]	–[1]
K+S bond (July 2024[2]); coupon: 3.250%	99.31	3.71

[1] The bonds called on December 14, 2022, using the 3-months par call as of January 6, 2023, and trading was suspended by some stock exchanges.
[2] 3-month par call available.

The rating agency Standard & Poor's (S&P) raised our rating during the year from B+ (outlook "stable") to BB+ with a "positive" outlook. According to S&P, this was mainly attributable to the very low leverage ratio and the strong cash flow. An investment grade rating would be achieved with a further increase of only one notch by S&P.

INVESTOR RELATIONS

RESEARCH COVERAGE ON K+S

The extensive research coverage of the K+S Group again reached a very good level in 2022. The banks analyzing us on a regular basis range from investment boutiques with regional expertise to major banks with an international approach. In the 2022 financial year, 20 banks analyzed us regularly (2021: 23).

www.kpluss.com/analysts

At the end of the year, according to Bloomberg, 9 banking houses rated us "Buy/Accumulate", 8 "Hold/Neutral", and 3 "Reduce/Sell". The average target price was at €26.84.

K+S INVESTOR-RELATIONS OFFERS COMPREHENSIVE RANGE OF INFORMATION

Despite initially still difficult conditions, we continued to comprehensively respond to the capital market's need for information in 2022. We had meetings with investors from Europe, North America, and Asia. Alongside virtual roadshows and conferences, we held and attended face-to-face events again, particularly from the middle of the year. We furthermore organized numerous one-on-one meetings as well as conference calls. This year, we also maintained contact with retail shareholders not only by telephone and in virtual format, but also again at face-to-face events. A total of 35 roadshow and conference days were held, with over 500 individual investor contacts.

We provide a comprehensive range of information on our website and also publish interviews with members of the Board of Executive Directors on YouTube and LinkedIn as part of our regular financial reporting.

www.youtube.com/user/kplussag
www.linkedin.com/company/k-s-group

The aim of our investor relations work is transparent and fair financial communication with all market participants to maintain and strengthen confidence in the quality and integrity of our corporate governance and provide comprehensive, prompt, and objective information about our strategy, as well as about all events at the K+S Group that are relevant to the capital markets.

EXTERNAL RECOGNITION

In Germany's most prestigious investor award, the "Investors' Darling 2022", K+S took an excellent 4th place in the MDAX ranking and came 17th overall. The award is presented by the Chair of Accounting, Auditing, and Controlling at the HHL Leipzig Graduate School of Management in cooperation with manager magazin and Berenberg Bank. The competition takes a holistic look at and assesses the capital market communications of the 160 largest German companies from the DAX, MDAX, and SDAX based on the dimensions of reporting, investor relations, and capital markets.

www.kapitalmarkt-forschung.info

Furthermore, in Institutional Investor's 2022 Developed Europe Executive Team Survey, K+S ranked third in the small and midcap chemical sector in the "Best Investor Relations Program", "Best Analyst/Investor Event" and "Best Investor Relations Team" categories.

www.institutionalinvestor.com/research/11887/Small-Midcap

ABOUT THIS REPORT

This Annual Report combines the financial and sustainability reporting of K+S. The information is disclosed annually and relates to the reporting period from January 1 to December 31, 2022. The disclosures in the management report refer to the continuing operations of the K+S Group.

EXTERNAL AUDIT

For the financial year from January 1 to December 31, 2022, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) audited the consolidated financial statements of K+S Aktiengesellschaft, Kassel, as well as the 'Combined management report' excluding the 'Combined non-financial statement' and issued an unqualified audit opinion. The non-financial Group statement pursuant to Section 315b of the German Commercial Code, which was combined with the non-financial statement of the parent company pursuant to Section 289b of the German Commercial Code (hereinafter referred to as the "combined non-financial statement"), was audited in accordance with ISAE 3000 rev. with limited assurance. Furthermore, the content of the 'Remuneration report' was audited.

Corporate governance and monitoring,
Non-financial performance indicators

Since the 2020 financial year, we have also been managing the Company using non-financial indicators. These have provided the basis for part of the long-term incentive (LTI) as a variable component of the remuneration of the Board of Executive Directors and all LTI-eligible employees since 2020 and will now be paid out for the first time in 2023 under the LTI program 2020 – 2022. As part of the audit of the 'Remuneration report', the LTI-relevant figures to be paid out were examined with sufficient certainty.

Remuneration report

DATA RECORDING AND REPORTING LIMITS

Financial key indicators are disclosed for the business of the K+S Group, unless explicitly stated otherwise.

The consolidated financial statements include K+S Aktiengesellschaft and all significant affiliated companies. Subsidiaries of minor importance are not consolidated.

The key indicators recorded in the report have been rounded in accordance with standard commercial practice. Accordingly, rounding differences may occur, so that values in this report do not add up exactly to the totals given.

Our Group-wide IT platform includes all major Group companies, a uniform Group chart of accounts, and standardized automated accounting processes. The collection of financial data is largely carried out via SAP systems. The collection of non-financial key performance indicators as part of the sustainability goals is mapped as a mandatory process in our business process software. Internal reporting is subject to multi-stage formalized controls to ensure the completeness and accuracy of the information.

We also record our key personnel indicators worldwide largely using SAP systems. They cover all fully consolidated companies. The recording of the indicator on employees' positive perception of an inclusive working environment is presented in the "Diversity & Inclusion" section. The majority of HSE indicators are recorded through an SAP system for all fully consolidated and non-consolidated companies.

Selected environmental indicators of the potash and salt production sites are recorded, analyzed, evaluated, and consolidated using the "Corporate Sustainability" environmental data management software. Performance indicators within the meaning of the CSR Directive Implementation Act (CSR-RUG) are calculated based on measured and extrapolated values and recorded via individual data sheets.

The majority of the procurement volume ordered through the procurement department is recorded using the SAP system for all fully consolidated companies.

We record our compliance indicator using a data sheet and include all K+S Group companies with a stake of at least 50%.

Notes, List of shareholdings

COMBINED NON-FINANCIAL STATEMENT

All disclosures made and key indicators presented in the non-financial statement relate to the business activities of the K+S Group, including K+S Aktiengesellschaft, unless stated otherwise.

Pursuant to the CSR Directive, statements on material sustainability issues are included in the combined non-financial statement of the combined management report and are supplemented by references to other sections of the management report. References to information outside the combined management report are additional information and not part of the combined non-financial statement.

Combined non-financial statement

REPORTING STANDARDS

At the same time, the 2022 Annual Report is the so-called Communication on Progress for the UN Global Compact, to which the Board of Executive Directors is expressly committed. As a member of the UN Global Compact, K+S supports the ten principles relating to human rights, labor standards, environmental protection, and anti-corruption.

The published sustainability information has been prepared in accordance with the international framework of the Global Reporting Initiative “GRI revised Universal Standards”. The report is also based on the GRI G4 Sector Disclosures: Mining and Metals (2014), which are currently being revised. A GRI content index and a mapping to the UN Global Compact Principles can be found on our website.

www.kpluss.com/gricontentindex

We support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and also consider the TCFD requirements in this report. A mapping to the disclosures required by TCFD and our report content as well as a reconciliation to the CDP questionnaire can be found on our website. We also comply with the requirements of the Sustainability Accounting Standards Board (SASB). An overview of the SASB requirements and the correlation to the corresponding sections in our report can also be found on our website. The content of this section was not audited in accordance with ISAE 3000 rev. with limited assurance.

www.kpluss.com/ratings-rankings

COMBINED MANAGEMENT REPORT

B

BUSINESS MODEL

We enrich life for generations. K+S makes an important contribution to society: We help farmers to secure the world's food supply. With our products, we keep numerous industries running. We enrich the daily lives of consumers and ensure safety in winter. With around 11,000 employees, production sites on two continents, and a global distribution network, we are a reliable partner for our customers. At the same time, we are realigning ourselves: We are focusing even more strongly than before on fertilizers and specialties. We want to become leaner, more cost-efficient, more sustainable, more digital, and more performance-oriented. On a solid financial basis, we are striving to open up new markets and business models. We are committed to our social and environmental responsibility in all regions in which we operate. This chapter relates to continuing operations.

COMPANY PROFILE

Continuing operations comprise the global business with potash and magnesium products from our plants in Germany and our Canadian site in Bethune, as well as the European salt activities.[1] Furthermore, it includes the waste management and recycling business in Germany, which has been operated together with REMEX GmbH, Düsseldorf, (REMEX) in the REKS GmbH & Co. KG, Düsseldorf, (REKS) joint venture since the closing on December 22, 2021, the granulation of animal hygiene products, and trading in a selection of basic chemicals. As part of the streamlining, these business activities as well as the other activities of K+S Aktiengesellschaft have been combined to form a more efficient organization. Consequently, hierarchical levels have been eliminated and the management level that reports directly to the Board of Executive Directors has been significantly streamlined. The Board of Executive Directors performs the economic analysis and assessment, takes the operational decisions, and allocates the resources for this entirety. Therefore, K+S has been reporting based on a single segment within the meaning of IFRS 8 since the 2021 financial year.

K+S has a broad product range and is the only potash producer with production sites on two continents. This is a strong basis for supplying system-relevant products to numerous industries in the future as well and for making a decisive contribution to safeguarding the world's food supply. Particularly as a result of the significant reduction in the Russian and Belarusian supply of potassium chloride fertilizers since the beginning of 2022, the importance of K+S as a reliable supplier has increased.

Moreover, during the COVID-19 pandemic, K+S proved that its business model can cope well with external shocks. The megatrends that will carry this business model into the future, such as the steadily growing world population, remain intact.

We combine the interests of our customers in the Agriculture and Industry+ customer segments (still no segments within the meaning of IFRS 8, as we do not manage our business in accordance with these segments and there is no complete internal reporting for these segments). The Industry+ customer segment combines business with customers from the Industry, Consumers, and Communities segments.

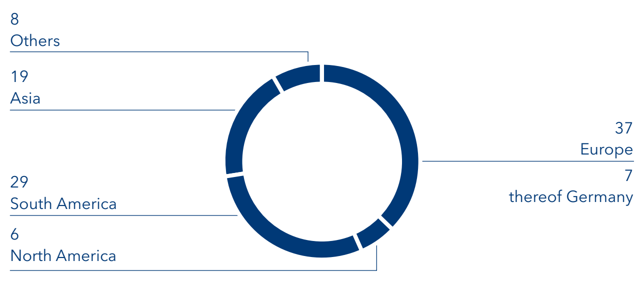
[1] The former Americas operating unit has been reported as a discontinued operation since the 2020 Annual Report and is no longer a reportable segment under IFRS 5. On October 5, 2020, K+S signed an agreement to sell the former Americas operating unit (segment within the meaning of IFRS 8) with Stone Canyon Industries Holdings LLC, Mark Demetree and Partners. The selling price (enterprise value) amounted to USD 3.2 billion. As part of the closing of the transaction on April 30, 2021, K+S received a net cash inflow equivalent to around €2.6 billion.

AGRICULTURE – REVENUES BY PRODUCT GROUP **B.1**

in %

AGRICULTURE – REVENUES BY REGION **B.2**

in %



CUSTOMER SEGMENTS

AGRICULTURE: WE WANT TO HELP FARMERS SECURE THE GLOBAL FOOD SUPPLY

We sell our fertilizers on almost every continent. They are used, for example, for fertilization of the wheat fields of Europe, the rice terraces of Asia, and the coffee plantations of South America.

Products and services

The products of this customer segment are deployed as plant nutrients in agriculture. As natural products, these are also largely approved for organic farming under EU law. **B.1**

Potassium chloride:

The universally applicable mineral fertilizer potassium chloride is used, in particular, for important crops such as grain, corn, rice, and soybeans. Potassium chloride is applied directly to fields in granular form, mixed with other straight fertilizers in bulk blenders or alternatively supplied as a fine-grain “standard” product to the fertilizer industry, which processes it with other nutrients to produce complex fertilizers.

Fertilizer specialties:

The fertilizer specialties differ from potassium chloride, either because they are chloride-free, because of different nutrient formulas with magnesium, sulfur, sodium, and trace elements, or because they are water-soluble. These products are used for crops with higher magnesium and sulfur requirements, such as rapeseed or potatoes, and for chloride-sensitive specialty crops such as citrus, grapes, or vegetables. Fully water-soluble fertilizers are used, for example, in fertigation (use of fertilizers in irrigation systems), primarily for fruit and vegetables. The fertilizer specialties are marketed under the following product brands: KALISOP®, KORN-KALI®, ROLL-KALI®, PATENTKALI®, ESTA® KIESERIT, MAGNESIA-KAINIT®, SOLUMOP®, SOLUSOP®, SOLUCMS®, SOLUMAP®, SOLUMKP®, EPSO TOP®, EPSO MICROTOP®, EPSO COMBITOP®, EPSO PROFITOP®, EPSO BORTOP®.

Major sales regions and competitive positions

More than one third of the Agriculture customer segment’s revenues are generated in Europe. Here, we benefit from the logistically favorable proximity of our production sites to European customers. Other key sales regions are located in South America, particularly Brazil, and Asia. **B.2**

In terms of sales volume, including fertilizer specialties, K+S was the fifth-largest producer of potash products worldwide and the largest in Western Europe until the beginning of 2022. Due to the significant reduction in export volumes from Belarus and Russia, both the European and global market share increased in 2022.

With the site in Bethune, Canada, K+S could increase its share of global potash sales volumes to over 9% in 2021 (source: IFA, K+S). The updated IFA figures for 2022 are expected in the summer of 2023. Major competitors include the North American companies Nutrien and Mosaic, as well as the Russian producers Uralkali and EuroChem, the Belarusian Belaruskali – sanctioned by the EU and US since the beginning of 2022, the Israeli ICL, the Jordanian APC, and the Chilean SQM.

INDUSTRY+:
WE WANT TO PROVIDE SOLUTIONS THAT KEEP INDUSTRIES RUNNING, ENRICH THE LIVES OF CONSUMERS IN FOOD AND WATER SOFTENING, AND ENSURE SAFETY IN WINTER

In this customer segment, we combine our business activities with industrial products, products for consumers, as well as de-icing salts for cities and communities.

Our products are primarily used in the electrolysis and food industries, with applications ranging from pharmaceutical production for the dilution of vaccines and dialysis to drilling fluids. Nutritional solutions as well as cosmetics and care products also contain our minerals.

Our products are available to consumers on supermarket shelves throughout Europe.

The purpose of our de-icing salts is to prevent accidents in winter.

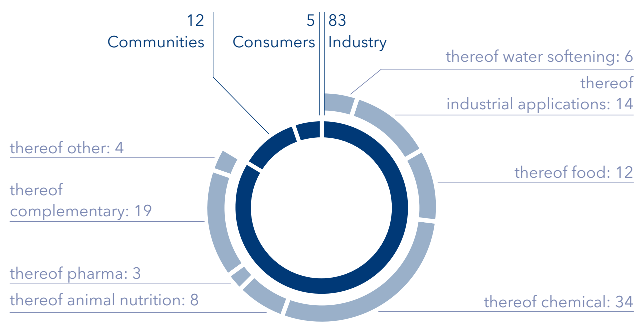
Products and services

In Europe, K+S offers a wide range of high-quality potash, magnesium, and salt products for industrial applications in various purity grades and special grain sizes. These are used, for example, in chlor-alkali electrolysis in the chemical industry as a component of various plastics, to improve the flavor and nutrient content in food, in glass production, in metallurgical processes, in the textile industry, in biotechnology, in oil and gas exploration, in water softening, as well as in the recycling of plastics. This is supplemented by a range of products for the particularly demanding requirements of the pharmaceutical, cosmetics, food processing, and animal feed industries. The brands in the industrial products business include: APISAL®, AXAL®, KASA®, k-DRILL®, NUTRIKS®, REGENIT®, SOLSEL®. **B.3**

As a service for third parties in the waste management sector and as a complementary activity, K+S, together with REMEX in the REKS joint venture, also uses selected underground cavities created as a result of the extraction of crude salt. On the one hand, waste is safely removed from the biosphere through storage in these underground disposal sites; on the other hand, it is recovered by filling these cavities with residues from flue gas cleaning as backfill materials. The salt deposits used for this purpose are separated from the ongoing operations of raw material extraction, are impermeable to gas and liquids, and are securely separated from the layers carrying groundwater.

INDUSTRY+ – REVENUES BY PRODUCT GROUP **B.3**

in %



A combination of geological and technical barriers guarantees the highest possible safety. K+S offers the secondary aluminum industry a complete service for the recycling of salt slag. Another business segment is the above-ground recycling of low-contaminated building materials

K+S Aktiengesellschaft and REMEX GmbH, a wholly owned subsidiary of REMONDIS SE & Co. KG, have bundled their waste management activities in the joint venture, REKS GmbH & Co. KG, upon completion of the transaction on December 22, 2021. Both partners have an equal share of 50% each in this joint venture. K+S is contributing its waste disposal sales activities to the partnership. The underground waste disposal facilities of K+S are exclusively available to the joint venture. REMEX contributes its sales activities with broad market access as well as its wholly owned subsidiary AUREC, which processes mineral waste for mining backfill at the K+S site in Bernburg. From our perspective, this provides the joint venture with even better market access in waste disposal and processing. It also provides K+S with the best possible access to the materials needed for the coverage of large tailings piles at the German potash sites in future.

At the Salzdetfurth site, large parts of the above-ground infrastructure of an inactive potash plant are also used for granulating the well-known brand product CATSAN® for animal hygiene for MARS GmbH, among others.

Chemische Fabrik Kalk GmbH (CFK) trades in a selection of basic chemicals such as caustic soda, nitric acid, sodium carbonate (soda), as well as calcium and magnesium chloride.

At our subsidiary MSW-Chemie GmbH, we produce safe-to-handle commercial explosives, which are primarily used in mining. Among other things, we are developing an emulsion explosive with low emissions to comply with occupational exposure limits.
Combined non-financial statement, Business Ethics & Human Rights

K+S products for consumers include table salt, salt for water softening, as well as dishwashing salt. Household packs of de-icing salt for consumers supplement the product range in this segment. Product brands include CÉRÉBOS®, SALDORO®, VATEL® for table salt, as well as AXAL® for water softening and REGESOFT® as dishwashing salt.

Our German brand SALDORO® further expanded its market share in the premium segment of the table salt market. In Portugal, our table salt brand VATEL® continued to grow further and remains the market leader. In France, the CÉRÉBOS® brand recorded positive market growth. The traditional brand was relaunched as well. Moreover, we are the market leader in France with our AXAL® brand for water softening. We have modernized the AXAL® brand identity in Germany, starting in 2023.

Public road works authorities, winter service providers, as well as major commercial users obtain high-quality de-icing salt and brine from K+S. Most of these contracts are concluded through public tenders. Other European countries are served either by our own national sales companies or by specialized distributors. For special requirements in terms of purity and temperature, premium de-icing agents are offered, which, for example, generate heat on contact with ice and snow through the addition of calcium chloride and act more efficiently than conventional products, particularly at very low temperatures. We use the DI-MIX® brand in Europe for this area of application.

Major sales regions and competitive positions

Following the sale of the Americas operating unit in 2021, the majority of this customer segment's revenues is generated in Europe.

With products containing potash and magnesium for industrial, technical, and pharmaceutical applications, K+S is one of the world's most efficient suppliers and by far the largest in Europe. K+S is the European leader in salt products for the food industry as well as salts for industrial and commercial applications, alongside its competitors Südwestdeutsche Salzwerke, Groupe Salins, Wacker Chemie, and Nouryon. In underground disposal and recycling, the REKS joint venture is mainly active in Europe, where it is one of the leading suppliers.

Revenues from consumer products are mainly generated in Germany, France, Benelux, Scandinavia, and Eastern Europe.

K+S is the European leader in consumer products alongside its competitors Südwestdeutsche Salzwerke, Groupe Salins, and Nouryon.

Revenues from de-icing salt for communities are mainly generated in Germany, Scandinavia, Eastern Europe, Benelux, and France.

K+S is the European leader in de-icing salts alongside its competitors Südwestdeutsche Salzwerke and Groupe Salins.

LEGAL GROUP STRUCTURE

K+S Aktiengesellschaft holds shares, directly and indirectly, in its subsidiaries, both in Germany and abroad, which make a significant contribution to its financial performance. Along with K+S Aktiengesellschaft, the consolidated financial statements of the K+S Group also include all material equity investments. Subsidiaries of subordinate importance are not consolidated.
Notes, List of shareholdings

Significant subsidiaries are the directly held K+S Minerals and Agriculture GmbH and K+S Holding GmbH. K+S Holding GmbH is the parent company of K+S Netherlands Holding B.V., which holds, among other things, the shares in Group companies in Canada. K+S Minerals and Agriculture GmbH holds its foreign companies mainly through its own intermediate holding companies.

As part of the closing of the REKS joint venture on December 22, 2021, 50% of the shares in REKS Verwaltungs GmbH and initially 38% of the shares in REKS GmbH & Co. KG were sold to REMEX GmbH. Consequently, REKS GmbH & Co. KG was deconsolidated and included in the consolidated financial statements as a joint venture using the equity method. On February 10, 2022, the remaining 12% of the shares in REKS GmbH & Co. KG were transferred to REMEX GmbH in return for a contribution in kind. Furthermore, REKS Verwaltungs GmbH has relocated its registered office to Düsseldorf.

The scope of consolidation has changed as follows, compared to December 31, 2021: The companies K+S Minerals and Agriculture (Panama) S.A., K+S Fertilizers (India) Pty Ltd., and MSW-Chemie GmbH have been included in the scope of consolidation since January 1, 2022. As of the same date, K+S (Huludao) Magnesium Products Co., Ltd. was deconsolidated.

VALUE CREATION[1]

In the following, we present our business model using the value chain, which extends over the following six sections: Exploration, Mining, Production, Logistics, Sales/Marketing, and Application. All disclosures relate to continuing operations (only relevant for prior-year disclosures). **B.4**

EXPLORATION

Exploration provides insights into the dimensions and structure of the deposits, as well as their thickness and mineral content. We use the data obtained to calculate reserves in accordance with international standards. Worldwide, underground exploration is predominantly conducted by drilling boreholes and taking seismic measurements, which provide a spatial representation of the underground geological structures.

RESERVES AND RESOURCES

Our potash and rock salt deposits are either owned by the K+S Group or we hold corresponding licenses and/or similar rights permitting the mining or solution mining of the raw material deposits and securing them over the long term. A distinction is made between reserves and resources for raw material deposit, the determination of which is based on internationally recognized standards and which is carried out on a regular basis.

Our potash deposits in Germany contain reserves of about 1.1 billion tonnes of crude salt as well as resources of about 1.5 billion tonnes of crude salt. For our Bethune site in Canada, we report the reserves and resources in billion tonnes of potassium chloride as a finished product ready for sale. The reserves amount to 0.2 billion tonnes, the resources to about 0.9 billion tonnes.

The K+S Group has reserves in its rock salt deposits amounting to 0.1 billion tonnes of crude salt in Europe. Furthermore, resources amounting to just under 0.3 billion tonnes of rock salt can be reported.

MINING

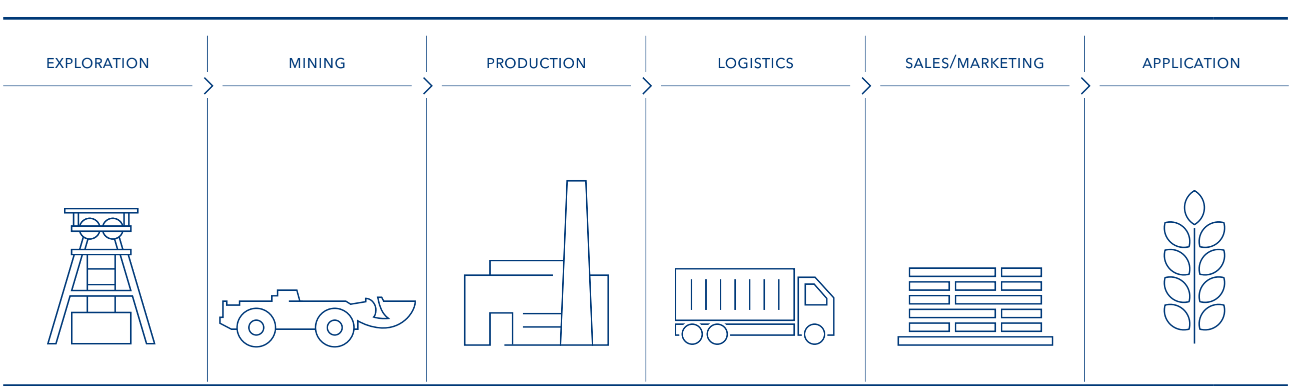
We extract raw materials in conventional underground mining as well as solution mining. Due to largely comparable mining processes, synergies can be achieved in the extraction of potash and magnesium products as well as salt. This involves the exchange of technical, geological, and logistical know-how as well as personnel and the coordinated procurement of machinery and auxiliary materials.

In underground mining, the crude salt is extracted in our mines by means of drilling and blasting. Large shovel loaders then transport the crude salt to crushing plants. From there, the crushed salt is transported to the conveyor shaft via belt conveyors. In this way, potassium chloride (KCl) and magnesium sulfate ($MgSO_4$)/kieserite ($MgSO_4$-H_2O) as well as rock salt (NaCl) are extracted in Germany.

Moreover, K+S has operations in solution mining for evaporated salt in the Netherlands and in Germany. Since summer 2017, we have also been extracting potassium chloride through solution mining at the Bethune potash plant in Saskatchewan, Canada.

[1] This section consists of unaudited optional content that was not included in the audit.

VALUE CHAIN **B.4**



In 2022, 34 million tonnes of crude salt were extracted from potash deposits in Germany. Furthermore, a good 2 million tonnes of potassium chloride were produced at Bethune as a finished product ready for sale. Production from salt deposits in Europe amounted to 5 million tonnes.

LONG-TERM PLANNING OF MINES

Once the raw materials of a mining operation are exhausted or their extraction becomes economically inviable, measures are initiated for its partial or complete closure. In Germany, decommissioning and post-closure maintenance are regulated, among other things, by the Federal Mining Act.

Potash production at the Sigmundshall site was discontinued as planned at the end of 2018. The technical measures required to secure the mine, which will continue for several years, were developed as part of an extensive project and have already been largely agreed with the relevant authorities. Besides these activities, K+S decided to establish the Innopark, an innovation center for testing and establishing new business fields, at the Sigmundshall site in November 2019, which is intended to complement research and development in the search for new markets and business models. The focus here is also on potential options for subsequent use.

Research and development

The potential resumption of potash production at the Siegfried-Giesen site, which was shut down in 1987, was approved by a planning approval decision in January 2019. K+S will decide whether and when the project can be implemented, taking into account framework and market conditions.

In Lower Saxony, we are generally obliged to flood the remaining mine cavities if the sensible subsequent use of a decommissioned mine is not possible. A total of 25 caverns have already been secured, three are currently being flooded, and one has been kept “dry”. The flooding of Sigmundshall was started in 2021. At the moment, in Lower Saxony, four sites are in the process of being flooded, and at 23 sites this process has already been completed.

PRODUCTION

The processing and refining of raw materials is one of our core competencies. All mineral crude salts mined by us pass through partly multi-stage mechanical or physical processes, without changing their natural properties.

At the end of 2022, the annual production capacity of potash and magnesium products was just over 8 million tonnes.

In addition to the mineral potassium (11% to 25% raw material content potassium chloride), the potash deposits in Germany also contain magnesium and sulfur (9% to 24% raw material content magnesium sulfate). Depending on the quality of the crude salt, we use the processes of hot leaching, flotation, and, partly in combination with both, electrostatic separation (ESTA® process) for processing. The extraction and processing of crude potash salts generates solid residues and saline wastewater. A detailed description of our tailings pile management and water protection measures can be found under ”Environment & Resources” in the ‘Combined non-financial statement’ starting on page 77.

The potash deposit in Bethune, Canada, contains the mineral potassium (26% raw material content potassium chloride). We use solution mining here. In this process, minerals are dissolved with water and saturated NaCl solution. The saturated solution (called brine) is pumped to the earth’s surface, where the minerals are extracted. As the solution process is water- and energy-intensive, great efforts are made to preserve and reuse as much of the natural resources as possible.

K+S has an annual production capacity of about 9 million tonnes of salt in Europe. Rock salt extracted underground is crushed to the desired grain size above ground. Evaporated salt is produced by evaporating the water in the brine and obtaining dissolved salt as a result.

K+S has acquired mining licenses from a local group of investors to set up a solar salt plant in Western Australia (Ashburton Salt Project). The project is in an early development phase. Following the initiation of the environmental approval process in October 2016, the first step was to coordinate the necessary scope of study with the environmental authority. Once the scoping was approved, we started with the actual environmental studies. At the end of 2020, the application documents including the results of the studies were submitted to the environmental authority, which were updated with further study results in 2021. In parallel with the ongoing approval process, a feasibility study for the project was completed in 2022. Following review of the completed approval documents by the environmental authority in 2022, further adjustments were made to the studies in consultation with the authority. We are now awaiting the opening of the public participation phase of the process and expect a permit to be issued in 2023. As soon as this is available, a decision will be made in accordance with the strategic classification of the salt business as to how to proceed with the project, which could have an annual production capacity of 4.7 million tonnes when completed.

PROCUREMENT

In 2022, K+S purchased technical goods, raw materials, and supplies, as well as services (incl. logistics services), from about 8,600 suppliers for about €2.2 billion (2021: €1.6 billion). The majority of our purchasing volume is incurred in production and in maintenance and expansion measures. Materials used in our production and products account for only a comparatively small share of the purchasing volume.

In accordance with the location of our sites, the K+S Group procures most of its materials and services from Germany (64%). Furthermore, materials and services are procured from Canada (12%), the Netherlands (4%), France (2%), Switzerland (2%), and the rest of the world (16%). Overall, 99% of our contractual partners come from OECD countries.

Combined non-financial statement, Business Ethics & Human Rights

Open and fair cooperation is our aspiration in our collaboration with our suppliers and service providers. We select our suppliers and service providers in a systematic, transparent, and IT-supported process, and not just according to purely economic criteria. We maintain long-term partnerships with our strategic suppliers and service providers to ensure, among other things, long-term supply and cargo-space security.

LOGISTICS

Our Supply Chain Management governs and monitors the entire supply chain to ensure reliable global delivery to our customers on competitive terms and conditions. We use the various modes of transportation, taking into account their individual advantages, and incorporate the more environmentally friendly and economical railways and waterways as far as possible. We monitor costs using Group-wide key performance indicators, measure the performance of logistics systems, and improve them in a continuous process to maintain and increase customer satisfaction.

Each year, K+S transports an average of more than 25 million tonnes of goods, including double counts in the use of different modes of transportation. A network of storage, port, and distribution sites is available worldwide for this purpose.

OUR OWN LOGISTICS ACTIVITIES

K+S Minerals and Agriculture GmbH operates the "Kalikai" (potash quay) in Hamburg, one of the largest transshipment facilities for exports of bulk goods in Europe, with a storage capacity of around 400,000 tonnes. More than 3 million tonnes of potash and magnesium products are handled here every year. For the onward transportation of the goods, K+S Minerals and Agriculture GmbH has access to a multi-modal logistics provider that offers environmentally friendly transportation concepts for container transportation with its shareholding in modal 3 Logistik GmbH.

The state-of-the-art transshipment and storage facility for potash products in the Canadian port of Vancouver (Port Moody) comprises, among other things, an unloading station for rail cars, 1,260 meters of conveyor belts, as well as a 263-meter-long storage shed for a total of 160,000 tonnes of potash products. Freight trains with up to approx. 18,000 tonnes of product can be unloaded here and vessels with a capacity of up to 70,000 tonnes can be loaded at the facilty's quay. K+S has 1,350 rail cars for transportation from the Bethune plant to the port.

We have also invested in our own fleet of rail cars for our European rail traffic and now have 404 freight cars.

LOGISTICS SERVICE PROVIDERS

Securing long-term freight capacity is very important to us. Most of our international transportation volume is forwarded by service providers with whom we maintain long-standing partnerships.

SALES/MARKETING

We aim to be the most customer-focused, independent supplier of mineral products. High product quality and reliability are important prerequisites for this. We strive for the greatest possible proximity to our customers and want to offer them tailor-made products, which we distribute worldwide through our established sales network close to our customers.

Assured quality, on-time delivery, and expert advice should contribute significantly to customer loyalty. In quality management, we continuously strive to improve the quality of our products throughout the entire value chain. Our quality management system is based on DIN EN ISO 9001 and audited by external, accredited certification companies. We continuously evaluate our products regarding potential risks to health, safety, and quality, as well as their environmental compatibility. These evaluations are reviewed annually by external certifiers such as IFS and GMP+. We ensure that the products are safe for people and nature when used responsibly and appropriately. We provide our customers with extensive information on products and services in product and safety data sheets. We issue declarations of conformity for our fertilizers in accordance with the current Fertilizer Products Regulation. This guarantees the legal compliance of our products worldwide. Since most of our products are chemically unmodified natural substances, they are exempt from mandatory registration under the European Chemicals Regulation REACH. All other substances are registered in accordance with the regulations.

APPLICATION

Products and services, their application as well as significant sales markets, and competitive positions are described in the 'Company profile' presented within the customer segments.

APPLICATION ADVICE

In the Agriculture customer segment, professionally trained and globally active agronomists advise our customers and develop needs-based solutions. We also conduct research and our own field trials to optimize nutrient supply through an adapted product portfolio. The crops we focus on are potatoes, corn, oil palms, rapeseed, and soybeans. For our customers, we provide individual fertilization recommendations, which are the prerequisite for "good professional practice" in agricultural land use. These recommendations serve to ensure the long-term fertility and productivity of the soil as a natural resource.

As a service, we offer expert customer advice in the agricultural sector. We anticipate trends and research the changing framework conditions in terms of water and resource efficiency and related to soil fertility. Our goal is to optimize the supply of plant nutrients to crops, even under changing conditions. We provide technical application advice worldwide for our industrial products.

VALUE ADDED STATEMENT

The following value added statement indicates our contribution to private and public income. Value added is calculated from revenues and other income after deducting the cost of materials, depreciation, and amortization (including impairment effects) and other expenses. The allocation statement indicates which shares of the value added went to employees, shareholders, the government, and lenders, and which share is attributable to the Company. The value added statement relates to continuing operations (only relevant for prior-year figures). **B.5**

In 2022, our value added amounted to €2,884.0 million (2021: €1,459.3 million). Our employees received €929.2 million (2021: €885.3 million). This amount comprises wages and salaries, social security contributions, and pension expenses. Taxes and duties of €414.0 million were paid to local authorities (2021: €100.1 million). For interest expense, €41.5 million was paid to lenders (2021: €98.4 million). With the proposed dividend of €1.00 per share, shareholders will receive a total payout of €191.4 million (2021: €38.3 million). The Company is accumulating financial reserves, including other, of €1,307.9 million (2021: €337.2 million), of which up to €200 million shall be used for the buyback and subsequent cancellation of own shares. **B.6**

Report on expected developments, Shareholders' participation in the success of the Company

GENERATION OF VALUE ADDED **B.5**

in € million	2021	2022
Revenues	3,213.1	5,676.6
Other income	378.7	382.1
Cost of material	–1,163.8	–1,643.2
Depreciation[1]	–292.5	–443.8
Other expenses	–676.2	–1,087.7
Value added	**1,459.3**	**2,884.0**

[1] Relates to depreciation and amortization of property, plant, and equipment and intangible assets and of investments accounted for using the equity method, adjusted for the amount of depreciation and amortization recognized directly in equity in connection with own work capitalized.

ALLOCATION OF VALUE ADDED **B.6**

in € million	2021	2022
To employees (wages, salaries, social security)	885.3	929.2
To governments (taxes, levies)	100.1	414.0
To lenders (interest expense)	98.4	41.5
To shareholders (dividend)[1]	38.3	191.4
To shareholders (provisions; for later use in a share buyback program)	–	200.0
To the Company (financial reserves)	337.2	1,107.9
Value added	**1,459.3**	**2,884.0**

[1] In 2022, the figure corresponds to the proposed dividend.

CORPORATE STRATEGY

In 2021, K+S presented its new corporate strategy, which will secure the economic success of the Company in the future. According to this strategy, our focus is on the core business with potash and magnesium products. Our corporate strategy is characterized by three focal points: We want to optimize our existing business, expand and further develop our core business, as well as establish new business areas. Against the background of geopolitical developments in 2022, we already reviewed our corporate strategy this year and conducted an extensive scenario analysis. This confirmed the focal points of our corporate strategy. We have also placed greater importance on the issue of security of supply with sustainable energy. The energy transformation will therefore be accelerated in view of securing energy supplies and in connection with climate targets. As before, every corporate decision must be aligned with our corporate and climate strategy as well as our sustainability goals. We have already achieved the first milestones in the implementation of our corporate strategy. **B.7**

GUIDING PRINCIPLES OF STRATEGY AND MANAGEMENT FOCUS **B.7**

OPTIMIZATION OF THE EXISTING BUSINESS

In this strategic focus, the transformation of the Werra plant is an important component. Our extensive "Werra 2060" project strengthens competitiveness and extends the life of the plant with increased and more stable production, secures jobs in the long term, and reduces the ecological footprint of domestic potash production. By focusing production on wastewater-free treatment processes at the Unterbreizbach (Thuringia) and Wintershall (Hesse) sites, the amount of process water for the Werra plant will be more than halved. The steam requirement will also be reduced as a result of the new treatment processes, enabling the power plants to be operated with significantly decreased natural gas requirements. The increased use of dry backfill will also enable so-called secondary mining. This will significantly increase the yield of mineral-containing materials at the site and the expansion of the Wintershall tailings pile originally planned for the early 2030s will no longer be necessary to the extent envisaged due to the use of the new technologies. The conversion of processes, which will be implemented during ongoing production, will also be accompanied by further development of the product portfolio, particularly in the area of our specialties. The product portfolio will become more competitive overall in terms of cost, sustainability, and quality criteria.

www.kpluss.com/werra2060

At our Bethune and Zielitz sites, we efficiently produce potassium chloride as a standard product. We are improving all processes at these sites in accordance with the strategic principle of cost leadership. Our goal is to continuously reduce production costs and increase competitiveness. The upcoming ramp-up in Bethune by means of secondary mining is an important part of this. Additionally, measures are being examined to expand production in Bethune more rapidly than previously planned.

In the salt business, we focus on operational improvements rather than strategic growth. Optimizing our existing business also involves focusing on digitalization and automation along the entire value chain. We particularly anticipate potential within production, sales, and the supply chain.

On the way to climate neutrality, the energy transformation is being driven forward focusing on secure, robust, and economical energy supply.

EXPANSION AND FURTHER DEVELOPMENT OF OUR CORE BUSINESS

The planned collaboration with the Swedish company, Cinis Fertilizer AB, on future cooperation in the synthetic production of potassium sulfate (SOP) represents a step towards the expansion and further development of our core business. K+S plans to supply Cinis Fertilizer with its entire potassium chloride (MOP) requirements and could purchase up to 600,000 tonnes of potassium sulfate and sodium chloride per year from Cinis.

As we continue to further develop our product portfolio, we are not only considering adjacent nutrients, but also the greater expansion of fertigation. Our water-soluble products already contribute to the cultivation of crops in hot and dry regions of the world – even in desert regions. Our nutrients are also an important growth driver for irrigation under film and glass. An extensive range of advisory and other services complements our business model. In particular, digital services, such as digital platforms with partners enabling direct sales to farmers, our online store, and agronomic advice through webinars, will play an even greater role in our business in the future. We will also further intensify our presence directly with customers in selected local markets. In expanding our core business, we are relying primarily on organic growth and cooperation with strong partners.

NEW BUSINESS AREAS

The market for sustainable waste management solutions is growing. We have therefore combined the operation and unique infrastructure of our state-of-the-art waste management facilities with the sales network of our new partner, a subsidiary of the REMONDIS Group, in the REKS joint venture. This business model also provides us with the best possible access to materials needed for covering our tailings piles in the future. Moreover, we are assessing potential alternative for leveraging our infrastructure. Our underground caverns, for example, offer the potential for CO_2 or hydrogen storage.

OUR FINANCIAL TARGETS

With our corporate strategy, we safeguard our economic success in the future. We strive to achieve our financial targets on the basis of a solid balance sheet to meet the demands and return expectations of our investors.

SITE STRATEGIES B.8

COMMODITY SITES	**BETHUNE** **Commodity site with cost leadership** + Growth towards 4 million tonnes is achieved through secondary mining and cooling pond technology + Efficiency improvement through automation, optimization of secondary mining, and reduction of energy input per tonne of end product • Reduction of energy and water consumption (implementation of technologies with low greenhouse gas emissions) • Increased brine concentration • Improvement of plant components in the factory and loading area • Improved site performance, availability, and utilization (overall site effectiveness) • Reduction in cost per cavern	**ZIELITZ** **Clear focus on potash products** + Focus on innovative, strategic future projects, and concepts: • Operations Excellence (reduction of cash costs) • Autonomous mining and factory control • Renewable energies, H_2 and CO_2 infrastructure + Expansion of KCl 99 to become the industry leader in this industrial product + Feasibility studies for expansion to other potash products + Tailings pile coverage
SPECIALTY SITES	**WERRA** **World's largest site for potash, magnesium and sulfate specialties** + Optimization of portfolio • Maximization CMS (Epsom salt) • Increasing the share of round granulated products • Increasing of granulated products • Optimization of SOP production • New specialties + Future-proof with extended lifetime due to Werra 2060 • Increase in extraction rate • Halving of process water due to Werra 2060 • Reduction of solid residues • Reduction of energy consumption • Reduction of CO_2 emissions + License to operate • Improvement of permit situation • Tailings pile coverage	**NEUHOF** **Specialties site for the European market** Extension of the lifetime of the plant + Efficiency • Increase in extraction rate • Reduction of chemicals consumption • Reduction of energy consumption + Optimization of portfolio • Increase in Korn-Kali production • Increase of granulated products + Future-proof • Reduction CO_2 emissions • Tailings pile coverage

+ On average, we want to earn our cost of capital over a 5-year cycle (ROCE > WACC).
+ Over this cycle, we also aim to achieve an average EBITDA margin of more than 20%.
+ From 2023, we aim to maintain a leverage ratio (net debt/EBITDA) of no more than 1.5x – also at the lower end of the cycle.

With the strategy published in 2021, we had published a dividend policy. This provides for a basic dividend of 15 cents per share with the possibility to be increased by a discretionary amount in the event of good economic development. At the time this dividend policy was established, the focus was on rapidly reducing the Company's debt, securing financing capability, and creating a solid balance sheet.

Even after the sale of the Americas operating unit, net financial liabilities were still in the higher triple-digit million range and, at the potash price level at the time, the debt reduction would have progressed much more slowly. Following the development of business in the past financial year, which has already resulted in a positive net asset position for K+S, we will revise our dividend policy for future decisions on shareholders' participation in the success of the Company.

With our strategy, we have set the course for the coming years. We will continue to drive forward and initiate numerous measures and projects within these guiding principles.

www.kpluss.com/strategy

SUSTAINABILITY PROGRAM [1]

K+S is clearly committed to the issue of sustainability. Our commitment focuses on three areas of action: Society & Employees, Environment & Resources, and Business Ethics & Human Rights. We have set ourselves concrete sustainability targets and KPIs in the associated subject areas. We are constantly developing our sustainability management in dialogue with our stakeholders. We systematically assess relevant topics and social trends at an early stage. Our sustainability program addresses the key sustainability topics.

In 2021, we assessed and revised the key sustainability topics of the K+S Group from the perspective of our stakeholders following the Global Reporting Initiative's guideline "GRI Universal Standards 2016". The result reveals a clear focus on the area of Environment & Resources. The topics "Health & Safety" and "Compliance" are also of great relevance.

Combined non-financial statement
Declaration on corporate governance, Sustainability management

OUR CLIMATE STRATEGY

We want to continue to actively promote the energy transition and support the goals of the Paris Agreement on Climate Change. For this purpose, we have set up a climate protection fund. Specifically, we have set ourselves the goal of continuing to reduce our CO_2 emissions[2] (Scope 1 and 2 of the production sites) by 10% by 2030 compared with 2020[3]. A review of the corporate strategy in response to geopolitical developments in 2022 confirmed the three main topics. The topic of supply security in terms of sustainable energy is given greater importance. The energy transformation aimed at securing the energy supply and reducing dependence on fossil fuels associated with the climate targets is accelerated and substantiated with concrete projects.

Combined non-financial statement, Energy & Climate

We have already significantly reduced our direct CO_2 emissions over the last three decades through the extensive deployment of highly efficient combined heat and power (CHP) technology, the associated switch from coal to natural gas, as well as extensive energy efficiency measures and capacity reductions.

Combined non-financial statement, Energy & Climate, Challenges in decarbonization

As a long-term commitment, K+S supports the goals of the Paris Agreement on Climate Change to achieve climate neutrality by 2050. For K+S, this goal is very challenging and can only be achieved under certain conditions. Since 2021, our Company has been consistently pursuing its own climate strategy.

Optimization of the existing business
Combined non-financial statement, Energy & Climate

CONCRETE SUSTAINABILITY GOALS UP TO 2030

The definition of concrete goals up to the year 2030 and the regular reporting of performance indicators make our progress measurable. The goals resolved by the Board of Executive Directors were developed by the specialist units and the Sustainability Management unit. As envisaged by the goals, injection as a disposal route of saline process water in Germany was discontinued as of December 31, 2021.

Combined non-financial statement
Declaration on corporate governance

[1] This section is part of the 'Combined non-financial statement', which contains the disclosures pursuant to Sections 289c–289e HGB and Section 315c HGB and, in accordance with Section 317 (2) sentence 4 HGB, is not part of the substantive audit performed as part of the audit of the financial statements, but was audited with limited assurance in accordance with ISAE 3000 rev.

[2] Wherever CO_2 is mentioned in this report, CO_2e is referred to.

[3] In the event of significant changes in production volumes, an adjustment to the baseline emissions value may be made.

REPORT ON ECONOMIC POSITION

In the financial year 2022, the K+S Group generated revenues of €5.7 billion (2021: €3.2 million). EBITDA[1] of €2.4 billion (2021: €1.1 billion) significantly exceeded the previous year's figure due to a sharp rise in average prices in the Agriculture customer segment and is by far the best result in the Company's history. Adjusted free cash flow before special effects reached €1.2 billion (2021: €0.2 billion). After taking into account the full repayment of factoring and the purchase of CO_2 certificates, adjusted free cash flow amounted to €0.9 billion.

The overview of the business development as well as the disclosures on the earnings, financial, and asset position refer to the continuing operations of the K+S Group, unless otherwise indicated. The previous Americas operating unit has no longer been a reportable segment in accordance with IFRS 5 since the 2020 Annual Report and was reported as "discontinued operations" in the previous year. The sale was effected with closing on April 30, 2021.

Accounting policies were changed in 2022, resulting in the restatement of prior-year figures. The disclosure of the reversal effects of mining provisions, for example, was adjusted retrospectively for 2021. This had an impact on cost of goods sold, other operating income, and therefore had a positive effect on EBITDA. The corresponding offsetting item was recognized in interest expense and the financial result. Furthermore, the previous year's values of deferred tax assets and liabilities associated with temporary differences between the tax valuations and the valuations in the consolidated financial statement of financial position were adjusted retrospectively due to inapplicable recognition in the balance sheet and income statement. Furthermore, an adjustment was made to the presentation of outstanding invoices with an impact on the prior-year figures in the balance sheet. Further information and more detailed explanations of the changes and adjustments can be found in the 'Consolidated financial statements' on page 185.

[1] EBITDA is defined as earnings before interest, tax, depreciation, and amortization, adjusted for the amortization amount recognized directly in equity in connection with own work capitalized, the result of changes in the fair value of operating forecast hedges still outstanding, and changes in the fair value of realized operating forecast hedges recognized in prior periods. A reconciliation is provided on page 49.

OVERVIEW OF THE BUSINESS DEVELOPMENT

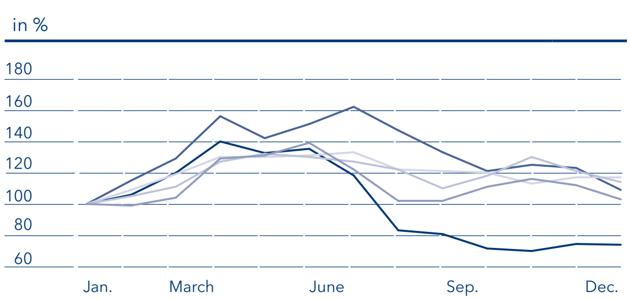
MACROECONOMIC ENVIRONMENT

Dramatic changes were experienced in the geopolitical situation and the development of the economy with the start of the war on Ukraine from February 2022. Rising inflation, rapidly increasing energy prices, disrupted supply chains, and therefore increased shortages in numerous sectors were the consequences. The decline in growth in China – caused by the strict coronavirus containment policy in force there – further slowed development. Differences within Europe are essentially based on different economic structures: The production sector has been hit much harder by the rise in energy prices than the service sector.

Developments on the energy markets were characterized by a significant rise in the price of gas, which was particularly pronounced in Europe. Due to a lack of gas supplies from Russia, gas importers had to procure replacements at high cost to replenish stocks to normal levels ahead of the heating season. As doubts about supply security grew, prices rose sharply. The Dutch TTF reference value, which is important for our German production sites, for example, was over €300/MWh at one point and at €65/MWh at the end of the year compared with a natural gas price of around €50/MWh at the beginning of the year and a long-term normal level of below €20/MWh. The fluctuations in gas prices also impacted the oil price, which, after a similarly eventful year, was quoted at around USD 81 per barrel of Brent crude oil at the end of the year, only around 9% above the level of the previous year (December 31, 2022: USD 74). At around USD 100, however, the average price in 2022 was significantly higher than in the previous year (2021: USD 70), reflecting market movements.

Prices of key agricultural commodities continued to rise, in some cases sharply, until mid-2022. In the second half of the year, prices declined again to some extent. Over the year as a whole, the prices of corn (14%), soybeans (17%), and wheat (3%) increased, in some cases significantly. The price of palm oil could not maintain the price increases of the first months of 2022 and closed the year 26% below the level at the start of the year. **B.9**

CHANGES IN COMMODITY PRICES ON A MONTHLY BASIS IN 2022 **B.9**



Index: December 31, 2021

Palm oil — Crude oil (Brent) — Wheat — Corn — Soybeans

Source: World Bank

Against the US dollar, the euro has not had an easy ride over the past 12 months. At the end of September, the EUR/USD exchange rate slipped below parity and therefore to its lowest level in 20 years. At the end of the year, the euro was able to hold its ground again against the US dollar and closed at 1.07 EUR/USD (December 31, 2021: 1.13 EUR/USD). At 1.05 EUR/USD, however, the US dollar was tangibly stronger on average for the year than in the previous year (2021: 1.18 EUR/USD). **B.10**

CHANGES IN THE EUR/USD EXCHANGE RATE IN 2022 **B.10**

Source: Bloomberg

IMPACT ON K+S

K+S also established crisis teams (task forces) in the third year of the COVID-19 pandemic, which continuously monitor and assess the current situation while coordinating the necessary measures. At the producing sites, we maintained the extensive measures introduced in 2020 for minimizing the risks of infection. Overall, production was not significantly affected and the procurement of materials was stable as a result of great effort and good cooperation between the Procurement department and the sites. In the year under review, EBITDA was burdened by the efficiency losses associated with the extensive measures to minimize infection risks from COVID-19, costs for testing, and the K+S vaccination campaigns at German sites in the low-double-digit million euro range, similar to the previous year.

Furthermore, the following changes in the macroeconomic environment had an impact on the business development of K+S:

+ The, in some cases, sharp rise in the prices of key agricultural commodities in the first half of the year, which is the main period worldwide for the application of agricultural fertilizers, and the resulting yield prospects increased the incentive for farmers to increase yield per hectare by applying plant nutrients and increasing the area under cultivation overall.
+ The K+S Group's energy costs are particularly affected by the cost of purchasing natural gas. Our long-term oriented purchasing agreements at favorable conditions fundamentally provide us with greater independence from short-term market price developments. Against the background of the geopolitical situation, K+S also had close monitoring of energy availability in 2022 and has prepared for various scenarios at all sites. Although, at €436.9 million, the energy costs of the K+S Group from primary sources in the 2022 financial year were significantly higher than the level of the previous year (€294.0 million), they were, however, lower than the level we would have seen for spot purchases by an amount in the mid-triple-digit million euro range as a result of our long-term-oriented purchasing agreements.
+ The freight costs of the K+S Group are significantly influenced by the prices for sea freight, rail freight, barges, and truckload shipments. As a result of higher crude oil prices and a lower availability of freight space, mainly for overseas containers and bulk ships, as well as strained rail logistics, freight rates have risen significantly. In the 2022 financial year, the freight costs of the K+S Group were significantly above the level of the previous year, primarily as a result of price factors.

- At the same time, the overall tight logistics situation also restricted sales volumes. In Germany, the railroads were particularly affected, as companies shifted shipments from water to rail due to low water levels on German rivers and called up additional capacity.
- Foreign currency hedging system: Due to the hedging instruments used, the exchange rate in the 2022 financial year including hedging costs averaged 1.13 EUR/USD. The average spot rate was 1.05 EUR/USD (2021: conversion rate 1.15 EUR/USD with an average spot rate of 1.18 EUR/USD).

Report on financial position

INDUSTRY-SPECIFIC ENVIRONMENT

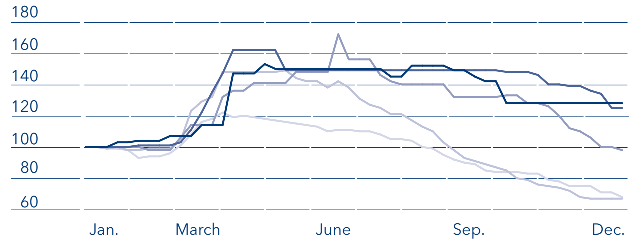
AGRICULTURE CUSTOMER SEGMENT

Demand in the Agriculture customer segment was extremely strong in the first half of 2022 and encountered limited availability: Although potash fertilizers were largely unaffected by European and US sanctions against Russia, Russia's potash exports declined sharply from the second quarter onwards. This is likely to have been caused, in particular, by the uncertainty of some logistics partners and restrictions in payment transactions against the background of the difficult geopolitical conditions, which also impacted the availability of seagoing vessels. Moreover, due to sanctions, Belaruskali had most of its sales channels blocked, so that only small volumes were exported and production was discontinued at some sites. In northern and Eastern Europe in particular, where the market share of these producers was high, demand therefore shifted towards the remaining competitors. The second half of the year subsequently experienced a wait-and-see attitude on the part of customers, as there is no main application of potash directly imminent in the final months of the year. Due to the low volumes from Russia and Belarus of about 15 million tonnes and the wait-and-see attitude on the part of customers in the second half of the year, we estimate total global potash sales volumes for 2022 at about 64 million tonnes (including 5 million tonnes of potassium sulfate and potash grades with lower mineral content; global potash sales volumes in 2021: 77 million tonnes). After the further increase in agricultural prices, the tightening of sanctions against Belarus and the geopolitical situation around Russia led to a sharp rise in potassium chloride prices in all sales regions in the first half of the year, these normalized at a high level in the final months of the year with regional differences.

Prices for our fertilizer specialties also increased significantly with a certain time lag. **B.11**

DEVELOPMENT OF POTASH PRICES ON A WEEKLY BASIS IN 2022 **B.11**

in %



Index: December 31, 2021

Source: World Bank

INDUSTRY+ CUSTOMER SEGMENT

The Industry+ customer segment, with a wide range of product applications, was characterized by a good overall demand trend and rising prices for both potash and salt products. Demand from the chemical industry as well as for products for the food and feed industry and for other industrial applications remained at the high level of the previous year. Demand for products for the oil and gas and pharmaceutical industries improved again. Consumer product demand remained at a high level following the strong prior year.

Demand for de-icing salt normalized as a result of weather conditions after the above-average demand in the previous year.

KEY EVENTS AFFECTING THE BUSINESS DEVELOPMENT

- The sales volumes of all products in the Agriculture customer segment amounted to 7.11 million tonnes (2021: 7.62 million tonnes) due to continuing restrictions on logistics availability, a wait-and-see attitude on the part of customers in the second half of the year, and comparatively high sickness rates among us and our business partners. The development of the agricultural and potash markets as well as prices described under 'Industry-specific environment' has resulted in a more than doubling of the average price in our product portfolio of the Agriculture customer segment (average price 2022: €628/t; average price 2021: €298/t). The average price of the product portfolio in the Industry+ customer segment also increased, most significantly for products containing potash.

+ A large proportion of revenues in the Agriculture customer segment is invoiced in US dollars. The strong increase in the value of the US dollar against the euro, particularly in the first nine months of the year, therefore had a positive impact on Group revenues reported in euros. Due to our long-term currency hedging, we were only able to participate in part in this development. A comparison of exchange rates can be found under "Macroeconomic environment/Impact on K+S".
+ K+S is one of the major consumers in Germany with a gas demand of 6 TWh in Germany, which we use to generate electricity and heat for the processing of our crude salt in our cogeneration plants. A description of the effects due to geopolitical changes in 2022 can be found under "Macroeconomic environment/Impact on K+S".
+ There were various effects on provisions for mining obligations and other non-current provisions, in particular from an increase in inflation, higher discount rates, extended lifetimes due to the Werra 2060 project, and the inclusion of planned proceeds from the tailings pile coverage for Hattorf and Wintershall, with varying effects on balance sheet items, EBITDA, and the financial result. The recognition of provisions for mining obligations and other non-current provisions in the balance sheet decreased by around €100 million compared with year-end 2021 after offsetting all effects. EBITDA was impacted by a mid-double-digit million euro amount (2021: relief of just over €100 million), a good third of which was already recognized after nine months in 2022. The overall positive effect on the financial result was a higher double-digit million euro amount (2021: burden of around €37 million), a good half of which was already recognized after nine months in 2022.

COMPARISON OF ACTUAL AND FORECAST BUSINESS DEVELOPMENT

EARNINGS FORECAST

The EBITDA level for 2022 anticipated in the 2021 Annual Report (already communicated in an ad hoc release on February 9, 2022) was exceeded very significantly: Due to the tight potash market as a result of the sanctions against Belarus, we had initially expected the EBITDA of the K+S Group in February to range between €1.6 billion and €1.9 billion (2021: €1.1 billion). We increased this assessment to an EBITDA range of €2.3 billion to €2.6 billion in an ad hoc announcement on April 13, 2022, due to a further increase in average prices in the Agriculture customer segment. Even assuming a 25% reduction in gas availability in the fourth quarter and the payment of a gas levy, this range was used for the forecast in August. On November 10, we substantiated this assessment to around €2.4 billion excluding a gas levy or shortage in the fourth quarter. In the end, EBITDA reached €2.4 billion.

For adjusted Group earnings after tax excluding impairment effects, a strong increase was forecast for 2022 in the 2021 Annual Report and in all other publications in the financial year (2021: €0.5 billion). Adjusted Group earnings after tax in the reporting year were €1.5 billion.

Key events affecting the business development

In March 2022, we expected return on capital employed (ROCE) from continuing operations to increase sharply (2021: 12.9%). ROCE amounted to 25.7% in the reporting year. B.12

CASH FLOW FORECAST

While adjusted free cash flow of between €0.6 billion and €0.8 billion was expected at the beginning of 2022 (2021: €92.7 million), this forecast was adjusted to a range between €1.0 billion and €1.2 billion in April due to the significantly positive market development (excluding the special effect from the repayment of factoring and the purchase of CO_2 certificates totaling around €0.23 billion). We also forecast this range in August, even with an assumed scenario for gas levies or a shortage. On November 10, we substantiated this assessment at the upper end of this range without gas levies or a shortage in the fourth quarter. Adjusted free cash flow reached €1.2 billion in the reporting year. After deducting the special effect from the repayment of factoring and the purchase of CO_2 certificates totaling around €230 million, adjusted free cash flow reached €932 million. At €403.8 million, the volume of capital expenditure was at the forecast level of around €400 million (2021: €334.3 million); of this, €350.5 million affected cash flow.

FORECAST OF NON-FINANCIAL PERFORMANCE INDICATORS

Lost Time Incident Rate (LTI rate)

In the 2021 Annual Report, we forecast that the LTI rate for 2022 should be below 10 (2021: 11.3). This forecast was overachieved with a value of 8.3.

Reduction of saline process waters in Germany

Overall, the Company has set itself the target of reducing the saline process water to be disposed of from potash production in Germany by 500,000 m³ by 2030 compared with 2017 (2.7 million m³). As a result of the low water levels in the Werra river in 2022 and the resulting reduced discharge possibility, the operation of the Werra plant had to be temporarily changed, so that the process water volume reached an exceptionally low level of 2.3 million m³ (2021: 3.3 million m³).

Sustainable supply chains

In the 2021 Annual Report, we anticipated the recognition rate of the Supplier Code of Conduct in relation to our purchasing volume to remain roughly stable in 2022 (recognition rate 80.7%). In 2022, it finally amounted to 84.5% and was, therefore, improved once again.

For 2022, we announced in the 2021 Annual Report that we would continue to improve the recognition rate of the Code by our critical suppliers (recognition rate 2021: 86.6%). This was achieved with a recognition rate of 89.6%.

TARGET/ACTUAL COMPARISON 2022 **B.12**

		ACTUAL 2021	Forecast 2022 2021 Annual Report	Forecast 2022 Q1/2022	Forecast 2022 H1/2022	Forecast 2022 9M/2022	ACTUAL 2022
K+S Group							
EBITDA[1]	€ billion	1.07; of which 0.22 REKS (one-off)	1.6 to 1.9	2.3 to 2.6 excl. gas shortage	2.3 to 2.6 incl. gas shortage	around 2.4 excl. gas shortage	2.4
Capital expenditures[2]	€ million	334.3	400	a good 400	a good 400	around 400	403.8
Group earnings after tax, adjusted, excluding impairment effects[3]	€ million	486.1	strong increase	strong increase	strong increase	strong increase	1,494.0
Adjusted free cash flow	€ billion	0.1	0.6 to 0.8	1.0 to 1.2[4] excl. gas shortage	1.0 to 1.2[4] incl. gas shortage	a good 1.2[5] excl. gas shortage	1.2[6]
ROCE, excluding impairment effects	%	12.9	strong increase	strong increase	strong increase	strong increase	25.7
EUR/USD exchange rate	EUR/USD	1.18	1.16	1.16	1.05	1.02	1.05
Sales volumes of the Agriculture customer segment	million tonnes	7.6	a good 7.7	a good 7.7	around 7.5	around 7.2	7.1
Average price in the Agriculture customer segment in the full year	€/t	298.0	strong increase compared to FY 2021	strong increase compared to FY 2021	strong increase compared to FY 2021; H2 moderately above Q2/2022 (664)	strong increase compared to FY 2021; slightly below 9M/2022 (641)	628.1
Sales volumes de-icing salt	million tonnes	3.2	a good 2.0	roughly 2.0	a good 2.0	a good 2.0	2.1

[1] Earnings before income tax, interest, depreciation, and amortization, adjusted for the amortization amount recognized directly in equity in connection with own work capitalized, the result of changes in the fair value of operating forecast hedges still outstanding, and changes in the fair value of realized operating forecast hedges recognized in prior periods.

[2] Relates to cash-effective investments in property, plant, and equipment and intangible assets excluding lease additions in accordance with IFRS 16.

[3] The adjusted figures include the gains/losses from operating anticipatory hedges in the respective reporting period; effects from changes in the fair value of hedges are eliminated. The effects on deferred and cash taxes are also adjusted; tax rate 2022: 30.2%.

[4] Taking into account the special effect from the almost complete repayment of factoring and the purchase of CO_2 certificates amounting to a total of around €230 million, the expected adjusted free cash flow was forecast to be between €770 million and €970 million.

[5] Taking into account the special effect from the almost complete repayment of factoring and the purchase of CO_2 certificates amounting to around €230 million in total, the expected adjusted free cash flow was forecast to be around €1 billion.

[6] Taking into account the special effect from the almost complete repayment of factoring and the purchase of CO_2 certificates amounting to around €230 million in total, the expected adjusted free cash flow was around €932 million.

EARNINGS POSITION

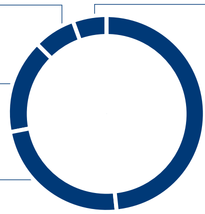
REVENUES

In the 2022 financial year, revenues of the K+S Group reached €5,676.6 million, compared with €3,213.1 million in the previous year. Significantly higher average prices in the Agriculture customer segment and for industrial products containing potash significantly more than offset lower sales volumes, which were caused by logistics bottlenecks, in particular. The de-icing salt business was back at a normal level following an above-average figure for the previous year due to weather conditions. **B.14, B.15**

The breakdown of revenues by region continues to be dominated by Europe with just under 49%, followed by South America with around 24%. Asia and North America accounted for 16% and 5% of our total revenues, respectively. **B.13**

REVENUES BY REGION **B.13**

in %



VARIANCE COMPARED TO PREVIOUS YEAR **B.14**

in %	2022
Change in revenues	**+76.7**
– volume-/structure-related	–9.1
– price-/pricing-related	+80.4
– currency-related	+5.0
– consolidation-related	+0.4

ORDER DEVELOPMENT

Most of our business is not covered by long-term agreements on fixed volumes and prices. Instead, the business is characterized by long-term customer relationships as well as revolving framework agreements with non-binding volume and price indications.

In the de-icing salt business, public sector contracts are concluded through public tenders. As a rule, we participate in these from the second quarter for the upcoming winter season, but also, in some cases, for subsequent winter seasons. The contracts include agreements on prices and maximum volumes. If the contractually agreed volumes are subject to fluctuations permitted by law depending on weather conditions, these volumes cannot be classified as order on hand. This also applies if volumes can be transferred to the following winter if demand is weak in a particular season.

For the reasons stated above, reporting of orders on hand is not relevant for the assessment of our profitability in the short and medium term.

DEVELOPMENT OF SIGNIFICANT COSTS

In the reporting year, the cost of goods sold from operating activities increased from €682.3 million to €3,219.3 million; adjusted for the portion of non-cash reversals of impairment losses on property, plant, and equipment and intangible assets of €1,811.3 million recognized in cost of goods sold in the previous year, there was an increase of €725.7 million. This was particularly attributable to higher costs for energy, materials, and logistics. Marketing and general administrative expenses amounted to €186.3 million in the reporting year, compared with €175.9 million in the previous year. Other operating income amounted to €241.8 million (2021: €397.8 million; benefiting from the one-off gain of €219.2 million resulting from the successful completion of the REKS transaction) and other operating expenses amounted to €374.6 million (2021: €196.0 million). After deducting the one-off effect associated with the REKS transaction, the absolute amounts of other operating income and expenses increased in each case, in particular, as a result of higher losses and gains from exchange rate differences. These are mainly attributable to the development of the USD/EUR exchange rate over the course

REVENUES BY QUARTER[1] **B.15**

in € million	2021	Q1/2022	Q2/2022	Q3/2022	Q4/2022	2022	%
K+S Group	**3,213.1**	**1,212.3**	**1,509.9**	**1,469.9**	**1,484.5**	**5,676.6**	**+76.7**
Share of total revenues (%)	–	21.4	26.6	25.9	26.1	100.0	–

[1] The quarterly figures constitute unaudited voluntary content that was not subject to the audit of the financial statements.

of the year. The previous year's figures for cost of goods sold and other operating income were adjusted retrospectively due to a change in the reporting of reversals of mining provisions. The corresponding negative offsetting item can be found in the financial result.

Notes (3), (4)

Income from investments amounted to €2.1 million (2021: €5.0 million). The result from operating anticipatory hedges decreased to €–138.0 million in 2022 (2021: €–43.1 million). Although the hedging transactions for 2022 were concluded at a more favorable level than the previous year's transactions, they were further away from the EUR/USD spot rate due to the significant appreciation of the US dollar against the euro over the course of the year.

The costs of materials, personnel, energy, and freight have a significant influence on the development of total costs. At €1,643.2 million, the cost of materials increased year-on-year, in particular due to price factors (2021: €1,163.8 million). In 2022, personnel expenses amounted to €929.3 million, moderately higher than in the previous year (2021: €885.3 million). Freight costs increased to €665.1 million (2021: €529.6 million) due to price factors, which significantly outweighed positive volume effects. At €436.9 million, energy costs were higher than in the previous year (2021: €294.0 million), mainly due to price factors.

Notes (2)

EARNINGS PERFORMANCE IN THE PAST FINANCIAL YEAR

OPERATING EARNINGS EBITDA

Since the 2018 financial year, we have been managing the Company particularly through the earnings indicator EBITDA.

At €2,422.9 million (2021: €1,067.3 million), EBITDA was significantly higher than the previous year due to a sharp rise in average prices in the Agriculture customer segment and is by far the best result in the Company's history. As already described in the development of revenues, this was due to significantly higher average prices in the Agriculture customer segment and for industrial products containing potash. Higher material, energy, and freight costs could be more than offset. **B.16, B.17**

EBITDA BY QUARTER[1,2] **B.16**

in € million	2021	Q1/2022	Q2/2022	Q3/2022	Q4/2022	2022	%
K+S Group	**1,067.3**	**524.1**	**706.4**	**633.2**	**559.2**	**2,422.9**	**>+100**
Share of total EBITDA (%)	–	21.6	29.2	26.1	23.1	100.0	–

[1] EBITDA is defined as earnings before interest, tax, depreciation, and amortization, adjusted for the amortization amount recognized directly in equity in connection with own work capitalized, the result of changes in the fair value of operating forecast hedges still outstanding, and changes in the fair value of operating forecast hedges recognized in prior periods.
[2] The quarterly figures constitute unaudited voluntary content not subject to the audit of the financial statements.

RECONCILIATION OF OPERATING EARNINGS AND EBITDA[1,2,3] **B.17**

in € million	2021	2022
Earnings after operating hedges	**2,517.0**	**1,999.6**
Income (–)/expense (+) from changes in fair value of outstanding operating anticipatory hedges	31.0	10.4
Elimination of prior-period changes in the fair value of operating anticipatory hedges	38.1	–30.9
Earnings before operating hedges	**2,586.1**	**1,979.1**
Depreciation and amortization (+)/impairment losses (+)/reversals of impairment losses (–) on non-current assets	–1,514.6	449.1
Capitalized depreciation[4] (–)	–5.5	–6.8
Impairment losses (+)/reversals of impairment losses (–) on investments accounted for using the equity method	1.3	1.5
EBITDA	**1,067.3**	**2,422.9**

[1] Rounding differences may occur in percentages and figures.
[2] These are key indicators not defined in the IFRS framework.
[3] In the previous year, the disclosure of the reversal effects of mining provisions was adjusted (cost of goods sold €–51.7 million, other operating income €+46.5 million, interest expenses €+98.2 million).
[4] This relates to depreciation of assets used in the production of other items of property, plant, and equipment. Depreciation is capitalized as part of the cost of production and is not recognized in profit or loss.

FINANCIAL RESULT

The financial result amounted to €135.1 million (2021: €–91.2 million) and was positively influenced by increased discount rates for mining provisions and the reduction in net debt. Furthermore, exchange rate effects had a positive impact on the other financial result as part of liquidity management. The prior-year figure was adjusted retrospectively due to a change in the reporting of reversals of mining provisions. The corresponding positive offsetting items can be found in cost of goods sold and other operating income.

GROUP EARNINGS AND EARNINGS PER SHARE

Group earnings after tax amounted to €1,508.3 million in the reporting year (2021: €2,134.2 million; benefiting from a non-cash reversal of impairment losses on property, plant, and equipment and intangible assets amounting to €1,811.3 million). A domestic Group tax rate of 30.2% (2021: 30.2%) was used to calculate the income tax expense. Accordingly, earnings per share in the reporting year amounted to €7.88 (2021: €11.15; benefiting from the non-cash reversal of impairment losses). As in the previous year, the calculation is based on an average number of outstanding shares of 191.4 million. **B.18, B.19**

Notes (11)

ADJUSTED GROUP EARNINGS AND ADJUSTED EARNINGS PER SHARE

We also report adjusted earnings after tax, which eliminate the effects of operating anticipatory hedges and, at the same time, serve as an internal performance indicator. The corresponding effects on deferred and cash taxes are also eliminated.

Adjusted earnings after tax amounted to €1,494.0 million (2021: €2,182.4 million; benefiting from a non-cash reversal of impairment losses on property, plant, and equipment and intangible assets of €1,811.3 million). Adjusted earnings per share reached €7.81 in the reporting year (2021: €11.40; benefiting from a non-cash reversal of impairment losses on property, plant, and equipment and intangible assets). This was also based on 191.4 million no-par value shares. Excluding the non-cash reversal of impairment losses in 2021 and the related effects on deferred taxes, adjusted Group earnings after tax in the previous year would have amounted to €486.1 million and adjusted earnings per share would have been €2.54. As a result of the very good business performance, adjusted earnings more than doubled compared with the prior year excluding the effects of the reversal of impairment losses.

As of December 31, 2022, we held no treasury shares. The total number of K+S Aktiengesellschaft shares outstanding at the end of the year, therefore, remained unchanged at 191.4 million no-par value shares. **B.18, B.19**

RECONCILIATION OF ADJUSTED GROUP EARNINGS AFTER TAX **B.18**

in € million	2021	2022
Earnings after tax	**2,134.2**	**1,508.3**
Income (–)/expense (+) arising from changes in fair value of outstanding operating anticipatory hedges	31.0	10.4
Elimination of prior-period changes in the fair value of operating anticipatory hedges	38.1	–30.9
Elimination of resulting deferred taxes and cash taxes	–20.9	6.2
Group earnings after tax, adjusted	**2,182.4**	**1,494.0**

EARNINGS PER SHARE[1] **B.19**

	2021	Q1/2022	Q2/2022	Q3/2022	Q4/2022	2022	%
Earnings per share, adjusted, excluding impairment losses (€)	2.54	1.63	2.28	1.98	1.92	7.81	>+100
Earnings per share (€)	11.15	1.62	1.93	1.47	2.86	7.88	–29.3
Earnings per share, adjusted (€)[2]	11.40	1.63	2.28	1.98	1.92	7.81	–31.5
Average number of shares (million)	191.4	191.4	191.4	191.4	191.4	191.4	–

[1] The quarterly figures constitute unaudited voluntary content that was not subject to the audit of the financial statements.

[2] The adjusted key indicators include the gains/losses from operating anticipatory hedges in the respective reporting period, which eliminates effects of changes in the fair value of the hedges. In addition, related effects on deferred and cash taxes are eliminated; tax rate 2022: 30.2% (2021: 30.2%).

BUSINESS PERFORMANCE OF THE CUSTOMER SEGMENTS (NO SEGMENTS ACCORDING TO IFRS 8)

AGRICULTURE CUSTOMER SEGMENT

In the Agriculture customer segment, revenues rose sharply to €4,465.6 million in the reporting year (2021: €2,272.1 million) due to significantly higher average prices and despite low sales volumes. Revenues in Europe in 2022 amounted to €1,671.6 million (2021: €950.9 million) and overseas to €2,794.0 million (2021: €1,321.1 million). In total, potassium chloride accounted for €2,976.5 million of revenues in the Agriculture customer segment (2021: €1,349.3 million) and fertilizer specialties for €1,489.2 million (2021: €922.8 million). **B.20, B.21, B.22**

Industry-specific environment

Sales volumes decreased to a total of 7.11 million tonnes in 2022 (2021: 7.62 million tonnes). This was attributable to restrictions on logistics availability, a wait-and-see attitude on the part of customers in the second half of the year, and comparatively high sickness rates among us and our business partners. In the year under review, 2.81 million tonnes were sold in Europe (2021: 3.23 million tonnes) and 4.30 million tonnes overseas (2021: 4.39 million tonnes). In total, potassium chloride accounted for 4.44 million tonnes of the sales volume (2021: 4.69 million tonnes) and fertilizer specialties for 2.67 million tonnes (2021: 2.94 million tonnes).

VARIANCE COMPARED TO PREVIOUS YEAR **B.20**

in %	2022
Change in revenues	**+96.5**
– volume-/structure-related	–9.8
– price-/pricing-related	+99.0
– currency-related	+6.7
– consolidation-related	+0.6

KEY INDICATORS AGRICULTURE CUSTOMER SEGMENT[1] **B.21**

in € million	2021	Q1/2022	Q2/2022	Q3/2022	Q4/2022	2022	%
Revenues	**2,272.1**	**944.1**	**1,244.2**	**1,162.8**	**1,114.6**	**4,465.6**	**+96.5**
– thereof potassium chloride	1,349.3	625.3	849.2	779.5	722.5	2,976.5	>+100
– thereof fertilizer specialties	922.8	318.8	395.0	383.3	392.1	1,489.2	+61.4
Sales volume (in million tonnes)	**7.62**	**1.79**	**1.87**	**1.56**	**1.88**	**7.11**	**–6.7**
– thereof potassium chloride	4.69	1.11	1.18	0.95	1.20	4.44	–5.4
– thereof fertilizer specialties	2.94	0.69	0.69	0.61	0.68	2.67	–9.0

[1] The quarterly figures constitute unaudited voluntary content that was not subject to the audit of the financial statements.

DEVELOPMENT OF REVENUES, SALES VOLUMES, AND AVERAGE PRICES BY REGION[1,2] **B.22**

		2021	Q1/2022	Q2/2022	Q3/2022	Q4/2022	2022	%
Revenues	**€ million**	**2,272.1**	**944.1**	**1,244.2**	**1,162.8**	**1,114.6**	**4,465.6**	**+96.5**
Europe	€ million	950.9	349.9	543.0	372.0	406.8	1,671.6	+75.8
Overseas	USD million	1,562.5	666.5	746.5	796.3	722.3	2,931.6	+87.6
Sales volumes	**million tonnes eff.**	**7.62**	**1.79**	**1.87**	**1.56**	**1.89**	**7.11**	**–6.7**
Europe	million tonnes eff.	3.23	0.76	0.84	0.55	0.66	2.81	–13.0
Overseas	million tonnes eff.	4.39	1.03	1.03	1.01	1.23	4.30	–2.1
Ø Price	**€/tonnes eff.**	**298.0**	**527.0**	**663.9**	**744.5**	**592.2**	**628.1**	**>+100**
Europe	€/tonnes eff.	294.0	462.1	648.4	675.9	617.7	594.1	>+100
Overseas	USD/tonnes eff.	356.0	644.3	727.2	787.3	585.6	682.4	+91.7

[1] Revenues include both prices incl. and excl. freight and are based on the respective EUR/USD spot rates for overseas revenues. Hedging transactions were concluded for the majority of these sales revenues. The stated prices are also influenced by the respective product mix and should therefore only be regarded as a rough indication.

[2] The quarterly figures constitute unaudited voluntary content that was not subject to the audit of the financial statements.

KEY INDICATORS INDUSTRY+ CUSTOMER SEGMENT[1] B.23

in € million	2021	Q1/2022	Q2/2022	Q3/2022	Q4/2022	2022	%
Revenues	941.0	268.2	265.8	307.1	369.9	1,211.0	+28.7
Sales volumes (in million tonnes)	7.91	1.83	1.46	1.68	1.87	6.83	–13.7
– thereof de-icing salt	3.18	0.61	0.31	0.48	0.68	2.08	–34.6

[1] The quarterly figures constitute unaudited voluntary content that was not subject to the audit of the financial statements.

INDUSTRY+ CUSTOMER SEGMENT

In the Industry+ customer segment, revenues in 2022 rose significantly to a total of €1,211.0 million (2021: €941.0 million); this was due to higher average prices, which more than offset lower sales volumes following the above-average winter in the previous year. **B.24**

Industry-specific environment

Overall, sales volumes of 6.83 million tonnes were below the level of the previous year (2021: 7.91 million tonnes); as described for the development of revenues, this was mainly due to the strong de-icing salt business in the previous year. Sales volumes of products for the chemical industry, the food and feed industries, and for other industrial applications remained at the high level of the previous year. Sales volumes of products for the oil and gas as well as the pharmaceutical industries improved once again. Sales volumes of consumer products remained at a high level following the strong prior year. **B.23**

VARIANCE COMPARED TO PREVIOUS YEAR B.24

in %	2022
Change in revenues	**+28.7**
– volume-/structure-related	–7.4
– price-/pricing-related	+35.1
– currency-related	+0.9
– consolidation-related	+0.1

KEY INDICATORS ON THE EARNINGS POSITION

MARGIN KEY INDICATORS

The key margin indicators developed as follows in the reporting year: Our record EBITDA of €2,422.9 million resulted in an EBITDA margin (EBITDA/revenue) of 42.7%, compared with 33.2% in the prior-year period. Return on revenue (adjusted Group earnings after tax/revenue) reached 26.3% (2021: 67.9%; benefiting from the non-cash reversal of impairment losses on property, plant, and equipment and intangible assets; excluding these effects: 15.1%). **B.25**

MULTIPLE-PERIOD OVERVIEW OF MARGIN AND PROFITABILITY RATIOS[1] B.25

Ratios in %	2018	2019	2020	2021	2022
Gross margin[2]	15.6	17.1	–37.9	78.8	43.3
EBITDA margin	15.0	15.7	12.0	33.2	42.7
Return on revenue[3]	2.1	1.9	–48.7	67.9	26.3
Return on equity after tax[3]	2.1	1.8	–54.3	41.3	22.2
Return on total investments[3]	2.4	2.6	–20.1	30.0	21.8
Working capital (€ million)	1,126.7	1,037.9	747.4	647.4	1,303.6
Operating assets (€ million)	7,464.0	8,140.6	6,090.6	6,738.6	6,683.5
Return on capital employed (ROCE)	2.6	2.3	–22.8	42.9	25.7
Weighted average cost of capital before tax	8.4	8.6	9.4	9.7	11.5
Value added (€ million)	–500.8	–560.9	–2,576.5	2,001.6	1,095.1

[1] For the years 2018 to 2020, the figures relate to the continuing and discontinued operations of the K+S Group. From 2021 onwards, the figures relate to the continuing operations of the K+S Group.
[2] The presentation of the income statement has been changed in line with the internal management structure and for the purpose of improving the industry benchmarking from the 2018 financial year onwards.
[3] The adjusted figures include the gains/losses from operating anticipatory hedges in the respective reporting period, which eliminates the effects of changes in the fair value of the hedges. In addition, related effects on deferred and cash taxes are eliminated; tax rate 2022: 30.2% (2021: 30.2%).

DERIVATION OF THE COST OF CAPITAL

The weighted average cost of capital for the K+S Group is calculated by adding the return expected by the equity investors on the equity share as well as the interest on debt on the interest-bearing debt share of total capital using the peer group method in accordance with IAS 36. As this is an after-tax perspective, the average interest on debt is reduced by the corporate tax rate.

The returns expected by equity investors derive from a risk-free interest rate plus a risk premium. The present-value equivalent average of the yields of government bonds denominated in euros with a maturity of 1 to 30 years according to the Svensson method was assumed as the risk-free interest rate. As at December 31, 2022, this amounted to 2.25% (2021: 0.1%). The risk premium was calculated on the basis of a market risk premium of 7.25% (2021: 7.75%) and the beta factor derived from the peer group of 1.06 compared with the MSCI World benchmark index. This results in an expected return of 9.9% (2021: 8.4%) for the equity investors.

The average interest rate on debt before tax was 3.7% (2021: 3.3%) and is derived from the rating of the peer group companies and a corresponding spread on the risk-free prime rate. After taking into account the normalized preliminary Group tax rate of 30.2%, this results in an average cost of debt after taxes of 2.6% (2021: 2.3%).

As at December 31, 2022, the debt-equity ratio calculated according to the peer group method was 34.8% (2021: 35.8%).

In total, this results in a weighted average cost of capital for the K+S Group, as well as for the individual operating units, of 8.0% (2021: 6.8%) after taxes. The corresponding cost of capital before taxes was 11.5% (2021: 9.7%). Based on average capital employed of €7,686.5 million, this resulted in a pretax cost of capital of €883.9 million for 2022 (2021: €584.5 million).

PROFITABILITY RATIOS

The return on equity after taxes in the reporting year was 22.2% and the return on total assets 21.8% (2021: 41.3% and 30.0%, respectively; in each case benefiting from the non-cash reversal of impairment losses on property, plant, and equipment and intangible assets; excluding these effects: 9.2% and 10.6%, respectively). The calculation of the return on equity and the return on total capital employed is shown in tables **B.26** and **B.27**.

CALCULATION OF RETURN ON EQUITY **B.26**

in € million	2021	2022
Equity	5,259.2	6,720.0
Effects of fair value changes from operating anticipatory hedges	21.6	7.3
Adjusted equity as at Dec. 31	5,280.8	6,727.3
Group earnings after tax, adjusted, excluding impairment effects	486.1	1,494.0
Return on equity, excluding impairment effects	**9.2%**	**22.2%**
Group earnings after tax, adjusted	2,182.4	1,494.0
Return on equity[1]	**41.3%**	**22.2%**

[1] In contrast to the reporting in previous financial years, the return on equity is based on adjusted equity as at December 31 since 2021 to avoid distortions in the figure due to assets held for sale.

CALCULATION OF RETURN ON TOTAL INVESTMENT[1] **B.27**

in € million	2021	2022
Balance sheet total	8,724.3	9,890.0
Effects from fair value changes	8.8	–22.0
Effects from deferred tax	–18.3	–43.9
Adjusted balance sheet total as at Dec. 31	8,714.8	9,824.2
Adjusted Group earnings before interest and tax, excluding impairment effects	920.6	2,142.5
Return on total assets excluding impairment effects	**10.6%**	**21.8%**
Adjusted earnings before interest and tax	2,616.9	2,142.5
Return on total assets[1]	**30.0%**	**21.8%**

[1] In contrast to the reporting in previous financial years, the return on total investments is based on the adjusted balance sheet total as at December 31 since 2021 to avoid distortions in the figure due to assets held for sale.

The return on capital employed (ROCE) of the K+S Group amounted to 25.7% in the year under review (2021: 42.9%; benefiting from the reversal of impairment losses; excluding the reversal of impairment losses: 12.9%) and was therefore very significantly higher than our cost of capital of 11.5% before taxes. The K+S Group generated value added of €1,095.1 million in the past financial year. **B.28**

CALCULATION OF ROCE **B.28**

in € million	2021	2022
ROCE = Earnings before operating hedges/capital employed (annual average)	**42.9%**	**25.7%**
ROCE, excluding impairment effects	**12.9%**	**25.7%**
Earnings before operating hedges	**2,586.1**	**1,979.1**
Earnings before operating hedges, excluding impairment effects	**774.8**	**1,979.1**
Intangible assets	79.9	181.4
Property, plant, and equipment	6,406.5	6,292.8
Investments in affiliated companies and other shareholdings	76.3	42.8
Financial assets accounted at equity	175.9	166.4
Operating assets	**6,738.6**	**6,683.5**
Inventories	496.5	675.1
Trade receivables	569.5	1,143.7
Other assets	230.0	302.5
Trade payables	–257.2	–312.9
Other liabilities	–409.4	–374.3
Current provisions	–216.4	–263.2
Working capital, adjusted[1]	234.3	132.7
Working capital	**647.4**	**1,303.6**
Capital employed (LTM)[2]	**6,025.8**	**7,686.5**

[1] Adjusted for CTA plan asset surpluses, receivables, and liabilities from cash investments, fair values of operating anticipatory hedges, reimbursement claims and corresponding obligations, as well as liabilities from finance leases.

[2] LTM = Average value of opening and closing value of the last twelve months.

FINANCIAL POSITION

PRINCIPLES AND GOALS OF THE FINANCIAL MANAGEMENT OF THE K+S GROUP

FINANCIAL MANAGEMENT IS CONTROLLED CENTRALLY

The primary goals of financial management of the K+S Group include:

+ Secure liquidity and controlling it efficiently throughout the Group,
+ maintaining and optimizing financing capability, and
+ reducing financial risks, also by using financial instruments.

With central cash management, we control liquidity and optimize cash flows within the K+S Group. We aim to achieve an investment grade rating in the lower range to maintain our financing ability and achieve a favorable cost of capital for debt and equity. As the rating agency Standard & Poor's raised our rating during the course of the year from B+ (outlook "stable") to BB+ with a "positive" outlook, this will be achieved with a further upgrade of only one notch. We manage our capital structure on the basis of the key performance indicators listed in table **B.29**.

K+S on the capital market

Currency and interest rate management is performed centrally for all major Group companies. Derivative financial instruments are only entered with top-rated banks, are spread across several banks as well as continuously monitored to reduce the risk of default.

KEY INDICATORS OF THE CAPITAL STRUCTURE[1] B.29

	2018	2019	2020	2021	2022
Net financial liabilities/EBITDA	5.3	4.9	7.2	0.6	–[2]
Net financial liabilities (incl. all lease liabilities)/EBITDA	5.3	5.4	7.8	0.7	–[2]
Net debt/EBITDA	7.3	7.1	10.5	1.7	0.3
Net debt/equity (%)	107.2	101.6	209.5	34.4	12.4
Equity ratio (%)	41.6	42.4	26.5	60.3	67.9

[1] For the years 2018 to 2020, the figures relate to the continuing and discontinued operations of the K+S Group. From 2021 onwards, the figures relate to the continuing operations of the K+S Group.
[2] There are no net financial liabilities as of December 31, 2022.

CURRENCY HEDGING[1] B.30

	2021	Q1/2022	Q2/2022	Q3/2022	Q4/2022	2022
EUR/USD exchange rate after premiums	1.15	1.17	1.16	1.11	1.12	1.13
Average EUR/USD spot rate	1.18	1.12	1.06	1.01	1.02	1.05

[1] The quarterly figures constitute unaudited voluntary content that was not subject to the audit of the financial statements.

FOREIGN CURRENCY HEDGING SYSTEM

Fluctuations in exchange rates can lead to the value of the service supplied not matching the value of the consideration received because income and expenditures arise at different times in different currencies (transaction risks). Exchange rate fluctuations, in particular of the US dollar against the euro, impact the amount of our revenues and the equivalent value of our receivables. Key net positions (i.e., net revenues in US dollars less freight and other costs denominated in US dollars) are, therefore, hedged using derivatives, normally options or forward contracts, as part of the transaction hedging process.

These hedging instruments protect us against a worst-case scenario, while at the same time, giving us the opportunity to participate in a favorable exchange rate development. In 2022, the realized exchange rate of the euro against the US dollar averaged 1.13 EUR/USD including hedging costs (2021: 1.15 EUR/USD). **B.30**

Furthermore, currency effects arise in the case of subsidiaries whose functional currency is not the euro (translation risks): On the one hand, the results of these companies determined in foreign currencies are translated into euros at average exchange rates with an effect on earnings and, on the other hand, their net assets are translated at closing rates. The translations may result in currency-related fluctuations in the equity of the K+S Group. These translation risks arising from the conversion of foreign currency are not hedged.

CAPITAL EXPENDITURES ANALYSIS

We calculate our capital expenditures as follows: **B.31**

RECONCILIATION CAPITAL EXPENDITURES B.31

in € million	2021	2022
Additions to other intangible assets and property, plant, and equipment	**609.5**	**621.7**
– Emission rights	10.7	112.0
– Leases	28.4	14.7
– Interest costs	12.1	14.1
– Capitalization of depreciation and amortization	5.8	6.8
– Recultivation	218.2	69.3
– Other	–	1.0
Capital expenditures (CapEx)	**334.3**	**403.8**

At €403.8 million, K+S's capital expenditure in 2022 was above the previous year's level (2021: €334.3 million). A large part of this was due to maintenance investments, the ongoing cavern development in Bethune, as well as the procurement of additional rail cars in Canada. Furthermore, as in the same period last year, K+S invested significant amounts to meet regulatory requirements. To comply with occupational exposure limits in underground mine operations for example, K+S purchases mobile machines with state-of-the-art exhaust gas cleaning systems and, in part, electrically powered, which replace older vehicles with higher emissions operations. Furthermore, capital expenditures were made on the development of a low-emission emulsion explosive and the improvement of underground ventilation systems. In the operating business, as in the previous year, the focus was on an additional hot solution processing plant for industrial potash. **B.32, B.33**

Combined non-financial statement, Environment & Resources

Combined non-financial statement, Health & Safety

At the end of the year, there were economic capital expenditure obligations for investment projects not yet completed amounting to €304.9 million.

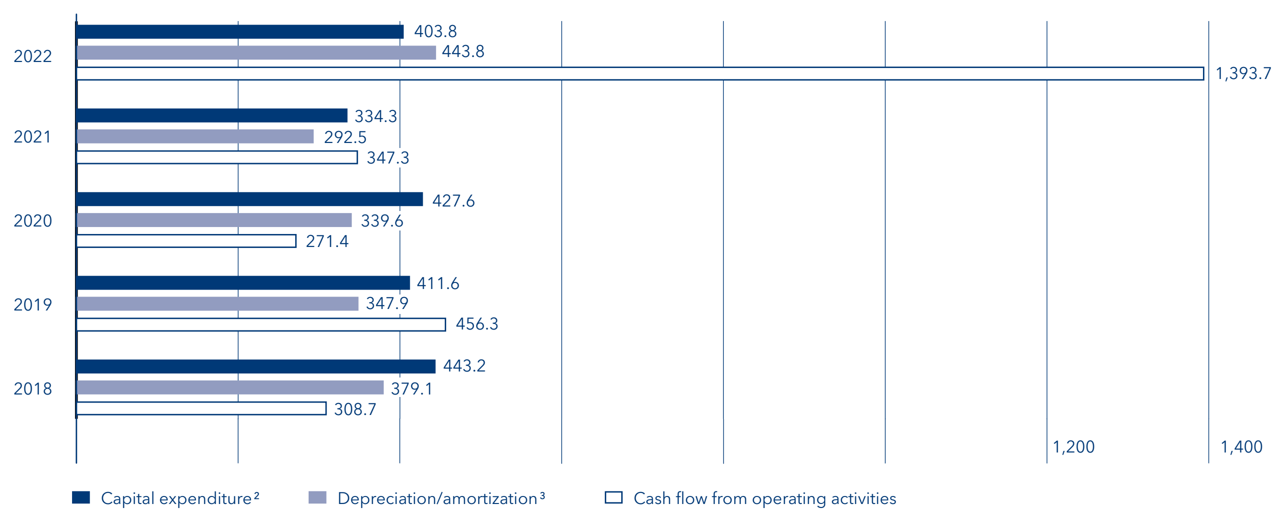
CAPITAL EXPENDITURE BY QUARTER[1,2] **B.32**

in € million	2021	Q1/2022	Q2/2022	Q3/2022	Q4/2022	2022	%
K+S Group	334.3	49.2	76.0	115.3	163.3	403.8	20.8
Share of capital expenditure (%)	–	12.2	18.8	28.6	40.4	100.0	–

[1] Relates to cash-effective investments in property, plant, and equipment and intangible assets, taking into account reimbursement claims from subsequent claims management, excluding lease additions in accordance with IFRS 16 (please refer to **B.31** for reconciliation).
[2] The quarterly figures constitute unaudited voluntary content that was not subject to the audit of the financial statements.

CAPITAL EXPENDITURES COMPARED TO DEPRECIATION AND AMORTIZATION, AND CASH FLOW FROM OPERATING ACTIVITIES[1] **B.33**

in %



[1] For the years 2019 to 2021, the figures relate to the continuing operations of the K+S Group. For the year 2018, the figures relate to the continuing and discontinued operations of the K+S Group.
[2] Relates to cash-effective investments in property, plant and equipment, and intangible assets, taking into account reimbursement rights from post-claims management, excluding lease additions in accordance with IFRS 16 (for reconciliation, see **B.31**).
[3] Relates to depreciation and amortization of property, plant, and equipment, intangible assets, as well as investments accounted for using the equity method, adjusted for the amount of depreciation and amortization recognized directly in equity in connection with own work capitalized.

OVERVIEW OF CASH FLOWS **B.34**

in € million	2021	2022	%
Cash flow from operating activities	**347.3**	**1,393.7**	>+100
Cash flow from investing activities	**–519.4**	**–908.6**	+74.9
Free cash flow	**–172.1**	**485.1**	–
Adjustment for acquisitions/disposals of securities and other financial investments	264.8	446.9	+68.8
Adjusted free cash flow	**92.7**	**932.0**	**>+100**
Adjusted free cash flow before special effects	**167.1**	**1,163.5**	**>+100**

LIQUIDITY ANALYSIS

In the 2022 financial year, cash flow from operating activities increased sharply to €1,393.7 million, compared with €347.3 million in the previous year. The improvement in EBITDA and lower interest payments more than offset the higher level of funds tied up in working capital and higher tax payments. Excluding the negative special effect of €120.3 million from the full repayment of factoring, cash flow from operating activities would have amounted to €1,514.0 million in the reporting period.

In the reporting year, adjusted cash flow from investing activities amounted to €–461.7 million, compared with €–254.6 million in the prior-year period. In addition to the purchase of further CO_2 certificates in the amount of €111.2 million, planned higher payments for capital expenditures for the investment projects described from page 55 onwards led to this increase in 2022, after the previous year's period benefited from the cash inflow of €88.6 million from the REKS transaction.

Overall, adjusted free cash flow (excluding acquisitions/disposals of securities and other financial investments) amounted to €932.0 million, compared with €92.7 million in the prior-year period. Excluding the full repayment of the factoring program and the purchase of CO_2 certificates, adjusted free cash flow amounts to €1,163.5 million (2021: €167.1 million). **B.34**

Cash flow from financing activities amounted to €–559.6 million in the reporting year (2021: €–2,190.9 million) as a result of the further repayment of financial liabilities.

As of December 31, 2022, net cash and cash equivalents amounted to €312.9 million (December 31, 2021: €382.7 million).

FINANCING ANALYSIS

Following the significant reduction in debt as part of the sale of the Americas operating unit in 2021 and the very good operating business development in the year under review, the K+S Group can report a net asset position as of December 31. Cash and cash equivalents and financial investments, therefore, exceed the existing financial and leasing liabilities.

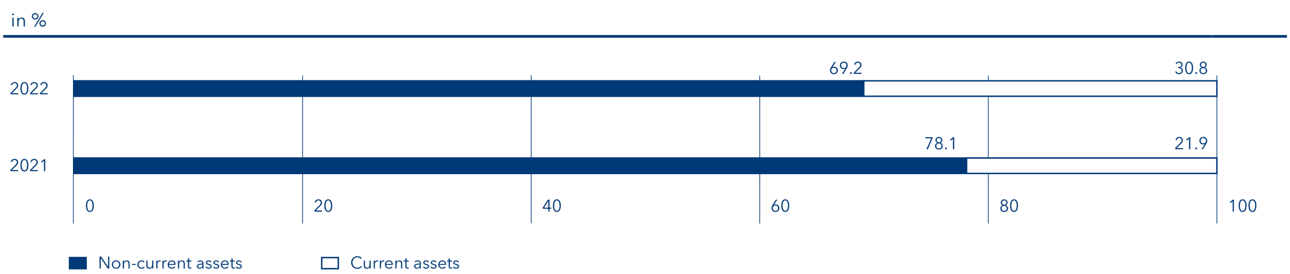
FURTHER INCREASE IN EQUITY

As of the balance sheet date, equity increased from €5,259.2 million in the previous year to €6,720.0 million. The equity ratio also increased to 67.9% (December 31, 2021: 60.3%) against the background of the above-average operating performance.

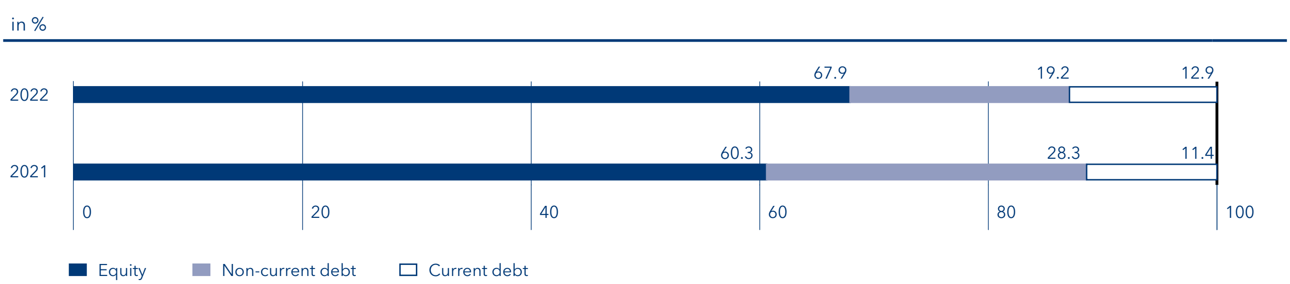
LIABILITIES DOWN SIGNIFICANTLY

Non-current liabilities including non-current provisions decreased to €1,898.8 million as of December 31, 2022 (December 31, 2021: €2,469.6 million). As a result, non-current liabilities accounted for 19.2% of total assets (December 31, 2021: 28.3%). The coverage ratio II (equity and non-current liabilities in relation to non-current assets) was 126% at the end of the year. **B.35, B.36**

ASSETS **B.35**



EQUITY AND LIABILITIES **B.36**



Current liabilities increased to €1,271.2 million as of December 31, 2022 (December 31, 2021: €995.5 million). This increased the share of total assets to 12.9% as of December 31, 2022 (December 31, 2021: 11.4%).

The further reduction of financial liabilities and an increase in discount rates for mining provisions contributed to the reduction in total liabilities.

Notes, Balance sheet

FINANCIAL LIABILITIES

As of December 31, 2022, financial liabilities amounted to €730.6 million (December 31, 2021: €1,191.0 million). After receiving the cash inflow from the sale of the Americas operating unit in 2021 and the very good operating business in the reporting year, financial liabilities were further reduced, in particular through the scheduled repayment of the bond maturing in June 2022 and the repurchase of outstanding bond liabilities. On December 14, 2022, the 3-month par call of our bond issued in 2017 was called and the bond was called due on January 6, 2023. Our remaining non-current liabilities are largely attributable to the outstanding shares of the corporate bonds issued in March 2017 and July 2018. **B.37**

Bonds and rating

NET DEBT **B.37**

in € million	Dec. 31, 2021	Dec. 31, 2022
Cash and cash equivalents	390.8	320.0
Non-current securities and other financial investments	18.4	14.8
Current securities and other financial investments	213.5	665.8
Financial liabilities	–1,191.0	–730.6
Lease liabilities from finance lease contracts	–38.0	–25.1
Net financial liabilities (–)/net asset position (+)	**–606.3**	**244.9**
Lease liabilities excluding liabilities from finance lease contracts	–168.3	–144.0
Net financial liabilities (–)/net asset position (+) (incl. all lease liabilities)	**–774.6**	**100.9**
Provisions for pensions and similar obligations	–16.0	–2.7
Non-current provisions for mining obligations	–1,017.4	–932.4
Net debt	**–1,808.0**	**–834.2**

PROVISIONS

The non-current provisions of the K+S Group relate, in particular, to mining obligations as well as pensions and similar obligations.

Provisions for non-current mining obligations decreased to €932.4 million as of the balance sheet date (December 31, 2021: €1,017.4 million), in particular as a result of interest rate adjustment effects, extended lifetimes due to the Werra 2060 project, and the inclusion of planned proceeds from the tailings pile coverage for Hattorf and Wintershall. Changes in cost assumptions, such as an increase in general inflation rates, had a counteracting effect.

Notes (23)

Non-current provisions for pensions and similar obligations recorded a decrease to €2.7 million (2021: €16.0 million) due to positive interest rate effects. The weighted average discount rate for pensions and similar obligations was 4.2% as of December 31, 2022 (December 31, 2021: 1.3%). The actuarial valuation of pension provisions is based on the projected unit credit method in accordance with IAS 19.

Notes (22)

SIGNIFICANCE OF OFF-BALANCE-SHEET FINANCING INSTRUMENTS FOR THE FINANCIAL POSITION AND NET ASSETS

In accordance IFRS 16, all leases are recognized in the statement of financial position. There are exceptions only for short-term, low-value, and variable leases. These have no material impact on the economic position of the K+S Group.

NET ASSETS

ANALYSIS OF ASSET STRUCTURE

The total assets of the K+S Group amounted to €9,890.0 million as of December 31, 2022 (December 31, 2021: €8,724.3 million). Property, plant, and equipment decreased slightly to €6,292.8 million (December 31, 2021: €6,406.5 million). The share of investments accounted for using the equity method (REKS GmbH & Co. KG) amounted to €166.4 million; for further information, please refer to Note (15). Inventories increased to €675.1 million (2021: €496.5 million) due to both volume-related factors and higher cost valuations; further information can be found in Note (17). Trade accounts receivable rose to €1,143.7 million (December 31, 2021: €569.5 million) as a result of the repayment of factoring and significantly higher potash prices. Cash and cash equivalents, current and non-current securities, and other financial investments amounted to €1,000.6 million as of the balance sheet date and were therefore significantly higher than the previous year's figure (December 31, 2021: €622.7 million). As of December 31, 2022, this figure exceeds the amount of financial and lease liabilities, resulting in a net asset position including all lease liabilities of €100.9 million. As of the previous year's balance sheet date, net financial liabilities including all lease liabilities amounted to €774.6 million.

The leverage ratio (net financial liabilities/EBITDA) was 0.6 times in the previous year (adjusted for the effects of the REKS joint venture: 0.9 times). As of December 31, 2022, the net asset position amounted to €244.9 million. As of December 31, 2022, the net debt of the K+S Group was more than halved year-on-year to €834.2 million (December 31, 2021: €1,808.0 million).

The ratio of non-current to current assets was 69:31. **B.38**

MULTIPLE-PERIOD OVERVIEW OF THE FINANCIAL POSITION[1] **B.38**

in € million	2018	2019	2020	2021	2022
Equity	4,144.1	4,495.1	2,222.6	5,259.2	6,720.0
Equity ratio (%)	41.6	42.4	26.5	60.6	67.9
Non-current liabilities	4,528.4	4,721.1	3,834.7	2,469.6	1,898.8
– thereof provisions for pensions and similar obligations	187.0	232.2	224.9	16.0	2.7
– thereof provisions for mining obligations	1,015.1	910.6	946.9	1,017.4	932.4
Non-current provisions as share of total equity and liabilities (%)	12.1	12.4	16.1	13.7	10.9
Current liabilities	1,293.7	1,376.0	2,330.1	995.5	1,271.2
– thereof trade payables	239.7	241.3	305.6	257.2	312.9
Financial liabilities	3,283.3	3,398.9	3,369.2	1,191.0	730.6
Net financial liabilities (–)/net asset position (+)	–3,241.5	–3,116.6	–3,217.4	–606.3	244.9
Net debt	4,443.6	4,565.7	4,656.8	1,808.0	834.2
Debt-equity ratio (%)[2]	79.2	75.6	151.6	22.6	10.9
Debt-equity ratio II (%)[3]	107.2	101.6	209.5	34.4	12.4
Working capital	1,126.7	1,037.9	747.4	647.4	1,303.6
Cash flow from operating activities	308.7	639.8	428.5	347.3	1,393.7
Adjusted free cash flow	–204.0	139.7	–42.2	92.7	932.0
Cash flow from/(used in) financing activities	187.3	11.0	–79.9	–2,190.9	–559.6

[1] For the years 2018 to 2020, the figures relate to the continuing and discontinued operations of the K+S Group. From 2021 onwards, the figures relate to the continuing operations of the K+S Group.
[2] Financial liabilities/equity.
[3] Net debt/equity.

MULTIPLE-PERIOD OVERVIEW OF ASSETS[1] **B.39**

in € million	2018	2019	2020	2021	2022
Property, plant, and equipment, intangible assets	7,670.2	8,208.5	6,155.5	6,486.4	6,474.2
Financial assets, non-current securities, and other financial investments	96.1	113.2	47.9	94.8	57.7
Inventories	691.5	789.3	832.5	496.5	675.1
Trade receivables	836.7	724.7	475.8	569.5	1,143.7
Cash and cash equivalents, current securities, and other financial investments	178.8	333.2	212.2	604.3	985.8

[1] For the years 2018 to 2020, the figures relate to the continuing and discontinued operations of the K+S Group. From 2021 onwards, the figures relate to the continuing operations of the K+S Group.

RESTRICTED ASSETS

In 2005, we began funding the pension obligations of our domestic Group companies through a contractual trust arrangement (CTA model). This contribution is associated with an earmarking of funds. Furthermore, there are reinsurance policies that also qualify as plan assets under IFRS. In accordance with IFRS, such obligations are presented in the balance sheet as a net liability. Assets restricted in connection with pension obligations amounted to €279.9 million in 2022, compared with €300.3 million in the previous year. At the balance sheet date, there were also plan assets of €46.1 million (2021: €51.7 million) for obligations from lifetime working accounts, which have also been netted in the balance sheet.

Notes (22)

ASSETS NOT RECOGNIZED ON THE BALANCE SHEET

As of December 31, 2022, other financial liabilities arising from uncompleted investments amounted to €304.9 million (December 31, 2021: €117.1 million).

ASSESSMENT OF THE CURRENT ECONOMIC SITUATION BY THE BOARD OF EXECUTIVE DIRECTORS[1]

The 2022 financial year was the most successful year in the history of K+S to date. We generated strong growth in revenues, EBITDA of €2.4 billion, and adjusted free cash flow of about €1.2 billion (excluding the special effect from the repayment of factoring and the purchase of CO_2 certificates). K+S is, therefore, free of net financial liabilities at the end of 2022.

K+S has performed excellently in this tense political and economic environment. We have developed and implemented customized solutions quickly and with foresight to safeguard production at our domestic sites and implement cost savings. At the same time, we pushed ahead intensively with the establishment of alternative plants in power plant and energy technology, such as power-to-heat or the use of propane gas to avoid energy bottlenecks. The future-proof transformation of our energy supply represents a decisive step towards achieving our climate goals.

Moreover, we have decided not to make use of the cap on electricity and gas prices that was adopted by law at the beginning of this year. This also preserves the full ability of K+S to pay dividends. As a result of our forward-looking actions, we have almost completely secured our own requirements for natural gas for 2023 in terms of price and have a high degree of planning predictability for energy costs. K+S also covers large quantities of its electricity requirements from its own production.

On the market side, we are also very positive about the current year: We expect continued good demand in the market and an attractive price level overall. The normalization of potash prices at a high level that has occurred should be accompanied by an increase in demand for output in the first half of 2023, as profitability in agriculture is intact in all sales regions.

At the same time, our strategic alignment to secure long-term economic success has been, and continues to be, correct. We are concentrating on optimizing our existing business, growing our core business, and developing new business areas. In terms of our balance sheet, we are better prepared than ever.

As part of these strategic guiding principles, we presented our extensive Werra 2060 project: It strengthens the competitiveness of K+S and extends the life of the plant with higher and more stable production. We are securing jobs in the region in the long term and sustainably reducing the environmental footprint of domestic potash production.

By focusing our production on wastewater-free processing methods at the Unterbreizbach (Thuringia) and Wintershall (Hesse) sites, it will be possible both to more than halve the process waters of the Werra plant and operate the power plants with significantly minimized natural gas requirements while reducing CO_2 emissions. Furthermore, the yield of mineral-containing crude salt will be significantly increased.

Compared with the unchanged operation of the plant, an additional €300 million will be invested in the Werra 2060 project, which will pay off in a significantly higher value of the site.

On the other side of the Atlantic, we are continuing to intensively drive forward the expansion of our potash plant in Bethune. At the same time, we have launched initial projects to grow our core business and develop new business areas.

[1] As of: March 14, 2023.

RESEARCH AND DEVELOPMENT

Research and development makes a significant contribution to the implementation of the K+S strategy and enables us to respond to changing needs of the market and customers. The Research and Development department closely cooperates with the Agriculture and Industry+ customer segments in developing new and customer-oriented solutions to expand the product portfolio. Our know-how in new product development is complemented by cooperation with universities and external research institutes as well as an exchange of ideas in partnership with other companies. A major task of research and development is to support the transformation process to further reduce the environmental footprint of our potash production. For this purpose, innovative basic concepts in process technology have already been developed in collaboration with the Werra site. Knowledge and support from the Research and Development department continue to be in demand for their implementation. In the area of optimizing the existing business, there is a continuous need for development to make new findings available for use at the sites and respond to changed crude salt conditions. We will continue to make our processes more efficient and sustainable, as well as further improve the quality of existing products through intensive research and development.

www.kpluss.com/werra2060

RESEARCH KEY INDICATORS

Research and development costs totaled €11.6 million in the reporting period (2021: €10.0 million). In this context, only research and development in the narrower sense is considered without taking into account more extensive activities, such as those in our Werra 2060 project. At 0.2%, research intensity was below the previous year's level, in particular due to the significant increase in revenues. Capitalized development expenditure increased to €8.1 million in the year under review (2021: €0.6 million) and mainly related to a development project for underground and above-ground sorting, as well as a pilot plant for the production of granulated sulfur-containing potash and magnesium fertilizers. **B.40**

RESEARCH AND DEVELOPMENT ACTIVITIES **B.40**

in € million	2021	2022
Research and development costs	**10.0**	**11.6**
Research intensity (research costs/revenues)	0.3%	0.2%
Capitalized development investments	0.6	8.1

RESEARCH INSTITUTIONS AND COOPERATIONS

K+S ANALYTICS AND RESEARCH CENTER

The K+S Analytics and Research Center (ARC) at the Unterbreizbach site serves internal research throughout the K+S Group. At the end of 2022, a total of 94 employees worked here. In laboratories and test facilities, they conduct research to develop new ideas towards their practical suitability or market maturity. A close exchange with our Marketing and Sales units as well as our production plants is ensured. This work results in model calculations and concept studies, optimized processes, new fertilizer and salt products, and specially adapted analytical methods. In the ARC central laboratory, which is accredited in accordance with DIN EN ISO/IEC 17025:2018-03, around 32,000 samples were processed and around 416,000 analysis parameters determined in 2022.

INNOVATION AT K+S

The Innovation & Digital Transformation unit works in close coordination with our customer segments and sites in defined target areas to optimize existing business and identify as well as evaluate new business models in accordance with our corporate strategy. The unit also manages the Innovation Hub Rootcamp in Hanover in cooperation with Spinlab Accelerator GmbH. In the Rootcamp, cooperation projects with selected later-stage start-ups were again successfully implemented in 2022.

In Kassel, a team that has been enlarged in 2022 deals with agricultural research topics – particularly with new product developments. Numerous research and development projects are implemented here in collaboration with universities and external partners. This team coordinates and evaluates a wide range of field trials worldwide. Close cooperation with the Institute of Applied Plant Nutrition continues.

PUBLIC-PRIVATE COOPERATION

The Institute of Applied Plant Nutrition (IAPN) is operated as a public-private partnership by K+S together with the Georg-August-University of Göttingen. Scientific research on plant nutrition combined with plant and yield physiology is conducted here to identify the effects of nutritional status in detail and enhance our expertise in the field of fertilization.

The International Magnesium Institute (IMI) based in Fuzhou, China, is a cooperation between K+S and Fujian Agriculture and Forestry University. The IMI has been financed by Shenzhen K+S Trading Co. Ltd. based in Shenzhen, China, since 2022. The aim of the cooperation is to anchor knowledge about the important plant nutrient magnesium in particular, but also about potassium, more deeply in research, teaching, and advisory services. Country-specific application questions can be answered quickly and competently due to the link with the Chinese marketing and sales activities.

SELECTED RESEARCH AND DEVELOPMENT PROJECTS

+ In a joint project with IAPN, the effect of amino acid-containing biostimulants on selected crops is being investigated. The effects of biostimulant application are assessed by chlorophyll content, assimilation rate, and dry matter production. Another project at IAPN focused on the effects of different magnesium sources on plant development. In experiments, these were applied to sunflowers, comparing the uptake and translocation of magnesium as a function of the different magnesium sources.
+ In collaboration with ARC, Sabanci University of Istanbul, and IAPN, fundamental issues concerning the efficiency of micronutrient foliar fertilizers were investigated. The aim was to develop foliar fertilizer formulations that, in the absence of synthetic chelators, exhibit significantly improved efficiency compared to conventional inorganic sources of mineral trace nutrients.
+ In collaboration with an external micronutrient fertilizer producer and the K+S Sales unit, the product portfolio in the water-soluble fertilizer segment was expanded. A first micronutrient blend was developed and launched on the market for the fertigation market in 2022.
+ A fertilizer product with a high sulfur content will complement the K+S soil fertilizer segment in the future. A granulation process developed and patented in the ARC provides the opportunity to launch new and innovative fertilizers with a significant sulfur content and in combination with various micronutrients. A pilot plant for the production of granulated sulfur-containing potash and magnesium fertilizer is being built at the Bergmannssegen-Hugo plant and will start trial operation in 2023.
+ Scientific studies confirm that the application of biochar improves the water and nutrient retention of agricultural soils and horticultural substrates, but carries the risk of temporary nutrient fixation. This can be countered by combining the biochar with mineral potassium and magnesium components in a combined fertilizer granule. At the same time, this improves handling and spreading properties. In cooperation with a partner from the Rootcamp network, an innovative new product was developed with the potential to become the first climate-positive K+S specialty.
+ In 2022, K+S conducted an extensive project study on the topic of carbon farming. As a result, K+S successfully initiated a DIN-SPEC initiative[1] on carbon storage in the soil in cooperation with an agricultural group of initiators consisting of a total of three parties in which a consortium of 17 German companies, associations and scientific institutions is involved.
+ For the food industry, research on the topic of sodium reduction continues to be a current issue. Together with research partners, we are examining further potential applications and product adaptations to participate in the "low sodium" trend.
+ In animal feed, we cooperate with independent research institutes and universities to optimize our product portfolio. Scientifically based findings are used in application advice and product marketing. The current focus is on magnesium supply for livestock. The first promising results are available.
+ For tailings pile coverage, further investigations were carried out on the suitability of potential covering materials and on the optimization and development of material mixtures. The addition of different soil conditioners for tailings pile

[1] DIN-SPEC is a standard document with which a standard can be created in a short time to describe a previously non-standardized technology or methodology.

greening was tested in greenhouse and field trials accompanied by analytical studies. The potential to use additional grain fractions from waste incineration residues for thin film coverage is currently being tested with various research partners to increase material availability. In the ongoing tests, the soil- and rock-mechanical as well as the hydraulic properties of the mixtures are investigated. In cooperation with the University of Kassel, the suitability of an innovative coverage concept is being tested in lysimeter tests at three sites, as well as in field trials at two sites to determine its characteristics for surface runoff, percolation, and, above all, evaporation performance at the tailings pile.

+ The test phase for an autonomous mobile loader provided promising results in initial practical trials for loading blasted debris underground. Based on these results, the system design with sensor technology and network integration will be further developed to operational readiness by an external provider in the next step.
+ K+S is supporting the further development of an electrically powered vehicle prototype up to series maturity to ensure the long-term procurement of mining and handicraft vehicles for underground work in view of the decreasing supply of unified series vehicles. Particular attention is being paid to a robust, simple, and sleek design suitable for mining.
+ At the Zielitz plant, a pilot project for sensor-based sorting in the mine was put into operation. An innovative process is used here to separate residues from the crude salt suitable for backfilling already underground, thereby potentially increasing the concentration of mineral-containing materials in the production process. This innovative process complements the ESTA® plant that has been in operation underground for some time, in which residues are separated by electrostatic sorting.
+ The ESTA® technology developed by K+S is an energy-efficient technology for the dry processing of potash crude salts, which is only used by K+S worldwide. As a result of systematic research and the further development of ESTA® technology, it was possible to develop a new interconnection concept at the ARC, enabling the sorting efficiency to be significantly increased once again. ESTA® simulations have been prepared for this purpose, and their results have been successfully tested for plausibility in extensive laboratory and pilot plant trials. With this innovative concept, it is now possible to obtain marketable special fertilizers from crude salt by dry means. This concept is a basis of the Werra 2060 transformation project.
+ At the ARC, the development of alternative separation equipment for crude salt separation underground was worked on and a new type of ESTA® separator was developed. As part of a pilot project, this ESTA® separator with compact design, low overall height, and optimized measurement technology for control and process monitoring will be tested as a prototype under real operating conditions at the Neuhof-Ellers plant from the beginning of 2023.
+ As part of the search for alternative processing aids in the area of ESTA® and flotation, various possibilities were tested for their suitability at the ARC. Against the background of environmental, process engineering, and economic improvements, two alternatives were tested in laboratory and pilot plant trials with positive results. In the area of flotation, operational trials have been carried out at the Zielitz site in 2022.
+ A Visual Particle Monitoring System (VPMS) developed at the ARC was installed on all granulation plates in kieserite granule production at the Neuhof-Ellers plant. A camera system is used to photographically record the granules and specially developed computer software is employed to determine the grain size distribution and control the granulation process. In this way, production could be made more uniform and the production volume increased.
+ A new cavern simulation tool was developed at the ARC for our Canadian Bethune potash plant, which makes it possible to simulate the solution mining process and provide important information on process optimization in day-to-day operations and for increased production volumes in the planned ramp-up. Additionally, the ARC developed optimization concepts for the factory processing as well as for energy-efficiency improvements and, in the further specification of the concepts, elaborated framework data for the design.

TRADEMARK AND PATENT PORTFOLIO

The K+S Group holds 47 patent families worldwide (2021: 52), which are protected by 137 national rights. The patents are applied in such areas as granulate production, the ESTA®, and flotation.

The number of national or regional trademark rights in the K+S Group amounts to 1,935 at the end of 2022. They result from 344 basic trademarks (2021: 1,892 trademark rights and 356 basic trademarks).

EMPLOYEES

Our employees contribute to the success of our Company significantly. The central task of HR management and our managers is therefore to attract the best employees, promote their individual development within the Company, and ultimately retain them in the long term. Supporting our employees in diverse teams in developing their full potential is of great importance to us. In this context, our values constitute the principles of our daily cooperation.

FOCUS ON RECRUITING, DEVELOPING, AND RETAINING SKILLED WORKERS

K+S traditionally attaches great importance to the internal qualification of its employees. On a continuous basis, about 600 women and men complete vocational training or dual studies. Moreover, K+S successfully develops its own future managers with further training programs at the Technical College for Business and Technology in Clausthal-Zellerfeld, StudiumPlus, and the K+S Management Program. Recruiting the remaining need for specialists on the labor market is, nevertheless, becoming an ever greater challenge. In particular, we are experiencing an increasingly difficult labor market environment in mechanical engineering, electrical engineering, automation and construction technology, chemistry and process engineering, as well as IT and digitalization.

Intensive workshops on the recruitment of specialists were held with the HR managers, managers, and co-determination representatives of K+S in 2022 to counteract this trend, and initial ideas for measures were developed and prioritized.

The first innovative measures, such as a one-day job market at our Werra site, were implemented to increase our attractiveness as an employer. This resulted in more than 350 applications, 104 interviews on the day of the job market, and the hiring of 65 new employees.

The consistent expansion of social media activities on various network online platforms such as Google, Facebook, Instagram, and LinkedIn, which was started in 2021 and continued in 2022, also had a positive impact and a greater reach among the defined target groups. Following the previous COVID-19-related restrictions, we also intensified our non-digital recruiting activities again in 2022 (e.g., at national university fairs, regional specialist recruitment fairs, and school visits) to attract suitable candidates for K+S.

Potential and succession management at K+S was further enhanced in 2022 by optimizing personnel development processes and tools to strengthen employee loyalty. Internally developed practical training measures, such as leadership workshops or comprehensive online training on talent management, were established to support our managers in the implementation of their personnel development tasks.

We introduced the “One Shift” campaign in 2022 to strengthen appreciation for our employees, in which the K+S Board of Executive Directors and senior executives worked an entire shift with one of our employees at the production sites. This further intensifies both understanding for the needs of the operating plants as well as the cooperation.

The digitalization of HR processes made further progress in 2022. The HR management system introduced at K+S in 2020 was expanded to become the leading HR system. Our experience with the system led to further process-related optimizations and to an increase in the efficiency of administrative processes.

OUR WORKFORCE

As of December 31, 2022, the K+S Group employed a total of 11,233 employees or 11,097 FTE, respectively (2021: 10,840 employees or 10,711 FTE). **B.41**

EMPLOYEES OF THE K+S GROUP **B.41**

in FTE[1] as per December 31	2021	2022
K+S Group	10,711	11,097

[1] FTE = Full-time equivalents; part-time positions are weighted according to their respective share of working hours.

Our workforce consists of 85.2% (2021: 84.6%) employees covered by collective bargaining agreements, 9.5% (2021: 9.7%) non-tariff employees, and 5.3% (2021: 5.7%) trainees. On average, our employees are 42 years old and have been with us for 15 years. The fluctuation rate, i.e., the ratio of staff departures to the average number of employees, was 6.9% in the reporting year (2021: 9.2%).

Declaration on corporate governance

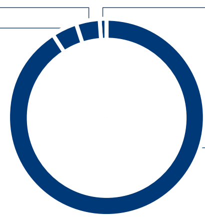
As an internationally operating company, diversity and inclusion are elementary components of K+S's corporate culture.

Combined Non-Financial Statement, Diversity & Inclusion

Some 91% of our 11,233 employees are based in Germany. **B.42**

EMPLOYEES BY REGION **B.42**

in %



AS PART OF OUR EMPLOYEE RETENTION PROGRAM, WE PROMOTE

… THE HEALTH AND SAFETY OF OUR EMPLOYEES

Health is the most important human asset. With our health promotion programs, we support the healthy lifestyle of our employees. Alongside advice and prevention services, we provide our employees with appropriately designed workplaces and workflows.

The safety of our employees is our top priority. Therefore, we have implemented occupational safety programs at all our sites, reflecting local conditions and site-specific challenges. Of course, we regularly check their success through internal audits.

Combined non-financial statement, Health & Safety

… NEW TALENTS

Today, we are already thinking about tomorrow. We are, therefore, preparing our junior staff for the challenges of the future. With our specialist and management development program, we introduce talented employees to new tasks in a targeted manner and accompany them on their way. By doing this, we ensure long-term succession planning and open up new opportunities for our employees.

Developing and promoting employees

… THE IDEAS OF OUR EMPLOYEES

Ideas are the engine for innovation. Our award-winning idea management system improves processes and products and strengthens K+S's competitiveness. Of course, every employee is welcome to participate.

Idea management/Continuous improvement process

… THE PERSONAL DEVELOPMENT OF OUR EMPLOYEES

Further training improves the competence of our employees, which not only has a direct impact on performance and productivity, but acts as a driver for innovation. In employee reviews, managers and employees jointly assess suitable further training measures. On top of measures required by law and within the Company, we also offer the opportunity to attend specialist and interdisciplinary training courses, IT and language courses, as well as special seminars for managers.

Once a year, managers and employees jointly define goals and development measures for the following twelve months. Employees receive feedback on their performance. The annual review should also include an exchange of views on joint cooperation.

Developing and promoting employees

... BALANCING WORK AND FAMILY LIFE

K+S wants to promote and support the balance between work and family. Family-friendly work structures, room for diversity, as well as individual offers are intended to enable our employees to achieve a good balance between professional and family tasks.

We support our employees in balancing work and family life within the scope of our Company's possibilities, among other things with flexible working time models, working from home, and childcare options tailored to the needs of our employees.

.... THE SENSE OF UNITY

The K+S Fanshop has been online since 2020. K+S advertising materials from the areas of clothing, household, hobbies, and electronics, as well as our own salt products for private use, can be purchased here. Employees, customers, or fans of K+S can buy the items and have them conveniently delivered to their homes.

www.ks-fanshop.de

EMPLOYEE REPRESENTATION/ TRADE UNION

K+S respects the freedom of association and the right to collective bargaining. Among the employees of the Group companies in Germany who are covered by collective bargaining agreements, there is a high level of unionization. From our perspective, the relationship with the works councils as well as with the Mining, Chemical and Energy Industrial Union (IGBCE) is characterized by long-standing and trusting cooperation.

In Germany, a performance-related and market-oriented remuneration system for employees not covered by collective wage agreements was negotiated with the Central Works Council, among other things, as was the K+S Management Program to promote junior management staff.

Adjustments were made to the collective wage agreement in cooperation with IGBCE to take account of demographic challenges. Negotiations on the collective wage agreement were also commenced at the end of the year.

REMUNERATION

In the K+S Group, we pursue the goal of remunerating our employees in a performance-related, market-oriented, and comparable manner. The German collective wage agreement applies to our tariff employees, which also contains a component for performance assessment in the remuneration framework agreement. Our non-tariff functions are evaluated based on uniform Group-wide criteria as part of the regulations governing our non-tariff remuneration system. We ensure performance fairness and market conformity through regular market comparisons.

In 2022, personnel expenses amounted to €929.3 million. This was slightly above the previous year's level (2021: €885.3 million). Personnel expenses per employee (FTE) amounted to €85,401 in the reporting year (2021: €82,154) and were, therefore, higher than in the previous year due to collectively agreed and non-tariff pay increases and higher allocations to pension provisions recognized in the income statement. The share of variable remuneration components included in personnel expenses, which allows our employees to participate in the Company's success as part of a performance-based remuneration system, amounted to €56.8 million or around 6% in 2022 (2021: €56.0 million or around 6%).

DEVELOPING AND PROMOTING EMPLOYEES

For us, the expertise and innovative strength of our workforce are key drivers of the Company's success. Therefore, we continuously develop the potential of our employees and make the best possible use of them. At the same time, we are always on the lookout for talented people who will advance our continuous development process with creative ideas.

TRAINING

We believe that well-trained and committed specialists are indispensable for our success and therefore train primarily for our own needs. At the German companies of the K+S Group, a total of 569 women and men were undergoing qualified vocational training or a dual course of study as of December 31, 2022 (2021: 598). With 169 new trainees hired in 2022, we are slightly above the previous year's figure (2021: 162). At 5.7%, the ratio of trainees to employees in Germany at the end of the year was slightly below the prior-year level (2021: 6.1%). In most cases, we offer trainees permanent employment. The retention rate for trainees was around 90% (2021: around 83%).

STAFF DEVELOPMENT

As part of the Group's strategic staff development, the global K+S competency model shall provide a uniform approach for human resources development throughout the Group.

Regular potential rounds are held, among other things, to retain and develop our employees. These take place at different levels of the organization.

The main aim of the potential management process is to identify employees with high potential and promote them specifically in their continued development. We have set ourselves the goal of creating specific development measures within the scope of the talent rounds, which especially encourage learning within the scope of current tasks and learning from each other. This process is based on the annual performance and development review between employees and managers. This review provides the opportunity for the discussion partners to share their wishes and expectations regarding the professional and personal development of the employees on an equal footing and to agree on specific measures. Employees and managers exchange information on the respective status within the course of the year.

Combined non-financial statement

CONTINUING EDUCATION AND TRAINING

Further training and education measures are supported and promoted to safeguard our need for qualified employees in the long term.

Corresponding measures are planned and implemented or arranged by the Company according to requirements. We offer specialists and managers a wide range of training courses to impart general and Company-specific knowledge. Depending on the Company's needs, we award scholarships for full-time bachelor's or master's degree courses. In Canada, we support employees who continue their education in line with their job description at a university recognized by us by reimbursing all or part of their tuition fees.

IDEA MANAGEMENT/CONTINUOUS IMPROVEMENT PROCESS

With the idea management/continuous improvement process (CIP), we want to enable employees to actively participate in operational processes and structures and contribute to shaping them. Ideas management/CIP is currently effective in Germany and at other locations in Europe. In 2022, a total of 10,271 ideas were submitted (2021: 9,707). The benefit over a period of 2.5 years[1], i.e., the economic effect generated less the costs of idea management, remains at a very high level at €11.3 million (2021: €10.9 million).

COMPANY PENSION SCHEME

K+S wants to support employees in securing their standard of living in old age. Every employee of the participating German Group companies who makes use of one of the three models for company pension schemes (UK, CPF, DV) will be supported by K+S. K+S subsidizes the pension benefits in accordance with the statutory or collectively agreed requirements. Employees convert the contributions to the company pension scheme from their remuneration subject to social security contributions. The majority of the pension programs for employees of the foreign Group companies consist of a defined contribution pension savings plan, which is mainly financed by the employees themselves and subsidized by the employer. In 2022, we spent a total of €4.6 million (2021: €4.1 million) on the defined contribution plans.

Notes (22)

[1] Our measurement of the profitability effect is based on an average value obtained from a 3-year assessment, in which the savings generated by these ideas are determined for quantifiable ideas. As these savings are usually generated on a recurring annual basis, this value was multiplied by a factor of 2.5 years less all allocated costs from idea management. The factor 2.5 was determined by K+S.

COMBINED NON-FINANCIAL STATEMENT[1]

This combined non-financial statement (NFS) has been prepared in accordance with the statutory requirements under Sections 289c-289e of the German Commercial Code (HGB), Section 315c of the German Commercial Code (HGB), and Regulation (EU) 2020/852 of the European Parliament and of the European Council of June 18, 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter EU Taxonomy). Additionally, the Global Reporting Initiative's international framework "GRI revised Universal Standards" served as an aid in the preparation of this report. All disclosures made and key figures presented in this NFS, including previous year's figures, relate to the business activities of the K+S Group including K+S Aktiengesellschaft, unless otherwise indicated. The overview below allocates the legally required information reported in the non-financial statement to the chapters in which the sustainability activities of the K+S Group are described. Additionally, an allocation to the Sustainable Development Goals (SDGs) is made on the level of the subgoals.

Declaration on corporate governance, Sustainability management
About this report

[1] This section is part of the combined non-financial statement, which contains the disclosures required by Sections 289c–289e HGB and Section 315c HGB and, in accordance with Section 317 (2) Sentence 4 HGB, is not part of the substantive audit performed as part of the audit of the financial statements, but was audited with limited assurance in accordance with ISAE 3000 rev.

INDEX TO THE COMBINED NON-FINANCIAL STATEMENT B.43

NFS component	Included in chapter	SDG-relevant information[1]	Reference
Business model	Business model Corporate strategy Sustainability Management	–	p. 31 p. 39–42 p. 106–109
Risks	Report on risks and opportunities	–	p. 120
EU SF Taxonomy Regulation	EU Taxonomy	–	p. 89–94
Aspect			
Environmental matters	Resource efficiency Energy & Climate	SDG 12.2, 12.5, 15.1 SDG 12.2, 13.1	p. 80–83 p. 83–86
Employee matters	Health & Safety Diversity & Inclusion	SDG 8.8 SDG 5.1, 5.5, 8.5	p. 71–72 p. 72–74
Social matters	Stakeholder dialogue	SDG 16.7	p. 74–76
Respect for human rights	Human Rights	SDG 8.7	p. 88–89
Combating corruption and bribery	Compliance & Anti-Corruption	SDG 16.5	p. 87–88
Supply chain (self-determined)	Supply chain	SDG 8.7	p. 86–87

[1] This is additional information. It is not a principal component of the limited assurance audit performed in accordance with ISAE 3000 rev.

We strive for sustainability and are committed to our responsibility towards the community, economy, and environment in all the regions in which we operate. Sustainability is firmly anchored in our mission statement: "We are pioneers in environmentally friendly and sustainable mining." Attention to the EU Principles for Sustainable Raw Materials confirms our commitment. The principles were developed and agreed by the Raw Materials Supply Group (RMSG), the EU Commission, as well as other authorities and institutions. These principles provide a better understanding of the conditions under which sustainable raw material extraction and processing takes place in Europe.

www.kpluss.com/eu-principles

The K+S Sustainability program is an integral part of the corporate strategy and addresses the key sustainability issues of the K+S Group. We have set ourselves goals in the action areas of Society & Employees, Environment & Resources, as well as Business Ethics & Human Rights. On this basis, we have developed corresponding concepts that we want to implement by 2030 at the latest. We have subsequently made them verifiable with non-financial indicators and incorporated them in part into the remuneration system at executive level. In 2021, we reassessed the material sustainability topics of the K+S Group from the perspective of our stakeholders and adjusted our targets based on the results in the areas of action. This was due to the sale of the Americas operating unit and the changed framework conditions. Following the evaluation, the topics continued to be relevant for 2022 as there were no further significant changes in the framework conditions. A tabular display of our areas of action with the associated sustainability goals and non-financial indicators can be found in the 'Corporate strategy' chapter.

Corporate strategy, Sustainability program
Remuneration report
Declaration on corporate governance, Sustainability management

Each sustainability goal has a sponsor at the Board of Executive Directors level who provides the necessary resources. At the subordinate management level, so-called KPI owners are responsible for achieving the goal and the KPI. The processes and measures for achievement are in turn cascaded down to the respective subordinate organizational levels, the KPI representatives, and the KPI managers. For explanation:

+ KPI sponsor: Responsible for strategic objective; provides necessary resources
+ KPI owner: Responsible for goal and KPI, as well as their achievement[1]
+ KPI representative: Delegate for the technical supervision of KPI management
+ KPI manager: Management of the measures, collection of the KPI, and its reporting[2]

If deviations are identified, the KPI representative defines countermeasures in consultation with the respective KPI owner who in turn decides on the measures to be taken, if necessary in consultation with the KPI sponsor.

K+S contributes to the global Sustainable Development Goals (SDGs), on the one hand, through the value contribution of its products along the product life cycles and, on the other hand, through the Company's own processes along the value chain.

Declaration on corporate governance, Sustainability management
www.kpluss.com/product-responsibility

Furthermore, the K+S Group incorporates the SDGs strategically as part the of sustainability management. Along the areas of action in which K+S is engaged in sustainability matters, information in accordance with the CSR-RUG is described below with reference to the SDGs incl. subgoals.

SOCIETY & EMPLOYEES

We strive to satisfy our customers every day. With selected sustainability activities, we want to meet their interests and those of our important stakeholders while also contributing to the Sustainable Development Goals (SDGs). In the "Health & Safety" topic area, we provide safe working environments for our employees (SDG 8.8). Our activities in the topic area "Diversity & Inclusion" counteract discrimination (SDG 5.1) and strive for equal opportunities for women (SDG 5.5) as well as equal treatment in terms of remuneration (SDG 8.5).

Employees
Declaration on corporate governance, Sustainability management
www.kpluss.com/society-and-employees

[1] Due to the complexity of the KPIs for liquid and solid residues, a coordinating function was established in addition to the KPI Owner in October 2022.

[2] For the Resource Efficiency KPI, the role of Manager Reporting was added to gather and bundle information.

HEALTH & SAFETY SDG 8.8

The health and safety of our employees is the highest priority for K+S. We have the guiding principle: "Nothing is more important than health and safety – not production, not revenues, not profit," and we work constantly to provide a healthy and safe working environment for effective protection of our employees. Based on the corporate policy for health, safety, environment, quality, and sustainability, we continuously develop and improve our processes to protect health and to ensure occupational safety. Meetings of the Board of Executive Directors usually deal with the topic of health and occupational safety every time.

Wherever we identify hazards and work-related stress, as well as health risks, we actively implement health and occupational safety measures. We provide preventive information to our employees in training courses and campaigns. The K+S Group has already introduced a management system for occupational safety and health protection at the major production sites in accordance with the BGRCI "Sicher mit System" seal of quality based on DIN ISO 45001. In 2022, the K+S Group successfully passed the "Sicher mit System" matrix certification. The Kassel site will follow in the course of 2023. Information bodies support the coordination of implementation as well as the integration of other management standards.

Environment & Resources
Employees

The exchange and monitoring of current developments in occupational health and safety within the K+S Group takes place in committees and specialist bodies on a global and national level. In Germany, for example, a committee comprising works council members as well as employer representatives regularly advises on overriding and strategic issues relating to health and occupational safety.

The Coronavirus Task Force continued to consider current developments, recommendations, and protective measures at regular meetings in 2022. Hygiene concepts have been implemented at all sites in accordance with the requirements of the SARS-Cov-2 occupational health and safety standards. The provisions of the German Federal Ministry of Labour and Social Affairs are implemented by K+S. Moreover, K+S provides opportunities to work from home. Instruction on hygiene measures is provided at the sites.

In 2022, we continued to provide occupational health and safety training for managers and employees. By 2025, our safety culture will be further improved through the implementation of numerous measures. Managers are more closely involved in the topics of safety and health, for example by pursuing topic-specific target agreements. In close partnership, the members of the Board of Executive Directors, representatives of the business unit management level, as well as the plant managers will strengthen occupational health and safety. We also awarded the "Saint Barbara" occupational health and safety prize to five winners in 2022.

OCCUPATIONAL SAFETY

Goal: Providing a healthy and safe work environment to protect our employees who constitute our most valuable capital. The K+S vision is to completely avoid accidents at work. We aim to reduce the number of accidents at work among our employees, measured as working hours lost per one million hours worked (lost-time incident rate, LTI rate), to zero by 2030.

For this goal, we are developing a joint occupational health and safety strategy to gradually reduce the LTI rate and create an improved safety culture by 2025. In cooperation with the national and international sites, a regular exchange takes place on the implementation of the joint occupational health and safety strategy.

In 2022, one fatal occupational accident occurred underground at the Merkers site. Furthermore, 650 occupational accidents occurred at our sites worldwide (2021: 749), including 134 lost-time accidents (2021: 185). The LTI rate for the K+S Group in 2022 amounted to 8.3 (2021: 11.3; base year 2017: 11.5). The decrease in lost-time accidents and the LTI rate compared to the previous year is particularly attributable to a reduction in accidents in Germany. In the same period, the number of days lost due to accidents and also the average severity of accidents worldwide decreased by around 30%. The number of accidents was reduced year-on-year among other things by implementing a new accident investigation method, greater involvement of managers in occupational health and safety, and measures to improve the safety culture.

The total injuries rate (occupational accidents divided by hours worked, multiplied by one million) is 40.1 (2021: 45.8).

Our risk assessment processes ensure that work-related hazards are identified at an early stage and appropriate measures are derived. For the prevention of psychological hazards in the workplace, corresponding risk assessments have been carried out at our sites. The workshops for conducting the mental risk assessments have been completed at all production sites. The sites are currently working on implementing the measures.

In the past financial year, we also implemented various measures and campaigns aimed at promoting skills in individual decision-making and the competence to act, as well as responsible safety and health behavior. These include raising awareness of the need to prevent hand-arm injuries through overarching and behavior-oriented measures and concepts. In 2022, the planned development of a concept for the analysis of accident black spots and the systematic recording of near misses has been completed. An implementation for the technical recording of near misses using a separate IT solution is planned for 2023.

HEALTH

Our occupational health promotion and prevention programs supplement the management systems with measures to improve health competencies. These measures range from traditional health care courses and seminars to early cancer detection measures and counseling services. The programs and measures are planned specifically at each site. They are aligned to the site-specific needs and conditions.

Health care and advice for the German sites is provided by company doctors. Likewise, operational capabilities and fitness for hazardous activities are carried out for self-protection and the protection of third parties in accordance with statutory standards. Company doctors also assist with the further development of occupational health management and are involved in carrying out risk assessments and evaluating working conditions.

Prof. Dr. med. Broding holds the professorship for occupational medicine and occupational health management at the University of Witten/Herdecke. He has many years of experience in the mining industry in a senior plant physician function and supports K+S in occupational medicine issues, associated processes, and developing projects at the sites in Germany. Prof. Broding assumes responsibilities in national occupational safety committees, the assessment of hazardous substances, activities, and new scientific findings of the professorship interact with K+S's own occupational health protection measures. The improvement of sustainable health of K+S employees is one of the primary goals.

An important aspect of health care is reliable compliance with occupational exposure limits (OELs) underground. Following the introduction of new OELs for nitrogen oxides and particulate diesel emissions underground in Germany by the Federal Ministry of Labour and Social Affairs (BMAS), we made further progress with our extensive implementation project for the German sites. In this way, for instance, we continued to implement projects for the use of state-of-the-art diesel engine technology and electric technology, the development of lower-emission explosives, and the optimization of underground ventilation.

- Report on the economic position, Capital expenditure analysis
- Report on risks and opportunities
- Research and development

DIVERSITY & INCLUSION SDG 5.1, 5.5, 8.5

At K+S, we continue developing diversity and inclusion as important elements of our corporate culture and further promote these aspects. Bringing together different skills, perspectives, and experiences is of central importance for our success and in searching solutions for our customers. Against this background, diversity and inclusion are consistently demanded and supported by management as well as promoted by HR functions as business partners in all employee processes.

The basis for diversity and inclusion is the appreciation of all employees. At K+S, all employees experience this appreciation, regardless of gender, nationality, ethnic origin, religion or ideology, social origin, physical or mental impairment, age, sexual orientation, and identity. Diversity defines the composition of our workforce. Inclusion describes the active embrace of this diversity in everyday work. K+S does not accept any discrimination and affirms this, among other things, in the General Works Agreement (GBV) entitled "Partnership-based Conduct in the Workplace". The agreement is a clear commitment to tolerance and respect in the workplace. We expect all employees to treat each other with trust and respect as equals and to be open to new ideas and other points of view. Managers act as role models and bear special responsibility. We have, therefore, set ourselves the priority of promoting leadership that is appreciative and free of prejudice to an even greater extent. We also want to strive for a more balanced gender distribution, promote cross-generational working and knowledge sharing, and encourage our employees to question processes. We want to promote the inclusion of our performance-impaired employees and a work-life balance for all employees.

We have defined the acknowledgment and promotion of diversity and inclusion in our values. As a signatory to the UN Global Compact, a United Nations initiative on responsible corporate governance, and the Charter of Diversity, we confirm our self-conception in the form of corporate commitments in Germany.

www.unglobalcompact.org
www.charta-der-vielfalt.de/en

Goal: Hiring and developing a workforce that reflects the places in which we do business. Fostering an inclusive environment that enables all employees to thrive and contribute to innovation as well as results. This goal will be achieved if, by 2030 at the latest, more than 90% of our employees perceive the working environment as inclusive.

Within the Company, sentiment is evaluated by pulse surveys on specific topics. Diversity and inclusion are part of our corporate culture and substantiate a holistic approach that concerns all employees and especially managers. In 2022, a global pulse survey on diversity and inclusion was conducted again. The questionnaire was adapted to take into account changes in the organization resulting from restructuring and further development in the area of diversity and inclusion (such as coordination and communication of the concretization of the objective and the shared holistic understanding of diversity and inclusion). The survey consisted of demographic questions and six closed-ended content questions with a 4-point scale. This resulted in a new index for diversity and inclusion that is not comparable to the 2019 result (54%). The diversity and inclusion index calculated from the results is 87%. The survey achieved a response rate of 12.7%; it is, therefore, 17% below the 2019 pulse survey. Looking ahead to the next survey, it will be important to increase the response rate to achieve a more representative result. For this purpose, K+S will analyze how the employees of our operating plants, in particular, can be reached even more effectively with a survey on diversity and inclusion. Surveys on the topic will be repeated every three to five years.

The measures to promote diversity and inclusion are cross-cutting tasks and will be adjusted to the requirements of the respective sites. Our Diversity & Inclusion working group in Germany, with representatives from the sites, is striving to increase the presence of the topic at the sites and further promote it.

Traditionally, more men than women work in mining. As of December 31, 2022, 89% of our workforce, based on the number of employees in the companies of the K+S Group, were men and 11% were women. At K+S Aktiengesellschaft, the proportion of women on the L1 management level is 21.4%, on the L2 management level 27.6%. The average age of our workforce at the K+S Group is 42 years. The proportion of severely disabled employees in the K+S Group in Germany is 5.1% (2021: 5.1%).

Employees
Declaration on corporate governance, Target figures 1st and 2nd level below the Board of Executive Directors

In an increasingly difficult labor market, K+S wants to ensure that the necessary employees can be recruited for all areas. K+S has intensified its efforts worldwide to increase the number of applicants free of discrimination and in compliance with equal opportunities. In Germany, K+S supports, among other things, Zukunftstag, which offers young people the opportunity to learn about various professions, as well as the nationwide initiative “MINT Zukunft schaffen” (MINT = mathematics, information technology, natural sciences, technology). The initiative has set itself the goal of getting schoolchildren interested in MINT professions and drawing attention to the MINT skills shortage in Germany. As part of this initiative, K+S-MINT ambassadors are involved in seeking direct contact with schools in order to get the students interested in the topic through presentations, trade fairs, projects, etc.

K+S promotes awareness of diversity and inclusion through participation in the German Diversity Day and the targeted expansion of activities in social media. We are committed to a prejudice-free working environment and working conditions without discrimination. We specifically invite our employees to share their personal experiences and perspectives of our open corporate culture. In 2022, K+S has again expanded the Diversity Day into a Diversity Week. During this week, we dedicated ourselves to the idea of diversity at the German sites with a focus on “appreciative leadership”. We held targeted campaigns on this topic, some of which were linked on social media. Employees were also provided with additional information on the topic of diversity and inclusion.

Employees

The Diversity & Inclusion working group in Germany has implemented a poster campaign to make the topic of diversity and inclusion even more tangible and raise awareness of it, highlighting good examples for diversity and inclusion in the Company. In 2021, our site in Canada established an Inclusion + Diversity Committee, which includes members from various areas of the company. Following external consultations last year, an updated strategy is currently being developed to reflect and emphasize the commitment to inclusion and diversity.

Regular potential rounds are held, among other things, to retain and develop our employees. These take place at different levels of the organization. Their purpose is to identify employees with potential and support them in their further development. The focus is on learning with and from each other. When developing candidates with potential, we strive for a balanced mix in terms of nationality, age, length of service, and gender. In 2022, K+S worked intensively on this topic. The talent matrix was optimized and a comprehensive online training course for managers on the topic of "talent management" was introduced. Diversity and inclusion are also an integral part of executive development at K+S, such as in the Leadership Academy – a development program for prospective or, more recently, senior managers. A comprehensive range of digital courses, including diversity and inclusion training, has been made available to ensure that all our employees have access to a wide range of training opportunities.

Employees

New communication and dialogue formats that had already proven their value during the COVID-19 pandemic and the associated contact restrictions were further expanded in 2022 due to their success. These included, in particular, the internal K+S portal and the internal digital magazine, scoop+. This was accompanied by digital lecture events, for example under the title #verbundenbleiben. The digital information systems at the K+S sites (K+S live) were further expanded.

STAKEHOLDER DIALOGUE SDG 16.7

We consider stakeholders to be all individuals or organizations that influence or could influence issues with which our business activity is linked, or who could be impacted by our business operations. The dialogue with our customers and business partners, the capital market, political representatives, non-government organizations, the communities in which our sites are located, and our employees is very important to us. The aim is to engage in a dialogue that is beneficial for all sides, to seek new developments and to share viewpoints. K+S informs its stakeholders, using different formats, and uses various channels to share information with specific target groups. **B.44**

Our values (indicated in brackets in the following) form the basis of our cooperation and demonstrate the standards we set for our work:

+ We always put safety first and act sustainably in everything we do to protect the environment, local communities, and the economy in the regions in which we operate (safe & sustainable).
+ We believe in the success of K+S and are dedicated to strengthening the reputation of K+S as an industry leader, business partner, and employer of choice (optimistic).
+ We support each other by treating one another with trust and respect, and maintain positive relationships with our business partners, customers, and communities (collaborative).
+ We are entrepreneurs and take on challenges courageously and put our customers at the center of everything we do and add value to their experience with K+S (entrepreneurial).
+ We act quickly to satisfy market and customer requirements (agile).
+ We are adaptable and open to new perspectives (innovative).

Corporate governance, Our values

In the past financial year, we provided opportunities for dialogues with our stakeholders at a variety of events – but mainly in digital form due to the continuing restrictions imposed by the COVID-19 pandemic. The Board of Executive Directors, the heads of the customer segments, and the managers of the central functions hosted hybrid and digital employee meetings in the 2022 reporting year to provide information to K+S employees, and entered into dialogue with them on current business

OVERVIEW OF STAKEHOLDER DIALOGUE: CONTENT AND DIALOGUE FORMATS B.44

Employees The success of the Company is based on the skills and success of our employees. Employees' concerns are addressed at regular works meetings. The intranet and the digital employee magazine promote mutual exchange and the transfer of information.	Main topics	HR policy decisions, remuneration, training, communication, corporate development, investment projects and initiatives, strategy, health and safety, etc.
	Methods	Meetings, committee work, joint projects, events/conferences (digital or face-to-face), Annual Report, blogs and social media, intranet, employee magazine, internal communication and employee meetings of the Board of Executive Directors at sites, etc.
Media representatives As a multiplier for a broad public, we provide media representatives from a wide range of channels with regular information about new developments at K+S and are available to answer questions.	Main topics	New developments, events, facts and figures, environmental and energy issues, site news
	Methods	Press releases, newsletters, website, press conferences and discussions, tours, telephone calls
Customers and business partners Dialogue with our customers helps us to better understand their needs and align our products and services accordingly. We provide comprehensive information on the Internet. In addition to personal discussions, satisfaction analyses provide us with concrete indications for improvements.	Main topics	Quality assurance, production conditions, adherence to regulations and standards, compliance, etc.
	Methods	Surveys, meetings, user training, trade fairs, joint projects, social media, press and public relations, plant tours, etc.
Shareholders/investors/analysts/banks We present our business at regular roadshows and conferences, answer questions raised by representatives of the capital market, and gather suggestions and ideas.	Main topics	Company assessment, corporate strategy, goals, financing, capital allocation, results, risks/opportunities, competition, sustainability issues, etc.
	Methods	Annual General Meeting, Annual Report, quarterly reporting, Capital Markets Day, meetings with analysts/investors/banks/rating agencies, virtual meetings, surveys, phone calls, conferences, roadshows, LinkedIn, etc.
Politics and administration As a member of various associations and organizations, we contribute our positions directly or indirectly to the political debate in national and European dialogues with representatives of governments, specialist authorities, and parliaments.	Main topics	Social acceptance, social license to operate, environmental issues, climate and energy issues, industrial and raw materials issues, economic developments, strategic direction, job security, etc.
	Methods	Confidential direct talks (virtual and face-to-face), background rounds, committee work, press and public relations, site visits, etc.
Site communities It is important for us to be good neighbors to the communities and regions in which our sites are located. We create trust at the sites through dialogue with the communities and residents.	Main topics	Social acceptance, environmental issues, projects to improve water protection, economic development, job opportunities, structural change, etc.
	Methods	Meetings with selected stakeholders, events, information offices, open houses, press and public relations, plant tours, etc.
Non-governmental organizations/general public We provide comprehensible explanations of potash mining in Germany under the conditions of international competitiveness and international as well as national environmental legislation by means of various formats.	Main topics	System relevance, social acceptance, potash mining, projects to improve water protection, environmental issues, job security, etc.
	Methods	Public information events, presence at trade fairs and specialist conferences, plant tours and mine excursions, information office, personal conversation, etc.

development topics and ongoing projects. This included, in particular, information on the current business development, the implementation of the new strategy as well as other current topics and projects. For the first time in two years, on-site town hall meetings or dialogue events with the Board of Executive Directors were held for employees at the sites.

Corporate strategy

Due to the COVID-19 pandemic, the Annual General Meeting of K+S Aktiengesellschaft was again held in a virtual format to protect the health of our shareholders and our employees. Shareholders had the opportunity to submit their questions in advance. In addition to shareholder and investor discussions by telephone/virtually, hybrid and physical roadshows, conferences, and private shareholder events were held again. The Annual Press Conference and the Analysts' Conference of 2022 were also held as hybrid events. This provided journalists with the opportunity to talk directly to the Board of Executive Directors.

K+S on the capital market

We are in regular communication with political representatives at site, state, federal, and EU level. Our capital city office in Berlin plays a particularly important role at the federal level, informing political representatives in government, ministries, parliament, associations, and other socio-political groups about important policy-relevant issues and seeking dialogue.

As a consequence of the COVID-19 pandemic, some of the meetings were held in digital formats. The annual St. Barbara celebration – the parliamentary evening in Berlin to engage in discussion with federal political stakeholders – was held again at the end of November 2022 after a two-year break. The same applies to the physical St. Barbara celebrations at our plant sites.

K+S is a member of the Extractive Industries Transparency Initiative (EITI) with the aim of combating corruption in the international extraction of raw materials.

www.d-eiti.de/en/

www.rohstofftransparenz.de/en/

STAKEHOLDER DIALOGUE AT GERMAN SITES

In the 2022 reporting year, we also continued and intensified the stakeholder dialogue with environmental associations, political representatives, communities, and the interested public, particularly regarding current projects and plans. The Borth salt plant, for example, held three citizens' information events in the town halls of Xanten, Rheinberg, and Alpen, at which the public had the opportunity to obtain information about the planned future salt mining in the Lower Rhine region. The background to this is the ongoing approval process for a new version of the general operating plan, the draft of which was made available to the public in the summer of the year under review. The Neuhof-Ellers potash plant went public with plans for a thick-film cover for the potash tailings pile at a very early stage in the approval process. The application is not scheduled until 2024. Nevertheless, several events for citizens have already taken place, including an information event, a citizens' dialogue, and a family day for employees and friends of the plant. Additionally, a website on the project was created and continuously updated, and several appointments were held with the media to satisfy the public's interest in information. In Wunstorf, near Hanover, rail shipments of saline water for flooding the disused Sigmundshall mine have led to noise pollution for residents living near the rail line. In cooperation with the city and the operator of the rail line, the site sought direct dialogue with residents to jointly identify ways to mitigate this. In all cases, there was also close exchange with the relevant authorities, local politicians, and regional elected representatives.

STAKEHOLDER DIALOGUE IN CANADA

Our Bethune plant in Saskatchewan, Canada, is of particular importance due to its size. Besides the traditional stakeholders from political representatives, the community, and the interested public, the First Nations are special stakeholders here. K+S engages in regular exchange with the different indigenous communities in various formats and participates in symposia. Our Community Report in Canada also provides an information service of its own, which provides extensive insights into our partnership with the regions in which we operate.

www.ks-potashcanada.com/community-report/

DONATIONS AND SPONSORING

We provide funding for selected projects in the areas of education, social affairs, and culture. The Board of Executive Directors has defined uniform terms and conditions for donations and sponsorship. K+S does not make donations to political parties, including related or affiliated organizations or individuals. Donations totaled €1.3 million in 2022. The increase compared to 2021 (€ 0.7 million) is mainly attributable to the major donation by K+S Aktiengesellschaft for humanitarian aid in Ukraine in the amount of €0.5 million. The funds went to "Aktion Deutschland Hilft" in March 2022.

www.kpluss.com/society-and-employees

ENVIRONMENT & RESOURCES

The K+S Group continuously pursues efforts to reduce the impact on nature and landscape associated with the extraction and processing of raw materials as much as possible. With our investments in research and development, we constantly respond to the latest trends. In the future, we will also be breaking new ground in the disposal of our residues, setting state-of-the-art standards. As part of the K+S Sustainability Goals 2030, we have also set ourselves goals in the areas of "Resource Efficiency" as well as "Energy & Climate".

www.kpluss.com/environment-and-resources

www.kpluss.com/werra2060

We regularly track the progress of our environmental goals. In the "Resource Efficiency" and "Energy & Climate" topics, we promote the efficient use of natural resources and the prevention of mining-related residues (SDG 12.2, SDG 12.5) as well as the sustainable use of terrestrial and inland freshwater ecosystems (SDG 15.1). We strengthen our adaptive capacity to climate-related hazards and natural disasters operationally by developing adaptation solutions and at the strategic level (SDG 13.1), e.g., by optimizing our portfolio holistically while reducing our environmental footprint in line with our climate strategy, adjusting process water disposal by using storage basins, or, indirectly, tailings pile greening for the reduction of water to be discharged. Our environmental management supports us in achieving our goals. Our manufacturing sites in Germany are certified to DIN EN ISO 50001:2018 for energy management. Individual sites have an environmental management system for subareas in accordance with DIN EN ISO 14001:2015. The Neuhof-Ellers site achieved certification in accordance with IFA Protect & Sustain in 2022 with very good results. National and international expert committees have been set up to increase efficiency and exchange experience.

The reported environmental indicators for our potash and salt production sites are recorded, analyzed, evaluated, and consolidated using the "Corporate Sustainability" environmental data management software. For the environmental indicators as well as the non-financial indicators defined as part of the sustainability goals, we separately disclose the type of recording as well as the limits of reporting.

About this report

CAPITAL EXPENDITURES AND OPERATING COSTS FOR ENVIRONMENTAL PROTECTION

In 2022, capital expenditure for environmental protection in the Group increased slightly by €4.5 million to €118.9 million (2021: €114.4 million). The increased level is attributable to new projects in air pollution control and climate protection, which are mainly financed from the established climate protection fund. These included planning services for the construction of a combined heat and power (CHP) plant at the Bethune site in Canada, preparatory work for the installation of two new steam boilers with lower emissions at the Wintershall site, as well as a project currently being implemented in Zielitz for the utilization of waste heat to heat the incoming fresh air at the production shaft. The waste heat from the plant's own power plant will prevent damage to the shaft area, such as corrosion, and at the same time, save CO_2 emissions.

Implementation of the corporate strategy

Capital expenditures in water protection were almost at the previous year's level. The largest share of capital expenditure was accounted for by the ongoing tailings pile expansions at the potash sites. In 2022, project work continued on the construction phases of the expansion areas in Wintershall, Hattorf, and Zielitz. Capital expenditure focused on the installation of the necessary base sealing as well as additions to property, plant, and equipment for tailings pile technology and energy supply, the acquisition of vehicles for tailings pile operations, and the construction of a new retention basin for collecting tailings pile water at the Wintershall site. Capital expenditures for the recycling of saline water at the Sigmundshall site in Lower Saxony also increased compared with the previous year. The aim is to establish a further transportation route via the Mittelland Canal, in addition to rail transportation, enabling larger volumes of saline water from the Werra plant to be disposed of off-site. On the one hand, the project increases the disposal reliability of the Werra plant and, on the other, ensures continuous flooding of the closed mine cavities in Sigmundshall. The installation of the pipeline, which will transport the delivered saline water from the unloading of the inland vessels at the Mittelland Canal to the Kolenfeld shaft near Sigmundshall, was completed in 2022. Other major investments related to the construction of the necessary unloading facilities at the Mittelland Canal and the acquisition of container carrying wagons for transportation purposes on the railroad line from the Werra plant to the Friedrichshall site.

The major project for the planned permanent underground storage of highly concentrated saline water in the Springen mine field (Merkers mine) in Thuringia was largely completed in 2022.

CAPITAL EXPENDITURES ON ENVIRONMENTAL PROTECTION[1] B.45

in € million	2021	2022	Deviation	%
Water protection	106.2	102.2	–4.0	–3.8
Prevention of air pollution and climate protection	3.9	10.2	6.3	> +100
Waste management	1.7	2.9	1.2	+70.6
Nature conservation[2] and soil remediation	2.6	3.6	1.0	+38.5
Other	–	0.0	–	–
Total	**114.4**	**118.9**	**4.5**	**3.9**

[1] The reporting of environmental investments is based on the Environmental Statistics Act (UStatG), but also includes items from our global business activities. The figures in the report have been rounded in accordance with standard commercial practice. Accordingly, rounding differences may occur, so that values in this report do not add up exactly to the totals given.
[2] Including landscape conservation.

Compared with the high level of the previous year, this accounted for a significantly lower volume of capital expenditures. Major subprojects included the completion of the above-ground processing facilities in which the saline water is highly saturated, the construction of the above-ground processing facilities, and the laying of pipelines for the surface and underground transportation of the storage solution. As a new disposal route, the project is intended to ensure the future disposal of saline production water from the Werra plant. The complex approval process is continuing. Water protection investments at the Bethune potash site in Canada also declined. This was mainly attributable to temporarily lower capital expenditure on the long-term project to build a sealing wall for the tailings pile area.

The higher capital expenditure for nature conservation and soil remediation is attributable to the compensatory and replacement measures implemented in 2022 as part of the tailings pile expansion in Hattorf. In waste management, the deviations result from smaller projects that were completed or newly started. **B.45**

In addition to the environmental capital expenditures described above, there are other capital expenditure projects to meet regulatory requirements for compliance with occupational exposure limits.

Health
Report on economic position, Capital expenditure analysis

Due to higher costs associated with water protection as well as air pollution control and climate protection, operating costs for environmental protection increased significantly by €66.1 million to €318.5 million in the reporting year (2021: €252.4 million).

Increased costs in water protection are attributable to higher expenditures for the disposal of production residues above and below ground. A key factor here was cost increases associated with the ongoing expansion of the tailings piles at the Hattorf, Wintershall, and Zielitz potash sites. With the backfilling of the expansion areas progressing in 2022, scheduled depreciation and amortization for the capital expenditure on the applied base sealing increased significantly year-on-year. Moreover, price-related higher energy costs for the ESTA® production process for dry processing of the crude salts and additional maintenance work on the marginal trenches of the tailings piles were recorded. Further cost increases resulted from the tailings pile covering on the plateau of the Hattorf tailings pile, which was started in 2022. With the construction start on the tailings pile plateau, costs were incurred for profiling the area, applying the plastic liner, and incorporating the site's own soil material. At the end of 2022, the application for the planned plateau covering of the Wintershall tailings pile was also approved. Apart from the costs for experts and planning services, which had to be borne for the positive conclusion of the permit procedure, initial preparatory work for the start of the cover has commenced. The commissioning of a further backfill field for the underground storage of factory residues from the Unterbreizbach site is also attributable to the disposal of solid residues. In the course of 2022, it was possible to complete the preliminary mining work required for the connection of the new mine field and the construction of the infrastructure, so that higher volumes with corresponding additional costs were transferred in the mine cavities.

The further cost increases in water pollution control are attributable to higher costs for the off-site disposal of liquid production residues from the Werra plant. This is due to the discontinuation of injection at the end of 2021, the further lowering of target and limit values in 2022 for the reduction of salt load in the Werra river associated with very dry phases, and low water levels in some areas. The largest share of the increased costs for the off-site disposal of saline water was accounted for by the extended rail transportation for the flooding of the disused Sigmundshall mine in Lower Saxony. In 2022, costs were reduced by the absence of project work carried out before flooding in mid-2021 for the dismantling of underground facilities located in the flooding area. Another component in the wastewater management of the Werra plant is the planned on-site storage of highly concentrated saline water in the Springen mine field, part of the disused Merkers mine in Thuringia.

The increase in costs in the combined area of climate protection and air pollution control resulted, in particular, from higher costs for the consumption of CO_2 certificates subject to a charge, which were acquired within the framework of European emissions rights trading for the regular operation of the German potash sites. The increased cost level is mainly attributable to the consumption tracking method used for the first time in 2022 in accordance with the average method, under which the annual consumption of CO_2 certificates is valued at the average price of all certificates purchased. Compared to the FiFo method (first in – first out) used until 2021, which assumes that CO_2 certificates acquired first are also consumed first, the changeover leads to a smoothing of the steadily increasing expense for the consumption of CO_2 certificates due to price factors. This provides a more accurate presentation of the earnings situation. Further increases were attributable to price-related higher material costs for conditioning agents used to prevent the formation of dust in the production, handling, and discharge of finished products, as well as to higher energy costs for the operation of dust collection and filter systems.

Operating costs mainly comprise supplementary environmental protection measures. These measures relate in particular to water protection, air pollution control, and climate protection, waste management, as well as nature conservation and soil remediation. Operating costs and depreciation for production facilities for water protection integrated into the production processes and enabling the manufacture of additional sales products are not included. In their entirety, both the costs of the supplementary environmental protection measures and the integrated environmental costs not disclosed here are components of the production costs and therefore increase the specific costs per tonne of product produced. **B.46**

OPERATING COSTS FOR ENVIRONMENTAL PROTECTION[1] **B.46**

in € million	2021	2022	Deviation	%
Water protection	187.2	234.8	47.6	+25.4
Prevention of air pollution and climate protection	48.6	66.0	17.4	+35.8
Waste management	10.5	10.9	0.4	+3.8
Nature conservation[2] and soil remediation	1.0	1.1	0.1	+10.0
Other	5.1	5.7	0.6	+11.8
Total	**252.4**	**318.5**	**66.1**	**+26.2**

[1] The reporting of environmental investments is based on the Environmental Statistics Act (UStatG), but also includes items from our global business activities. The figures in the report have been rounded in accordance with standard commercial practice. Accordingly, rounding differences may occur, so that values in this report do not add up exactly to the totals given.
[2] Including landscape conservation.

RESOURCE EFFICIENCY SDG 12.2, 12.5, 15.1

Efficient use of our resources is of major importance to K+S. As a mining company, the focus is on the efficient use of our raw materials, especially for the reduction of liquid and solid mining residues. The goals set in this regard have been summarized under the topic of 'Resource efficiency'.

WATER

Water is a very important resource for K+S. We use water of various qualities in many processes. We need water in production processes and in mining and extraction at certain deposits. Saline wastewater, which we have to dispose of, is generated from production processes and in the area of tailings piles. Across the Group, we aim to keep water-related impacts to a minimum. For this purpose, we have set ourselves specific goals.

We assess environmentally relevant business risks as part of our Group-wide risk and opportunity management. In 2021, we updated our Group-wide water stress analysis and identified site-specific water stress. The selection and prioritization of water-related measures is the responsibility of the sites, taking site-specific conditions into account.

Report on risks and opportunities

WATER WITHDRAWAL

In 2022, the K+S Group withdrew a total of 140.0 million m³ (2021: 144.6 million m³) of water from various sources for extraction and production. At 103.3 million m³ (2021: 107.8 million m³), river water withdrawals in 2022 are slightly below the previous year's level. At 31.0 million m³ (2021: 30.9 million m³), the withdrawal of saline water from seas and other saline sources is at the level of the previous year. The majority (86.6%; 2021: 87.1%) of our water is withdrawn from sites without high water stress. **B.47**

WATER WITHDRAWAL **B.47**

in million m³	2021	2022
Seawater and other saline water	30.9	31.0
Riverwater	107.8	103.3
Groundwater	4.8	4.5
Drinking water and water from municipal water utilities	1.1	1.1
Total water withdrawal	**144.6**	**140.0**

LIQUID MINING RESIDUES (WASTEWATER)

The extraction and processing of our raw materials as well as the tailings pile operations generate saline wastewater. K+S is working intensively to reduce these quantities permanently. The quantity and composition of the process wastewater as well as the tailings piles water depend on many factors, such as the local crude salt quality, the processing methods applied, and the product portfolio. Therefore, saline wastewater differs in its salt content and composition at the various production sites.

Within the framework of potash crude salt processing as well as the disposal of residues, the official and legal requirements, such as those arising from WHG (Water Resources Act) or, for example, from AwSV (Ordinance on Installations for the Handling of Substances Hazardous to Water), are also laid down in the necessary approvals and permits, for example for the discharge of saline wastewater into the Werra river. Compliance with the requirements is ensured by the wastewater management of the respective production site. Continuous measurements of the salt content at defined measuring points in surface waters provide the basis for the alignment of the so-called discharge control. This controls the quantity and composition of the plant's wastewater discharge. Additionally, the responsible authority verifies compliance with the approvals and permits as well as its specifications by means of further controls.

In 2022, the Group-wide volume of saline wastewater discharged into surface waters amounted to 3.8 million m³ (2021: 5.8 million m³) for potash production and 0.2 million m³ (2021: 0.2 million m³) for salt production, thereby decreasing compared to the previous year. Discharge as a disposal route of saline wastewater from potash production into surface waters decreased due to lower river levels in 2022 compared to 2021. At the Bethune site in Canada, 7.0 million m³ (2021: 7.1 million m³) of saline wastewater was discharged underground (injection) in 2022. With the expiry of the injection permit for the discharge of saline process wastewater into the subsurface, injection in Germany has been finally discontinued as of December 31, 2021. The monitoring required by the authorities in connection with the injection will be continued. This will also document the termination of injection and future developments in the subsurface to the authorities. **B.48**

WASTEWATER B.48

in million m³	2021	2022
Wastewater		
Wastewater discharged into municipal sewage treatment plants	0.2	0.2
Process water in riverwater	87.7	96.2
Water and wastewater in mines or caverns[1]	0.4	0.1
Saline wastewater[2]		
Injection	8.2	7.0
Saline wastewater in mines or caverns	0.6	1.9
Saline wastewater into seawater and other saline waters	29.6	29.7
Saline wastewater into surface water	6.0	4.0
Saline wastewater in potash production	5.8	3.8
Saline wastewater in salt production	0.2	0.2

[1] Change in data collection in 2022 to increase data quality.
[2] TDS, total dissolved solids > 1 g/l.

Local storage in suitable mine cavities is to be used as a further disposal method in future, in addition to discharge into surface waters and supraregional disposal in disused mines and caverns. Due to the significantly limited discharge possibilities into surface waters, in 2022, saline water was increasingly transported supraregionally into disused mines and caverns. In 2022, the volume disposed of in this way amounted to 1.9 million m³ (2021: 0.6 million m³).

The local storage of highly concentrated saline water underground in the Springen mine field (Merkers mine) is to be used for the disposal of saline process water in the future; the complex approval process is still ongoing.

The discharge of saline wastewater will continue to be carried out under the water law permit granted by the Kassel Regional Council on December 23, 2021, and in compliance with the specifications of FGG Weser with lower target values for the third river management period (2021 – 2027). In mid-December 2022, K+S became aware of a lawsuit filed by BUND and the citizens' initiative "Für ein lebenswertes Werratal" (For a livable Werra Valley) against the federal states participating in FGG Weser to review the river management plan for salt. K+S will observe further developments.

www.fgg-weser.de

Goal: By 2030, we intend to reduce the volume of process water from potash production requiring disposal in Germany by 500,000 m³ compared with 2017. This reduction will be achieved without considering the effects resulting from the commissioning of the KCF plant[1] and the shutdown of production at our Sigmundshall plant in 2018. Only 2.2 million m³ of process water per year is, therefore, intended to have to be disposed of from German potash production from 2030 onwards.

In 2022, potash production in Germany resulted in 2.3 million m³ (2021: 3.3 million m³) of process water for disposal in absolute terms. Compared to the adjusted base year 2017, this volume was 0.4 million m³ lower in 2022 (2021: 0.6 million m³). The adjusted base year 2017 refers to the amount of process water to be disposed of in 2017 with the deduction of the full effect of the KCF plant[1] (–1.5 million m³) and the end of production in Sigmundshall (–0.3 million m³).

The Canadian K+S Bethune plant is not within the scope of the objective. It was in the start-up phase in 2018 and is built according to the state of the art. The environmental impact of the plant was already assessed and comprehensively considered prior to commissioning in 2017.

The target of reducing process water by 500,000 m³ by 2030 will be achieved much earlier and significantly exceeded with the implementation of the Werra 2060 project and the associated savings in process water to a total of 1 million m³ per year.

Report on risks and opportunities
Research and development
www.kpluss.com/werra2060

SOLID MINING RESIDUES (WASTE)

Solid mining residues regularly occur during the extraction and processing of potash crude salts. These residues are disposed of on tailings piles, considering the respective site conditions, existing permits, as well as the minimization of environmental impacts through the further development of the state-of-the-art. Environmental impacts are analyzed and prevention options optimized as part of our extensive and long-standing approval procedures.

TAILINGS PILE MANAGEMENT

In 2022, we disposed of 30.0 million tonnes (2021: 30.1 million tonnes) of solid residues at our potash sites. Extensive

[1] KCF plant: Kainite crystallization and flotation plant.

monitoring programs include, for instance, groundwater, deformation, and dust measurements as well as vegetation ecology surveys. They monitor all impacts of the tailings piles. The data generated from these measurements is available to the approval authorities. In addition, the operation of the tailings piles is monitored by regularly recurring inspections by the approval authorities. We communicate closely with the relevant authorities on the planning and implementation of measures. The existing tailings pile capacities depend in each case on the volume of crude salt extraction and the crude salt composition. Depending on the respective site, expansions of the existing tailings piles are necessary to secure potash production in the long term.

+ The tailings pile expansion at the Hattorf site was divided into two further phases (Phase 2 and 3). The application for the expansion of the Hattorf tailings pile (Phase 2) was submitted in 2021. With approval dated December 23, 2021, the early start for felling and clearing of the forestry was approved. In 2022, the planning documents for Phase 3 were subsequently submitted. The planned commissioning of the Phase 2 tailings pile expansion area in the summer of 2023 will ensure continuous production.
+ With the positive planning approval for the tailings pile expansion at Zielitz in 2020, tailings disposal is guaranteed until the 2050s.
+ The tailings pile expansion at the Wintershall site also received a positive planning approval in 2020. This will provide tailings pile capacities for around nine years. Continuous production operations are, therefore, assured.
+ The Unterbreizbach (Thuringia) and Wintershall (Hesse) sites of the Werra integrated plant will be converted to a dry processing method by 2026/2027. K+S is focusing on the further development of the so-called electrostatic separation (ESTA®) process to dry sort salt minerals without using water. Additionally, a further developed mining process in chamber pillar construction (Room & Pillar) is being applied. In this process, most of the previously unused crude salt is extracted from the pillars and any cavities created are filled with backfill, thereby stabilizing the remaining pillars.

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This will significantly increase the yield of materials with mineral content at the site, and at the same time, reduce the generation of solid and liquid residues. As a result, the expansion of the Wintershall tailings pile planned for the early 2030s will no longer be necessary to the extent envisaged. The approval process for tailings pile expansions entails an obligation on our part to provide compensatory and replacement measures. If possible, we try to go beyond the requirements and design the measures in such a way that they generate high added value for the environment. These include long-term, large-scale projects aimed at promoting biodiversity. For this purpose, new habitats for animals and plants are created or existing habitats are enhanced. Reforestation is primarily carried out on areas of inferior nature conservation value with the aim of conserving agricultural land. Furthermore, we carry out species protection measures prior to the start of the interventions to ensure ecological-functional continuity without interruption.

Goal: Further reducing environmental impacts and conserving natural resources by reassessing the potential of residues previously stored in tailings piles is our Group-wide goal. From 2030, we aim to use 3 million tonnes of residues per year for purposes other than tailings pile operations. We aim to achieve this goal through alternative recovery of tailings pile material and residue avoidance by increasing raw material yields. We record the key figure on a project-specific basis according to the type of residue recovery and avoidance respectively. This figure relates to the sites at which solid residues are produced. These are the Werra, Zielitz, and Neuhof-Ellers plants.

In 2022, we were able to save 0.2 million tonnes (2021: 0.2 million tonnes) of residues by implementing technical measures for increasing raw material exploitation or by recovering them. We continued the measures initiated in 2018 for residues reduction, such as improved crude salt exploration, rock salt pre-separation underground, as well as the process step of optical sorting, and introduced further optimizations of operational processes at the sites.

Goal: By 2030, we aim to cover an additional 155 ha of tailings pile area and, therefore, further reduce or prevent the generation of tailings pile water. This involves covering large and medium-sized tailings piles, which will be implemented additionally to the existing coverage in the base year of 2017 (approx. 70 ha). These include tailings piles at the active Wintershall, Hattorf, Neuhof-Ellers, and Zielitz sites, and the inactive Sigmundshall, Niedersachsen, Friedrichshall, Hugo, and Siegfried-Giesen sites.

In 2030, we will, therefore, have covered a total of 225 ha of tailings pile area. The covered tailings pile area relates to the surface area of the tailings pile that is relevant for the reduction of tailings water. For this purpose, the covered area is projected onto the surface area. We monitor the progress by annual measurements. In case of time-delayed measurements compared to the reporting period, the annual values are based on extrapolations. In 2022, an additional 4.0 ha (2021: 1.2 ha) of tailings pile area could be covered. Since 2017, we have, therefore, covered a total area of 14.1 ha. Many sites are currently in planning and approval processes for tailings pile coverage.

+ The surface sealing (MSO) planned at the Hattorf site has been optimized again due to general conditions under licensing law. An application was submitted for the permanent covering of the tailings pile top with a soil cover and underlying plastic sealing strip, which was granted by the approval authority in the summer of 2022. The permit provides for implementation of the tailings pile plateau cover of 6.5 ha by the end of 2024. The permanent top cover will eliminate the need for temporary polders. A thin-film cover is planned on the sides of the tailings pile and will be implemented after the pending permit. The planning for the tailings pile covering at the Wintershall site is analogous to Hattorf. The application for the tailings pile top cover at the Wintershall site was submitted to the approval authority in the summer of 2022 and approved at the end of December 2022.
+ Preliminary planning has begun for the thick-film cover planned at the Neuhof-Ellers plant. The scope of investigation for the environmental impact study has already been officially defined by the responsible authority within the scope of the so-called scoping. On this basis, the technical and specialist planning and the application are being prepared. The planned vegetated thick layer cover reduces the saline tailings water in the long term to the point of almost complete avoidance. With the permanent thick layer cover, perpetual burdens and long-term consequences are prevented.
+ For the Hugo site, the feasibility study on the basis of findings and results of the already conducted and the ongoing experiments in laboratories, greenhouses, and free fields shows covering tailings piles is technically possible.
+ Due to the requirements of the tailings pile expansion at the Zielitz site, an infiltration inhibition layer is expected to be implemented in 2025. Other covering methods are also being tested.
+ The covering of the Friedrichshall tailings pile was finalized with final renaturation measures and the dismantling of infrastructure facilities in 2022.
+ Furthermore, K+S applied for the covering of the tailings pile Niedersachsen in Wathlingen. In the first instance, approval was granted for the construction of the recycling site ahead of schedule. Between October 2021 and September 2022, a mediation process was conducted on-site with environmental associations and municipal representatives as well as specialist authorities. At the end of February 2023, the permit for the tailings pile covering in Wathlingen was granted by planning approval.
+ At the Sigmundshall plant, the tailings pile covering will be continued in regular operation and further areas of the tailings pile top and sides will be covered.

Report on risks and opportunities
www.kpluss.com/REKS

ENERGY & CLIMATE SDG 12.2, 13.1

As a resources company, we operate many energy-intensive processes along the entire value chain, from extraction of the raw materials and production to transportation of the finished product.

ENERGY

The K+S Group generates most of its global energy requirements for electricity and heat in its own power plants using primary energy sources. We purchase any additional energy required on the market. Minor surpluses of self-generated electricity are sold on the market. Our efforts to achieve the most energy-efficient extraction of raw materials and factory production possible are ongoing.

As a long-term commitment, K+S supports the goals of the Paris Agreement to achieve climate neutrality by 2050. For K+S, this goal is very challenging and can only be achieved under certain conditions. Since 2021, our Company has been consistently pursuing its own climate strategy.

Emissions
Corporate strategy, Sustainability program

Goal: We aim to reduce the absolute CO_2 emissions (CO_2e) of the K+S Group worldwide by 10% by 2030 (base year 2020: 2.17 million tonnes CO_2e[1])[2]. Here, we refer to our Scope 1 and 2 emissions for all energy sources used, which arise, on the one hand, from direct energy conversion and, on the other hand, from indirectly purchased energy. In the 2022 financial year, our carbon footprint was 2.10 million tonnes CO_2e, a change of –3.0% from the 2020 baseline. This KPI does not include Scope 3 emissions. See the subsection 'Logistics emissions'.

Logistics emissions

[1] Wherever CO_2 is mentioned in this report, CO_2e is referred to.
[2] Emission of the base year is adjusted in case of significant changed in production volumes, while the decarbonization ambition remains unchanged.

For the achievement of our goals by 2030, we are increasing our efficiency potential (heat recovery), further expanding combined heat and power generation (CHP), examining the use of renewable energies (photovoltaics and biomass), and successively converting to e-mobility underground.

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We have used an internal "climate protection fund" since 2022 to support the implementation of such measures. This fund supports projects that contribute to reducing our greenhouse gas emissions. As of today, we have already implemented climate protection measures. At our site in Olhão (Portugal), we commissioned a photovoltaic system in 2022. An energy efficiency measure for heat recovery at the Zielitz plant is being implemented. Planning has been carried out for further photovoltaic systems at the Zielitz plant and the Werra plant. Detailed planning is also underway for a biomass heating plant at the Borth plant.

Corporate strategy
www.kpluss.com/werra2060

Challenges in decarbonization

Through the extensive use of highly efficient combined heat and power (CHP) technology and the associated switch from coal to natural gas, as well as extensive energy efficiency measures and capacity reductions, we have significantly reduced our direct CO_2 emissions from our sites over the last three decades.

As our energy supply is already largely optimized, further decarbonization is only possible with comprehensive political and financial support. Comprehensive subsidies and targeted relief are, therefore, needed now in order to be able to follow the path of competitive decarbonization.

Complete decarbonization requires the use of green electricity instead of fossil heating and fuels. For this purpose, renewable energies must be massively expanded and large quantities of green electricity must be made available from the political side at competitive prices.

Corporate strategy, Sustainability program

Certainly, in the short term the necessary demand for renewable energies and green electricity will not be available in sufficient quantities. It is, therefore, necessary that highly efficient gas-fired CHP plants, such as those we operate, continue to be recognized and promoted as a bridging technology.

This requires the continued availability of sufficient quantities of natural gas on the German market. In the current energy crisis, we are, therefore, already investigating ways to make ourselves less dependent on natural gas as an energy source. We are also examining various options for supplying heat through the use of new technologies to be developed.

Report on risks and opportunities

Energy consumption

We use an energy management system certified to DIN EN ISO 50001 at all German Group companies with production sites. In all other Group companies, we regularly perform energy audits in accordance with DIN EN ISO 16247 as required by the European Energy Efficiency Directive.

Total energy consumption in 2022 of 12,087 GWh remained at about the same level as in the previous year (2021: 12,323 GWh).

Energy sources

The energy sources used differ depending on the site of the mines and production facilities. K+S's steam and electricity generation in Germany is based to a level of 87% on the primary energy source natural gas and to 13% on energy procurement from a waste incineration plant. In 2022, five German potash-producing sites had their own highly efficient power plants, which are operated on the principle of combined heat and power (CHP). We also operate two of seven drying plants according to the CHP principle.

Due to the method of solution mining for extraction at our Bethune plant in Canada, as well as the steadily growing expansion of other underground raw material mining areas and the associated higher energy needs, we expect the specific demand for primary energy to tend to increase.

Emissions

As part of the European Green Deal, the EU Climate Change Act was passed to anchor the goal of climate neutrality by 2050. The aim is to initially reduce greenhouse gas emissions within the EU by at least 55% by 2030 compared with the base year 1990.

The European Emissions Trading Scheme (EU ETS) for reducing greenhouse gas emissions in energy-intensive industries came into force back in 2005. The aim of emissions trading is to reduce emissions where the reduction is most efficient. As part of the European Commission's Fit for 55 package, a preliminary agreement on the tightening of the EU ETS reform was reached at the end of 2022. The K+S Group currently operates twelve power plants and drying facilities in Germany that are subject to emissions trading, whose emissions are recorded on the basis of applicable EU monitoring guidelines and verified by external auditing organizations. Furthermore, the Act on National Certificate Trading for Fuel Emissions (Fuel Emissions Trading Act – BEHG) has been in force in Germany since 2021. Our plants under the EU ETS will not experience any additional burden as a result. Only part of the primary energy demand (13%) of K+S in Germany was affected by BEHG in 2022. For trading and emissions-intensive companies such as K+S, which are protected from a significant risk of carbon leakage, financial compensation is provided for any BEHG costs incurred.

We take the pricing of the fuel emissions of our logistics service providers in Germany (Scope 3 emissions) in our mid-term planning into account.

In 2021, the fourth trading period began, which will last until 2030. K+S continues to receive free allocation of emission certificates based on our energy-intensive and trade-intensive situation. Due to the cuts made, however, there was a lower allocation of free certificates compared to the last trading period. This results in higher costs for K+S, which have also already been taken into account in our mid-term planning.

A Canadian greenhouse gas emissions assessment system has been implemented by the government. Our Bethune plant is covered by the provincial system and has been affected since 2021. A reduction in emissions intensity of 5% compared to 2020 is required by the year 2030. Due to the increasing share of secondary mining during the ramp-up phase of the Bethune plant, the reduction in emissions intensity per tonne of product produced will exceed the required 5% target according to current knowledge.

We report our emissions in CO_2 equivalents (CO_2e). These indicate the specific warming potential of greenhouse gases compared with that of CO_2. For the emission categories Scope 1 and Scope 2[1] according to GHG protocol, we report these in full, as well as for Scope 3 the logistics emissions of outgoing transportation. CO_2 emissions from the consumption of all direct and indirect energy sources in 2022 (Scope 1 and 2) amounted to 2.10 million tonnes of CO_2e (2021: 2.16 million tonnes of CO_2e). Site-specific market-based emission factors for electricity serve as the basis for calculating the amount of CO_2e in Scope 2. We also report the amount of CO_2e using the location-based approach. **B.49**

[1] When determining Scope 2 emissions using emission factors according to the market-based approach, we use the currently valid information from the respective suppliers and energy providers for each site. If this is not possible due to national circumstances, we use the same emission factor as for the location-based approach.

ENERGY USE BY ENERGY SOURCE AND GREENHOUSE GAS EMISSIONS SCOPE 1, 2, AND 3[1] **B.49**

		2021	2022
Direct energy sources	**GWh**	**10,351.3**	**10,168.7**
(Scope 1)[2]	**million t CO_2e**	**1.9**	**1.9**
Natural gas[3]	GWh	10,100.5	9,919.8
Coal	GWh	0.0	0.0
Diesel	GWh	244.4	238.7
Fuel oil	GWh	1.3	6.0
Liquefied petroleum gas (LPG)	GWh	1.5	1.5
Gasoline	GWh	3.5	2.8
Indirect energy sources	**GWh**	**1,971.4**	**1,918.5**
(Scope 2)[4]	**million t CO_2e**	**0.2**	**0.2**
(Scope 2)[5]	**million t CO_2e**	**0.1**	**0.1**
Externally sourced electricity	GWh	437.1	416.0
Externally sourced steam	GWh	1,529.8	1,498.4
Externally sourced heat	**GWh**	**4.5**	**4.1**
Total energy consumption	**GWh**	**12,322.7**	**12,087.2**
(Scope 1 & 2)[2,4]	**million t CO_2e**	**2.2**	**2.1**
(Scope 1 & 2)[2,5]	**million t CO_2e**	**2.0**	**2.0**
(Scope 3)[6,7]	**million t CO_2e**	**0.6**	**0.6**

[1] Selected portion of Scope 3 emissions for downstream transportation (GHG Protocol, Category 4: Downstream transportation and distribution; Category 4 also includes all emissions from transportation purchased by K+S after application of the GHG Protocol accounting rules).
[2] Conversion to fuel-based emission factor for natural gas.
[3] Update on Bethune 2020 natural gas volumes.
[4] Scope 2 reports according to market-based method.
[5] Scope 2 reports according to location-based method
[6] Unlike the tank-to-wheel calculation method, which only records the direct emissions caused by the combustion of the fuel in the engine, the well-to-wheel calculation method additionally records the indirect emissions caused during the production of the fuel.
[7] Adjusted value for 2020 and 2021 following the conversion of the calculation method to well-to-wheel.

We are currently implementing a road map for identifying the Scope 3 emissions relevant to us. This road map serves to prepare for the implementation of future reporting obligations.

LOGISTICS EMISSIONS

The international logistics network of K+S ensures a smooth flow in the supply chain and transports the products to customers worldwide on schedule. Our global transportation chains are managed holistically and permanently optimized to guarantee a high level of efficiency.

Goal: Our goal is to continue reducing the greenhouse gas emissions associated with the transportation of our products in the future. By 2030, the K+S Group aims to reduce its KPI of specific greenhouse gas emissions in logistics[1] by 10% compared with 2017. This applies to emissions from our outbound transportation (customer, warehouse deliveries, and internal transfers), measured in kilograms of CO_2e per tonne (well-to-wheel[2]).

In this financial year, we changed the calculation method from tank-to-wheel to well-to-wheel. Against the background of harmonization with applied standards and regulations, emissions generated during fuel production up to fuel combustion in the engine of the means of transportation are therefore recorded. For the base year 2017 and for the 2021 financial year, the results have been adjusted in accordance with the well-to-wheel calculation method.

The logistics emissions in Scope 3, which are currently considered as the only emission sources for Scope 3, correspond to approximately 20% of the emissions we determined from Scope 1 to 3. The Scope 3 emissions of outbound transportation we calculated correspond to 0.6 million tonnes CO_2e (2017: 0.7 million tonnes CO_2e). The specific value per transported tonne in 2022 was 23.33 kg CO_2e/tonne (2017: 26.8 kg CO_2e/tonne). This corresponds to a change of –13.1% compared to the base year 2017. **B.49**

The reduction in our specific logistics emissions compared with the base year 2017 was caused by the changed structure of our logistics flows of goods and was significantly influenced by external market and environmental requirements. In recent years, we achieved positive effects through the use of lower-emission means of transportation, e.g., rail instead of truck, accompanied by adjustments to the distribution structure. The permanent optimization of our logistics network and the optimized utilization of our means of transportation will contribute to further reducing greenhouse gas emissions in the future. We are also constantly improving the quality of our data, enabling us to calculate emissions more accurately. Our emissions are currently calculated on the basis of DIN EN 16258, largely using average consumption values defined in the standard. In this financial year, real consumption values were also applied to some of our ocean-going shipments for the first time.

We aim to substitute further standard values with real consumption data in cooperation with our service providers in the medium term to map the effects of our supplier management and new technologies in the future, e.g., through the purchase of low-emission logistics services. As part of our efforts to make progress in this area, we are involved in the following programs: "Aligning global shipping with society's goals" by Sea Cargo Chartering and "Road to net zero – Carbon Footprint Calculation" by Transporeon. These programs support companies in driving supply chain sustainability through measurement, benchmarking, and efficiency improvement in freight transportation.

[1] Greenhouse gas emissions from logistics represent a significant share of Scope 3 emissions.

[2] Unlike the tank-to-wheel calculation method, which only includes the direct emissions generated by the combustion of the fuel in the engine, the well-to-wheel calculation method additionally includes the indirect emissions generated during the production of the fuel.

BUSINESS ETHICS & HUMAN RIGHTS

K+S is a reliable partner for customers, suppliers, and the social environment. For us, it is a matter of course that our employees act with integrity and a sense of responsibility. We also expect the same from our business partners. With our strategic goals and the activities to achieve them, we also contribute to the UN Sustainable Development Goals (SDGs). In the "Compliance & Anti-Corruption" topic area, we contribute to reducing corruption and bribery (SDG 16.5). In the "Sustainable Supply Chains" and "Human Rights" topic areas, we do not tolerate forced or child labor, among other things (SDG 8.7).

Diversity & Inclusion

Declaration on corporate governance, Compliance management

www.kpluss.com/businessethics-and-humanrights

SUSTAINABLE SUPPLY CHAINS SDG 8.7

K+S calls for fair, sustainable business practices in supply chains and has formulated corresponding expectations and requirements in the K+S Group Supplier Code of Conduct (Code). The Code requires suppliers to commit to, and comply with, our values. It is based on international standards such as the principles of the UN Global Compact, the General Declaration on Human Rights, the ILO Core Labor Standards, and the OECD Guidelines for multinational enterprises. It covers human and labor rights, health and safety, environmental considerations, and responsible business.

www.kpluss.com/codeofconduct

Goal: By 2025, the Code is expected to cover more than 90% of our purchasing volume. Another goal is that 100% of our "critical" suppliers, i.e., suppliers with a high sustainability risk, have recognized the Code by 2025.

In 2022, we further extended the global introduction of the Code. It already covers 84% (2021: 81%) of our purchasing volume. Some 90% (2021: 87%) of our "critical" suppliers have recognized the Supplier Code of Conduct. They are identified on an annual basis. The Corruption Perception Index (CPI), the environmental compatibility of the products or services mainly provided by the supplier, as well as the suppliers' revenues generated from business with us are taken into account. Clear processes and responsibilities are defined if a breach of the Supplier Code of Conduct becomes apparent.

In 2023, the coverage by the Code is to be expanded further. Compliance and the consideration of sustainability aspects continue to be important to us in the selection of all our business partners. We will implement the concept developed in 2022 to meet the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) in the course of 2023 and, for example, carry out the annual risk analysis initially and derive measures as required.

Human Rights

COMPLIANCE & ANTI-CORRUPTION SDG 16.5

Compliance is an integral element of our corporate culture, based on our values. It is important to us that "good corporate governance" is experienced at all levels. We understand this to include not only compliance with statutory regulations and official approvals, but also with the regulatory standards recognized by the Company, such as our commitment to the UN Global Compact, and internal regulations.

We want to encourage entrepreneurial action within clearly defined limits. Breaches of legal regulations and internal regulations are neither acceptable from a legal aspect nor in terms of our understanding of compliance. Therefore, we promptly pursue indications of breaches of legal regulations and internal regulations and clarify the facts. Corrective action is immediately taken against compliance breaches and, if necessary, consistent and appropriate sanctions are imposed.

All employees are familiarized with our values, the Code of Conduct, as well as the derived internal regulations. Employees receive target group-specific training on special topics (e.g., antitrust law, anti-corruption, avoidance of money laundering and terrorist financing, dealing with social media, data protection, environmental protection, occupational safety, anti-discrimination, and sexual harassment).

Declaration on corporate governance, Compliance management

Goal: K+S is pursuing a zero-tolerance policy against corruption and bribery as well as anti-competitive practices to avoid the risks of liability, culpability, loss of reputation, as well as financial disadvantages. We have incorporated the principles of our compliance management system in our sustainability goals; they are also measured with a performance indicator and substantiated with measures.

With the aim of ensuring our self-imposed zero-tolerance policy against corruption and bribery, we have set ourselves the goal of covering all K+S companies with a globally standardized and regular compliance risk analysis by the end of 2023. The measures derived from the results of the analysis serve as the basis for the specific compliance program of the respective Group company. They provide for goal-oriented compliance as well as risk management at all our K+S companies. Following the conceptualization and development of the compliance risk analysis in 2020, we began implementing the standardized compliance risk analysis at our Group companies in 2021. In 2021, we exceeded our goal of covering 20% of our Group companies with the initial risk analysis and implemented the analysis at 25% of all Group companies. For 2022, we had set ourselves the interim goal of implementing the compliance risk analysis at around two thirds of our Group companies. We achieved the goal and implemented the compliance risk analysis at 66.7% of our Group companies.

Since compliance is of great importance to our Company, we want to maintain a high level of compliance training and communicate continuously on compliance issues. For this purpose, we successfully held the third part of our basic training course on Business Ethics and Compliance for our employees in 2022. We have also further intensified target group-specific training (e.g., Group-wide antitrust training).

The new uniform business partner compliance process has been implemented. We established a mechanism to review the effectiveness of the process in 2022.

Employees as well as third parties can use our global "Speak up!" whistleblower system to report possible or actual violations of laws or regulations – also anonymously. The contact details can be found on the K+S website, in the portal (intranet), or on notice boards. In 2022, a total of 44 reports (of which K+S Aktiengesellschaft: 1) were submitted in various categories. All reports were handled with due diligence, investigated and action taken where necessary. Of course, no one who reports an issue has to fear any disadvantage (non-retaliation).

www.kpluss.com/compliance-hotline, phone +49(0)561 9301-1177

E-mail: compliance@k-plus-s.com

Our membership in DICO (Deutsches Institut für Compliance e.V. – German Institute for Compliance), which has existed since 2020, provides us with the opportunity to exchange information on the design of compliance in the Company with other members as part of various working groups.

HUMAN RIGHTS SDG 8.7

The Company carries out its business in a manner that respects the human rights and dignity of all people who are impacted by our business activities, in other words, employees, contractors, and external stakeholders. We are a signatory to the United Nations Global Compact. Our commitment to human rights is based on the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for multinational enterprises. Our approach is shaped by the international bill of human rights and the International Labor Organization (ILO) declaration on fundamental principles and rights at work. Respect for human rights is also an integral part of our Code of Conduct.

Our commitment in the area of human rights is based on the field of action "Business Ethics & Human Rights" with the topics "Sustainable Supply Chains" and "Compliance & Anti-Corruption".

Corporate strategy, Sustainability program

As before, our commitment to human rights extends to all internationally recognized human rights. This is demonstrated, for example, by our signing of the United Nations Global Compact. We continue to comply with legal requirements. We strive to implement our commitment through a due diligence process aligned with the UN Guiding Principles and take into account the following core elements as identified in the German National Action Plan on Business and Human Rights:

+ Policy statement on respect for human rights
+ Procedures to identify human rights impacts
+ Taking measures and reviewing their effectiveness
+ Reporting, and establishing grievance mechanisms

www.kpluss.com/declaration-of-principles

By integrating the topic of human rights into our compliance risk analysis, we address the human rights due diligence obligations to our Group companies and take appropriate countermeasures when risks are identified. With our Supplier Code of Conduct, we also encourage our suppliers to observe human rights due diligence obligations in their area.

We will also integrate the topic of human rights into our supplier risk analysis by 2023. From 2023 onwards, human rights and environmental risks in accordance with the German Act on Corporate Due Diligence in Supply Chains (LkSG) can, therefore, be identified and detected at an early stage through a documented process at our companies and our suppliers.

Compliance & Anti-Corruption

Sustainable supply chains

In the summer of 2022, the Head of HSSQ (Health – Safety – Sustainability – Quality), who is also our Chief Sustainability Officer (CSO), was appointed as a Human Rights Officer in accordance with the German Act on Corporate Due Diligence in Supply Chains (LkSG). Therefore, the CSO's role is to address sustainability issues throughout the Company and provide transparency on the importance of sustainability. This function networks and coordinates cross-functional sustainability issues as well as projects and ensures the development as well as implementation of a Group-wide sustainability strategy. One aspect of this strategy is the observance of human rights.

Declaration on corporate governance, Sustainability management

Our "Speak up!" whistleblower system provides stakeholders, such as employees, contractors, and communities, with the opportunity to raise their concerns, also regarding human rights issues. This can be done anonymously and in various languages.

Compliance & Anti-Corruption

EU TAXONOMY

As part of the European Green Deal, the EU Sustainable Financing Regulation (EU) 2020/852 (EU SF Taxonomy Regulation) establishes a classification system for defining environmentally sustainable economic activities. The EU SF Taxonomy Regulation and the delegated acts adopted to date in this regard stipulate, among other things, criteria for determining whether an economic activity can be classified as sustainable regarding the EU's six environmental goals. In March 2022, in the course of a further delegated regulation[1], the EU Commission classified both energy generation from natural gas and nuclear power as potentially sustainable in terms of the two climate targets under the EU SF Taxonomy Regulation. Certain criteria must be met in this respect. Both types of power generation are classified as transitional technologies in terms of the climate change targets. No specific tables are provided for energy generation from nuclear power and natural gas, as these activities are not part of our business model.

We report the proportion of our aligned turnover[2], capital expenditure (CapEx), and operating expenses (OpEx) for the 2022 financial year relating to the environmental goals of "Climate change mitigation" and "Climate change adaptation" that have so far been specified by delegated acts. The majority of the economic activities performed by K+S have not yet been covered by the EU SF Taxonomy Regulation and are therefore to be reported as taxonomy-non-eligible. This includes, above all, our core activity: the extraction and production of mining products and services, which are indispensable for supplying the population in the fields of medicine, pharmaceuticals, food production, agriculture, and animal feed and which, in our opinion, can also be consistent with the environmental goals of the EU. As a mining company, we are at the beginning of the value chain with the extraction of raw materials and provide the basis for many other activities.

Business model

An economic activity is considered taxonomy-eligible if it is listed in a delegated act relating to one of the environmental goals of the EU SF Taxonomy Regulation, irrespective of whether the activity meets the technical screening criteria standardized therein. An economic activity is considered to be taxonomy-aligned if it contributes substantially to an environmental goal, at the same time does not significantly harm other EU environmental goals (do no significant harm, DNSH), and is in compliance with minimum social safeguards (MSS), which also include governance aspects, and meets all technical screening criteria.

As part of a systematic impact analysis, the taxonomy-eligible and taxonomy-aligned activities to be reported for the year 2022 were identified and classified. In a top-down approach, a comparison was first made between the economic activities listed in Delegated Regulation (EU) 2021/2139 and the NACE codes performed by K+S. Subsequently, on the basis of the economic activities listed in Annex I (Climate change mitigation) and Annex II (Climate change adaptation) of the Complementary Climate Delegated Act, the consistency of K+S activities from the 2022 financial year with the descriptions of the activities was examined from a technical point of view. All activities were classified as taxonomy-eligible or taxonomy-non-eligible.

For completeness of the impact analysis, ongoing K+S CapEx projects contributing to climate change mitigation were additionally assessed for taxonomy eligibility. Based on this bottom-up approach, no further material investments in individual measures or the purchase of output from taxonomy-eligible economic activities or in assets or processes related to taxonomy-eligible economic activities were identified.

IDENTIFIED TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

We do not conduct any turnover[1]-generating taxonomy-eligible economic activities. Our activities identified as taxonomy-eligible potentially contribute primarily to climate change mitigation. Relevant climate change adaptation measures have not been identified. Therefore, we refer to Annex I of the Climate Delegated Act for our activities below.

Due to the transformation to e-mobility, vehicles with suitable combustion engines are no longer expected to be available for underground operations in the medium to long term. We are, therefore, testing the use of electric mobility in our mines. For this purpose, we commissioned six electric vehicles for underground use in the 2021 fiscal year to gather initial operating experience. Due to the pilot status of the existing machines and vehicles, only minor investments were made in 2022 in the acquisition of further e-vehicles as defined in activity 3.3 "Manufacture of low-carbon technologies for transport". These are so small that they are outside the presentation limit in € million in the table **B.51**. In the medium term, however, all sites with mining activities will introduce electric vehicles.

[1] Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022, amending Delegated Regulation (EU) 2021/2139 concerning economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 concerning specific disclosure requirements for those economic activities (OJ L 188/1).

[2] Corresponding to revenues in K+S wording.

As there is currently no series-produced electric replacement for diesel-powered off-road vehicles and pick-ups, which have been used to date in mines as access and workmen's vehicles, that meets the challenges for mining operations, K+S has been involved in the development of an electric small truck for off-road use underground since December 2022. Furthermore, two cable-connected electric truck loader types of different sizes are being developed on behalf of, and in cooperation with, K+S. A first prototype of a 19-tonne e-loader was used at the Zielitz plant in 2021 and is still in trial operation. Development of a 14-tonne e-loader continued in 2022. Following successful trials, the procurement of further electric loaders is planned in the medium term. In the context described, investments were made close to "Market-related research, development, and innovation" as defined in activity 9.1 in the 2022 financial year.

Research and development

IDENTIFIED TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

The activities classified as taxonomy-eligible were assessed in terms of their compliance with the technical screening criteria for their significant contribution to climate protection. Furthermore, it was examined whether those activities that substantially contribute to climate change mitigation meet the DNSH criteria for avoiding significant adverse effects on the further environmental goals. A climate risk and vulnerability assessment was used to analyze the extent to which physical climate risks as defined in Annex I, Appendix A of the Delegated Act (EU) 2021/2139 significantly threaten the conduction of the taxonomy-eligible activity. Besides an initial internal risk assessment, all climate projection scenarios according to IPCC[1] were conducted and analyzed for relevant aspects to assess the threat to the economic activity. No significant threat to any of the economic activities was identified.

In the next step, compliance with all other activity-specific DNSH criteria on environmental Goals 3–6 was reviewed and documented. In addition to the climate risk analysis, which is a DNSH criterion for Goal 2 "Climate change adaptation" for all activities, additional DNSH criteria for the activities relevant to us were only assessed for 4.25 "Production of heat/cold using waste heat" (Goals 4, 5, and 6). The availability of durable and recyclable equipment and components was assessed for waste heat utilization at the Zielitz site. A review of the energy-efficiency class for the pumps employed resulted in these meeting the highest standard of energy-efficiency class (IE4). The performance of an Environmental Impact Assessment within the meaning of Annex I, Appendix D of the Delegated Act (EU) 2021/2139 was not required in the context of waste-heat utilization. The assessment of compliance with the minimum social safeguards was carried out at company level. As part of an internal expert workshop, an inventory was taken of the procedures and systems implemented by K+S with respect to the focal areas of human rights, corruption/bribery, taxation, and fair competition, to ensure that the minimum social safeguards within the meaning of the EU SF Taxonomy Regulation are met. For this purpose, K+S has implemented guiding principles and directives within the individual subject areas, carried out risk analyses, implemented appropriate preventive and remedial measures where necessary, and fulfilled the requirements of international regulations. Overall, the fulfillment of the minimum social safeguards protection was classified as adequate.

Since the waste heat utilization in terms of activity 4.25 fulfills all technical screening criteria, it was classified as taxonomy-aligned. Waste-heat utilization at the Zielitz site involves transporting heat from the existing cooling circuit to the shaft ventilation heating system, where it heats the incoming air. By utilizing heat flows that would otherwise no longer be used or would be specifically "destroyed", natural gas use is reduced and less CO_2 is emitted.

Implementation of the corporate strategy

As a matter of principle, all fully consolidated Group companies are included in the analysis with regard to their turnover[2], CapEx, and OpEx. The taxonomy-eligible and taxonomy-aligned proportions of turnovers[2], CapEx, and OpEx are calculated as the numerator divided by the denominator in accordance with the requirements of the EU SF Taxonomy Regulation.

General principles

[1] The Intergovernmental Panel on Climate Change.

[2] Corresponding to revenues in K+S wording.

KPI REVENUES/TURNOVERS:

K+S defines the denominator of turnovers[2] in accordance with IFRS 15.

KPI CAPEX

The numerator corresponds to the proportion of the capital expenditures included in the denominator associated with individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, provided that these measures are implemented and operational within 18 months. For us, this relates to activity 4.25.

The denominator for reported CapEx comprises additions to property, plant, and equipment and intangible assets during the financial year under review before depreciation, amortization, and revaluations, including those resulting from revaluations and impairment losses for the relevant financial year and excluding changes in fair value [application of IFRS (IAS 16, 38, 40, IFRS 16)].

CapEx reported as taxonomy-aligned are additions to property, plant, and equipment.

General principles

KPI OPEX

The numerator corresponds to the proportion of operating expenditures included in the denominator relating to assets or processes associated with taxonomy-aligned economic activities, including training and other workforce adjustment requirements, as well as direct non-capitalized expenditures relating to research and development. For the individual activities reported in table **B.51** under "A. Taxonomy-compliant Activities", minor OpEx incurred. These are so small that they are – on an individual activity level – below the presentation limit in € million in the table **B.52**, but are visible at the aggregated level.

The denominator of the reported OpEx includes direct, non-capitalized costs relating to research and development, building refurbishment, short-term leasing, maintenance and repair, and all other direct expenses related to the day-to-day maintenance of property, plant, and equipment assets by the Company or third parties to whom activities are outsourced that are necessary to ensure the continuous and effective functioning of these assets [application of IFRS (IAS 16, 38, 40, IFRS 16)].

Research and development, Research indicators
Notes (30), (4)

The numerator in each case is the sum of turnover[1], CapEx, or OpEx from the identified taxonomy-aligned activities. The ratio of numerator to denominator results in the percentages presented in the reporting templates (see Table **B.50**, Table **B.51**, and Table **B.52**).

Since the taxonomy-eligible and taxonomy-aligned CapEx are allocated to different sectors and clearly distinguishable individual activities, there is no overlap of any kind and multiple counts can be ruled out. All expenditures can be distinguished from each other by unique project numbers and account management.

[1] Corresponding to revenues in K+S wording.

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022 B.50

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)										
Economic activity	Code	Absolute Turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy aligned proportion of turnover (2022)	Taxonomy aligned proportion of turnover (2021)	Category (enabling activity)	Category (transitional activity)
		Mio EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0.0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**Y**	**0.0%**	**0.0%**		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0%**																	
Total A1+A2		**0**	**0%**														**0.0%**			

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
Turnover of Taxonomy-non-eligible activities (B)		**5,676.6**	**100.0%**
Total (A+B)		**5,676.6**	**100.0%**

CAPEX-KPY FOR THE FINANCIAL YEAR 2022 **B.51**

Economic activity	Code	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	DNSH criteria (Does Not Significantly Harm): Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	Minimum safeguards	Taxonomy aligned proportion of CapEx (2022)	Taxonomy aligned proportion of CapEx (2021)	Category (enabling activity)	Category (transitional activity)
		Mio EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Production of heat/cool using waste heat	4.25.	2.8	0.5%	100%	0%	0%	0%	0%	0%	n/a	Y	n/a	Y	Y	Y	Y	0.5%	0.0%	n/a	n/a
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**2.8**	**0.5%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**n/a**	**Y**	**n/a**	**Y**	**Y**	**Y**	**Y**	**0.5%**	**0.0%**		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of low carbon technologies for transport	3.3.	0.0	0.0%																	
Close to market research, development and innovation	9.1.	1.2	0.2%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1.2**	**0.2%**																	
Total A1+A2		**4.0**	**0.6%**														**0.5%**			

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
CapEx of Taxonomy-non-eligible activities (B)		**617.7**	**99.4%**
Total (A+B)		**621.7**	**100.0%**

OPEX-KPI FOR THE FINANCIAL YEAR 2022 B.52

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)										
Economic activity	Code	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	Minimum safeguards	Taxonomy aligned proportion of OpEx (2022)	Taxonomy aligned proportion of OpEx (2021)	Category (enabling activity)	Category (transitional activity)
		Mio EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Production of heat/cool using waste heat	4.25.	0.0	0.0%	100%	0%	0%	0%	0%	0%	n/a	Y	n/a	Y	Y	Y	Y	0.0%	0.0%	n/a	n/a
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0.0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**Y**	**0.0%**	**0.0%**		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of low carbon technologies for transport	3.3.	0.0	0.0%																	
Close to market research, development and innovation	9.1.	0.0	0.0%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0.0**	**0.0%**																	
Total A1+A2		**0.0**	**0.0%**														**0.0%**			

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
OpEx of Taxonomy-non-eligible activities (B)		**448.9**	**100.0%**
Total (A+B)		**449.0**	**100.0%**

DECLARATION ON CORPORATE GOVERNANCE[1]

In accordance with Sections 289f and 315d Handelsgesetzbuch (HGB – German Commercial Code), the Board of Executive Directors issues the following declaration on corporate governance pursuant to which the Board of Executive Directors and the Supervisory Board simultaneously report in accordance with the requirements of the German Corporate Governance Code:

DECLARATION ON CORPORATE GOVERNANCE[1]

DECLARATION OF COMPLIANCE

In December 2022, the Company's Board of Executive Directors and the Supervisory Board made the following joint declaration pursuant to Section 161 of the German Stock Corporation Act (AktG):

"For the period from the issuance of the last Declaration of Conformity on March 9, 2022, to June 26, 2022, the following declaration refers to the recommendations of the German Corporate Governance Code as amended on December 16, 2019, and published in the Federal Gazette on March 20, 2020 ("Code 2020"). For the period from June 27, 2022, the declaration refers to the recommendations of the Code as amended on April 28, 2022, which was published in the Federal Gazette on June 27, 2022 ("Code 2022").

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Board of Executive Directors and the Supervisory Board of K+S Aktiengesellschaft declare that all recommendations of the "Government Commission on the German Corporate Governance Code" have been complied with and will be complied with in the future, with the exception of the following recommendations:

+ Recommendation G.10 sentences 1 and 2 Code 2022 (= G.10 sentences 1 and 2 of Code 2020) – Granting of variable remuneration components predominantly in shares and disposal of long-term variable grant amounts

The variable remuneration amounts have not been and will not be granted to the members of the Board of Executive Directors on a share-based basis and the members of the Board of Executive Directors have not been, and will not be, obliged to invest the variable remuneration amounts predominantly in shares of the Company, which is why there has been, and will continue to be, a deviation from recommendation G.10 sentence 1 of Code 2022 (= G.10 sentence 1 of Code 2020). With effect from January 1, 2023, however, the Supervisory Board has resolved to adjust the remuneration system to the effect that the members of the Board of Executive Directors are obliged to acquire shares to the value of a 100% short-term incentive within three years with a two-year holding period after leaving the Company. The Board of Executive Directors and the Supervisory Board do not consider it appropriate to specify how the members of the Board of Executive Directors are to invest the variable remuneration they have earned. Wherever possible, there should be no interference in the private asset management of the members of the Board of Executive Directors. Furthermore, the management bodies do not consider it appropriate to pay out the variable grant amounts, which are in any case earned over the long term, only after a period of four years.

+ Recommendation G.12 Code 2022 (= G.12 of Code 2020) – Payment of open variable remuneration components

Furthermore, in the event of termination of a Board of Executive Directors service agreement, a decision should be made on a case-by-case basis on the modalities for payment of outstanding variable remuneration components, irrespective of the originally agreed due dates. On leaving the Company, a member of the Board of Executive Directors is no longer responsible for the success or failure of the operating business.

+ Recommendation G.13 sentence 2 Code 2022 (= G.13 sentence 2 of Code 2020) – Crediting of a severance payment against the waiting allowance

A case-by-case decision on the amount of a severance payment and waiting allowance should also be made in accordance with the relevant contractual provisions.

+ Recommendation G.13 sentence 1 Code 2022 (= G.13 sentence 1 of Code 2020) – Payments in the event of premature termination of service on the Board of Executive Directors

[1] In accordance with Section 317 (2) sentence 6 HGB, the disclosures pursuant to Section 289f and Section 315d HGB contained in the 'Declaration on corporate governance' are not subject to the audit.

On February 22, 2022, the Company and the former Chief Financial Officer Mr. Boeckers entered into a termination agreement providing for the payment of the outstanding remuneration claims under the previously existing service agreement. The sum of the remuneration payments granted to Mr. Boeckers hereunder exceeds the remuneration cap of two years' remuneration specified in recommendation G.13 sentence 1 Code 2022 (= G.13 sentence 1 of Code 2020). While the Supervisory Board is concerned not to agree payments exceeding the remuneration cap, it was unable to avoid this in the case of Mr. Boeckers due to the long remaining term of his agreement. For the future, the management bodies also intend to comply with this Code recommendation.

Kassel (Germany) December 2022"

We pursue the goal of responsible corporate management and governance, while taking into account economic, environmental, and social objectives. This principle constitutes the basis for our internal decision-making and control processes.

GOVERNING BODIES

The governing bodies of the Company are the Annual General Meeting, the Supervisory Board, and the Board of Executive Directors. The powers vested in these bodies and their duties and responsibilities are governed by Aktiengesetz (AktG – German Stock Corporation Act), Mitbestimmungsgesetz (MitbestG – German Co-Determination Act), the Articles of Association, and the bylaws of the Board of Executive Directors and the Supervisory Board.

ANNUAL GENERAL MEETING

The shareholders assert their rights at the Annual General Meeting and decide on fundamental matters affecting the Company by exercising their voting rights. Each share carries one vote (one share, one vote principle).

All documents that are important in terms of decision-making are also made available to shareholders on our website. The Annual General Meeting is also streamed live online for the interested public until the end of the speech by the Chairman of the Board of Executive Directors. Shareholders may exercise their voting rights through a proxy whom they have appointed and issued voting instructions or may cast a postal vote. Voting is also possible via an electronic system. Shortly after the end of the Annual General Meeting, we publish details of attendance and the results of the voting online.

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SUPERVISORY BOARD

In accordance with Section 8 (1) sentence 1 of the Articles of Association, the composition of the Supervisory Board is governed by mandatory statutory regulations. It currently has 16 members and is subject to co-determination in accordance with the German Co-Determination Act (MitbestG). This therefore means that half of the Supervisory Board members are elected as representatives of the shareholders by the Annual General Meeting and half as employee representatives by the employees of the K+S Group in Germany. Elections are usually held for a period of four years.

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The Supervisory Board oversees and advises the Board of Executive Directors in connection with the conduct of business activities. It is promptly and appropriately involved in any decisions of fundamental importance. The Board of Executive Directors informs the Supervisory Board regularly, promptly, and comprehensively about corporate strategy, planning, the course of business, earnings, the financial and asset position, the employment situation, ecological and social aspects, as well as about specific corporate opportunities and risks. The Supervisory Board regularly receives written reports from the Board of Executive Directors to prepare for meetings. After thorough review and discussion, the Supervisory Board adopts resolutions on proposals made by the Board of Executive Directors and on other matters where required. In the case of particular business transactions that are of great importance to the Company, the Supervisory Board is also provided with immediate and comprehensive information by the Board of Executive Directors between routine meetings.

Supervisory Board report

The Supervisory Board has adopted bylaws and formed seven committees from among its members. Following the completion of the FREP examination, there has no longer been an Ad Hoc Special Committee since the 2022 financial year. The ESG Committee was newly formed in the 2022 financial year.

+ The **Mediation Committee** performs the tasks set out in Section 31 (3) sentence 1 MitbestG. The Chairman of the Supervisory Board is also the chairman of this committee. Of the four members of this committee, two members are shareholder representatives, and two are employee representatives.
+ The **Strategy Committee** is responsible for advising the Board of Executive Directors on the strategic direction of the Company including strategic reviews and reporting thereof to the Supervisory Board. In addition, the Strategy Committee prepares resolutions of the Supervisory Board that require approval concerning acquisitions, divestments, investments, organizational changes, or restructuring.

Further, it advises the Board of Executive Directors on corporate strategy matters and on projects of strategic nature. The Chairman of the Supervisory Board is also the chairman of this committee. The Strategy Committee has four members; two are shareholder representatives, and two are employee representatives.

+ The **Audit Committee** performs the tasks set out in AktG and the German Corporate Governance Code. In particular, it is involved in monitoring the accounting process, the effectiveness of the internal control system, the risk and opportunity management system, the internal audit system, and compliance, the issuing of mandates to the company auditors as well as the audit of the financial statements. It also discusses the Half-Year Financial Report and Quarterly Reports with the Board of Executive Directors prior to publication. The Chairman of the Audit Committee Mr. Kölbl (independent financial expert) has extensive knowledge and experience in the application of accounting principles as well as internal control and risk management systems, and in auditing financial statements from his professional practice as Chief Financial Officer (CFO) of Südzucker AG. This also includes sustainability reporting and its audit. Ms. Benner-Heinacher (financial expert) has extensive knowledge and experience in the field of accounting as well as in sustainability issues. The Audit Committee consists of six members, with an equal number of shareholder and employee representatives.
+ The **Personnel Committee** is responsible for preparing the appointment of members of the Board of Executive Directors, including long-term succession planning. The committee submits proposals for resolutions to the plenary meeting of the Supervisory Board concerning the determination of total remuneration for the Board of Executive Directors and the Supervisory Board members as well as on resolving contractual matters for the individual members of the Board of Executive Directors. The Chairman of the Supervisory Board also chairs this committee. The Personnel Committee has four members; two are shareholder representatives, and two are employee representatives.
+ The **Nomination Committee** proposes suitable candidates to the Supervisory Board for its recommendations to the Annual General Meeting. The Chairman of the Supervisory Board also chairs this committee. The committee has four members, all of whom represent the shareholders.
+ The **ESG Committee** advises the Supervisory Board, its committees, and the Board of Executive Directors. It deals with sustainable corporate governance and the Company's business activities, particularly in the areas of environment, social affairs, and good corporate governance (ESG). Ms. Benner-Heinacher, Chairwoman of the Committee, has extensive knowledge and experience in sustainability issues in particular, but also in all relevant ESG issues. The committee consists of four members, with equal numbers of shareholder and employee representatives.
+ The **Special Committee** established in January 2023 deals with the Executive Board's measures to ensure compliance with internal business and behavioral principles as well as crisis situations, e.g., the Ukraine war, gas shortages, and pandemics. Due to the changing focus of the committee's work, its members are appointed on a topic-by-topic basis.

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In accordance with the German Act on Equal Participation of Women and Men in Leadership Positions, the minimum percentage of women and men on the Supervisory Board is 30% for each gender. As of the reporting date, two female shareholder representatives and two female employee representatives have a seat on the Supervisory Board. The minimum percentage was also achieved at all times during the reference period.

With the election proposals of the Supervisory Board to the Annual General Meeting to be held on May 10, 2023 – and assuming that these are adopted with the required majority – it is intended to achieve a proportion of women on the Supervisory Board of more than 30%, also considered overall.

APPOINTMENT OF THE SUPERVISORY BOARD, COMPETENCE PROFILE, AND DIVERSITY

When appointing members to the Supervisory Board, the aim is to ensure that there is a range of competencies and member diversity on the Supervisory Board necessary for the proper performance of the Supervisory Board tasks.

This target is consistently pursued as part of the selection process and the nomination of candidates for the Supervisory Board. It should be noted in this regard that the Supervisory Board does not itself decide on its own composition and can therefore only work to achieve the targets it pursues by suggesting appropriate candidates for proposal to the Annual General Meeting. The Annual General Meeting is not obliged to follow these candidate proposals. As a corporate body, the Supervisory Board is not entitled to influence proposals for the nomination of employee representatives.

The Supervisory Board is convinced that the performance of the body as a whole depends considerably on diversity in the mix of experts, qualifications, integrity, and independence. The culture should be characterized by professionalism and appreciation. Against this background, the competence profile includes the following aspects:

+ An appropriate number of members should have knowledge of the industry, product segments, production, and relevant technologies.
+ An appropriate number of members should have knowledge of the potash, salt, and agricultural sectors.
+ Knowledge of international markets and markets relevant to K+S should be present.
+ Experience in the strategic management of a company is an essential requirement.
+ Professional aptitude, particularly in compliance, risk and opportunity management, personnel, crisis management, co-determination law, digitalization, mining, and technology as well as in other subject areas is important.
+ The Supervisory Board must include at least one member with expertise in accounting and at least one other member with expertise in auditing. Overall, an appropriate number of members should have financial expertise.
+ Knowledge in IT, in particular on cyber risks, should be present to an appropriate extent.
+ The Supervisory Board should have expertise in sustainability issues that are important for K+S.

A qualification matrix presents the competencies of the individual members of the Supervisory Board. **B.53**

The criteria for professional suitability are based on an annual self-assessment by the Supervisory Board. A cross indicates to profound knowledge in the relevant subject area and, therefore, the ability to understand the relevant issues well and make informed decisions based on existing qualifications.

Furthermore, each shareholder representative is assigned a special topic area based on his or her suitability, such as sustainability or digitalization.

Efforts are also made to ensure that at least half of the shareholder representatives on the Supervisory Board are independent. This assumes in particular that the persons concerned do not hold a governing or advisory position with significant customers, suppliers, lenders, other business partners, or main competitors, or have any other significant business or personal relationship with the Company or its Board of Executive Directors. Potential conflicts of interest on the part of persons proposed for election to the Supervisory Board should be prevented, wherever possible.

The requirements for the qualification profile of the Supervisory Board are based on a comprehensive analysis of the subject areas relevant to K+S. This was carried out by an external remuneration expert and is continuously developed further, taking into account current requirements. Based on our sustainability strategy, sustainability issues in particular have become more important for the requirements profile of the Supervisory Board. The Supervisory Board is of the opinion that the above requirements are met with its current composition.

Candidates for the Supervisory Board may not be older than 70 years at the time of their election. Furthermore, members of the Supervisory Board may be in office for a maximum of two election periods – in exceptional cases three election periods. An election period usually lasts four years.

SELF-ASSESSMENT OF THE SUPERVISORY BOARD

Every two years, the Supervisory Board conducts an efficiency review to assess how effectively the Supervisory Board and its committees perform their duties and to obtain suggestions for future work in both the Supervisory Board and the committees. In 2022, the members of the Supervisory Board intensively addressed the efficiency of their work in this context. The Supervisory Board dealt intensively with the results, which confirmed constructive, open, and always professional cooperation. No major deficits were identified. Suggestions for further professionalization of the work were incorporated. The next assessment is planned for 2024.

SUPERVISORY BOARD OF K+S AKTIENGESELLSCHAFT – OVERVIEW OF QUALIFICATIONS PURSUANT TO RECOMMENDATION C.1 OF THE GERMAN CORPORATE GOVERNANCE CODE B.53

		Dr. Andreas Kreimeyer	Ralf Becker	Petra Adolph	André Bahn	Jella Benner-Heinacher	Philip Freiherr von dem Bussche	Prof. Dr. Elke Eller	Gerd Grimmig	Lars Halbleib	Markus Heldt	Michael Knackmuß	Thomas Kölbl	Gerd Kübler	Dr. Rainier van Roessel	Peter Trotha	Brigitte Weitz
General information		SR	ER	ER	ER	SR	SR	SR	SR	ER	SR	ER	SR	ER	SR	ER	ER
	Member since	2015	2009	2018	2018	2003	2015	2018	2018	2022	2021	2014	2017	2016	2020	2021	2020
	Independence	x					x	x	x		x		x		x		
	No overboarding [1]	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
	Age [2]	67	57	58	54	62	72	60	69	44	64	47	60	55	65	39	59
	Gender	male	male	female	male	female	male	female	male	male	male	male	male	male	male	male	female
Sector competence	Potash	x			x		x		x	x		x	x	x			x
	Salt	x			x				x			x	x	x		x	
	Agriculture	x					x				x		x				
Regional knowledge [3]	Europe	x					x	x	x		x		x	x	x	x	
	North America	x				x	x	x	x		x		x	x	x		
	South America	x					x	x	x		x			x	x		
	Asia/Pacific	x						x			x				x		
Professional suitability	Top-level leadership	x				x	x	x	x		x		x		x		
	Human resources topics	x	x	x	x	x	x	x			x	x	x	x	x	x	x
	Crisis management	x	x		x	x	x	x	x		x	x	x	x	x	x	x
	Digitalization	x		x	x	x		x			x	x		x	x		
	Co-determination	x	x	x	x			x	x	x	x	x		x	x	x	x
	Technology	x			x				x	x		x		x		x	x
	Mining		x		x				x			x		x		x	
	Public affairs	x	x	x	x	x	x	x		x				x	x		
	M&A	x					x	x			x		x		x		
Financial competence	Accounting	x	x	x		x							x		x		
	Audit of financial statements		x	x		x				x			x				
IT competence	Cyber risks	x				x									x		
	IT experience	x													x		
Business Ethics & Human Rights	Sustainable supply chains			x	x	x									x	x	
	Compliance & Anti-Corruption	x		x	x	x	x		x		x	x	x		x		
Society & Employees	Health & Safety	x		x	x	x		x	x	x	x	x	x	x	x	x	x
	Diversity & Inclusion	x	x	x	x	x		x		x	x	x			x	x	x
Environment & Resources	Resource Efficiency	x			x	x	x		x	x	x	x		x	x	x	
	Energy & Climate	x	x		x	x			x	x		x	x		x		x

x Criterion met. The criteria for professional suitability are based on an annual self-assessment by the Supervisory Board. A cross corresponds to profound knowledge in the relevant subject area and, therefore, the ability to understand the relevant issues well and make informed decisions on the basis of existing qualifications.
SR = Shareholder representative
ER = Employee representative
[1] In accordance with the German Corporate Governance Code.
[2] As of: December 31, 2022.
[3] The information reflects in-depth regional knowledge in the professional and private spheres and, therefore, represents an essential component for an internationally oriented Supervisory Board.

MEMBERS OF THE SUPERVISORY BOARD IN THE 2022 FINANCIAL YEAR

(Status of disclosures on other Supervisory Board mandates and control bodies, unless stated otherwise: December 31, 2022)

Dr. Andreas Kreimeyer (born 1955),
Degree in Biology, Chairman of the Supervisory Board
Shareholder representative (independent member)

Entrepreneur (former member of the Board of Executive Directors and Research Executive Director of BASF SE, Ludwigshafen)

Mandate until the end of the 2025 Annual General Meeting
First appointed: May 12, 2015

Other Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH, Kassel (Chairman, group mandate)

Other supervisory bodies:
+ DAL Deutsche Afrika-Linien GmbH & Co. KG, Hamburg (member of the Advisory Board)

Ralf Becker (born 1965), Trade Union Secretary Deputy Chairman
Employee representative

State District Manager North of IG Bergbau, Chemie, Energie, Hanover

Mandate until the end of the 2023 Annual General Meeting
First appointed: August 1, 2009

Other Supervisory Board mandates:
+ Continental Reifen Deutschland GmbH, Hanover (Deputy Chairman)

Group companies of the Shell Group:
+ Deutsche Shell Holding GmbH, Hamburg
+ Deutsche Shell GmbH, Hamburg
+ Shell Deutschland Oil GmbH, Hamburg

Petra Adolph (born 1964), Master in Political Science and Literature
Employee representative

Deputy State District Manager North of IG Bergbau, Chemie, Energie, Hanover

Mandate until the end of the 2023 Annual General Meeting
First appointed: May 15, 2018

Other Supervisory Board mandates:
+ CEWE Stiftung & Co. KGaA, Oldenburg[1]

André Bahn (born 1968), Electrician
Employee representative

Chairman of the General Works Council of the K+S Group
Chairman of the Works Council of the Werra plant, K+S Minerals and Agriculture GmbH, Kassel

Mandate until the end of the 2023 Annual General Meeting
First appointed: May 15, 2018

Jella Benner-Heinacher (born 1960), Lawyer
Shareholder representative (financial expert with expertise in accounting and sustainability issues)

Deputy General Manager of Deutsche Schutzvereinigung für Wertpapierbesitz e.V., Düsseldorf

Mandate until the end of the 2023 Annual General Meeting
First appointed: May 7, 2003

Other Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH, Kassel (group mandate)

Philip Freiherr von dem Bussche (born 1950),
Degree in Business Administration
Shareholder representative (independent member)

Entrepreneur/Agriculturist

Mandate until the end of the 2025 Annual General Meeting
First appointed: May 12, 2015

Other Supervisory Board mandates:
Group companies of the KWS Group:
+ KWS Saat SE & Co. KGaA, Einbeck[1] (Chairman) (since December 6, 2022)
+ KWS SE, Einbeck (Chairman) (since December 6, 2022)

Other supervisory bodies:
+ Bernard Krone Holding SE & Co. KG, Spelle (member of the Supervisory Board)
+ DF World of Spices GmbH, Dissen (member of the Advisory Board)
+ Grimme GmbH & Co. KG, Damme (Chairman of the Advisory Board) (until December 31, 2022)

[1] Listed.

Prof. Dr. Elke Eller (born 1962),
Degree in Economics and Business Management
Shareholder representative (independent member)

Entrepreneur/Consultant/Coach (former member of the Board of Executive Directors of TUI Aktiengesellschaft, Hanover)

Mandate until the end of the 2023 Annual General Meeting
First appointed: May 15, 2018

Other Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH, Kassel (group mandate)
+ thyssenkrupp Steel Europe AG, Duisburg (since April 7, 2022)

Gerd Grimmig (born 1953), Degree in Mining Engineering
Shareholder representative (independent member)

Retiree (former member of the Board of Executive Directors of K+S Aktiengesellschaft, Kassel)

Mandate until the end of the 2023 Annual General Meeting
First appointed: May 15, 2018

Other Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH, Kassel (group mandate)

Lars Halbleib (born 1978), Carpenter
Employee representative

2nd Deputy Chairman of the General Works Council of the K+S Group
Chairman of the Works Council of the Neuhof-Ellers plant, K+S Minerals and Agriculture GmbH, Kassel

Mandate until the end of the 2023 Annual General Meeting
First appointed: August 12, 2022

Markus Heldt (born 1958), Industrial Clerk
Shareholder representative (independent member)

Management Consultant

Mandate until the end of the 2025 Annual General Meeting
First appointed: May 12, 2021

Other Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH, Kassel (group mandate)

Other supervisory bodies:
+ Biotalys N.V., Ghent/Belgium[1] (member of the Board of Directors (non-executive))

Michael Knackmuß (born 1975), Automotive Mechanic
Employee representative

1st Deputy Chairman of the General Works Council of the K+S Group
Chairman of the Works Council of the Zielitz plant, K+S Minerals and Agriculture GmbH, Kassel

Mandate until the end of the 2023 Annual General Meeting
First appointed: July 11, 2014

Thomas Kölbl (born 1962), Degree in Business Administration
Shareholder representative (independent financial expert with expertise in accounting and auditing)

Chief Financial Officer of Südzucker AG, Mannheim

Mandate until the end of the 2026 Annual General Meeting
First appointed: May 10, 2017

Other Supervisory Board mandates:
Group companies of Südzucker Group
+ CropEnergies AG, Mannheim[1] (member of the Supervisory Board)

Other supervisory bodies:
Group companies of Südzucker Group
+ Freiberger Holding GmbH, Berlin (member of the Supervisory Board)
+ Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim (Chairman of the Advisory Board)

Gerd Kübler (born 1967), Degree in Engineering
Employee representative

Head of Mining and Geology, K+S Aktiengesellschaft, Kassel

Mandate until the end of the 2023 Annual General Meeting
First appointed: January 1, 2016

[1] Listed.

Dr. Rainier van Roessel (born 1957), Degree in Business Administration Shareholder representative (independent member)

Independent consultant (former member of the Board of Executive Directors and Labor Director of LANXESS AG, Cologne)

Mandate until the end of the 2025 Annual General Meeting
First appointed: June 10, 2020

Other Supervisory Board mandates:

+ K+S Minerals and Agriculture GmbH, Kassel (group mandate)

Group companies of the LANXESS Group:

+ LANXESS AG, Cologne[1] (member of the Supervisory Board) (since May 25, 2022)
+ LANXESS Deutschland GmbH, Cologne (member of the Supervisory Board) (since May 25, 2022)

Peter Trotha (born 1983), Industrial Mechanic Employee representative

Chairman of the Works Council of the Bernburg plant, K+S Minerals and Agriculture GmbH, Kassel

Mandate until the end of the 2023 Annual General Meeting
First appointed: August 17, 2021

Brigitte Weitz (born 1963), Human Resources Specialist Employee representative

Chairwoman of the Works Council ZT_South, K+S Minerals and Agriculture GmbH, Kassel

Mandate until the end of the 2023 Annual General Meeting
First appointed: August 26, 2020

www.kpluss.com/supervisoryboard

MEMBERS WHO LEFT APPOINTMENT IN 2022:

Axel Hartmann (born 1958), Retail Salesman Employee representative

Former Chairman of the General Works Council of the K+S Group Former Chairman of the Works Council of the Neuhof-Ellers plant, K+S Minerals and Agriculture GmbH, Kassel

Mandate ended on May 31, 2022
First appointed: May 14, 2013

SUPERVISORY BOARD COMMITTEES AND THEIR MEMBERS

MEDIATION COMMITTEE

+ Dr. Andreas Kreimeyer (Chairman)
+ Ralf Becker
+ André Bahn
+ Thomas Kölbl

STRATEGY COMMITTEE

+ Dr. Andreas Kreimeyer (Chairman)
+ André Bahn
+ Ralf Becker
+ Philip Freiherr von dem Bussche

AUDIT COMMITTEE

+ Thomas Kölbl (Chairman, independent financial expert)
+ Petra Adolph
+ Ralf Becker
+ Jella Benner-Heinacher (financial expert)
+ Lars Halbleib
+ Dr. Andreas Kreimeyer

PERSONNEL COMMITTEE

+ Dr. Andreas Kreimeyer (Chairman)
+ Ralf Becker
+ Prof. Dr. Elke Eller
+ Michael Knackmuß

NOMINATION COMMITTEE

+ Dr. Andreas Kreimeyer (Chairman)
+ Philip Freiherr von dem Bussche
+ Gerd Grimmig
+ Dr. Rainier van Roessel

ESG COMMITTEE

+ Jella Benner-Heinacher (Chairwoman)
+ Petra Adolph
+ Markus Heldt
+ Peter Trotha

[1] Listed.

BOARD OF EXECUTIVE DIRECTORS

The Board of Executive Directors manages the Company under its own responsibility in accordance with the law, the Articles of Association, and its bylaws, considering the resolutions adopted by the Annual General Meeting. The Board of Executive Directors represents the Company in its dealings with third parties.

The bylaws of the Board of Executive Directors govern the cooperation between its members and the allocation of business responsibilities as well as mutual representation. Matters that concern other areas of responsibility or deviate from usual day-to-day business have to be agreed with the other members of the Board of Executive Directors. Matters such as this should, where possible, be discussed at Board meetings held every two to three weeks, where, if applicable, measures should be adopted; a resolution must be passed for important business and actions.

www.kpluss.com/statutes

APPOINTMENT TO THE BOARD OF EXECUTIVE DIRECTORS, COMPETENCE PROFILE, DIVERSITY, AND LONG-TERM SUCCESSION PLANNING

According to Section 5 (1) of the Articles of Association, the Board of Executive Directors shall consist of at least two members. The exact number of members is determined by the Supervisory Board. Until the departure of Mr. Thorsten Boeckers on February 28, 2022, the Board of Executive Directors consisted of three male members. In the period from March 1 to December 31, 2022, the Board of Executive Directors consisted of two male members.

The criteria for the appointment of Board of Executive Directors members are the professional suitability for the management of the respective area of responsibility, proven achievements on the previous career path, as well as pronounced leadership competence. Furthermore, the Supervisory Board is of the opinion that diversity is also important for the Board of Executive Directors. Therefore, the Board of Executive Directors should consist of people who complement each other in terms of professional and life experience and are of different ages. For the members of the Board of Executive Directors, the Supervisory Board has introduced an age limit set at the age of 65. The initial appointment of members of the Board of Executive Directors shall be for a maximum of three years. Moreover at least one member of the Board of Executive Directors should have pronounced international experience. The current composition of the Board of Executive Directors, except for the targeted proportion of women, meets the criteria defined by the Supervisory Board.

At its meeting on May 14, 2019, the Supervisory Board set a target of 25% with regard to the equal participation of women and men in management positions. This was achieved when Dr. Carin-Martina Tröltzsch's mandate began on February 20, 2023, and will also be met when the Board of the Executive Directors is filled from March 15, 2023 (start of Dr. Christian H. Meyer's mandate). The Supervisory Board together with the Board of the Executive Directors and based on the recommendation of the Personnel Committee ensures long-term succession planning for positions on the Board of the Executive Directors. Taking into account specific qualification requirements and the aforementioned criteria, a shortlist of available candidates is drawn up by the Personnel Committee. Structured interviews are held with these candidates and a recommendation is then submitted to the Supervisory Board for resolution. If necessary, external consultants will support the Supervisory Board and/or the Personnel Committee in the development of job profiles as well as the selection of candidates.

MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

(Status of disclosures on mandates, unless stated otherwise: December 31, 2022)

Dr. Burkhard Lohr (born 1963),
Degree in Business Administration,
Chief Executive Officer (CEO), Chief Financial Officer (CFO)

Mandate until May 31, 2025
First appointed: June 1, 2021

Holger Riemensperger (born 1970),
Graduate Engineer in Process Engineering,
Chief Operating Officer (COO), Labor Director

Mandate until May 31, 2024
First appointed: April 1, 2012

MEMBERS WHO LEFT APPOINTMENT IN 2022:

Thorsten Boeckers (born 1975), Banker,
Formerly Chief Financial Officer (CFO)

Mandate ended on February 28, 2022
First appointed: May 12, 2017

Please refer to the bylaws of the Board of Executive Directors, which can also be found on the K+S website, for up-to-date information on the responsibilities of the individual members of the Board of Executive Directors.

www.kpluss.com/executivedirectors
www.kpluss.com/corporategovernance

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

The remuneration of the Board of Executive Directors and the Supervisory Board is disclosed in the remuneration report pursuant to Section 162 of the German Stock Corporation Act (AktG) and can also be viewed on the Company's website.

Remuneration report
www.kpluss.com/corporategovernance

COOPERATION BETWEEN THE BOARD OF EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

The Supervisory Board is kept informed by the Board of Executive Directors, at regular intervals in a timely and comprehensive manner, regarding any issues that are relevant to the Company and that concern corporate strategy, planning, the course of business and the earnings, financial, and asset position, ecological and social aspects, as well as about any particular business risks and opportunities. Moreover, the Chairman of the Supervisory Board is in close contact with the Chairman of the Board of Executive Directors regarding all relevant topics. Important business transactions and measures require the consent of the Supervisory Board; more information on this can be found in Section 12 of the Supervisory Board bylaws.

www.kpluss.com/statutes

CONFLICTS OF INTEREST

No conflicts of interest involving members of the Board of Executive Directors or the Supervisory Board, about which the Annual General Meeting needed to be informed, were disclosed to the Supervisory Board during the reporting period.

DIRECTORS AND OFFICERS INSURANCE (D&O)

We have a D&O insurance in case a claim for compensation based on statutory third-party liability provisions is made against members of the Board of Executive Directors or the Supervisory Board on account of a breach of duty committed in the performance of their duties. The excess is 10% of the respective claim up to a maximum of 1.5 times the fixed annual remuneration. The D&O insurance also applies to executives.

SHARE TRANSACTIONS BY MEMBERS OF THE SUPERVISORY BOARD AND THE BOARD OF EXECUTIVE DIRECTORS

In accordance with Section 19 of the Market Abuse Regulation, members of the Company's Board of Executive Directors and the Supervisory Board must disclose the purchase and disposals of Company shares.

In 2022, we published the following directors' dealings notifications for the Supervisory Board and the Board of Executive Directors: **B.54**

www.kpluss.com/directorsdealings

TARGET FIGURES FOR THE 1ST AND 2ND LEVEL BELOW THE BOARD OF EXECUTIVE DIRECTORS

With regard to the Act on the Equal Participation of Women and Men in Leadership Positions, we have set targets for the proportion of women in the management level below the Board of Executive Directors of K+S Aktiengesellschaft. The targets, which were increased in the 2022 financial year, are to be achieved by December 31, 2025. In the first level below the Board of Executive Directors, the target of 30% had not yet been reached as of December 31, 2022. At more than 21%, the proportion of women at the reporting date was higher than the prior-year figure (2021: 13%). The year-on-year increase is due to the appointment of a female manager to one position, while the total number of management positions at this level remained unchanged. At the second level below the Board of Executive Directors, despite an improvement, the adjusted target of 30% was also not yet achieved as of the reporting date, with the proportion of women at just over 27% (2021: 20%).

Combined non-financial statement

GOVERNANCE

Each organizational unit of the K+S Group is obliged, in compliance with the regulations of higher-level units, to issue the required illustrative regulations for its area of responsibility to ensure proper governance and monitoring.

The content of (overall) works agreements and regulatory standards (i.e., rules and standards of third parties, which the K+S Group or parts of it have undertaken to comply with and implement) have the same importance as internal regulations; this applies inter alia to the German Corporate Governance Code unless the Board of Executive Directors and the Supervisory Board have jointly agreed on deviations from its recommendations.

DIRECTORS' DEALINGS OF THE MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD **B.54**

	Date	Transaction	ISIN	Amount
Philip Freiherr von dem Bussche	December 8, 2022	Share purchase	DE000KSAG888	€5,805.00
Philip Freiherr von dem Bussche	December 8, 2022	Share purchase	DE000KSAG888	€52,515.00
Holger Riemensperger	September 16, 2022	Share purchase	DE000KSAG888	€19,945.00
Philip Freiherr von dem Bussche	September 16, 2022	Share purchase	DE000KSAG888	€59,220.00

OUR VALUES

As an international team, we may speak different languages, live in different regions and work in different professions. But there is something we all share. Something which connects us. It is our K+S Values. They form the basis of our cooperation and demonstrate the standards we set for our work.

At the same time, identifying the K+S Group with common values provides the basis for building a stronger corporate culture:

+ Safe & Sustainable: We always put safety first and act sustainably in everything we do.
+ Collaborative: We support each other by treating one another with trust and respect.
+ Entrepreneurial: We are entrepreneurs and take on challenges courageously.
+ Agile: We utilize lean and flexible structures to work quickly and efficiently.
+ Innovative: We are adaptable and encourage innovation.
+ Optimistic: We believe in the success of K+S.

www.kpluss.com/values

CODE OF CONDUCT

The K+S Group has adopted a Code of Conduct based on the Global Organization Handbook for the K+S Group and our values.

This provides orientation for making good decisions in our daily work. It is important for K+S to treat each other with respect everywhere in the world and align actions with K+S values. Working together is important to set a common high ethical standard for the way business is conducted at K+S and beyond.

www.kpluss.com/codeofconduct

COMPLIANCE MANAGEMENT

With our compliance management system, we ensure that applicable laws and our internal, equally important regulations are known throughout the Group and that compliance with these can be monitored. We want not only to avoid the risks of liability, culpability, and fines as well as other financial disadvantages for the Company, but also to ensure a positive reputation for the Company, its corporate bodies, and employees in the public eye. We regard it as a matter of course that breaches of compliance are pursued, and penalties are inflicted.

Combined non-financial statement
www.kpluss.com/compliance

At K+S, the risk of compliance breaches, including corruption risks, is taken into account as part of the risk management process and the compliance risk analysis. Various countermeasures, such as training, are intended to reduce the probability of occurrence of breaches or corruption risks. Compliance risks can also be identified through regular reviews of compliance issues by the Internal Auditing unit.

The Board of Executive Directors has appointed the Head of the "Compliance, Risk & Internal Auditing" unit to the function of Chief Compliance Officer (CCO) with the responsibility of ensuring an effective and legally compliant compliance management system in the K+S Group. He reports directly to the Chairman of the Board of Executive Directors and heads the global Governance, Risk, Compliance Committee (GRC Committee), which comprises the compliance and risk management officers of K+S Minerals and Agriculture GmbH as well as the heads of the central functions of the Company (e.g., Internal Auditing, Legal, Human Resources). The GRC Committee's tasks include advising on general compliance management issues and coordinating them throughout the Group, as well as regularly analyzing the general suitability of the compliance management system and, if weaknesses are identified, making recommendations for action to the respective responsible management. The Board of Executive Directors regularly reports to the Audit Committee of the Supervisory Board of K+S Aktiengesellschaft on the compliance management system.

By the end of the first quarter of each year, the CCO receives a completeness report on reported compliance incidents from across the organization.

Combined non-financial statement

MANAGEMENT OF RISK AND OPPORTUNITIES

The risk and opportunity management system pursues the goal of identifying risks and opportunities throughout the K+S Group in a timely manner, assessing their impact on the net assets, financial position, or earnings situation, as well as any nonfinancial effects, taking measures to avoid/mitigate risks or to exploit opportunities, and thereby supporting the sustainable success of the Company. Furthermore, structured internal and external reporting on risks and opportunities is to be ensured. In this respect, the following principles apply:

+ Corporate actions are inevitably associated with risk. The aim is to use the opportunities available and only take risks that are unavoidable in order to secure income potential.
+ No action or decision may constitute a risk, which can foreseeably lead to a risk in terms of the Company's continued existence.

The Risk and Opportunity Management section in the Global Organization Handbook regulates the tasks and authorities of those involved in the risk management process and the risk and opportunity management process itself and defines the requirements for reporting risks and opportunities.

The GRC Committee has the task of advising on and coordinating general topics associated with risk and opportunity management throughout the Group. It also has the task of analyzing the general suitability of the risk and opportunities management system on a regular basis and issuing recommendations for actions to the respective responsible management if a need for adjustment is identified.

A detailed description of the process for identifying, assessing, controlling, and reporting risks and opportunities, an explanation of risk management in relation to financial instruments (IFRS 7), and significant risks and opportunities can be found in the 'Report on risks and opportunities' from page 120. The Chief Risk Officer receives a completeness report on risk and opportunity management from the entire organization by the end of each year.

Report on risks and opportunities

SUSTAINABILITY MANAGEMENT[1]

Corporate action of the K+S Group is aligned to the achievement of sustainable economic success. For long-term economic success, ecological and social aspects must also be considered appropriately; therefore, they are an integral part of our strategy.

Corporate strategy

AREAS OF ACTIVITY OF THE K+S GROUP

We reviewed and renewed our key sustainability topics in 2021. The result of our materiality analysis identified a clear focus on the area of Environment & Resources with the topics "Mining residues, liquid & solid" and "Energy & Climate". Our stakeholders also assigned high relevance to the topics "Health & Safety" and "Compliance". Consequently, our sustainability wheel presents the main topics in the inner circle, in which K+S has set itself concrete targets and KPIs. In the outer ring of our sustainability wheel, the areas of action in which K+S is committed are designated as follows. **B.55**

K+S SUSTAINABILITY WHEEL **B.55**

[1] This section is part of the 'Combined non-financial statement', which contains the disclosures required by Sections 289b-289e HGB and Sections 315b and 315c HGB and, in accordance with Section 317 (2) sentence 4 HGB, is not part of the audit of the financial statements but has been audited in accordance with ISAE 3000 rev. with limited assurance.

K+S SUSTAINABILITY KPIS AND TARGETS 2030 **B.56**

Target	KPI[1]	Unit	Target Value	2022	Deadline	Target Achievement
SOCIETY & EMPLOYEES						
Health & Occupational Safety: Providing a healthy and safe working environment to protect our employees, who are our most valuable asset.	Injury with lost time	LTI rate	0	8.3	Vision 2030	28%
Diversity & Inclusion: Recruit and develop a workforce that reflects the environment of our business locations. Promote an inclusive work environment that enables all employees to achieve their own success and contributes to innovation and business results.	Positive perception of an inclusive work environment by employees[2]	%	> 90	87.0	2030	97%
ENVIRONMENT & RESOURCES						
Resource efficiency: Reduction of saline process water.	Additional reduction in saline process water to be disposed of from potash production in Germany[3]	million m³ p.a.	–0.5	–0.4	2030	82%
Reduction of environmental burden and preservation of natural resources by reexamining the potential of residues previously stored on tailings piles.	Amount of residue used for purposes other than tailings pile formation or avoided by increasing the yields of raw materials[4]	million t p.a.	3	0.2	2030	7%
	Additionally covered tailings pile area	ha	155	14.1	2030	9%
Energy & Climate: Reduction of the carbon footprint and improving energy efficiency to increase competitiveness.	Absolute CO_2 emissions in the K+S Group worldwide[5]	%	–10	–3.0	2030	30%
	Specific greenhouse gas emissions (CO_2) in logistics (kg CO_2e / t)	%	–10	–13.1	2030	100%
BUSINESS ETHICS & HUMAN RIGHTS						
Sustainable supply chains: Requesting compliance with a sustainable approach on the part of our suppliers along the entire supply chains to align all business activities with our values.	Percentage of critical suppliers that have acknowledged the Supplier Code of Conduct of the K+S Group	%	100	89.6	End of 2025	90%
	Coverage of the purchasing volume by Supplier Code of Conduct of the K+S Group	%	> 90	84.5	End of 2025	94%
Compliance & Anti-Corruption: Ensuring our zero-tolerance policy against corruption and bribery, using a globally standardized as well as regular compliance risk analysis, and deriving resulting measures at all K+S Group companies.	Coverage of the K+S Group companies with a standardized compliance risk analysis[5]	%	100	66.7	End of 2023	67%

[1] The base year for our non-financial performance indicators is 2017.
[2] The first survey was conducted in 2019 (different base year), an updated survey with new questions was conducted in 2022.
[3] Excluding a reduction due to the KCF plant and the end of production at Sigmundshall.
[4] Excluding a reduction due to the existing measure of immediate backfill.
[5] Deviating base year: 2020.

Four-year overview of the K+S Group on sustainability key indicators

The Board of Executive Directors is responsible for the strategic objectives of the K+S Group in sustainability issues. Each member of the K+S Board of Executive Directors is a personal KPI sponsor of certain goals and actively promotes their implementation. Reports on the development of non-financial indicators and the achievement of goals are submitted internally to the Board of Executive Directors on a quarterly basis and to the Supervisory Board at least once a year. **B.57**

Combined non-financial statement
Declaration on corporate governance

B.57

Topics within which K+S has set itself sustainability goals and KPIs	Responsible Board of Executive Directors member (sponsor)
Health & Safety	Holger Riemensperger, COO
Diversity & Inclusion	Dr. Burkhard Lohr, CEO
Resource Efficiency	Holger Riemensperger, COO
Energy & Climate	Dr. Burkhard Lohr, CEO
Sustainable Supply Chains	Holger Riemensperger, COO
Compliance & Anti-Corruption	Dr. Burkhard Lohr, CEO

Furthermore, a sustainability committee (ESG Committee) was established within the Supervisory Board in August 2022. The committee advises the Supervisory Board, its committees, and the Board of Executive Directors. It deals with sustainable corporate governance and the Company’s business activities, particularly in the areas of environment, social affairs, and good corporate governance (ESG). The Chairwoman of the ESG Committee also deals specifically with the topic of sustainability on the Supervisory Board.

Combined non-financial statement

The sustainability management of the K+S Group is assigned to the function of the Chief Sustainability Officer (CSO). The CSO reports directly to the Chairman of the Board of Executive Directors and chairs the Sustainability Committee. The responsibility of sustainability management is to create effective structures for recording and dealing with sustainability issues in the K+S Group as well as conceptualize and coordinate their implementation at the producing sites. Sustainability management develops proposals for a strategic sustainability orientation and submits corresponding proposals to the Board of Executive Directors.

Therefore, the task of the CSO is to network, implement, and coordinate cross-functional sustainability issues and projects at the strategic level. This includes monitoring, ensuring, supporting, as well as advising on compliance with central legal obligations related to sustainability reporting, in particular the non-financial statement (e.g., CSR-RUG / CSRD, Taxonomy Regulation). The climate strategy, including the assessment of external climate and social effects, also falls within this area of responsibility. The tasks are reported to various bodies, e.g., to the Board of Executive Directors and also to the Supervisory Board.

The CSO also has a management responsibility and operating organization for compliance with human rights and environment-related legal positions and protected goods within the scope of the Company’s own supply chains as well as in its own business area. Therefore, the CSO has been appointed as a Human Rights Officer in accordance with the Supply Chain Due Diligence Act (LkSG), which came into force on January 1, 2023. This act obligates us as a company, among other things, to identify and mitigate human rights and environmental risks at our suppliers and in our own business operations in an appropriate manner and to prevent, terminate, or at least minimize the extent of breaches of human rights or environmental obligations. In 2022, a concept was developed to meet the requirements of the LkSG, particularly regarding compliance with human rights at direct suppliers, which will be followed in concrete terms for the first time in 2023. The CSO will regularly report on this work to the Board of Executive Directors.

Human Rights

Overall, sustainability management follows the PDCA logic (plan – do – check – act) and is mapped along the individual processes in our software for business processes. Sustainability requirements from or to the K+S Group are recorded, analyzed, and prioritized, and subsequently integrated into corresponding processes or new processes are implemented.

The material topics of the K+S Group are identified at regular intervals. Due to the disposal of the Americas operating unit and the associated changes in the framework conditions, the materiality analysis was already updated in 2021 from a stakeholder perspective pursuant to “GRI Universal Standards 2016”. We communicated the identified K+S-specific material topics through various channels, e.g., the K+S website, the intranet. We have partially adjusted our goals in the areas of action “Society & Employees”, “Environment & Resources”, as well as “Business Ethics & Human Rights” on the basis of the results in 2021.

Corporate strategy, Sustainability program

The coordination of KPI management as well as quarterly reporting to the Board of Executive Directors regarding performance indicators is part of the sustainability management.

As part of risk and opportunity management, the assessment of non-financial impacts of risks is performed along the aspects according to CSR-RUG.

Report on risks and opportunities

The Sustainability Committee has the task of advising on sustainability issues and coordinating them throughout the Group. The committee, therefore, forms the governance of sustainability management. The sustainability committee meets twice a year at working level and regularly analyzes the general adequacy of the sustainability management system. If a need for adjustment is identified, the committee makes recommendations for action to the management responsible in each case. In 2022, the committee met early in the third quarter and in quarter four to discuss current topics, specific measures, and programs. The committee did not have to prepare any concrete proposals for decisions in 2022, as both meetings were purely informative in nature.

The EU taxonomy came into force in 2021. The implementation of these legal requirements and the corresponding processes were carried out by Sustainability Management in cooperation with Accounting and Controlling. Further concretization of the EU taxonomy will also be an essential component of sustainability management in the future.

Combined non-financial statement, EU Taxonomy

The overall development of sustainability management is summarized and reported annually in the 'Non-financial statement' (NFS).

In 2021, we calculated the product carbon footprints (PCF) of our main product groups based on product costing. Our Scope 1 and Scope 2 emissions along our extraction and production processes were taken into account. We provide the PCF values to our customers and other interested stakeholders upon request.

Business model, Company profile, Customer segments

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Businesses are important partners in achieving the 17 global Sustainable Development Goals (SDGs). The SDGs were adopted in New York in September 2015 as the centerpiece of the "2030 Agenda for Sustainable Development" and signed by all UN member states.

Besides the contribution of K+S products, the K+S Group evaluates its corporate activities with regard to its own contribution to the SDGs along the value chain. Furthermore, the K+S Group takes the SDGs into account strategically within the framework of sustainability management.

Combined non-financial statement
www.kpluss.com/ratings-rankings

CORPORATE GOVERNANCE AND MONITORING

The target status of an effective, legally compliant system for corporate governance and monitoring (internal control system in a broader sense) in the K+S Group is defined in the section on "Corporate Governance and Monitoring" of the Global Organization Handbook in addition to the corresponding legal standards. This guideline also stipulates the regulatory and organizational measures required to achieve and maintain this status. This system should ensure:

+ Sustainable economic efficiency of business operations (these also include protecting assets and preventing, as well as identifying damage to assets),
+ Responsible corporate governance,
+ Adequacy and reliability of internal and external accounting procedures as well as
+ Compliance with legislation relevant to the Company.

The structure of the governance and monitoring system is defined in detail by additional internal regulations; consistent standards are agreed for the formulation and communication of such regulations.

The Compliance, Risk & Internal Auditing unit, whose head reports directly to the Chairman of the Board of Executive Directors, is responsible for the Group-wide coordination of the development and maintenance of a corporate governance and monitoring system both effective and compliant with the relevant legislation. The Governance, Risk, Compliance (GRC) Committee analyzes this system and, if weaknesses are identified, makes recommendations for action to the management responsible in each case.

GOVERNANCE

In principle, the framework and general goals for the management of the K+S Group are derived from the corporate mission statement. Building on the corporate mission statement, the corporate strategy defines the strategic focus, the financial goals, as well as the guiding principles for the implementation of the strategy.

The Board of Executive Directors defines the corporate strategy as the basis for achieving our mission statement. Processes and measures are defined based on regular dialogue between the Board of Executive Directors and the heads of the functions directly reporting to it, which in turn are cascaded down to the respective subordinate organizational levels. The relevant content is communicated by the managers to the employees concerned.

The quality of target definition is crucial in terms of achieving these targets and being able to assess them. Consequently, they must be specific, measurable, accepted, and realistic, they must have time limits set, and must not contradict other targets.

Key business transactions and measures require the approval of the entire Board of Executive Directors or of the member of the Board of Executive Directors responsible for the relevant function.

The mid-term planning, the annual planning, as well as the quarterly forecast are the main controlling instruments. The mid-term planning of the K+S Group covers a planning period of three years and consists of the annual planning for the coming financial year and the planning for the two following years. On this basis, Controlling prepares a consolidated operational plan for the K+S Group as well as personnel, capital expenditure, and financial planning and provides further explanations thereof to the Board of Executive Directors. Once approved, the Board of Executive Directors submits the annual planning to the Supervisory Board for approval and provides further explanation for the two subsequent years.

The quarterly forecast is based on the approved annual planning or, in the further course of a year, on the preceding forecast. As a rule, all important key figures for the current financial year are updated by the responsible units and transferred by Controlling into a consolidated forecast for the K+S Group. In the process, the available actual values and new findings on business development as well as developments in important premises are successively incorporated. Deviations are analyzed and evaluated within the framework of the extrapolation and serve to control the operating business. The Board of Executive Directors and the Supervisory Board are informed about the forecast of the K+S Group.

KEY FINANCIAL PERFORMANCE INDICATORS

The Company's activities are managed based on the following key financial performance indicators, which are the most important financial performance indicators within the meaning of the German Accounting Standards (DRS) 20:

+ EBITDA[1]
+ Group earnings after tax, adjusted
+ Capital expenditure
+ Adjusted free cash flow[2]
+ Return on Capital Employed (ROCE)[3]
+ Net financial liabilities (including financial lease liabilities)/EBITDA[1]
+ Net debt/EBITDA[1]

Since the 2018 financial year, we have been controlling the Company in particular using the earnings indicator EBITDA[1]. A derivation can be found in the 'Report on economic position' on page 49. Since the beginning of 2018, the so-called short term incentive (STI) as a variable component of the remuneration of the Board of Executive Directors and non-tariff employees has also been based on a comparison of the planned EBITDA[1] of the K+S Group with the EBITDA[1] actually achieved.

We additionally focus on the key financial performance indicator adjusted free cash flow, including the cash-effective investments included here. A derivation of these two figures can be found on pages 55 and 57 of the management report. As we are also aiming for an investment grade rating, we want to maintain a leverage ratio (net debt/EBITDA[1]) of no more than 1.5x – even at the lower end of the cycle. The indicator net financial liabilities/EBITDA[1] also is an important key performance indicator. The derivation of net financial liabilities or net debt can be found on page 58 of the 'Report on the economic position'.

Remuneration report

Furthermore, we use the key performance indicator return on capital employed (ROCE[3]) for monitoring our financial targets.

[1] EBITDA is defined as earnings before interest, tax, depreciation and amortization, adjusted for the amortization amount recognized directly in equity in connection with own work capitalized, the result of changes in the fair value of operating forecast hedges still outstanding, and changes in the fair value of operating forecast hedges recognized in prior periods. A reconciliation can be found in the 'Report on economic position' on page 49.

[2] The calculation of the "Adjusted free cash flow" performance indicator can be found in the in the 'Report on economic position' on page 57.

[3] The calculation of the "ROCE" performance indicator can be found in the in the 'Report on economic position' on page 54.

We derive value added from ROCE[3] using the weighted average cost of capital before tax. Group earnings after tax, adjusted, is also an important indicator in controlling the Company. The derivation can be found in the 'Report on economic position' on page 54.

The comparison of actual and forecast business performance starting on page 47 includes the above-mentioned key financial performance indicators.

A presentation and description of the development of the key earnings figures over the past five years can be found in the 'Earnings position' on page 52 and of the cash flow in the 'Financial position' on page 57.

Based on a solid balance sheet, we strive to achieve financial targets derived from key financial performance indicators to meet the demands and return expectations of our investors.

+ We aim to earn our cost of capital on average over a 5-year cycle (ROCE[3] > WACC).
+ Over the same cycle, we aim to achieve an average EBITDA[1] margin of more than 20%.
+ From 2023, we aim to maintain a leverage ratio (net debt/EBITDA[1]) of no more than 1.5x – also at the lower end of the cycle.

NON-FINANCIAL PERFORMANCE INDICATORS

As part of sustainability management, requirements of or for the K+S Group are identified, analyzed, and prioritized to set specific sustainability goals for subareas (sites, companies, etc.). Sustainability management performance indicators and target values were, therefore, defined for the K+S Group in 2018. Since the 2020 financial year, we have also managed the Company using the non-financial indicators stated below. These have formed the basis for part of the long-term incentive (LTI) as a variable component of the Board of Executive Directors' as well as all LTI-entitled employees' remuneration since 2020. They are the key non-financial performance indicators within the meaning of the German Accounting Standard (DRS) 20.

+ Lost Time Incident Rate (LTI rate)
+ Reduction of saline process water in Germany
+ Sustainable supply chains, specified by the performance indicators "Proportion of critical suppliers aligned with the Supplier Code of Conduct of the K+S Group" and "Coverage of purchasing volume by the Supplier Code of Conduct of the K+S Group"

The so-called LTI rate measures occupational accidents with lost time in relation to one million hours worked. Saline process water is the saline water produced in the mining treatment processes of potash production in Germany, which can no longer be further used in the treatment processes, used elsewhere, or sold as a product and for which disposal is, therefore, necessary. The "Proportion of critical suppliers aligned with the Supplier Code of Conduct of the K+S Group" as well as the "Coverage of the purchasing volume by the Supplier Code of Conduct of the K+S Group" in relation to the purchasing volume in percent are the sub-targets of the third control parameter "Sustainable Supply Chains". A detailed description can be found in the 'Remuneration report' on pages 151 – 152.

Corporate strategy, Sustainability program
Remuneration report

Other financial and non-financial performance indicators that are relevant for the K+S Group include revenues, sales volumes, average selling prices, and number of employees. However, these figures are not considered financial or non-financial key performance indicators within the meaning of German Accounting Standards (DRS) 20.

The selected non-financial performance indicators are generally valid for three years. According to this agreement, new indicators will be the basis for part of the LTI of the remuneration of the Board of Executive Directors and all LTI-eligible employees from 2023 onwards. These indicators will again be selected from the areas of action Society & Employees, Environment & Resources, and Business Ethics & Human Rights. Further information on this can be found in the 'Remuneration report'.

Remuneration report

MONITORING

The monitoring system has the purpose of assuring the achievement of the management requirements developed as part of the governance system as well as compliance with the relevant legal provisions. It comprises process-integrated monitoring measures (internal control system in the narrower sense) and process-independent monitoring measures.

Process-integrated monitoring measures: The management responsible for an internal process must identify and analyze the risks to the achievement of targets in accordance with the relevant legal provisions and internal regulations. Depending on the significance of the risk concerned, upstream process-integrated monitoring measures must be defined to prevent the occurrence of the risk. In addition, downstream process-integrated monitoring must be defined to detect any errors/realized risks as promptly as possible with the aim of taking appropriate countermeasures. Depending on the materiality of the respective process and its risks, the risk analysis carried out, the controls defined, and the measures implemented must be documented, and the control mechanisms defined must be regularly reviewed with regard to their effectiveness. Key risks of the internal control system are additionally linked to the risk and opportunity management system.

Process-independent monitoring measures are implemented by the Internal Auditing unit. Reports containing summarized audit results are prepared on these audits and submitted to the responsible management to support them in assessing the general adequacy and actual effectiveness of the governance and monitoring system. The effectiveness of the risk and opportunity management system, the compliance management system, and the internal control system, for example, are reviewed on a regular basis.

Process-independent monitoring measures are implemented externally as part of the audits of the financial statements as well as in the form of IT penetration tests.

ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM AND THE RISK MANAGEMENT SYSTEM[1]

The Board of Executive Directors is not aware of any circumstances from the reporting of the management responsible for the respective processes or from the Internal Auditing unit that would indicate a lack of adequacy and effectiveness of the internal control system and the risk management system.

[1] The disclosures in this paragraph are so-called disclosures unrelated to the 'Management report' and are, therefore, not subject to the audit of the financial statements.

GROUP ACCOUNTING PROCESS (SECTION 289 (4) OR SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB))/ AUDIT OF FINANCIAL STATEMENTS

International Financial Reporting Standards (IFRS) are applied when preparing the Company's consolidated financial statements. The rules for K+S Group accounting and reporting in accordance with IFRS stipulate standard accounting policies for the German and foreign companies included in the consolidated financial statements. In addition, we impose detailed and formalized requirements for the reporting of the consolidated companies. The effects of new external accounting regulations are analyzed promptly and, if they are relevant for us, are integrated by means of an internal regulation in the accounting process. The accounting policies for the annual financial statements of K+S Aktiengesellschaft and its domestic subsidiaries are documented in accounting instructions, in accordance with German commercial law and supplementary provisions. All employees undergo training according to their tasks and receive regular training particularly in relation to changes in regulations or processes.

We have a Group-wide IT platform for all major companies, a uniform Group accounts structure, and standardized automated accounting processes. This standardization ensures proper and timely recording of key business transactions. Binding rules and control mechanisms exist for additional manual recording of accounting transactions. Balance sheet valuations, such as goodwill impairment tests or the calculation of mining obligations, are carried out by Group-internal experts. In individual cases, such as the valuation of pension obligations, these measurements are carried out by external experts.

For the preparation of the consolidated financial statements of the K+S Group, the financial statements of those companies whose accounts are kept on the K+S Group IT platform are imported directly into an IT consolidation system. In the case of the remaining consolidated companies, the financial statements data are transferred via an online interface. The validity of the financial statements data transferred is reviewed by means of system controls. In addition, the financial statements submitted by the consolidated companies are reviewed centrally with due consideration being given to the reports prepared by the auditors. Information relevant to the consolidation process is automatically derived and obtained in a formalized manner by the system, thus ensuring that intra-Group transactions are properly and fully eliminated. All consolidation processes for the preparation of the consolidated financial statements are carried out and documented in the IT consolidation system. The components of the consolidated financial statements, including key information for the notes, are developed from this.

The annual financial statements of Group companies subject to mandatory audits and the consolidated financial statements are audited by independent auditors in addition to the existing internal monitoring. This is the key process-independent monitoring measure regarding the Group's accounting process. The annual financial statements of those German Group companies not subject to mandatory audits are audited by the Internal Auditing unit. Moreover, the independent auditor audits the reliability of the early risk detection system.

The audit of the 2022 financial statements was carried out by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. It conducted the audits of the financial statements in 2021 for the first time. The responsible audit partners for the consolidated financial statements of the K+S Group were Mr. WP/StB Michael Conrad and Mr. WP Thorsten Neumann. Mr. WP/StB Michael Conrad was the auditor responsible for the audit of the consolidated financial statements of K+S Aktiengesellschaft. Mr. WP Thorsten Neumann was the responsible auditor for the individual financial statements of K+S Aktiengesellschaft as well as the individual financial statements of the German subsidiaries with an audit assignment. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has issued a declaration that there are no doubts as to its independence. The audit engagement letter to the selected auditor is issued by the Supervisory Board on the proposal of the Audit Committee. The audit of the financial statements is accompanied by the Audit Committee. The Chairman of the Supervisory Board and the Chairman of the Audit Committee shall be informed immediately by the auditor of any grounds for disqualification or partiality arising during the audit unless such grounds are eliminated immediately. Furthermore, the auditor shall immediately report on any findings and occurrences of relevance for the duties of the Supervisory Board that arise during the audit. In addition, the auditor shall inform the Supervisory Board or make a note in the audit report if, in the course of the audit, the auditor ascertains facts that are inconsistent with the declaration of conformity issued by the Board of Executive Directors and the Supervisory Board pursuant to Section 161 AktG.

DISCLOSURES IN ACCORDANCE WITH SECTION 289 A (1) AND SECTION 315 A (1) HGB AS WELL AS THE EXPLANATORY REPORT OF THE BOARD OF EXECUTIVE DIRECTORS IN ACCORDANCE WITH SECTION 176 (1) SENTENCE 1 AKTG

ITEM 1: COMPOSITION OF THE SUBSCRIBED CAPITAL

The share capital amounts to €191,400,000 and is divided into 191,400,000 shares. The registered shares of the Company are no-par value shares. There are no other classes of shares.

ITEM 2: RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES

Each share entitles the holder to one vote; there are no restrictions on voting rights or on the transfer of shares. The Board of Executive Directors is not aware of any corresponding stockholders' agreements.

ITEM 3: DIRECT OR INDIRECT SHAREHOLDINGS EXCEEDING 10% OF THE CAPITAL

No direct or indirect interests in the share capital of more than 10% were reported to us.

ITEM 4: HOLDERS OF SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

There are no shares with special rights conferring control powers.

ITEM 5: VOTING RIGHTS CONTROL IN THE EVENT OF EMPLOYEE PARTICIPATION IN THE CAPITAL

No voting right controls apply.

ITEM 6: STATUTORY PROVISIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS AND CONCERNING AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and dismissal of members of the Board of Executive Directors are governed by Section 84 AktG. Accordingly, the members of the Board of Executive Directors are appointed by the Supervisory Board for a maximum term of five years. In accordance with Section 5 of the Articles of Association, the Board of Executive Directors of K+S Aktiengesellschaft has at least two members. The number of members is determined by the Supervisory Board. The Supervisory Board may appoint a member of the Board of Executive Directors as Chairman of the Board of Executive Directors. The Supervisory Board may rescind the appointment of a member of the Board of Executive Directors or the appointment of the Chairman of the Board of Executive Directors for good cause.

The Annual General Meeting may pass amendments to the Articles of Association with a simple majority of the share capital represented (Section 179 (2) AktG in conjunction with Section 17 (2) of the Articles of Association), unless mandatory statutory provisions require a larger majority.

ITEM 7: POWERS OF THE BOARD OF EXECUTIVE DIRECTORS CONCERNING THE POSSIBILITY OF ISSUING OR REPURCHASING BACK SHARES

AUTHORITIES TO GENERATE NEW AUTHORIZED CAPITAL OR AUTHORIZED CAPITAL II WITH THE POSSIBILITY OF EXCLUDING THE SUBSCRIPTION RIGHT OF THE SHAREHOLDERS

The Board of Executive Directors was authorized by the Annual General Meeting on June 10, 2020, to increase the Company's share capital, with the consent of the Supervisory Board, by a total of €38,280,000.00 in one lump sum or several partial amounts at different times, by issuing a maximum of 38,280,000.00 new registered shares (authorized capital) in return for cash and/or non-cash contributions during the period to June 9, 2025. On May 12, 2021, the Board of Executive Directors was authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before May 11, 2026, against cash or non-cash contributions, but by a maximum total of €38,280,000.00 by issuing a maximum of 38,280,000 new registered no-par value shares (authorize capital II). When implementing a capital increase from authorized capital or authorized capital II, shareholders must generally be granted subscription rights. The new shares can be acquired by a financial institution designated by the Board of Executive Directors with the obligation to offer them to the shareholders (indirect subscription right).

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The Board of Executive Directors is authorized, both for the authorized capital and for the authorized capital II, with the consent of the Supervisory Board, to exclude the shareholders' statutory right to subscribe up to a proportionate amount of the share capital of €19,140,000.00 (corresponding to 19,140,000 no-par value shares) in the following cases:

+ For fractional amounts arising as a consequence of the right to subscribe.
+ In the case of capital increases in return for cash contributions up to a proportionate amount of the share capital of €19,140,000.00 (corresponding to 19,140,000 no-par value shares), if the issue price of the new shares is not significantly less than the stock exchange price of already listed shares of the same type and structure on the date when the issue price is finally agreed.

- In the case of capital increases in return for assets up to a proportionate amount of the share capital of €19,140,000.00 (corresponding to 19,140,000 no-par value shares), if the new shares are to be used as consideration in the acquisition of a company, parts of a company or an equity interest in a company by the Company.
- For the authorized capital for the implementation of a so-called scrip dividend, whereby shareholders are offered to contribute all or part of their dividend entitlement to the Company as a contribution in kind in return for the granting of new shares.
- For authorized capital II, to the extent necessary to grant holders of conversion or option rights or those obliged to exercise conversion or option rights under bonds issued or to be issued by the Company or one of its Group companies subscription rights to new shares to the extent to which they would be entitled as shareholders after exercising the option or conversion rights or fulfilling their option or conversion obligation.

The Board of Executive Directors may only make use of the authorizations described above to exclude the right to subscribe insofar as the proportionate amount of the total shares issued with exclusion of the right to subscribe does not exceed 10% of the share capital (10% ceiling), neither on the date of the resolution regarding these authorizations nor on the date they are respectively exercised. If other authorizations to issue or sell Company shares or to issue rights are exercised, which enable or obligate the acquisition of Company shares, during the term of the authorized capital or authorized capital II until their respective utilization therefore excluding the right to subscribe, this must be credited against the 10% ceiling referred to above.

The Board of Executive Directors is authorized to determine the further details of capital increases from the authorized capital or the authorized capital II with the consent of the Supervisory Board.

As a result of the option granted by the Board of Executive Directors to implement a capital increase with limited exclusion of the right to subscribe with the approval of the Supervisory Board until June 9, 2025 (authorized capital) or May 11, 2026 (authorized capital II), the Company will be given a widespread instrument with the help of which, for example, fast and flexible use can be made of the opportunities that present themselves to make acquisitions. The Board of Executive Directors will only make use of this option if there is an appropriate ratio between the value of the new shares and the value of the consideration.

AUTHORIZATION TO ISSUE CONVERTIBLE BONDS AND OPTION BONDS WITH THE OPTION TO EXCLUDE SHAREHOLDERS' SUBSCRIPTION RIGHTS TOGETHER WITH THE SIMULTANEOUS CREATION OF CONDITIONAL CAPITAL

Authorization to issue convertible bonds and bonds with warrants

The Board of Executive Directors is authorized until June 9, 2025, with the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or warrant-linked bonds (bonds) on one or more occasions, with an aggregate nominal value of up to €600,000,000.00 with or without a limited term, and to issue or impose conversion rights or obligations on the holders or creditors of bonds or warrants on shares in the Company with a proportionate amount of the share capital of up to a total of €19,140,000.00, as set out in greater detail in the terms and conditions of the convertible or warrant-linked bonds. The proportionate amount of the share capital represented by the shares to be issued upon conversion may not exceed the nominal amount of the bonds.

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In addition to euros, bonds may also be issued in the legal tender of any OECD country, limited to the corresponding euro counter-value at the time of issuing the bond. Bonds may also be issued by Group companies of the Company; in this case, the Board of Executive Directors is authorized to act as guarantor for the bonds on behalf of the Company and to grant or impose conversion rights or obligations or warrants on shares in the Company to/upon the holders or creditors of such bonds. The bond issues may be subdivided into equivalent debentures in each case.

The Company's shareholders are generally entitled to subscription rights to bonds. The bonds can also be acquired by one or more financial institutions with the obligation that they must be offered to the Company's shareholders for subscription.

The Board of Executive Directors is, however, authorized with the approval of the Supervisory Board to exclude subscription rights, in full or in part, in the following cases:

+ If bonds are issued against cash and if the issue price is not substantially lower than the theoretical market value of the bonds calculated in accordance with recognized actuarial methods. However, the exclusion of subscription rights only applies to bonds with conversion rights or obligations or warrants on shares representing up to 10% of the share capital at the time the resolution is adopted or – if this amount is lower – at the time the authorization is exercised. For calculating the 10% limit, the pro-rata amount of share capital attributable to new or repurchased shares issued or sold during the term of this authorization with exclusion of subscription rights in direct or indirect application of Section 186 (3) sentence 4 AktG shall be deducted.
+ If and insofar it is necessary to grant the bearers of convertible bonds or warrants in respect of shares in the Company or the creditors of convertible bonds provided with conversion obligations, a right to subscribe to the extent to which they would be entitled following the exercising of these rights or the fulfillment of the conversion obligations.
+ For the purpose of exempting fractional amounts from the shareholders' right to subscribe, which are a consequence of the subscription ratio.
+ Insofar as the bonds are issued in connection with the acquisition of undertakings, interests in undertakings, or parts of under takings in exchange for non-cash considerations, provided the value of the consideration is adequate in relation to the value of the bonds.

The authorizations to exclude subscription rights described above apply in total only to bonds with conversion rights or obligations or warrants on shares representing up to 10% of the share capital at the time the resolution is adopted or – if this amount is lower – at the time the authorization is exercised. If, during the term of the authorization until its exercise, other authorizations to issue or sell shares in the Company are exercised and subscription rights are excluded, this shall be counted towards the aforementioned 10% limit.

If bonds with conversion rights are issued, the creditors may exchange their bonds for shares in the Company in accordance with the bond terms and conditions. The conversion ratio is calculated by dividing the nominal amount of a bond by the fixed conversion price for a new share in the Company. The conversion ratio may also be calculated by dividing the issue price of a bond, which is lower than the nominal amount, by the fixed conversion price for a new share in the Company. The exchange ratio may in any case be rounded up or down to the next whole number; in addition, a premium to be paid in cash may be stipulated. Furthermore, provision may be made for fractional amounts to be combined and/or settled in cash. The proportionate amount of the share capital represented by the shares to be issued per bond may not exceed the nominal amount of the bond. The bond terms and conditions may also establish a conversion obligation at the end of the term (or at an earlier point in time) or provide for the right of the Company to grant the bond creditors shares in the Company in whole or in part instead of payment of the cash amount due upon final maturity of the bonds associated with a conversion or option right (this also includes maturity due to termination).

If warrant-linked bonds are issued, one or more warrants will be attached to each bond, which authorize the holder to subscribe to shares in the Company, as set out in greater detail in the warrant terms and conditions to be defined by the Board of Executive Directors. The proportionate amount of the share capital represented by the shares to be issued per bond may not exceed the nominal amount of the warrant-linked bond.

The respective conversion or option price for a share in the Company (subscription price) must, with the exception of cases in which a right to substitute or a conversion obligation is provided for, correspond to either (a) at least 80% of the weighted average stock exchange price of the Company's shares in the Xetra computer trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange during the last ten trading days prior to the day on which the Board of Executive Directors adopts the resolution to issue the convertible or warrant-linked bonds or – in the event that a subscription right is granted – (b) at least 80% of the volume-weighted average stock exchange price of the Company's shares in the Xetra computer trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange during the days on which subscription rights are traded on the Frankfurt Stock Exchange, with the exception of the stock exchange trading days required for the timely announcement of the conversion and option price in accordance with Section 186 (2) sentence 2 of the German Stock Corporation Act (AktG). In cases of the right to substitute and the conversion obligation, the conversion or option price must, in accordance with the more detailed provisions of the bond terms and conditions, be at least either the above-mentioned minimum price or the volume-weighted average stock exchange price of the Company's share in the Xetra computer trading system (or any functionally comparable successor system replacing it) of the Frankfurt Stock Exchange during the last ten trading days prior to the final maturity date or the other specified date, even if this average price is below the above-mentioned minimum price (80%). Sections 9 (1), 199 of the German Stock Corporation Act (AktG) remain unaffected.

For warrant-linked bonds or bonds with conversion rights, or obligations, the warrants or conversion rights, or obligations, can be adjusted to preserve value in the event of a dilution in the value of the warrants or conversion rights, or obligations, in accordance with the bond terms and conditions, notwithstanding Section 9 (1) AktG, insofar as the adjustment is not already stipulated by law. Moreover, the bond terms and conditions may make provisions for a value-preserving adjustment of the warrants or conversion rights/obligations in the event of a capital reduction or other extraordinary measures or events (such as a third party obtaining control).

The terms and conditions of the bonds may also stipulate that the bonds with warrants or convertible bonds may, at the Company's discretion, be converted into existing shares of the Company instead of into new shares from conditional capital, or that the option right may be fulfilled by delivering such shares. Finally, the bond terms and conditions may make the provision that in the event of a conversion, the Company will not grant shares in the Company to the party entitled to the conversion, but will make a payment, which for the number of shares to be supplied alternatively, corresponds to the weighted average stock exchange price of Company's shares in the Xetra computer trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange during the ten trading days following the declaration of the conversion or exercise of the warrant.

The Board of Executive Directors is authorized, in the context of the requirements described above, with the approval of the Supervisory Board, to define the further details of the issue and structure of the convertible and/or warrant-linked bonds, particularly interest rate, issue price, term, denomination, dilution protection, and the conversion or warrant period, or to define these in consultation with the corporate bodies of the holding companies issuing the convertible and/or warrant-linked bonds.

Conditional capital increase

The share capital is increased by up to €19,140,000.00 by issuing up to 19,140,000 registered shares with no par value (conditional capital). The purpose of the conditional capital increase is to grant no-par value shares to the holders or creditors of bonds, which are issued by the Company or Group companies of the Company in accordance with the above authorization before June 9, 2025. New no-par value shares will be issued at the conversion or option price to be determined in each case as described above.

The conditional capital increase will be implemented only insofar as the holders or creditors of conversion rights or warrants from bonds, which were issued by the Company or a Group company before June 9, 2025, based on the authorizing resolution of the Annual General Meeting held on June 10, 2020, exercise their conversion rights or warrants; or as the holders or creditors of the convertible bonds with conversion obligation, which were issued by the Company or a Group company before June 9, 2025, based on the authorizing resolution of the Annual General Meeting held on June 10, 2020, who are required to convert, fulfill their conversion obligation; or if the Company elects before June 9, 2025, based on the authorizing resolution of June 10, 2020, to grant shares in the Company, in full or in part, in lieu of payment of the amount due; and if no cash settlement is made or own shares are used to settle such claims. New no-par value shares are eligible to participate in the profits from the beginning of the financial year during which they are created through the exercise of conversion rights or warrants or through the fulfillment of conversion obligations; in deviation from this, the Board of Executive Directors may determine, with the consent of the Supervisory Board, that new no-par value shares are eligible to participate in the profits from the beginning of the financial year, in respect of which the Annual General Meeting has not yet adopted a resolution regarding the appropriation of the balance sheet profit at the time when the conversion rights or warrants are exercised or the conversion obligations are fulfilled. The Board of Executive Directors is authorized with the consent of the Supervisory Board to determine the additional content of share rights and further details of the implementation of a conditional capital increase.

In addition to the traditional options for raising outside and equity capital, issuing convertible bonds and/or warrant-linked bonds can also provide an opportunity to take advantage of attractive financing alternatives on the capital markets depending on the market situation. The Board of Executive Directors believes that it is in the Company's interests that this financing option is also available to the Company. Issuing convertible bonds and/or warrant-linked bonds makes it possible to raise capital under attractive conditions. The conversion and/or option premiums achieved benefit the Company's capital base, thereby enabling it to take advantage of more favorable financing opportunities. The other possibility provided for, in addition to the granting of conversion rights and/or warrants, to create conversion obligations, widens the scope for structuring this financing instrument. The authorization provides the Company with the necessary flexibility to place the bonds itself or through direct or indirect holding companies. The option to exclude the right to subscribe allows the Company to make rapid use of advantageous stock exchange situations and to place bonds on the market quickly and flexibly under attractive conditions.

AUTHORIZATION TO AQUIRE AND USE OWN SHARES WITH THE OPTION TO EXCLUDE SHAREHOLDERS' SUBSCRIPTION RIGHTS

The Board of Executive Directors is authorized to acquire own shares representing no more than 10% of the total no-par value shares comprising the share capital of K+S Aktiengesellschaft until June 9, 2025. At no time may the Company hold more than 10% of the total number of no-par value shares comprising its share capital. Acquisition will be made via the stock exchange by means of a public offer to buy addressed to all shareholders or by way of a public call to shareholders to submit offers for sale. In the event of a purchase effected on a stock exchange, the purchase price per share paid by the Company (excluding acquisition costs) must not exceed or undercut the relevant stock exchange price by more than 10%; the relevant stock exchange price will be the price of the K+S share in the Xetra computerized trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange, determined by the opening auction on the day of purchase. In the event of a purchase by means of an offer to buy addressed to all shareholders, the purchase price offered per share (excluding acquisition costs) must not exceed or undercut the relevant stock exchange price by more than 10%; the relevant stock exchange price will be the weighted average stock exchange price of Company's shares in the Xetra computer trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange during the last ten trading days prior to the publication of the offer to buy. If, after publication of a public purchase offer, there are significant price deviations from the purchase price offered or the limits of the purchase price range offered, the offer may be adjusted. In this case, the relevant amount shall be determined based on the corresponding price on the last trading day prior to the publication of the adjustment; the 10% limit for exceeding or falling short shall be applied to this amount. The volume of the offer may be limited. If, in the case of a public purchase offer, the volume of shares offered exceeds the existing repurchase volume, the shares may be purchased in proportion to the shares tendered (tender ratio) instead of in proportion to the shareholding of the tendering shareholders in the Company (shareholding ratio), to the partial exclusion of any right to tender. In addition, the partial exclusion of a possible right to tender may provide for the preferential acceptance of small numbers of up to 100 tendered shares per shareholder and for rounding according to commercial principles in order to avoid fractional shares. In the event of a call to shareholders to submit offers for sale, the purchase price offered per share (excluding incidental acquisition costs) may not be more than 10% higher or lower than the relevant stock exchange price; the relevant stock exchange price is the weighted average stock exchange price of the Company's share in the Xetra computer trading system (or a functionally comparable successor system replacing it) of the Frankfurt Stock Exchange during the last ten stock exchange trading days prior to publication of the call to shareholders to submit offers for sale. The purchase price or the purchase price range may be adjusted if, during the offer period, there are significant price deviations from the price at the time of publication of the call for submission of offers to sell. In this case, the relevant amount shall be determined based on the corresponding price on the last trading day prior to publication of the adjustment; the 10% limit for exceeding or falling short shall be applied to this amount. The volume of the call may be limited. If not all several similar offers to sell can be accepted due to the volume limit, the acquisition may be made in proportion to the tender quotas instead of in proportion to the shareholdings, to the partial exclusion of any right to tender. In addition, the partial exclusion of any right to tender may provide for preferential acceptance of smaller numbers of up to 100 tendered shares per shareholder and for rounding in accordance with commercial principles to avoid fractional shares.

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Furthermore, the Board of Executive Directors is authorized, with the consent of the Supervisory Board, to sell shares in the

Company, which are or were acquired based on the authorization above or authorization previously granted by the Annual General Meeting pursuant to Section 71 (1) (8) AktG, on the stock exchange or via a public offer addressed to all shareholders. In the event of the sale of the Company's own shares by offer to all shareholders, the Board of Executive Directors is authorized to exclude shareholders' subscription rights for fractional amounts. In the following cases, shares may be disposed of by other means and, therefore, with the exclusion of the shareholders' right to subscribe:

+ Disposal against payment of a cash sum that is not significantly below the relevant stock exchange price,
+ Issue of shares as consideration for the purpose of acquiring undertakings, parts of undertakings, or interests in undertakings,
+ Servicing of convertible bonds and bonds with warrants, which have been issued based on authorization given by the Annual General Meeting.

The authorization to exclude the right to subscribe applies to all shares representing proportionate amount of the share capital of up to 10% of the share capital when the resolution is adopted or if the amount of the share capital is lower at that time, on the date when the authorization is exercised. If use is made of other authorizations to issue or sell Company shares or to issue rights, which enable or obligate the acquisition of Company shares, during the term of this authorization to acquire own shares, therefore excluding the right to subscribe, the total number of shares issued or sold where the right to subscribe is excluded must not exceed 10% of the share capital.

Finally, the Board of Executive Directors is authorized, with the consent of the Supervisory Board, to withdraw shares in the Company from circulation, which are or were acquired based on the authorization above or authorization previously granted by the Annual General Meeting pursuant to Section 71 (1) (8) AktG, without the Annual General Meeting having to pass a further resolution on such withdrawal. Shares must be withdrawn from circulation in accordance with Section 237 (3) (3) AktG without a capital reduction in such a way that withdrawal results in an increase in the proportion of remaining no-par value shares in the share capital pursuant to Section 8 (3) AktG. The Board of Executive Directors is authorized pursuant to Section 237 (3) (3) clause 2 AktG to adjust the number of shares indicated in the Articles of Association. The withdrawal may also be combined with a capital reduction; in this case, the Board of Executive Directors is authorized to reduce the share capital by the proportionate amount of the share capital attributable to the withdrawn shares and to adjust the number of shares and share capital stated in the Articles of Association accordingly.

The authorizations to purchase own shares as well as to dispose of them and withdraw them from circulation may be exercised in full or in part each time and on several occasions in the latter case. The authorization granted by the Annual General Meeting to the Board of Executive Directors to purchase a limited number of own shares in the Company is a common instrument available in many companies. The ability to resell own shares, puts the Company in a position to, for example, gain long-term investors in Germany and abroad or to finance acquisitions flexibly. Moreover, it will also enable the Company to use shares for servicing convertible and warrant-linked bonds. It may be advisable to use own shares in full or in part instead of new shares from a capital increase to fulfill conversion rights or warrants. Using own shares rules out any dilution of shareholder interests that would occur if conditional capital were used. The continued option to withdraw own shares from circulation is also a common alternative, the use of which is in the interest of the Company and its shareholders.

ITEM 8: MATERIAL AGREEMENTS SUBJECT TO A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

K+S currently has a syndicated credit line of €600 million. Under the terms of the agreement, all loans drawn under the credit facility will become immediately due and payable and the credit facility as a whole will be terminable in the event that a person acting alone or several persons acting jointly obtain control of K+S Aktiengesellschaft. In the case of the bonds issued by K+S Aktiengesellschaft and the promissory note loans issued, the respective creditors also have the right, in the event of a change of control, to call the bonds or promissory note loans that have not yet been repaid.

The provisions in credit agreements and bond conditions agreed in the event of a change of control are routine and reasonable from the perspective of protecting the legitimate interests of the creditors.

ITEM 9: AGREEMENTS CONCLUDED WITH THE BOARD OF EXECUTIVE DIRECTORS OR EMPLOYEES CONCERNING REMUNERATION IN THE EVENT OF A TAKEOVER BID

Agreements of this type exist with the members of the Board of Executive Directors of K+S Aktiengesellschaft and are explained in detail in the 'Remuneration report' on page 155. The existing compensation agreements with the members of the Board of Executive Directors take into appropriate consideration both the legitimate interests of those concerned and of the Company and its shareholders.

REPORT ON RISKS AND OPPORTUNITIES

As an internationally operating company, K+S regularly encounters a variety of developments and events that may affect the achievement of its financial and non-financial goals. Strategy and planning constitute the starting point for the management of risks and opportunities at K+S.

We define risks as negative and opportunities as positive deviations of potential future developments from a forecast or target value.

MANAGEMENT PROCESS

IDENTIFICATION

Risks and opportunities are generally identified in the respective central functions. There are several tools available for this purpose. In ongoing operations and project management, we take a close look at analyses of the market and the competition, for instance, evaluate a wide range of external information, the relevant revenues/cost elements, and mining circumstances, and observe risk indicators as well as success factors from the macroeconomic, industry-specific, legal, and political environment.

Declaration on corporate governance

ASSESSMENT OF FINANCIAL IMPACT AND MANAGEMENT

We have set up and documented specific processes for managing risks and opportunities. For each risk, a gross assessment is initially carried out in which the probability of occurrence as well as the loss potential are quantitatively assessed in terms of financial impact. The next step involves developing suitable countermeasures, considering alternative risk scenarios. Our aim is to reduce the loss potential or the probability of occurrence. The decision as to whether to implement the measures also takes account of the actual costs required. In this process, risks can also be transferred to a third party. Additionally, controls for the implementation of countermeasures are documented. If the gross probability of occurrence and/or gross loss potential can be reliably reduced by implementing effective and appropriate countermeasures, the focus of consideration will be on the net probability of occurrence and the net loss potential affecting the operating result.

Regarding the probability of occurrence and loss potential, internal risks are assessed for the short and medium term, i.e., for the next 12 and 36 months from the date of identification or review. Selected risks are also considered over a long-term period of 120 months. The assessments for risks that have already been identified and the countermeasures developed and possibly implemented are continuously reviewed to ensure these are up to date; they are adjusted and reported in the event of significant changes or if defined thresholds are exceeded.

For the assessment of the financial impact, each opportunity is examined in terms of its feasibility, profitability, and any risks it may entail. Suitable development measures are specifically sought, pursued, and implemented, to make effective use of opportunities. The benefit potential only applies to the net perspective following implementation of appropriate development measures. The assessment periods are identical to those used for risk assessment.

ASSESSMENT OF IMPACTS RELATED TO SUSTAINABILITY CONCERNS

Identified risks may have a negative impact on sustainability issues in accordance with the CSR Implementation Act (CSR-RUG), in particular on environmental, employee, and social issues, human rights, and the fight against corruption and bribery. In the event of a risk materializing, resulting reputational risks may also arise in addition to the impact on sustainability concerns, which are difficult or impossible to quantify.

The non-financial impact is identified and qualitatively assessed based on our central sustainability analyses as well as on the potential for damage and the probability of occurrence. No risks have been identified where non-financial impacts trigger a reporting obligation under the CSR-RUG.

Systems and concepts for managing developments or events that may have an impact on the above aspects are part of our sustainability management and are described in the 'Combined non-financial statement'.

Combined non-financial statement

REPORTING

Internal risk and opportunity reporting is based on a threshold concept. According to this concept, the Group companies and central functions report risks and opportunities on an ongoing basis if defined threshold values for the probability of occurrence and/or for the potential loss or benefit are exceeded. Information is also provided on whether a risk or opportunity has been taken into account in the forecast or planning.

Risks and opportunities whose financial impact is considered in the mid-term planning or forecast through corresponding earnings discounts or premiums are not the subject of risk and opportunity reporting. Risks related to sustainability concerns according to the definition of the CSR-RUG must at least have the extent of loss "material" and a probability of occurrence (> 50%) assumed to be "likely". No such risks were identified in the past financial year. If, however, the risks identified that have not already been taken into account in the planning or forecast could have a significant or serious impact on environmental, employee, and social concerns, respect for human rights, as well as corruption and bribery related to sustainability concerns, we disclose these risks as part of the respective risk assessment.

While we are already reporting on the impact of climate change on the opportunities and risks of K+S, we are also intensively addressing the impact of our business activities on climate. In accordance with the CSRD, we will also include this perspective in our reporting from 2024.

Moreover, when determining the substantial general assumptions for the mid-term planning or forecast (such as volumes, revenues, costs, exchange rates, interest rates), the relevant risks and opportunities need to be considered in the likeliest scenario. In addition, the negative/positive effect that certain deviations would have on the individual planning parameters is required to be disclosed for particular planning assumptions ("sensitivities").

The Board of Executive Directors and management continually have an overview of the current risk and opportunity exposure due to standardized reporting. Significant risks that arise in the short term are communicated directly to the Board of Executive Directors without delay. The Supervisory Board is also informed by the Board of Executive Directors on a regular basis and in a timely manner, immediately in urgent cases.

RISK MANAGEMENT IN RELATION TO THE USE OF FINANCIAL INSTRUMENTS

We aim at limiting financial risks (for example, exchange rate risk, interest rate risk, default risk, and liquidity risk) through special management. A centralized finance management system has been set up at K+S Aktiengesellschaft for this purpose. Additionally, we always manage our capital structure to safeguard the financing of business operations and investing activities in the long term.

Report on Economic Position, Financial Position

Our international business activities can give rise to currency-related revenues risks, which we counteract through hedging transactions as part of our currency management. Internal regulations determine the permissible hedging strategies as well as hedging instruments, responsibilities, processes, and control mechanisms. Other market risks may arise from changes in interest rates. Similar regulations apply insofar as derivative financial instruments are specifically used here for hedging. Derivative financial instruments are only concluded with suitable partners. The adequacy of partners and compliance with position limits is continuously reviewed through regular monitoring. A balanced distribution of the financial derivatives used across various counter parties is implemented to limit the risk of default.

The instruments selected are used exclusively to secure underlying transactions but are not used for trading or speculative purposes. Firstly, hedging transactions are concluded for existing underlying transactions. Our intention here is to largely avert exchange rate risks arising from recognized underlying transactions (usually receivables). Secondly, we enter hedging transactions for future business that can be anticipated with a high level of probability based on empirically reliable findings (anticipatory hedges).

Notes (19)

RISKS AND OPPORTUNITIES 2023 – 2025

Risks and opportunities that could affect the results of operations, financial position, and net assets of K+S during the mid-term planning period (three years) and have not yet been incorporated into the planning through corresponding earnings discounts or premiums are listed and described in this section. The net loss/net benefit potential is distinguished as follows:

+ significant financial impact: > €200 million
+ moderate financial impact: > €25 – 200 million

The relevant probability of occurrence is differentiated as follows:

+ likely: > 50%
+ possible: 10 – 50%
+ unlikely: < 10%

Changes in the assessment of risks and opportunities compared with the previous period are presented as follows:

+ higher than in the previous year: ↑
+ lower than in the previous year: ↓

A change in the general conditions compared with the assumptions made in our mid-term planning may result in a reassessment of risks and opportunities over time. The results are then communicated accordingly in our interim reporting.

Table **B.58** provides an overview of the assessment of opportunities and the change in assessment compared with the previous year.

Table **B.59** provides an overview of the assessment of risks and the change in assessment compared with the previous year.

OPPORTUNITIES 2023 – 2025 — C.58

	climate-related[1]	Net probability of occurrence		Net benefit potential	
External and industry-specific opportunities					
(Potash) price increase Increase in demand/restriction of supply		possible		significant	
Macroeconomic development		possible		moderate	
Weather-related fluctuations in demand	X	possible		moderate	
Operational opportunities					
Market penetration, market development, capacity expansions, cost optimization, acquisitions and/or strategic partnerships, innovation		possible		moderate	
Ramp-up phase at the Bethune site		possible		moderate	
Litigation		possible		moderate	
Energy costs		possible		significant	↑
Financial opportunities					
Currency/exchange rate fluctuations		possible		significant	
Change in general interest rate level		possible		moderate	
Upgrading of Company rating		possible		moderate	

[1] Climate-related opportunity included.

RISKS 2023 – 2025 C.59

	climate-related[1]	Net probability of occurrence		Net loss potential	
External and industry-specific risks					
(Potash) price decline		possible		significant	
Decline in demand/increase in supply					
Macroeconomic development		possible		significant	
Weather-related fluctuations in demand	X	possible		moderate	↓
Weather-related additional costs	X	possible		moderate	
Pandemics and natural disasters	X[2,3,4]	possible		moderate	
Geopolitical developments: Energy availability		possible	new	significant	new
Risks arising from changes in the legal framework					
River management planning in accordance with the Water Framework Directive and modification, refusal, or judicial revocation of official permits for the disposal of liquid and solid production residues in Germany		possible		significant	
Collateral security under mining law		possible		moderate	
Operational risks					
Ramp-up phase at the Bethune site		possible		moderate	
Litigation risks and legal disputes		possible		moderate	
Energy costs	X	possible		moderate	
Freight costs and transport availability		possible		moderate	
Production technology		possible		moderate	
Changes in the composition of crude salt		possible		moderate	
Carbon dioxide inclusions in deposits		possible		moderate	
Damage due to rock bursts		unlikely		significant	
Water inflow		unlikely		significant	
Compliance		unlikely		moderate	
Non-compliance with regulations on occupational exposure limits underground		possible		moderate	
Loss of suppliers and supply bottlenecks		possible		moderate	
Personnel		unlikely		moderate	
IT security		unlikely		moderate	
Reputation		unlikely		moderate	
Financial risks					
Currency/exchange rate fluctuations		possible		significant	↑
Change in the general interest rate level		possible		moderate	
Downgrading of the Company rating		unlikely		moderate	
Liquidity		unlikely		significant	
Default of receivables from customers		unlikely		moderate	
Default of partners in financial transactions		unlikely		moderate	

[1] Climate-related risks included.
[2] Risks associated with severe storm and storm surge.
[3] Risks associated with extreme flooding.
[4] Insurance risks from the physical consequences of climate change.

EXTERNAL AND INDUSTRY-SPECIFIC RISKS AND OPPORTUNITIES

(POTASH) PRICE DECLINE DECLINE IN DEMAND/INCREASE IN SUPPLY

Products in the Agriculture customer segment in particular could be threatened by significant declines in demand due to external influences. These often lead to sensitive price declines. In addition to a significant impact on our operating business, lower potash price assumptions may lead to significant non-cash impairments of property, plant, and equipment, and intangible assets as a result of the regular impairment testing of the Potash and Magnesium Products cash-generating unit.
Notes (12)

In terms of demand, macroeconomic factors such as unfavorable exchange rate developments or declining liquidity of agricultural businesses, e.g., due to increased costs for input factors (fertilizers, energy, seed, etc.), could influence demand in individual sales regions. This also applies to political market regulations, such as regional subsidy cuts, the imposition of customs duties on fertilizers and/or agricultural products, or the introduction of restrictive fertilizer regulations. Environmental influences such as diseases in certain crops or the occurrence of animal diseases could also lead to a decline in demand with a simultaneous drop in prices. Furthermore, deliberate purchasing restraint on the part of our customers, e.g., due to an unbalanced ratio of costs for individual input factors, could also have a negative impact on demand and prices.

Changes in terms of supply could arise because of capacity expansion. Should the market not be prepared to absorb additional volumes entirely, this could increase competitive pressure during a transitional period and lead to a drop in prices. Furthermore, producers could attempt to gain additional market share or regain lost market share by increasing supply within available capacity. A decline in demand could also give rise to increased competitive pressure with price erosion.

Major increases in capacities and their utilization, supply expansions by individual producers with available capacities, and longer-term declines in demand could have a significant impact on pricing and/or sales opportunities. This could change the existing structure of the market for plant nutrients. Therefore, a decline in potash prices and/or in the volumes that can be sold cannot be ruled out. The impact on the Company depends on the duration and intensity of these events. Nevertheless, we consider the long-term drivers to be still valid: demand for agricultural products and, therefore, for plant nutrients is driven by megatrends, such as population growth and changing consumption habits (e.g., higher calorie intake, increasing meat consumption), in emerging economies. Crop nutrients, with their yield- and quality-enhancing effects, will, therefore, continue to play a key role in agricultural production in the future.

For increasing competitiveness, we, for example, continue to further improve our cost and organizational structures, the continuous ramp-up at our Canadian plant in Bethune, and the expansion of our fertilizer specialties.

(POTASH) PRICE INCREASE DEMAND INCREASE/RESTRICTION OF SUPPLY

Opportunities with significant positive effects on our operating business essentially lie in the price development of mineral fertilizers, especially our potash fertilizers, as well as in their demand.

The industry situation in the Agriculture customer segment continued to develop positively despite high demand volatility due to overall higher average prices for our products. From the first quarter of 2022, we recorded extreme demand with sharply rising prices and, in the third quarter, a wait-and-see attitude on the side of the customers due to very high prices with a subsequent drop in price levels. Expected cost increases, particularly for energy, logistics, and materials, were significantly exceeded.

Demand can be expected to increase in the first half of 2023 as a result of the correction in the price level at the turn of the year 2022/2023. Insofar as farmers use their uncultivated areas that may still be available, compensate for the fertilization suspended in 2022, or increase the intensity of existing cultivation, this would require additional application of plant nutrients and could result in global demand for potash fertilizers growing more strongly in the near future than previously forecast. Furthermore, the trend towards a more balanced use of the main nutrients nitrogen (N), phosphorus (P), and potassium (K) (Balanced Fertilization) in important sales regions such as India and China could lead to disproportionate growth in demand for potash. The financial impact of the associated increase in demand is strongly dependent on the extent of the increase in fertilizer prices triggered by this.

The effects of the sanctions imposed by the US and EU against Belaruskali and Belarusian Potash Company (BPC) have led to a shortage of global supply and accompanying price increases. Likewise, the more difficult logistics access of the Russian supplier Uralkali as a result of the acts of war has led to a shortage in the global supply of potash fertilizers. If these bottlenecks continue in 2023, recovering demand may meet with tight supply, which could lead to rising prices. Further developments on the supply side are also difficult to assess due to geopolitical uncertainties.

MACROECONOMIC DEVELOPMENT

Demand for mineral fertilizers is significantly influenced by economic growth and the associated rising standard of living in the regions relevant to us, trends in prices for agricultural raw materials and, in part, also by political decisions in some consumer countries. Overall, we believe that the level of agricultural prices over the medium term should provide an incentive for farmers to increase yields per hectare, also through increased application of plant nutrients. There is a risk that growth in the emerging markets will slow contrary to expectations and/or that the sovereign debt crisis in the eurozone will again intensify. Should this result in agricultural prices falling to a level that triggers uncertainty among farmers about their future income situation, it could negatively impact their demand for crop nutrients. The impact for the Company will depend on the duration and intensity of the respective scenario.

Report on economic position, Macroeconomic environment

Should the global economy develop more favorably than expected and growth prove to be higher than generally forecast, particularly in our main sales regions of Europe, Brazil, and China, this could lead to positive deviations from planning.

The influence of the general economic situation on demand for de-icing salt as well as salt products for end consumers is of minor importance, as the business is only marginally dependent on economic conditions. With regard to products for industrial applications, the influence of the general economic situation on demand for individual products is also of minor importance, as the business is very diversified and, therefore, robust due to the variety and scope of its applications.

We would react to the influences described above with demand-oriented production management or price adjustments, respectively.

The assessment of the future macroeconomic situation is reflected in the 'Report on expected developments' for 2023.

Report on expected developments

WEATHER-RELATED FLUCTUATIONS IN DEMAND

Weather conditions in the de-icing salt regions of Europe are of particular relevance to the Industry+ customer segment. Our planning is based on a rolling average over the past ten years. Above-average severe winters can have a significantly positive impact on sales volumes of de-icing salt as a result of a weather-related increase in demand. This in turn could put pressure on inventories and result in price increases. Conversely, mild winters can lead to a weather-related decline in demand and consequently significantly reduce sales volumes. High inventories of de-icing salt could be the consequence and, therefore, have a negative impact on prices associated with the early-fills business and tenders for the next winter season. Both cases could result in moderate financial effects.

We respond to such fluctuations with regional diversification, demand-oriented production management, and flexible working time models. Strategic inventories as well as flexible adjustment of the production of de-icing salt enable us, if necessary, to meet sharply rising demand at short notice.

In the Agriculture customer segment, a weather-related decline in demand could lead to a sales risk and to falling prices. This could result in moderate financial effects. A prolonged period of cold, wet weather during the spring season, which is particularly important for Europe, could, for example, lead to a shift in, or even a drop in, sales of plant nutrients. This also applies to weather phenomena such as El Niño, La Niña, or droughts, which could result in significant yield losses for farmers in the affected regions and reduced use of crop nutrients.

WEATHER-RELATED ADDITIONAL COSTS

At some German potash production sites, the regulatory conditions under water law are of particular importance for the unrestricted use of the available technical production capacities. For this reason, K+S has, therefore, significantly increased flexibility in wastewater management at the Werra plant to fully maintain production at the Werra plant even in a hydrologically dry year within the framework of existing permits. These include, besides the continuous above-ground and underground expansion of storage basin and transportation capacities, the commissioning of the kainite crystallization and flotation plant (KCF plant) in January 2018 and the start of the flooding of the Sigmundshall mine in summer 2021 required by law in Lower Saxony, which may be carried out with saline wastewater from the Werra plant, among other things, the discharge of saline wastewater into the Werra river and, in the future, with appropriate permit, the storage of highly concentrated saline water underground in the Springen mine field (Merkers mine). In the event of an extreme drought (comparable to the summer/fall of 2022) with exceptionally low water levels in the Werra river over a long period of time, production could be interrupted or switched if all available resources for off-site disposal and on-site storage capacities are exhausted. Besides the low water supply, the water temperature can also affect production at the Werra plant, as the discharge of cooling water into the Werra and Ulster rivers is additionally limited by temperature limits set by the authorities. This production downtime risk has been significantly reduced by the availability of cooling systems.

PANDEMICS AND NATURAL DISASTERS

Just like natural disasters, pandemics can entail considerable production and sales risks that are difficult to calculate.

During the peak phase of the COVID-19 pandemic, K+S set up crisis teams to permanently monitor and assess the current situation in the wake of the pandemic and coordinate the necessary measures. This procedure made it possible to coordinate all measures for employees and business partners. Protecting the health of employees and ensuring supplies to our customers are given top priority.

K+S has implemented and optimized extensive measures at all sites to minimize the risks of infection and protect our employees. As a result, we have succeeded in ensuring production at all sites. Moreover, K+S administrative employees work from their homes if necessary. As a result of the progressive vaccination against the coronavirus, no further adverse effects have been anticipated among the workforce since the middle of 2022. If the COVID-19 situation deteriorates as a result of new virus variants, new measures may have to be taken.

Earnings in 2022 were impacted by efficiency losses in the low double-digit million euro range. There were no constraints on production and our markets were stable. By contrast, our logistics chains faced, and continue to face, challenges in booking and processing container orders as well as in rail logistics. The situation on the procurement market remains very tight, particularly for a large majority of maintenance and production materials. As further developments remain uncertain, additional burdens cannot be ruled out in the future.

GEOPOLITICAL DEVELOPMENTS: ENERGY AVAILABILITY

The German Federal Ministry for Economic Affairs and Climate Action (BMWK) declared the alert level of the Gas Emergency Plan in Germany on June 23, 2022. According to the Federal Network Agency, gas supplies in Germany are currently stable and security of supply is guaranteed, despite the loss of supplies from Russia. A deterioration in the situation cannot be ruled out, however. Wholesale gas prices fluctuate strongly. Companies must continue to prepare for a significantly higher price level. K+S is currently only affected by the price increases to a limited extent, as the price of natural gas for more than 70% of the gas volumes required at European sites in 2023 and 2024 had already been hedged before the outbreak of the war in Ukraine. Due to the ongoing geopolitical developments, further gas volumes have been hedged so that 90% of the European natural gas requirements for 2023 have now been fixed in terms of price. For 2025, 10% of the gas volumes required by the European sites have already been secured.

As a result of a lack of gas supplies from Russia, gas importers are having to procure replacements at high cost. The German government will now support the affected companies directly and through other measures within the framework of its defensive shield, which serves, among other things, to finance the gas and electricity price cap. The Board of Executive Directors of K+S Aktiengesellschaft has decided not to make use of the cap on the price of electricity and gas, which was adopted by law in December 2022. The full ability to pay dividends will therefore be preserved. With an average natural gas price of €50/MWh for the volumes we have fixed for 2023 (90% of natural gas requirements in Europe), we have a high degree of predictability for our energy costs.

In the event of a declaration of an emergency, the German Federal Network Agency becomes the so-called federal load distributor. In the crisis, it assumes sovereign responsibility for the distribution and allocation of scarce gas volumes. This takes place in close coordination with the gas network operators. The scope of the producing companies considered to be of system relevance – i.e., indispensable for the basic supply of our population and important branches of industry – has not yet been decided by the state. We are in contact with authorities as well as ministries and currently assume that the politicians correctly assess the relevance of K+S and will provide us with at least part of the necessary energy even in the event of a gas shortage.

K+S depends on the reliable supply of natural gas for its production. Crude salt processing as well as the generation of heat and electricity at the potash sites are based almost entirely on natural gas. Only the Wintershall site of the Werra plant is supplied with energy by a waste incineration plant. We have also been striving to increase the energy efficiency of our plants for decades, also through the consistent expansion of combined heat and power (CHP) generation. We have examined the extent to which natural gas can be substituted by other fuels, such as heating oil or diesel, or other gaseous energy sources. In the short term, we can only switch to alternatives to a limited extent. If a gas shortage were to occur in Germany, this would impair the energy supply to the German sites and therefore lead to production restrictions, the impact of which would depend, to a large extent, on duration and intensity. We are preparing the (partial) switch to identified alternatives at all sites in the medium term.

There were no restrictions on gas availability in the winter of 2022/2023. Due to the existing uncertainties regarding the parameters of a gas shortage situation as well as the effect of the German government's defensive shield on potential reductions in consumption in Germany, moreover, reliable statements on the probability of occurrence and more precise information on the amount of loss in the event of a gas shortage situation are currently not possible. K+S continues to work on alternatives for securing the energy supply and on various risk scenarios. In this connection, the "Gas Shortage Situation" crisis team has been set up.

Energy costs

RISKS ARISING FROM CHANGES IN LEGAL ENVIRONMENT

Many licenses and permits under public law are required for the exercise of our business activities, particularly in the area of mining/extraction/processing and disposal of residues. The framework for the granting of these licenses and permits is firmly entrenched in European and national environmental, water, and mining law with respect to production in Germany and Europe. We believe that the regulatory density will increase further in the future.

There is a risk for all activities requiring approval that third parties will appeal against licenses or permits after they have been granted and that these will be revoked by courts. This has already been used in some cases, particularly by environmental associations. Furthermore, extensions of existing licenses and permits or new ones granted may be restricted in terms of time and scope, permanently amended, or refused, or further conditions may be attached. In addition, ancillary provisions of individual authorizations/permits may result in their suspension.

RIVER MANAGEMENT PLANNING IN ACCORDANCE WITH THE WATER FRAMEWORK DIRECTIVE AND AMENDMENT, LEGAL REFUSAL, OR REVOCATION OF OFFICIAL LICENSES FOR THE DISPOSAL OF LIQUID AND SOLID PRODUCTION RESIDUES IN GERMANY

Solid and liquid residues (saline wastewater) arise both from potash production and from precipitation on our tailings piles. The solid residues are either transferred to our tailings piles or disposed of underground. The saline wastewater is discharged into rivers or will be permanently stored underground close to the site in the future. It is also used to flood abandoned mines to secure them for the long term.

REFUSAL OR REVOCATION BY COURT OF OFFICIAL PERMITS FOR THE DISPOSAL OF LIQUID PRODUCTION RESIDUES: DISCHARGE

The river management plans and programs of measures based on the European Water Framework Directive and German water law stipulate essential framework conditions for the aforementioned disposal methods of the above-mentioned residues from the German sites. For the next years, the river management plans and programs of measures for the third management period 2021 to 2027 of the individual river basin communities (FGG) are relevant in this regard.

Combined non-financial statement, Environment & Resources

With the termination of injection at the end of 2021, the realization of the kainite crystallization and flotation plant (KCF plant), the expansion of transportation capacities, the (imminent) start of tailings pile covering on the Hattorf and Wintershall tailings pile plateaus, and the imminent storage of highly concentrated saline wastewater underground, extensive measures from the previous river management plan of FGG Weser have already been set in motion.

With the decision of the environment ministers of the countries bordering the Weser and Werra rivers on November 18, 2021, we now have long-term planning security regarding the future disposal of saline wastewater from the Werra and Neuhof-Ellers plants. One of the stipulations was a gradual reduction in the target values for the reduction of saline pollution from 2,310 mg chloride per liter in 2021 to 1,880 in 2022, to 1,700 in 2023, and to 1,580 from 2024. These stipulations also served as a basis for the granting of the water law permit of December 23, 2021, by the Kassel Regional Council permitting the Werra and Neuhof-Ellers plants to discharge liquid residues totaling up to five million m^3 per year into the Werra river until the end of 2027.

In fall 2024, it will be examined whether a further reduction of the target values is feasible for the years 2026 and 2027. This was agreed by the ministries responsible for water protection in the seven federal states of Bavaria, Bremen, Hesse, Lower Saxony, North Rhine-Westphalia, Saxony-Anhalt, and Thuringia, which are involved in FGG Weser. In December 2022, K+S became aware that the BUND and the citizens' initiative "Für ein lebenswertes Werratal" e.V. (For a livable Werra Valley) had filed a standards control application for review of the river management planning for salt with the Kassel Administrative Court.

The target values now set for the entire management period are ambitious. We will, however, take all necessary measures to achieve our target of no longer discharging process water from potash production into the Werra river from 2028 onwards. In particular, we consider storage and tailings pile covering as the two key components for ensuring environmentally compatible disposal in the Werra-Fulda potash district in the long term and for continuously contributing to an improvement in the water quality of the Werra and Weser rivers. An important step towards achieving this goal is the Werra 2060 project. Here, the conversion of production at the Unterbreizbach and Wintershall plants will more than halve the total volume of process water for the Werra plant. Insufficient technical feasibility of these components would entail considerable risks for the granting and continuation of operating permits as well as water law permits for the Werra and Neuhof-Ellers plants, with adverse effects on potash production. As a result, both the employment situation and the economic situation of the region could be significantly negatively affected.

www.kpluss.com/werra2060

REFUSAL OF OFFICIAL PERMITS FOR THE DISPOSAL OF LIQUID PRODUCTION RESIDUES: STORAGE

Liquid production residues from the Werra plant are disposed of by discharge into the Werra river or off-site.

K+S is constantly working intensively on measures to reduce the volume of saline wastewater and on alternative disposal options. A central measure in this respect is the storage of highly concentrated saline wastewater underground in the Springen mine field (Merkers mine). This is intended to ensure the future disposal of saline process water by storage. Off-site disposal, in addition to discharge, is an important component of our wastewater management, especially during periods of low water levels in the Werra river during dry months. Against this background, we do not expect any impact on production at the Werra plant in a normal hydrological year. Should the permit be denied or no longer be able to be fully utilized, however, for which there are currently no indications, this may lead to higher costs for transportation to off-site disposal alternatives and/or to significant production restrictions due to a lack of disposal options for saline wastewater from the Werra plant.

Additionally, research and development as well as innovation activities will be continued. The aim is to maintain value added and the associated jobs in the long term, as well as to further relieve the burden on the Werra and Weser rivers and, therefore, secure the future viability of the potash sites in the Hesse-Thuringia potash district.

Combined non-financial statement, Environment & Resources

REFUSAL OR REVOCATION BY COURT OF OFFICIAL PERMITS FOR THE DISPOSAL OF SOLID PRODUCTION RESIDUES

If permits for tailings piles operations were revoked or if necessary, tailings pile expansions were not approved or were only approved subject to unreasonably high conditions, the plants would no longer be able to dispose of the solid residues. We consider the complete refusal or the withdrawal of all existing licenses and permits for the expansion of tailings piles to be unlikely, as the permits are compatible with the legal and statutory framework. Furthermore, they represent the state of the art and there is governmental and widespread political support for the preservation of potash mining in Germany in the federal states that are relevant to us.

Individual licenses and permits for the necessary expansion of tailings piles might not be granted in certain circumstances or might be approved only to a limited extent. In the worst case, this would result in an adjustment of production levels and possibly the closure of the affected sites with significant negative economic repercussions both for the Company and for the employment and economic situation of the region in question. This could be avoided through the development of further safeguards and through rescheduling, which would nevertheless lead to significant cost increases.

On October 11, 2018, the authorities approved the application for the expansion of the tailings pile at the Hattorf site. In a first step, the current permit status allows for tailings pile operation until probably mid-2023. Furthermore, the permit procedure for the subsequent phases two and three of the tailings pile expansion, which are to extend until the end of the 2030s, is underway. Our aim is to commission the expansion areas in summer 2023 to enable continuous production to be maintained. According to current planning, it can be assumed that the expansion area of the first phase will then be exhausted. The permit for the early start of the second phase has already been issued, and it has already been possible to start clearing the area and preparing the site.

On September 10, 2020, the permitting authorities approved the application for the expansion of the tailings pile at the Wintershall site. The current permit status allows the tailings pile to be filled until probably 2029. With the Werra 2060 project, we can significantly reduce the future tailings pile volume at the Wintershall site and therefore significantly limit the scope of further tailings pile expansions.

On December 16, 2020, the planning approval decision for the approval of the general operating plan for the expansion of the tailings pile capacity at the Zielitz site and the water law permit for the discharge of the resulting salt wastewater into the Elbe river was issued, which has since become final. This permit status will allow tailings pile operations to continue for an expected further 35 years. The tailings pile operations for residues on the expansion area was started in December 2021.

Extensive investments are also being made as part of the implementation of the aforementioned measures. Additionally, we are continuously striving to reduce our impact on the environment. This includes, above all, the covering of the tailings piles. If the technical feasibility and economic reasonableness of further tailings piles to be covered should become more concrete, this could reduce provisions and have a positive impact on earnings, also in connection with the revenues achievable for the acceptance of waste. With the REKS joint venture, we have excellent market access to the large volume of materials required for covering the tailings piles.

Combined non-financial statement, Tailings pile management

COLLATERAL SECURITY UNDER MINING LAW

The setting of collateral under mining law is at the discretion of the acting authorities; at present, existing collateral is generally provided through the formation of corresponding provisions and letters of comfort or Group guarantees. If additional collateral had to be provided, this could moderately restrict the Company's financial scope, in particular if it had to be provided by bank guarantees or the deposit of financial resources.

OPERATIONAL RISKS AND OPPORTUNITIES

MARKET PENETRATION, MARKET DEVELOPMENT, EXPANSION IN CAPACITY, COST OPTIMIZATION, ACQUISITIONS AND/OR STRATEGIC PARTNERSHIPS, INNOVATION

In all customer segments, we use growth potential to expand our market share by increasing sales volumes to our existing customers and/or acquiring new customers. Furthermore, we are reviewing whether we can open up new sales regions with our products. We also aim to leverage market opportunities through the further development of our product portfolio, supported by an extensive range of consulting and services. Additionally, we are breaking new ground in extraction and production by converting the Werra plant to production processes that are, on the one hand, less energy-intensive and, on the other, are accompanied by a further reduction in liquid and solid residues. The expansion of digital services provides further opportunities. In addition, we are examining the potential uses of our infrastructure and working on new business areas. The enterprise value should be continually increased in the process. In addition, opportunities for cost optimization (e.g., through the digitalization of processes in the underground mines or by increasing the efficiency of machines, processes, and organizational structures) are being intensively examined on an ongoing basis and – where appropriate – implemented.

Corporate strategy

RAMP-UP PHASE AT THE BETHUNE SITE

The Bethune potash plant in Canada continues to ramp up in terms of capacity as planned. Additionally, various measures were initiated to increase storage capacities and optimize loading as well as lead times. When a new site of this size is set up, negative effects during the transition to regular operations (e.g., due to project delays) cannot be completely ruled out. Conversely, the planned qualitative and quantitative targets may also be exceeded. Furthermore, technical and logistical challenges can lead to increased costs or lower production volumes.

Through systematic cost and quality management, we try to limit negative effects and increase earnings contributions.

LITIGATION RISKS AND LEGAL DISPUTES

K+S is exposed to risks arising from legal disputes or legal proceedings in which we are either currently involved or that could arise in the future.

It cannot be ruled out that K+S will be involved in further court and arbitration proceedings with suppliers in connection with the supplies and services procured as part of the construction of the Bethune potash plant. We also already asserted reimbursement claims against contracting parties involved in the project. The outcome of potential legal disputes, which can take an extended period to clarify, is very difficult to predict. This could result in cash outflows or inflows that negatively or positively affect the site's profitability. The impact in terms of liquidity and earnings varies significantly. Internal measures are taken to ensure a continuous claim management process with the aim of processing K+S's existing receivables from suppliers and recovery claims to achieve the best possible outcome.

We successfully sold our American salt business on April 30, 2021. As is customary in transactions of this kind, risks exist, such as risks arising from liability clauses and tax risks.

All other process risks are presented in the context of the respective risk.

ENERGY COSTS

The energy costs incurred by K+S are determined, in particular, by the consumption of natural gas and electricity. Gas is currently our main energy source due to the use of CHP plants. Energy prices are frequently subject to strong fluctuations. Significant market-related increases in energy prices compared with the price level considered in planning represent a cost risk and cannot be ruled out in the future. We have reduced the natural gas requirements of our potash and salt production in Europe by using steam from substitute fuel heating plants, such as waste incineration plants, to limit this risk.

We are currently taking into account the effects of the Omnibus Energy Act (EnSaG), the Fuel Emissions Trading Act (BEHG), and the fourth phase of the European Emissions Trading Scheme (EU ETS) in our planning and are implementing risk-minimizing measures where possible.

For trading and emissions-intensive companies such as K+S, which are assumed to have a significant carbon-leakage risk, there is financial compensation for BEHG costs incurred under the Ordinance on Measures to Prevent Carbon Leakage through National Fuel Emissions Trading (BECV).

A positive development in energy costs compared with the planned figures also provides an opportunity for K+S. This applies in particular in the event of an easing of spot prices for gas, although the accuracy of the price assumptions in the planning is uncertain at the present time. Moreover, we are pursuing a hedging strategy worldwide, which has enabled us to secure attractive natural gas procurement prices and CO_2 certificate prices in the medium term by concluding fixed supply agreements. We have already covered around 90% of our European natural gas requirements for 2023 and more than 70% for 2024. More details on supply agreements can be found on page 126 under "Geopolitical developments: Energy availability". We have already secured the need for CO_2 allowances for the current trading period (from 2021 to 2030).

As Germany aims to achieve climate neutrality by 2045, it will no longer be sufficient in the future to merely increase the energy efficiency of production processes. We aim at managing the transition to renewable fuels. That is why our climate strategy is an important part of the new corporate strategy. We have examined various alternatives as part of a climate study and selected a path that appears feasible and financially viable. On the way to climate neutrality, we have set ourselves the medium-term target (2030) of further reducing our CO_2 emissions by 10% compared with 2020. As a long-term commitment, we support the goals of the Paris Agreement to achieve climate neutrality by 2050. We have set up the K+S Climate Protection Fund to finance projects promoting climate protection. We will, nevertheless, only achieve the energy transition with the support of the state. We need a sufficient and resilient energy infrastructure as well as support for conversion and affordable renewable energies.

Combined non-financial statement, Energy & Climate
Corporate strategy, Sustainability program
Geopolitical developments: Energy availability

FREIGHT COSTS AND AVAILABILITY OF TRANSPORTATION CAPACITY

Our total costs are influenced by freight costs to a considerable degree. A significant proportion of our products in terms of volume needs to be transported to the customer over long distances in some cases. Reduced availability of freight capacity could result in higher costs. Furthermore, considerable additional costs are incurred when crude oil prices rise. The heavy reliance of our business operations on transport likewise makes us highly dependent on the relevant infrastructure facilities such as ports, roads, railway lines, and loading facilities. A breakdown or a bottleneck could limit the sales prospects and, therefore, production.

We aim at limiting expected cost increases and safeguard transportation capacity for the Group through long-term contracts.

PRODUCTION TECHNOLOGY

The production facilities of the K+S Group are characterized by a high degree of complexity and efficiency. Due to operational and accident risks as well as the increasing aging of our production sites, warehouses, and loading facilities, operational disruptions can occur as well as significant personal injury and property damage or environmental pollution.

Where possible and economically viable, suitable insurance cover is taken out with the aim of limiting these risks. Tailored training and staff development measures are also designed to increase occupational safety. Programs are implemented with a view to ensuring the availability of critical facilities such as conveyor systems, steam production, buildings, etc., through the efficient use of capital.

CHANGES IN THE COMPOSITION OF CRUDE SALT

The extraction of crude salt in our mining operations forms the basis for our production. We are implementing an extensive geological investigation program aimed at developing our mining operations further and exploiting new crude salt deposits. Nevertheless, significant discrepancies may arise in the quantity and quality of crude salt deposits. Unforeseen geological faults in salt exploitation with low mineral content may lead to additional costs and reduced production volumes.

CARBON DIOXIDE INCLUSIONS IN DEPOSITS

Carbon dioxide inclusions constitute a latent potential danger in certain mines. Despite our comprehensive safety measures, carbon dioxide could escape from these pockets in an uncontrolled manner. Consequently, there are risks of production cuts/stoppages as well as of personal injury and damage to property. Underground extraction is therefore always carried out in compliance with specific safety guidelines in case of escapes of CO_2.

DAMAGE DUE TO ROCK BURSTS

There is the specific risk at active and inactive mining sites of a sudden subsidence of the earth's surface over a large area that could, in certain circumstances, be severe (rock burst). If a rock burst occurs, in addition to the partial or complete loss of the mine and damage to facilities, it could also result in personal injury or death and in considerable damage to the property of third parties.

Our professional dimensioning of the underground safety pillars based on comprehensive research serves to secure the surface, safeguard the stability of the mine workings over a longer period and, therefore, prevent rock bursts. After the closure of a site, post-closure maintenance measures are carried out, for which appropriate provisions have been recognized. Continuous monitoring of the mine workings aims to provide timely indications of whether additional measures for the protection of the mine workings and the prevention of damage resulting from mining are necessary.

WATER INFLOW

Hydrogeological risks generally exist in underground mining operations. There are risks in connection with shafts that cut through water-bearing rock shafts and in saline deposits in rock strata. Hydrogeological risks are limited through the extensive safeguards we have put in place; however, these risks could result in significant, uncontrollable damage culminating in the total loss of the mine. In this case, material adverse effects on employment, our economic situation, the regional economic situation, and damage to the environment and to property would be virtually unavoidable.

Extensive exploration work is carried out by means of seismology, drilling, and ground-penetrating radar to secure the mines. Preservation of protective layers and adequate dimensioning of safety pillars ensure maximum mine safety. Ongoing maintenance work on the shafts should ensure that the risk of groundwater inflows can normally be virtually ruled out. Because the top of a shaft is in a high position, surface water is not expected to gain access to mine workings even if flooding occurs.

COMPLIANCE

There is a general risk that members of management/supervisory bodies or employees of K+S Group companies may breach laws, internal regulations, or regulatory standards recognized by the Company. K+S could sustain damage to its assets or reputation as a result.

We have established a Group-wide compliance management system contributing to raising employee awareness and countering compliance violations through training in the main risk areas (e.g., business ethics and compliance, competition and antitrust law, corruption, money laundering). A new reporting system for suspected compliance cases was introduced in 2019. Compliance management is reviewed on an ongoing basis and adjusted as necessary, for example in response to current developments. The results of our Group-wide compliance risk analysis and the derived recommendations for action constitute the basis of the specific compliance program for the respective K+S Group company. These measures ensure goal-oriented compliance and risk management at all our Group companies.

Declaration on corporate governance

Combined non-financial statement, Compliance & Anti-Corruption

NON-COMPLIANCE WITH REGULATIONS ON OCCUPATIONAL EXPOSURE LIMITS UNDERGROUND

The Federal Ministry of Labor and Social Affairs in Germany has defined the occupational exposure limits for nitrogen oxides and particulate diesel emissions underground that shall apply in the future. These statutory requirements must be met for our German mining operations through a granted extension of the deadline from August 21, 2023.

K+S has made considerable efforts over the past few years to comply with the occupational exposure limits applicable after the transitional period to meet these requirements. As part of an extensive project, for example, the use of the latest diesel engine technology, alternative drive technologies, the development of lower-emission explosives, as well as the optimization of ventilation underground have been examined and, in part, already implemented. The greatest leverage for achieving the new limits is provided by low-emission vehicles and large machines, and the switch from conventional explosives to a newly developed granular explosive with low emissions. Compliance with the new occupational exposure limits in August 2023 is largely dependent on the completion of the procurement and commissioning of the new mobile machinery and vehicles, as well as the completion of the new production facility for this explosive, construction of which began in 2022. Due to the tense situation on the procurement markets, the effects of the COVID-19 crisis, and current geopolitical developments, it is no longer possible to meet this deadline. Initial discussions have been held at association level on extending the transitional period, and the further course of action is being coordinated. According to current planning, the procurement of mobile machinery and vehicles can be completed in 2024 and the gradual transition to the new granular explosives can begin in mid-2024.

On the one hand, there is a risk that the investments included in the planning will not be sufficient. On the other hand, the required extension of the deadline by at least one further year could not be granted by the German Federal Ministry of Labour and Social Affairs. Unless site-related exemptions can be obtained as an alternative, restrictions on extraction in some areas of the German K+S sites would be the consequence.

Based on current knowledge, we assume that we will achieve the legally required technical specifications on a permanent basis. We are consistently driving forward the implementation of the relevant measures and, therefore, expect to gradually comply with the new occupational exposure limits from mid-2024.

LOSS OF SUPPLIERS AND SUPPLY BOTTLENECKS

The number of suppliers for raw materials, consumables, and supplies, as well as mining-specific machinery and equipment as well as spare parts, is limited. Supply bottlenecks, failures, or boycotts over which we have very little, or no influence could lead to restricted availability of these materials and, therefore, to a significant increase in costs or a substantial impairment of production, despite existing countermeasures.

We mitigate these procurement risks through market analyses, targeted supplier selection and evaluation, long-term supply agreements, clearly defined quality standards, and modern purchasing methods.

PERSONNEL

Competition for qualified management and specialist staff is intense in all regions in which we operate. The potential loss of employees in key positions and the demographic challenges in the recruitment of new employees (keyword: shortage of skilled workers) constitute a fundamental risk.

K+S wants to be an attractive employer both for career starters and for qualified specialists and managers. Through practice-oriented promotion of young talent, targeted training, and further education measures, as well as the professional advancement of high performers and high potentials, we want to motivate employees in the long term as well as retain qualified specialists and managers on a long-term basis. Furthermore, with our focus on personnel diversity regarding religion and ideology, gender and gender identity, age, sexual orientation, physical and mental abilities, as well as ethnic origin and nationality, we want to leverage the full potential of the labor market. With this strategy and increased cooperation with selected universities, we offer promising career prospects to qualified specialists and managers.

👁 Employees

INFORMATION SECURITY

Our IT systems provide a high level of support for almost all corporate functions. IT security risk lies primarily in the loss of availability, integrity, and confidentiality of information due to external attacks (for example, hackers, viruses) and internal risks (for example, technical failure, sabotage). If this risk were to materialize, serious interruptions to business could result. Nevertheless, we consider a prolonged failure of the IT systems to be unlikely due to the precautions we take.

We aim to limit such risks with a regular review of the scope and effectiveness of our wide-ranging security measures by independent experts. Insurance to cover claims arising from the failure of IT systems has been concluded for cyberattacks.

REPUTATION

The occurrence of any risk may lead to reputation damage with consequences for the Company that are impossible or difficult to quantify financially. This includes, in particular, risks with material adverse effects associated with sustainability issues, in particular environmental matters, social and employee-related matters, human rights, corruption, and bribery matters, as well as failure to achieve targets defined by the Company.

We actively counter these risks through open and timely communication with our stakeholders.

FINANCIAL RISKS AND OPPORTUNITIES

CURRENCY/EXCHANGE RATE FLUCTUATIONS

A currency risk results from transactions that are not effected in the currency of our Group reporting (the euro). In the case of this risk, we make a distinction between transaction and translation risks. While the risk relates to negative exchange rate developments, positive exchange rate developments may have an advantageous impact on earnings and equity, therefore presenting an opportunity.

TRANSACTION RISKS

A significant proportion of K+S Group revenues is in U.S. dollars. In addition to this, revenues are also generated, and costs incurred, in other national currencies (such as Canadian dollars). Our earnings are, therefore, exposed to exchange rate fluctuations. This may lead to the value of the service performed not matching the value of the consideration received in transactions, because income and expenditure are incurred at different times in different currencies. Exchange rate fluctuations, especially in the EUR /USD and CAD/USD exchange rates, primarily affect the level of earnings, receivables, costs, and liabilities in the Agriculture customer segment.

👁 Report on economic position, Financial position

We use derivative financial instruments to counter exchange rate risks arising from transactions. Significant net positions are hedged using derivatives, normally options and forwards, in the context of transaction hedging. These ensure a “worst-case” exchange rate. Based on revenue and cost planning as well as expected capital expenditure, the volumes to be hedged are determined and updated continuously using safety margins, to avoid excess hedging or hedging shortfalls.

👁 Notes (19)

TRANSLATION RISKS

Furthermore, currency effects arise in relation to subsidiaries whose functional currency is not the euro, since the earnings of these companies calculated in a foreign currency are translated into euros at average rates and recognized in net profit or loss. However, the net assets of these companies are translated into euros at the rates prevailing on the reporting date. This conversion system could result in currency-related fluctuations in the earnings and equity of K+S. The respective translation effects mainly relate to K+S Potash Canada GP and are not hedged.

CHANGE IN THE GENERAL INTEREST RATE LEVEL

Both risks and opportunities arise from changes in the general level of interest rates.

On the one hand, changes in market interest rates influence future interest payments for variable-rate liabilities, as well as on interest income for variable-rate investments. Impacts on fixed-interest liabilities arise when the interest rate fixation expires, and prolongation is sought. The market values of financial instruments are also affected. Due to the current financing structure, however, only a moderate impact is expected.

The K+S Group is required to report non-current provisions, in particular for mining obligations as well as pensions, at the present value of the expenditures anticipated in the future. In the interest rate calculation method we use, average yields on government bonds are used to estimate the interest rate for long-term mining obligations. In the future, a change in the level of market interest rates compared with the previous balance sheet date could lead to changes in the discount rates and consequently to an adjustment in the amount of non-current provisions. Both falling and rising interest rates could have a moderate impact on the balance sheet as well as on the earnings of the K+S Group.

After offsetting against plan assets, our pension obligations account for less than 5% of non-current provisions. The majority of these pension obligations are covered by plan assets consisting of fixed-income securities, shares, and other investments. Declining returns on these investments may have an unfavorable effect on the fair value of plan assets. We counter the risk of fluctuations in the fair value of plan assets through a balanced asset allocation and constant analysis of investment risks.

Notes (27)

DOWNGRADING OR UPGRADING OF THE COMPANY RATING

Ratings are used to assess the creditworthiness of companies and are normally issued by external rating agencies. The rating provides indications of the ability of companies to pay, particularly for credit institutions and institutional investors. It cannot be ruled out that a rating agency might change K+S's credit rating.

A downgrade could negatively impact K+S in terms of the costs of financing and on the availability of financing opportunities. Conversely, an upgrade in the credit rating – and hence an improvement in the Company's rating – has a positive effect on the costs and availability of the Company's financing options. Due to the net financial asset position existing since September 2022, however, no significant effects are associated with this.

In the course of the year, the rating agency Standard & Poor's (S&P) raised our rating from B+ (outlook "stable") to BB+ with a "positive" outlook. According to S&P, this was primarily attributable to the very low level of debt and the strong cash flow. An investment grade rating will be achieved with a further upgrade of only one notch by S&P.

Report on economic position, Financial position

LIQUIDITY

Liquidity risk entails the failure to procure the funds needed to meet payment obligations or the inability to do so in a timely manner. External factors, especially a general financial crisis, could make it impossible to replace credit lines or bonds on acceptable commercial terms should the need arise. In this case, a risk associated with procuring liquidity would also arise.

For this purpose, the principal objective of our liquidity management activities is to ensure the ability to make payments at any given time. The liquidity requirement is determined through our liquidity planning and must be met with cash on hand and bank balances, committed credit lines, and other financial instruments.

Our committed credit lines do not currently include any explicit financial covenants.

On December 14, 2022, the 3-month par call of our bond maturing in April 2023 was utilized and the bond matured on January 6, 2023.

The factoring program continues to exist. At present, however, it is not being utilized. It offers flexibility to improve working capital and, therefore, free cash flow if required.

Liquidity is managed through cash pool systems by the central Treasury unit. As of December 31, 2022, available liquidity amounted to €1,957 million and consisted of cash investments as well as cash and cash equivalents and unused credit and factoring lines. A commercial paper program is also available for liquidity management. Available liquidity was therefore significantly above our target minimum reserve of €300 million. In the case of cash investments, we pursue the objective of optimizing income from cash and cash equivalents at low risk.

Notes (27)

DEFAULT ON RECEIVABLES FROM CUSTOMERS

We maintain comprehensive business relationships with many customers. If one or more major customers are not able to fulfill their contractual payment obligations towards us, this could result in corresponding losses for us, which in turn could have an adverse effect on the financial position of K+S.

Risks arising from payment default are covered across the Group mainly through credit insurances. We only waive a security against non-payment following a critical review of the customer relationship and express approval.

DEFAULT OF PARTNERS IN FINANCIAL TRANSACTIONS

Default risks also exist regarding partners with which we have concluded hedging transactions, credit lines exist, or money was invested. The potential default of a bank or other party could have an adverse effect on the financial position of K+S. K+S is not especially dependent on any one financial institution.

CHANGES IN INDIVIDUAL RISKS AND OPPORTUNITIES COMPARED TO THE PREVIOUS PERIOD

The assumptions regarding the probability of occurrence and/or the financial impact of the risks and opportunities already reported in previous periods are presented in the tables **B.57** and **B.58** on the pages 122 and 123.

Despite high demand volatility, market conditions in the Agriculture customer segment continued to develop significantly positively due to higher average prices overall. Expected cost increases, particularly for energy, logistics, and materials, were significantly exceeded. Due to significantly higher revenues, the risks from exchange rate fluctuations are assessed as significant.

Permanent underground storage in the Springen mine field (Merkers mine) for the disposal of highly concentrated saline water remains a particular focus; the complex approval process is continuing.

The German Federal Ministry of Labor and Social Affairs has defined the occupational exposure limits to be applied in the future for nitrogen oxides and particulate diesel engine emissions underground. These statutory requirements must be met by our German mining operations from August 21, 2023, as a result of a granted extension of the deadline. The time available for compliance is not sufficient to procure all the mobile machinery and vehicles still required and to commission the production facility for the newly developed explosive. Based on current knowledge, we expect to complete the procurement of the mobile machinery and vehicles in 2024 and to begin the gradual transition to the new granular explosive in mid-2024. This will enable us to permanently achieve compliance with the occupational exposure limits for nitrogen oxides and particulate diesel engine emissions underground.

The macroeconomic and geopolitical effects following Russia's attack on Ukraine on February 24, 2022, as well as their impact on the K+S Group, will largely depend on the duration and further course of the war as well as the corresponding reactions worldwide. K+S has established intensive monitoring, especially with regard to emerging or occurring changes in energy availability, sanctions, receivables management, supply chains, cyber security, changes in agricultural prices, as well as the potash supply and demand situation. If there were to be a gas shortage in Germany, this would have an adverse effect on the energy supply to the German sites and therefore lead to production restrictions, the impact of which would depend to a large extent on duration and intensity.

In the Agriculture customer segment, a weather-related decline in demand could result in a risk to sales volumes and lower prices. As a result of the regular reassessment process, the loss potential is now assessed as moderate. This is attributable to fluctuating, in some cases extreme and ever-changing, weather conditions, which are forecast to tend to increase in the future. They may, however, only have a negative or positive impact on individual regions to varying degrees. The volumes lost can largely be sold in other markets.

By means of the Act to Reduce the Cost Burdens of the EEG surcharge and to pass on this reduction to end consumers of May 23, 2022, the EEG surcharge has been set to zero as of July 1, 2022. This means that the EEG surcharge will no longer be billed to the end consumer. From 2023, the EEG surcharge will then be completely abolished with the major EEG amendment being permanently financed via the federal budget. Risks associated with the discontinuation of the EEG surcharge exemption have therefore been eliminated. Due to the significant increase in the price level for energy, we can now also benefit, to a significant extent, from a price reduction compared with our planning.

As a mine owner, K+S Minerals and Agriculture GmbH maintains the Merkers mine and implements preservation measures there. The costs of the preservation methods are currently borne by the Free State of Thuringia in accordance with the indemnification agreement on the clean-up of pre-existing environmental contamination of October 1999, under which the state is required to bear costs reviewed by a court of law under the indemnification agreement. The Meiningen Administrative Court ruled in the first instance that the Free State of Thuringia is required to comply fully with the agreement and thus bear the costs for the clean-up of pre-existing environmental contamination. This agreement requires the Free State of Thuringia to bear the costs for the environmental damage caused by the former GDR potash mining on the border between Thuringia and Hesse carried out until 1990. The state appealed this decision. The higher administrative court in Weimar dismissed the appeal of the Free State of Thuringia against the judgment of the Meiningen Administrative Court in December 2021 and, therefore, confirmed the judgment of the Meiningen Administrative Court. The Free State of Thuringia has not lodged an appeal against the appeal judgment, which is why the judgment is now legally binding following expiry of the appeal period.

ASSESSMENT OF THE RISK AND OPPORTUNITY SITUATION BY THE BOARD OF EXECUTIVE DIRECTORS: NO GOING CONCERN RISKS

The risk and opportunity position assessed below is based on the findings of our risk and opportunity management system in conjunction with the planning, management, and control systems in place. Additionally, we regularly assess the risk-bearing capacity based on worst-case risk assessments.

Taking into account the respective probability of occurrence and the financial impact of the risks explained as well as supported by the result of a risk-bearing capacity analysis at Group level, and on the basis of the findings of mid-term planning, the Board of Executive Directors is not aware of any indications of future development at the present time in which risks, either individually or in conjunction with other risks, could have a lasting adverse effect on the results of operations, financial position, and net assets of K+S, jeopardizing its continued existence as a going concern.

The risks associated with the disposal of liquid and solid production residues and compliance with occupational exposure limits underground continue to be extremely significant. Should the risk mitigation measures being implemented be ineffective or the legal requirements for permits represent a technically or economically unsolvable task, German production would be significantly impaired.

The risk situation of K+S has improved (compared with the previous year's assessment), in particular due to the continued positive development on the potash market as well as with the further reduction in debt, and despite the geopolitical environment.

The opportunities that could arise for K+S in the mid-term offer a positive outlook. We are confident that the operating strength of K+S forms a solid basis for our future business development and that the necessary resources are available to exploit the opportunities.

In the overall picture, the risk and opportunity situation has improved compared with the previous year. Nevertheless, it continues to require a high level of attention due to the framework conditions.

EVENTS AFTER THE BALANCE SHEET DAY

On December 14, 2022, the 3-month par call of our bond maturing in April 2023 was utilized and the bond matured on January 6, 2023. On December 31, 2022, a nominal amount of €396.4 million was repaid. Including accrued interest, K+S has, therefore, paid €404.2 million.

On January 25, 2023, K+S signed an agreement to acquire 75% of the fertilizer business of the South African trading company Industrial Commodities Holdings (Pty) Ltd (ICH). In the future, the company will operate under the name Fertiva (Pty) Ltd. The purchase price was in the low double-digit million euros range. The remaining 25% of the shares will, in future, be held by two former ICH shareholders who previously managed the fertilizer business at ICH and are now also part of the management team of Fertiva (Pty) Ltd. The closing of the transaction is subject to the fulfilment of certain conditions, including the receipt of the necessary regulatory approvals, and is expected to be completed in the second quarter of 2023.

On February 15, 2023, the Supervisory Board of K+S Aktiengesellschaft and Mr. Holger Riemensperger mutually agreed on a separation, as Mr. Riemensperger will take on new challenges in another company. A termination agreement was concluded between Mr. Riemensperger and the K+S Aktiengesellschaft. His mandate as a member of the Board of Executive Directors terminated on February 28, 2023. No severance payment was agreed upon.

Against this background, Dr. Carin-Martina Tröltzsch already assumed her position on the Board of Executive Directors of K+S Aktiengesellschaft on February 20, 2023.

REPORT ON EXPECTED DEVELOPMENTS

We are very positive about the current year: We expect EBITDA to range between €1.3 billion and €1.5 billion in the 2023 financial year (2022: €2.4 billion). K+S would therefore once again achieve one of the best results in the history of the Company. Adjusted free cash flow is expected to amount to between €700 million and €900 million (2022: €932 million after deduction of the use of funds for the repayment of factoring and the purchase of further CO_2 certificates).

FUTURE MACROECONOMIC SITUATION

The following statements on the future macroeconomic situation are based on forecasts by the International Monetary Fund (IMF) and the Kiel Institute for World Economy (IfW). **B.60**

For 2023, the experts forecast growth in global world production of 2.9% and 2.2%, respectively, compared with an expected growth of 3.4% or 3.2% in 2022. To date, global economic activity has been supported by a number of factors, but these are now becoming increasingly less important. In some economic sectors, for example, there was still considerable potential for a normalization of production following the previously recorded coronavirus-related losses, which is now gradually being exhausted. The extra savings accumulated during the pandemic, which helped maintain consumption levels against the background of declining real incomes, are gradually diminishing, also due to inflation. The high order backlogs in industry are increasingly being worked off. Consequently, declining order intake will have a greater impact on production in the future. At the same time, negative influences on the economy are intensifying, mainly from the financial environment. Higher financing costs are slowing investment and consumption.

For Germany, a change in gross domestic product of +0.1% is expected in 2023 compared with +1.9% in 2022. In the eurozone, too, growth is expected to slow significantly to 0.7% from 3.5% in 2022. For the Chinese economy, the abandonment of the zero-covid policy is both an opportunity and a risk. Overall, gross domestic product is expected to grow by 4.6%, faster than in 2022 (+2.9%).

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT **B.60**

in %; real	2019	2020	2021	2022e	2023e
Germany	+0.6	–4.6	+2.7	+1.9	+0.1
Euro area	+1.3	–6.3	+5.2	+3.5	+0.7
World	+2.9	–3.1	+5.9	+3.4	+2.9

Source: IMF; e = expected

FUTURE INDUSTRY SITUATION

AGRICULTURE

The growing demand for agricultural commodities resulting from a constantly increasing world population and changing eating habits can only be sustained in the future by intensifying agriculture, given the limited availability of arable land. The balanced use of mineral plant nutrients is therefore indispensable. Despite the increased prices of various input materials, the partly significant rise in prices for agricultural commodities should offer attractive yield prospects in agriculture and therefore an incentive to increase the yield per hectare through a balanced or higher use of fertilizers in the event of deficiencies.

Against this background, as well as intact profitability in agriculture, we expect an increase in demand in 2023, which will be faced with still-limited supply from Russia and Belarus. Overall, we expect world potash sales in 2023 as a whole to be driven once again by available supply.

Following the normalization of potash prices at a high level, we expect the average price of potassium chloride in 2023 to decline more sharply overseas than in Europe due to the greater volatility in the previous year. For fertilizer specialties, the decline of the annual average should also be lower.

INDUSTRY+

Total demand for potash, magnesium, and salt products in the Industry+ customer segment is expected to rise slightly in the medium term. Demand for products for chemical applications should be down on the previous year due to the economic situation, albeit there are also lower capacities in Europe. Additionally, demand for pharmaceutical products should continue to support moderate growth rates in view of the increasingly aging population.

In 2023, demand for products in the Industry+ customer segment should follow a positive trend overall.

In the table salt sector, a continuing trend towards higher-quality products is expected. For water softening salt for end consumers, we forecast demand to be slightly increasing.

We expect demand for de-icing salt to increase slightly, assuming average winter weather conditions.

EXPECTED DEVELOPMENT OF REVENUES AND EARNINGS, FINANCIAL POSITION, AND PLANNED CAPITAL EXPENDITURE

Assuming a slower but still-existing increase in costs, particularly for energy, logistics, and materials, the normalization of average prices in the Agriculture customer segment should result in EBITDA of between €1.3 billion and €1.5 billion (2022: €2.4 billion). K+S would therefore once again achieve one of the best results in the history of the Company.

Adjusted Group earnings after tax are expected in the higher triple-digit million euro range (2022: €1.5 billion).

Adjusted free cash flow is expected to range between €700 million and €900 million (2022: €932.0 million). In 2023, the capital expenditure volume of the K+S Group should increase to a mid-triple-digit million euro amount (2022: €403.8 million) due to time shifts from 2022 as a result of delivery delays, initial capital expenditure for the Werra 2060 project, and the accelerated energy transformation. Return on capital employed (ROCE) should reach a low double-digit percentage in 2023 (2022: 25.7%).

After the shareholders' participation in the success of the Company, the net financial asset position should improve to a mid to higher triple-digit million euro amount at the end of the year. Net debt should also continue to decline accordingly.

Our forecast for the full year 2023 is mainly based on the following assumptions:

+ According to our assessment of the market environment in the Agriculture customer segment, we imply the overall average price in our product portfolio to be down more than 20% in 2023 compared to 2022 (2022: €628). This assumes the price development described in the 'Future industry situation´ for the Agriculture customer segment.
+ Due in particular to the easing of logistical bottlenecks, sales volumes of all products in the Agriculture customer segment are expected to range between 7.3 and 7.5 million tonnes (2022: 7.1 million tonnes).
+ For the de-icing salt business, we expect sales volumes of a good 2 million tonnes in the 2023 financial year (2022: 2.08 million tonnes; normal year: 2.0 to 2.3 million tonnes).

+ An average spot rate of €1.08/USD (2022: €1.05/USD) is assumed for the EUR/USD currency relation. Including currency hedging, this corresponds to an annual average rate of €1.09/USD (2022: €1.13/USD).

SHAREHOLDERS' PARTICIPATION IN THE SUCCESS OF THE COMPANY

We announced 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 the Americas operating unit, net financial liabilities were still in the higher triple-digit million euro range and, at the potash price level at the time, debt reduction would have progressed much more slowly. Since the business development in the past financial year has already had the effect for K+S to report a net financial asset position, we will revise the dividend policy for future decisions on shareholders' participation in the success of the Company.

We would like our shareholders to participate appropriately in our success in the 2022 financial year and return capital in a total of up to €2 per share or €391.4, respectively: Taking into account the different interests of our shareholders, we will split this amount equally between two instruments – dividend and share buyback (with subsequent cancellation of shares).

Against this backdrop, the Board of Executive Directors and the Supervisory Board will propose to the Annual General Meeting a dividend for the 2022 financial year of €1.00 per share (total dividend payout: €191.4 million; previous year: €0.20 per share; total dividend payout: €38.3 million). Furthermore, the Board of Executive Directors and the Supervisory Board of K+S Aktiengesellschaft have resolved to buy back own shares. This is based on the authorization granted by the Annual General Meeting on June 10, 2020, to buy back up to 10% of the share capital. Shares with a value of up to €200 million are to be bought back and subsequently canceled. Based on the share price at the end of February 2023, this would, for example, correspond to a share of up to just under 5% of the share capital. The buyback shall start after the Annual General Meeting on May 10, 2023.

EXPECTED DEVELOPMENT OF NON-FINANCIAL PERFORMANCE INDICATORS

Sustainable corporate governance is a fundamental component of a company's success. The Supervisory Board has, therefore, resolved to link a significant part of the Board of Executive Directors' remuneration to sustainability goals.

Remuneration report
Combined non-financial statement

LOST TIME INCIDENT RATE (LTI RATE, RELEVANT FOR LONG TERM INCENTIVE I 2020–2022, 2021–2023, 2022–2024 AS WELL AS 2023–2025, 2024–2026, 2025–2027)

The LTI rate measures lost-time injuries per million hours worked. For 2023, we expect a further improvement in the LTI rate to a value below 8 (2022: 8.3).

SALINE PROCESS WATERS IN GERMANY (RELEVANT FOR LONG TERM INCENTIVE I 2020–2022, 2021–2023, 2022–2024)

The Company has set itself the target of reducing the volume of saline process water from potash production in Germany by 500,000 m³ per year from 2030 onwards compared with 2017 (2.7 million m³). The operating mode of the Werra plant had to be temporarily changed in 2022 as a result of the low water levels in the Werra river and the associated reduced discharge capability. As a result, the amount of process water generated reached an exceptionally low level of 2.3 million m³. In 2023, further measures will also be implemented to permanently reduce the amount of process water. We therefore expect the volume of process water to be below 3 million m³.

SPECIFIC CO_2 EMISSIONS (RELEVANT FOR LONG TERM INCENTIVE I 2023–2025, 2024–2026, 2025–2027).

The specific CO_2 emissions, as calculated by the ratio of the CO_2 emissions (Scope 1 and Scope 2) of all potash and rock salt producing sites in kilograms to the primary production volume of the Hattorf, Wintershall, Unterbreizbach, Bethune, Zielitz, and Neuhof-Ellers sites should be slightly reduced from a value of 271.6 kg per tonne in the base year.

SUSTAINABLE SUPPLY CHAINS

RATE OF RECOGNITION OF THE CODE BY CRITICAL SUPPLIERS (RELEVANT FOR LONG TERM INCENTIVE I 2020 – 2022, 2021 – 2023, 2022 – 2024)

By 2025, 100% of our "critical" suppliers, i.e., suppliers with a high sustainability risk, should have recognized the Code. In 2022, we have already achieved an increase to 89.6%. In 2023, we will strive to slightly improve this value again.

RATE OF RECOGNITION OF THE CODE IN RELATION TO OUR PURCHASING VOLUME (RELEVANT FOR LONG TERM INCENTIVE I 2020 – 2022, 2021 – 2023, 2022 – 2024)

A further goal is that the Code's recognition rate in relation to our purchasing volume should be more than 90% by 2025. The recognition rate of 84.5% already achieved in 2022 should increase slightly again in 2023.

SUSTAINABILITY RISK ASSESSMENTS FOR SUPPLIERS FROM CERTAIN COUNTRIES (RELEVANT FOR LONG TERM INCENTIVE I 2023 – 2025, 2024 – 2026, 2025 – 2027)

For suppliers with annual revenues of at least €5,000 whose registered office is in a country with a relative value of ≤ 75% in the Sustainability Development Report ranking, sustainability risk assessments will be prepared from 2023. By the end of 2023, we expect these to be prepared for more than half of the relevant suppliers.

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE K+S GROUP

We are very positive about the current year: We expect continued good demand in the potash market and an attractive price level overall. The normalization of potash prices at a high level is accompanied by an increase in demand for application in the first half of 2023, as profitability in agriculture is intact in all sales regions.

As a result of our forward-looking actions, we have also secured our natural gas requirements for 2023 almost completely and achieved a high degree of predictability in energy costs. Moreover, K+S covers large volumes of its electricity requirements from its own production.

From today's perspective, we expect EBITDA to range between €1.3 billion and €1.5 billion in the 2023 financial year. Adjusted free cash flow is expected to range between €700 million and €900 million. For K+S, 2023 would therefore once again be one of the most successful years in the history of the Company.

Against the background of geopolitical developments, we reviewed our corporate strategy. This confirmed the three focal points of our corporate strategy – the optimization of our existing business, growing of our core business, and the establishment of new business areas. At the same time, the issue of security of supply with sustainable energy is now being given greater importance. The energy transformation is therefore being accelerated with a focus on securing energy supplies and achieving our ambitious climate goals.

The teams at our sites continue to work hard to implement the strategy. The targets based on a solid balance sheet are clearly defined: Over a 5-year cycle, we want to earn our cost of capital on average and aim for an average EBITDA margin of more than 20% over this period. Additionally, we are aiming for a net debt/EBITDA of less than 1.5 times in the future, even at the lower end of the potash price cycle.

We are supported in this by the megatrends: population growth will continue. The amount of arable land available globally will continue to decrease, also as a result of climatic changes. Without highly efficient agriculture and the application of fertilizers, food production will not be sufficient in the long term.

K+S AKTIENGESELLSCHAFT (EXPLANATIONS BASED ON THE GERMAN COMMERCIAL CODE, HGB)

The management report of K+S Aktiengesellschaft and the Group management report for the 2022 financial year have been combined. The annual financial statements of K+S Aktiengesellschaft in accordance with the German Commercial Code (HGB) and the combined management report are published simultaneously in the German Federal Gazette (Bundesanzeiger).

DECLARATION ON CORPORATE GOVERNANCE

The declaration on corporate governance pursuant to Section 289f of the German Commercial Code (HGB) can be found on page 95.

DISCLOSURES PURSUANT TO SECTION 289A (1) HGB AND EXPLANATORY REPORT BY THE BOARD OF EXECUTIVE DIRECTORS

The disclosures pursuant to Section 289a (1) German Commercial Code (HGB) and the explanatory report by the Board of Executive Directors can be found from page 114 onwards.

REMUNERATION REPORT

The disclosures pursuant to Section 289a (2) of the German Commercial Code (HGB) are included in the ´Remuneration report´ from page 146 of the Annual Report onwards.

BUSINESS OPERATIONS, CORPORATE STRATEGY, CORPORATE GOVERNANCE, AND MONITORING, OVERVIEW OF BUSINESS PERFORMANCE

Disclosures on business operations, corporate strategy, corporate governance, and monitoring, as well as an overview of business developments, can be found on pages 31 – 47 and 110 – 119.

INCOME STATEMENT OF K+S AKTIENGESELLSCHAFT[1] **B.61**

in € million	2021	2022
Revenues	**146.6**	**152.7**
Cost of goods sold and services rendered to generate revenue	145.3	168.7
Gross profit	**1.3**	**–16.0**
Selling expenses	3.2	3.8
General and administrative expenses	27.6	30.9
Research costs	0.5	2.3
Other operating income	176.4	86.9
Other operating expenses	292.6	163.7
Income from equity investments	1,479.8	877.5
Other interest and similar income	4.4	8.4
Write-downs of financial assets and securities classified as current assets	0.5	0.1
Expenses from transfer of losses	–	3.2
Interest and similar expenses	116.8	47.6
Taxes on income and earnings	68.2	400.1
Earnings after tax/net income for the year	**1,152.4**	**305.1**
Loss carried forward/profit carried forward	–603.4	236.2
Transfer to other revenue reserves from net income for the year	–274.5	–236.2
Accumulated profit	**274.5**	**305.1**

[1] A detailed income statement is provided in the 2022 annual financial statements of K+S Aktiengesellschaft.

BALANCE SHEET OF K+S AKTIENGESELLSCHAFT – ASSETS **B.62**

in € million	Dec 31, 2021	Dec 31, 2022
Intangible assets	10.2	8.2
Property, plant, and equipment	64.1	70.2
Financial assets	6,288.8	6,281.3
Non-current assets	**6,363.1**	**6,359.7**
Inventories	3.7	2.8
Receivables and other assets	1,745.3	1,095.3
Securities	274.5	665.8
Cash on hand, bank balances	55.1	145.6
Current assets	**2,078.7**	**1,909.5**
Prepaid expenses	**3.1**	**4.0**
Excess of plan assets over post-employment benefit liability	**12.6**	**–**
TOTAL ASSETS	**8,457.5**	**8,273.2**

BALANCE SHEET OF K+S AKTIENGESELLSCHAFT – EQUITY AND LIABILITIES **B.63**

in € million	Dec 31, 2021	Dec 31, 2022
Issued capital	191.4	191.4
Share premium	701.6	701.6
Retained earnings	1,588.1	1,824.3
Accumulated profit	274.5	305.1
Equity	**2,755.6**	**3,022.4**
Provisions for pensions and similar obligations	–	9.1
Tax provisions	47.1	13.7
Other provisions	353.0	391.5
Provisions	**400.1**	**414.4**
Liabilities	**5,300.3**	**4,836.2**
Deferred income	**1.5**	**0.2**
TOTAL LIABILITIES AND EQUITY	**8,457.5**	**8,273.2**

EARNINGS POSITION

At €152.7 million, revenues of K+S Aktiengesellschaft were above the level of the previous year (2021: €146.6 million). Revenues in the animal hygiene sector recorded an increase of 20%. Revenues generated in IT decreased by 1% and other revenues recorded a decline of 6%.

In particular, higher personnel costs as a result of increases in remuneration under collective bargaining agreements and non-tariff agreements, as well as an inflation compensation premium, and increased IT costs resulted in an increase in the cost of sales of the services rendered to generate revenues from €145.3 million in 2021 to €168.7 million. Furthermore, the cost of sales in the animal hygiene sector increased in the year under review.

Other operating income decreased significantly by €89.5 million to €86.9 million (2021: €176.4 million). This was mainly attributable to lower income from currency translation and lower income from the reversal of provisions. Furthermore, income from hedging transactions recorded a decline.

Other operating expenses decreased from €292.6 million to €163.7 million. This was mainly due to significantly lower allocations to provisions for decommissioned plants, expenses from currency translation, and consulting costs. Expenses for pensions developed in the opposite direction.

The net income from investments decreased from €1,479.8 million in 2021 to € 877.5 million in 2022. The profit transfer of K+S Minerals and Agriculture GmbH increased from €114.9 million in 2021 to €875.1 million in 2022. Further income from investments resulted from the profit transfer of K+S Versicherungsvermittlungs GmbH of €1.6 million (2021: €1.4 million) and K+S Beteiligungs GmbH of €0.4 million (2021: €1.1 million). The expenses from loss absorption relate to K+S Holding GmbH (2021: income: €1,361.4 million).

As part of other interest and similar income, interest and other income from securities and interest income from income taxes in particular resulted in an increase from €4.4 million in 2021 to €8.4 million in 2022.

Mainly as a result of lower interest expense for bonds issued, interest and similar expenses decreased from €116.8 million to €47.6 million. The decline was also attributable to lower expenses from bond buy-backs, the compounding of provisions, and interest expenses for taxes for earlier years.

Tax on income increased significantly from €68.2 million to €400.1 million. In relation to earnings before tax (2022: €1,220.6 million; 2021: €705.1), the low taxes in 2021 are mainly due to the fact that the profit transfer of K+S Holding GmbH included high tax-free profits from the sale of the American salt activities as well as tax-neutral reversals of impairment losses on the carrying amounts of investments. By contrast, in 2022, the earnings of K+S Minerals and Agriculture GmbH attributable for tax purposes were significantly higher compared with the profit transfer under commercial law, in particular due to valuation differences in mining provisions. **B.61**

FINANCIAL POSITION

Non-current assets decreased by €3.4 million to €6,359.7 million (2021: €6,363.1 million). As a result, non-current assets accounted for 77% of total assets (2021: 75%). Overall, total assets recorded a deviation of €–184.3 million to €8,273.2 million in the 2022 financial year. Current assets decreased by €169.2 million to €1,909.5 million (2021: €2,078.7 million). Mainly due to lower receivables from profit transfers, receivables from affiliated companies decreased from €1,626.3 million in the previous year to €1,035.2 million in the past financial year. An opposite effect, with an increase of €391.3 million from €274.5 million in 2021 to €665.8 million in 2022, was recorded for securities.

At €3,022.4 million, equity is significantly above the level of the previous year (2021: €2,755.6 million). The equity ratio was 37% at the reporting date (2021: 33%). Liabilities to affiliated companies amounting to €4,069.9 million (2021: €4,067.4 million) mainly comprised cash pool liabilities.

In the 2022 financial year, there was a decrease of €464.1 million in all liabilities to €4,836.2 million (2021: €5,300.3 million), mainly due to the repayment of bonds. As of the reporting date, the Company reported provisions of €414.4 million, most of which were non-current items. The Company was financed to a considerable extent from funds available on a long-term basis. **B.63**

EMPLOYEES

K+S Aktiengesellschaft had an average of 790 employees during the year (2021: 814 employees). The share of women was 39% and the share of men 61% (2021: 37% women, 63% men). This included 27 trainees (2021: 32 trainees). The total number of occupational accidents (TIs) was 11 (2021: 6), with a first-aid book rate (TI rate) of 10.9 (2021: 5.5) and "lost time accidents per million hours worked" rate (LTI rate) of 2.0 (2021: 0.9). The proportion of severely disabled employees in 2022 was 4.7%, below the previous year's level (2021: 5.3%).

DIVIDEND

K+S Aktiengesellschaft reports an accumulated profit of €305.1 million for the 2022 financial year (2021: €274.5 million). For the 2022 financial year, the Board of Executive Directors and the Supervisory Board intend to propose a dividend in the amount of €1.00 per share to the Annual General Meeting on May 10, 2023, and to allocate the remaining amount of €113.7 million to retained earnings. **B.64**

Report on expected developments,
Shareholders' participation in the success of the Company

APPROPRIATION OF PROFITS **B.64**

in € million	2021	2022
Dividend per share (€)	0.20	1.00
Total dividend payout based on 191,400,000 no-par value shares eligible for dividend payment	38.3	191.4
Transfer to retained earnings	236.2	113.7
Accumulated profit	**274.5**	**305.1**

RESEARCH AND DEVELOPMENT

Comprehensive information on the research and development activities of the K+S Group, which mainly relate to the affiliated companies with operating activities, can be found from page 62 onwards.

RISKS AND OPPORTUNITIES

The business development of K+S Aktiengesellschaft is essentially exposed to the same risks and opportunities as the K+S Group. K+S Aktiengesellschaft participates in the risks and opportunities of its shareholdings and subsidiaries in proportion to its respective shareholding. Further information can be found in the 'Report on risks and opportunities' from page 120 onwards.

The description of the internal control system with regard to the accounting process of K+S Aktiengesellschaft (Sec. 289 (4) HGB) can be found on page 113.

EVENTS AFTER THE BALANCE SHEET DATE

The 'Events after the balance sheet date' for the K+S Group and K+S Aktiengesellschaft can be found on page 137.

REPORT ON EXPECTED DEVELOPMENTS

The earnings development of K+S Aktiengesellschaft is mainly dependent on the performance of the subsidiaries. The development of business expected for the K+S Group can be found in the 'Report on expected developments' starting on page 138.

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

We hereby declare that, to the best of our knowledge, the consolidated financial statements and the annual financial statements of K+S Aktiengesellschaft provide a true and fair view of the net assets, financial, and earnings position of the Group and K+S Aktiengesellschaft, respectively, in accordance with the applicable financial reporting framework and that the combined management report includes a fair review of the development and performance of the business and the position of the Group and K+S Aktiengesellschaft, respectively, together with a description of the principal opportunities and risks associated with the expected development of the Group and K+S Aktiengesellschaft.

Kassel (Germany), March 14, 2023

K+S Aktiengesellschaft
The Board of Executive Directors

FORWARD-LOOKING STATEMENTS

This report contains statements and forecasts relating to the future development of the K+S Group and its companies. The forecasts represent assessments that we have made on the basis of all the information available to us at the present time. Should the assumptions on which the forecasts are based prove to be incorrect or risks – such as those mentioned in the risk report – materialize, actual developments and results may differ from current expectations. The Company assumes no obligation to update the statements contained in this management report beyond the disclosure requirements stipulated by law.

REMUNERATION REPORT

C

REMUNERATION REPORT

In the following remuneration report, the remuneration granted and owed to the current and former members of the Board of Executive Directors and the Supervisory Board of K+S Aktiengesellschaft in the 2022 financial year is presented individually. For the purpose of a more precise understanding and better classification of the following information, the basic features of the remuneration systems as well as the specific structure of the individual components are explained. This report meets the requirements under Section 162 of the German Stock Corporation Act (Aktiengesetz, AktG). The Supervisory Board of K+S Aktiengesellschaft has resolved to have the content of the remuneration report audited by the auditors beyond the requirements of Section 162 (3), Sentences 1 and 2 AktG. You can also find detailed information about the remuneration systems for the members of the K+S Aktiengesellschaft Board of Executive Directors and Supervisory Board on the Company's website.

www.kpluss.com/remuneration

REVIEW OF FINANCIAL YEAR'S EVENTS

CHANGES WITHIN THE BOARD OF EXECUTIVE DIRECTORS AND SUPERVISORY BOARD

The Supervisory Board of K+S Aktiengesellschaft reached a mutual agreement with the previous Chief Financial Officer, Mr. Thorsten Boeckers, to terminate Mr. Boeckers's service agreement at the end of February 2022. In this connection, a termination agreement was entered into by Mr. Boeckers and K+S Aktiengesellschaft, governing the arrangements for settling his contractual claims. The severance payment amounts to 3.4 times the standard annual target remuneration plus pension commitments.

The Supervisory Board of K+S Aktiengesellschaft and Mr. Holger Riemensperger have mutually agreed on a separation, as Mr. Riemensperger will take on new challenges in another company. A termination agreement was concluded between Mr. Riemensperger and K+S Aktiengesellschaft. His mandate as a member of the Board of Executive Directors ended on February 28, 2023. No severance payment was agreed upon. The non-competition clause was reduced to one year, corresponding to an equivalent value of €440 thousand.

Mr. Lars Halbleib was appointed by the court as a member of the Supervisory Board as of August 12, 2022. He succeeded Mr. Axel Hartmann, who resigned from the Supervisory Board of K+S Aktiengesellschaft on May 31, 2022 for reasons of retirement.

RESOLUTION TO APPROVE THE REMUNERATION SYSTEM FOR THE BOARD OF EXECUTIVE DIRECTORS

The Supervisory Board passed a resolution prepared by the Personnel Committee to approve the current system of remuneration for members of the K+S Aktiengesellschaft Board of Executive Directors in accordance with Sections 87 (1) and 87a (1) AktG. This system was approved with the requisite majority (78.85%) by the Annual General Meeting on May 12, 2021. The Remuneration report was approved by the Annual General Meeting on May 12, 2022, with 61.60% of the votes cast.

As part of its analysis of the votes cast at the Annual General Meeting and taking into account feedback from discussions with investor representatives, the Supervisory Board again intensively considered the remuneration system for the Board of Executive Directors and is, therefore, proposing a change to the remuneration system to the Annual General Meeting. For further information, please turn to page 157 (Outlook for changes to the remuneration of the Board of Executive Directors).

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS

OVERVIEW OF THE REMUNERATION SYSTEM

The remuneration system for the Board of Executive Directors of K+S Aktiengesellschaft has a key role in supporting the Company's corporate strategy and contributes to the long-term development of the K+S Group. Our goal is to support the successful and sustainable corporate governance of K+S by linking parts of the remuneration of the members of the Board of Executive Directors to the achievement of both short- and long-term goals, measured in terms of the development of the Company.

Financial as well as non-financial performance criteria are used to determine the payment of variable remuneration components. For instance, the short-term incentive (STI) is influenced by the performance factor, which acts as a multiplier for the STI and is primarily calculated based on the achievement of agreed goals from the corporate strategy. The long-term incentive (LTI), 50% of which is linked to the achievement of non-financial sustainability goals, focuses more on long-term corporate governance. Another 50% of the long-term incentive is based on the share price performance, providing an incentive to increase the value of the Company on a long-term and sustainable basis.

The criteria for the appropriateness of remuneration include, in particular, the responsibilities and performance of the Board of Executive Directors, a comparison with senior executives in Germany, and the total workforce in Germany, as well as the financial situation, success, and future prospects of the Company relative to its comparable peers (MDAX).

REMUNERATION STRUCTURE AND COMPONENTS

The remuneration for the members of the Board of Executive Directors consists of annual components and those with a long-term incentive character. The annual remuneration components include both non-performance-related – fixed – and performance-related – variable – components. The non-performance-related components consist of fixed remuneration, non-cash, and other benefits, as well as pension commitments. The variable performance-related portion consists of two components each: the bonus (STI and performance factor) as well as two variable remuneration components, based on key indicators, with a long-term incentive character (LTI I and LTI II).

The target total remuneration is defined as fixed remuneration + bonus (STI) + long-term incentives (LTI I and LTI II). Fixed remuneration has a share of 37% of this sum, variable short-term incentive (STI) remuneration 25%, and variable long-term incentive (LTI) remuneration 38%. This ensures that the share of variable remuneration based on the achievement of long-term targets exceeds the share of variable remuneration for short-term targets. Variable remuneration has a relative share of 40% of the target annual remuneration [fixed remuneration + bonus (STI)], while fixed remuneration has a share of 60%.

The agreements with all members of the Board of Executive Directors contain **clawback clauses**, which are described on page 156.

Table **C.1** below shows the individual target remuneration for the members of the Board of Executive Directors during the financial year as well as the relative shares of each remuneration component in the target remuneration and the relative shares of variable remuneration in the annual remuneration. Remuneration components are prorated if a member joins or leaves the Board of Executive Directors during the year.

FIXED REMUNERATION AND FRINGE BENEFITS

Fixed, basic remuneration not related to performance is paid monthly. Additionally, the members of the Board of Executive Directors receive fringe benefits, in particular contributions to pension, health, and long-term care insurance as well as non-cash remuneration, which consists mainly of the use of company cars. In addition, the members of the Board of Executive Directors are covered by directors and officers liability insurance (D&O insurance) with the legally required deductible as well as accident insurance.

2022 TARGET REMUNERATION — **C.1**

	Members of the Board of Executive Directors in office as of December 31, 2022						Members of the Board of Executive Directors who left during the 2022 financial year		
	Dr. Burkhard Lohr Chairman Board member since 06/2012			Holger Riemensperger Board member since 04/2021			Thorste Boeckers Board member from 05/2017 to 02/2022		
	2022			2022			2022[1]		
	in € thousand	in %	in %	in € thousand	in %	in %	in € thousand	in %	in %
Fixed remuneration	825.0	37	60	550.0	37	60	91.7	49	59
One-year variable remuneration									
– STI (2022)	570.0	25	40	380.0	25	40	63.3	34	41
Annual remuneration	**1,395.0**		**100**	**930.0**		**100**	**155.0**		**100**
Multi-year variable remuneration									
– LTI (2022–2024)	855.0	38		570.0	38		30.7	17	
2022 target remuneration	**2,250.0**	**100**		**1,500.0**	**100**		**186.7**	**100**	

[1] Pro rata.

The Chairman of the Board of Executive Directors receives 1.5 times the remuneration of an ordinary member of the Board of Executive Directors.

PERFORMANCE-RELATED REMUNERATION COMPONENTS

The performance-related remuneration components have two elements. The short-term incentive (STI) relates to the current financial year and, at 40%, comprises the smaller part of variable remuneration. It is calculated based on achievement of the K+S Group's planned EBITDA and of targets agreed between the entire Board of Executive Directors and the Supervisory Board. At 60%, the long-term incentive (LTI) comprises the more significant part and consists of two equally weighted components. One component (LTI I) has been measured by the achievement of sustainability targets. The second component (LTI II) is based on share price performance. Both components are measured over a three-year period. The Chairman of the Board of Executive Directors receives 1.5 times the remuneration of an ordinary member of the Board of Executive Directors.

SHORT-TERM INCENTIVE (STI)

The STI is calculated based on achievement of the K+S Group's EBITDA set in the annual planning and of targets agreed between the entire Board of Executive Directors and the Supervisory Board. EBITDA is a key performance indicator for gauging the profitability of the K+S Group and, as a performance criterion, it helps to promote the Company's business strategy. If the EBITDA value of the annual planning approved by the Supervisory Board is achieved, the level of achievement for this first STI component is deemed to be 100%. If the actual EBITDA exceeds or falls short of the planned EBITDA, the percentage rate of target achievement increases or decreases in a straight line by the same percentage. The maximum target achievement is 200% and the minimum achievement is 0%. The Supervisory Board has no discretion to influence target achievement.

The Supervisory Board signs a target agreement with the entire Board of Executive Directors at the start of each financial year and this agreement acts as a second component of the STI. The key targets for the financial year are presented in table **C.2**. After the end of the relevant financial year, the Supervisory Board determines a performance factor for the entire Board of Executive Directors. This serves as the STI multiplier. The performance factor is between 0.8 and 1.2. If members leave before year end, the level of target achievement is usually assumed to be 100% if a reliable estimation is not yet available. As a rule, the targets agreed with the Board of Executive Directors also include strategic targets, such as implementing of the measures defined in the **climate strategy** and a financial strategy for safeguarding a lasting investment grade rating.

OBJECTIVES AND TARGET ACHIEVEMENT 2022 — C.2

OBJECTIVE	TARGET ACHIEVEMENT
Shaping the transformation process in the Board of Executive Directors	Achieved
Implementation of the first measures in the climate strategy	Achieved
Positioning of all facilities to be competitive even in adverse market conditions	Not fully achieved
Ensure future-proof top management	Not fully achieved
Financial strategy for safeguarding a lasting investment grade rating	Overachieved

The STI for a given financial year is paid in April of the following year.

CALCULATION OF THE STI PAYMENT AMOUNT:

STI base amount x level of achievement based on K+S Group's EBITDA x performance factor

SHORT-TERM INCENTIVE TARGET ACHIEVEMENT

Comparing the EBITDA planned in the annual planning approved by the Supervisory Board for the 2022 financial year (€1,100 million) with the actual EBITDA attained in the 2022 financial year (€2,442.9 million) results in target achievement of 200.0%. The Supervisory Board set the performance factor for the financial year at 1.0.

Table **C.3** shows the individual payment amounts calculated for the financial year based on this data.

TARGET ACHIEVEMENT AND STI PAYMENT (2022) — C.3

Members of the Board of Executive Directors in office as of December 31, 2022	Base amount in € thousand	Target achievement in %	Payment in € thousand
Dr. Burkhard Lohr	570.0	200.0	1,140.0
Holger Riemensperger	380.0	200.0	760.0
Members of the Board of Executive Directors who left during the 2022 financial year			
Thorsten Boeckers[1]	63.3	100.0	63.3

[1] Thorsten Boeckers left the Company with effect from February 28, 2022 and his entitlements were paid out as part of his departure. The target achievement levels for K+S Group EBITDA and the performance factor had not yet been finalized at the time of his departure, so target achievement of 100% was agreed for him.

LONG-TERM INCENTIVE I (LTI I)

K+S is clearly committed to the issue of sustainability. Therefore, **LTI I**, which accounts for 50% of the long-term incentive, is linked to individual sustainability goals.

As described on page 106 of the Annual Report, the Company has defined sustainability goals in three fields of action: "Society & Employees," "Environment & Resources," and "Business Ethics & Human Rights." One target was selected from each of these fields of action for the three-year LTI I. Values from Company planning were set as the benchmark for target achievement in each case. The selected targets apply to the 2020–2022, 2021–2023, and 2022–2024 LTI programs, and will be paid for the first time in 2023 for the 2020–2022 program.

Reducing the lost-time incident rate was chosen as a target for the "Society & Employees" field of action and comes from the "Health & Safety" category. The "Environment & Resources" field goal, coming from the "Resource Efficiency" category, is to reduce saline process water from potash production in Germany, while the "Business Ethics & Human Rights" field goals is associated with the "Sustainable Supply Chains" category, which has two sub-targets of:

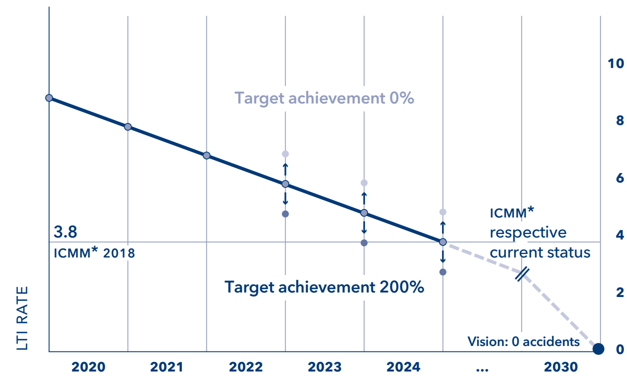
1. Maximizing the "number of critical suppliers aligned with the K+S Group Supplier Code of Conduct"
2. Increasing the "coverage of the purchasing volume by the K+S Group Supplier Code of Conduct"

The three primary targets from the three fields of action carry equal weight.

I. SOCIETY & EMPLOYEES: HEALTH & SAFETY – LOST-TIME INCIDENT RATE (LTI RATE)

The LTI rate measures working hours lost per one million hours worked. This rate is expected to be reduced by three points over a three-year period based on the 2020 starting point in order to reach 100% target achievement. If actual performance is below or above target, the percentage increases or decreases to a maximum of 200% or a minimum of 0% on a straight-line basis. C.4

SOCIETY & EMPLOYEES – LOST-TIME INCIDENT RATE (UNTIL 2024) C.4



Schematic illustration.
* International Council on Mining and Metals.

Example calculation for the LTI I program:

LTI rate 8.7 = 100% target achievement
LTI rate 10.2 = 0% target achievement
LTI rate 7.2 = 200% target achievement

TARGET ACHIEVEMENT LOST-TIME INCIDENT RATE (LTI RATE)

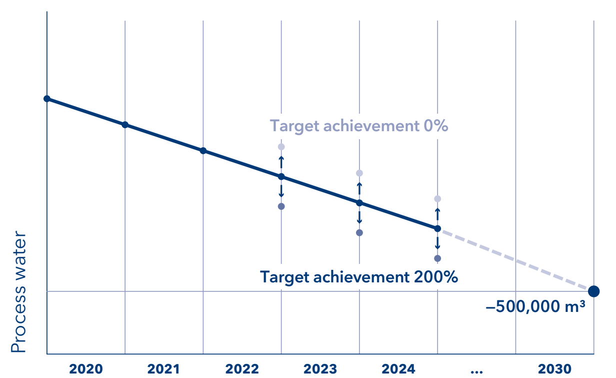
A comparison of the target value for the LTI rate (8.7) with the LTI rate actually achieved in the 2022 financial year (8.3) results in a 126.7% target achievement.

II. ENVIRONMENT & RESOURCES: RESOURCE EFFICIENCY – REDUCTION OF SALINE PROCESS WATER

In this field of action, the Company has set itself the target of generating 500,000 m³ less saline process water from potash production in Germany per year from 2030 onwards than in 2017. The remuneration for this is based on the logic of "cubic meters per tonne of product." Accordingly, a reduction of 115,385 m³ of process water must be achieved in a three-year period – assuming the production volume of 2017 – in order to achieve 100% compliance with the target (planned value).

If actual performance is below or above target (comparison of planned and actual values), the percentage increases or decreases to a maximum of 200% or a minimum of 0% on a straight-line basis. **C.5**

ENVIRONMENT & RESOURCES – PROCESS WATER (UNTIL 2024) **C.5**



Schematic illustration.

Example calculation for the LTI I program[1]:

Process water reduction –115,385 m³ = 100% target achievement
Process water reduction –57,692 m³ = 0% target achievement
Process water reduction –173,078 m³ = 200% target achievement

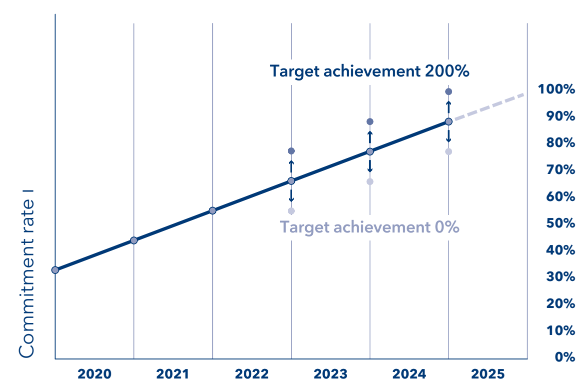
TARGET ACHIEVEMENT SALINE PROCESS WATER REDUCTION
A comparison of actual process water reduction for the 2022 financial year (–409,808 m³) with the target process water reduction (–192,308 m³) results in a 200.0% target achievement.

III. BUSINESS ETHICS & HUMAN RIGHTS: SUSTAINABLE SUPPLY CHAINS – SUPPLIER CODE OF CONDUCT
K+S calls for fair, sustainable business practices in supply chains and has established corresponding expectations and requirements in the K+S Group Supplier Code of Conduct (the Code). The target is to have a commitment rate to the Code for more than 90% of our purchasing volume by 2025 (commitment rate II). Another target is that 100% of our "critical" suppliers, in other words suppliers with a high sustainability risk, commit to the Code by 2025 (commitment rate I).

The two sub-targets in this category carry equal weight.

The achievement of a 100% target for the critical supplier recognition rate requires an increase in the recognition rate of 33.3 percentage points over a three-year period (planned value). If actual performance is below or above target (comparison of planned and actual values), the percentage increases or decreases to a maximum of 200% or a minimum of 0% on a straight-line basis. **C.6**

BUSINESS ETHICS & HUMAN RIGHTS – SUSTAINABLE SUPPLY CHAINS (UNTIL 2024) CRITICAL SUPPLIERS **C.6**



Schematic illustration.

Example calculation for the LTI I program:

Commitment rate I 66.6% = 100% target achievement
Commitment rate I 50.0% = 0% target achievement
Commitment rate I 83.3% = 200% target achievement

[1] Assumption: production volume in 2017.

A 100% target achievement in purchasing volume coverage requires an increase in the recognition rate presented in the diagram below over a three-year period (plan value). Since the expectation is that the commitment rate will increase at a faster pace at the beginning than at subsequent stages, the shape of the curve is digressive. If actual performance is below or above target (comparison of planned and actual values), the percentage increases or decreases to a maximum of 200% or a minimum of 0%. **C.7**

BUSINESS ETHICS & HUMAN RIGHTS – SUSTAINABLE SUPPLY CHAINS (UNTIL 2024) SPEND COVERAGE **C.7**

Schematic illustration.

Example calculation for the LTI I program:

Commitment rate II 79.0% = 100% target achievement
Commitment rate II 62.0% = 0% target achievement
Commitment rate II 96.1% = 200% target achievement

Payment for LTI I is made in April of the year following the end of the program. In the event of termination of a service agreement or reaching retirement age, a discounted pro-rata payment for all current tranches is generally made in April of the following year.

TARGET ACHIEVEMENT SUSTAINABLE SUPPLY CHAINS – SUPPLIER CODE OF CONDUCT

The target value for commitment rate I of 66.6% compared with the actual commitment rate I of 89.6% results in 200.0% target achievement.

The target value for commitment rate II of 79.0% compared with the actual commitment rate II of 84.5% results in 132.2% target achievement.

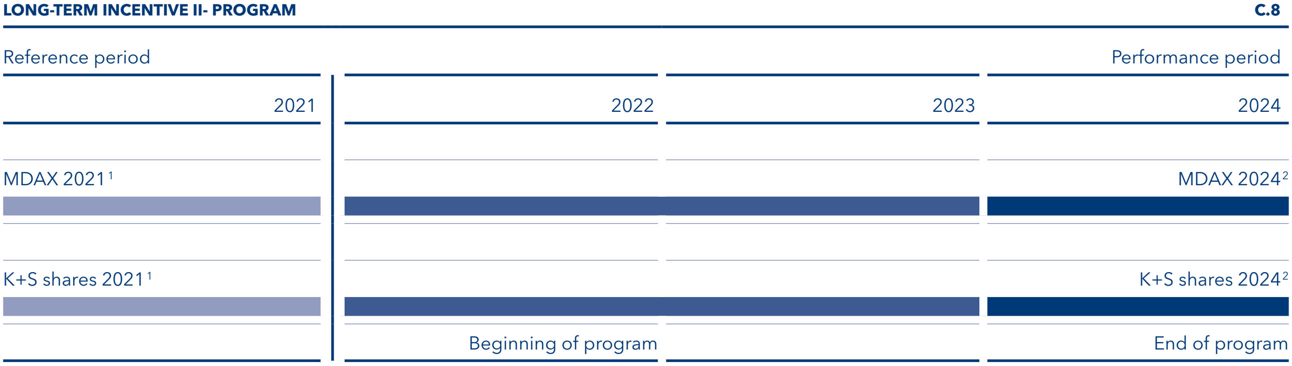
Table **C.10** presents individual payment amounts for LTI 1 resulting from the sustainability KPIs in the reporting period.

LONG-TERM INCENTIVE II (LTI II)

LTI II is based on the K+S share price performance compared with the performance of the MDAX. The MDAX performance index is used for the calculation while ensuring comparability. If the K+S share price performance is equal to the performance of the MDAX during the reference period, target achievement is 100%. If the price performance of K+S shares exceeds or falls short of the performance of the MDAX, the percentage rate of target achievement increases or decreases on a straight-line basis by the same percentage. The maximum target achievement is 200% and the minimum achievement is 0%. **C.8**

Payment of LTI II is made in April of the year following the end of the program. In the event of termination of a service agreement or reaching retirement age, a discounted pro-rata payment for all current tranches is generally made in April of the following year.

LONG-TERM INCENTIVE II- PROGRAM **C.8**



[1] Average for the stock-market year; reference base.
[2] Average for the stock-market year 2024; reference base for comparison of performance with 2021.

TARGET ACHIEVEMENT AND PAYMENT FOR LONG-TERM INCENTIVE II (2020–2022) C.9

Members of the Board of Executive Directors in office as of December 31, 2022	Base amount in € thousand	Target achievement in %	Payment in € thousand
Dr. Burkhard Lohr	427.5	138.0	590.0
Holger Riemensperger	–	–	–
Members of the Board of Executive Directors who left during the 2022 financial year			
Thorsten Boeckers[1]	205.4	100.0	205.4

[1] Thorsten Boeckers left the Company with effect from February 28, 2022 and his entitlements were paid out as part of his departure. The levels of achievement for the LTI program (2020 – 2022) had not yet been finalized at the time of his departure, so target achievement of 100 % was agreed for LTI II.

TARGET ACHIEVEMENT FOR LONG-TERM INCENTIVE II (2020 – 2021)

The target value for K+S shares at a 100% target achievement was €16.68 per share. The average price on which this performance calculation is based was €23.03 per share, resulting in a target achievement of 138.0%. Table **C.9** shows the individual payment amounts calculated for the financial year based on this data.

REMUNERATION GRANTED AND OWED

Table **C.10** below shows the remuneration granted and owed during the financial year to current members of the Board of Executive Directors or members who left during the financial year, in either case provided that their service had already been performed in full as of December 31.

REMUNERATION GRANTED AND OWED TO THE BOARD OF EXECUTIVE DIRECTORS C.10

	Members of the Board of Executive Directors in office as of December 31, 2022								Members of the Board of Executive Directors who left during the 2022 financial year			
	Dr. Burkhard Lohr Chairman Board member since 06/2012				Holger Riemensperger Board member since 04/2021				Thorsten Boeckers[1] Board member from 05/2017 to 02/2022			
	2022		2021		2022		2021		2022		2021	
	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Fixed remuneration	825.0	25	825.0	35	550.0	42	412.5	38	91.7	2	550.0	35
Fringe benefits	28.5	1	46.9	2	16.6	1	12.7	1	3.4	0	16.0	1
Total	**853.5**	**26**	**871.9**	**37**	**566.6**	**43**	**425.2**	**39**	**95.1**	**2**	**566.0**	**36**
One-year variable remuneration												
– STI (2022)	1,140.0	35	–	–	760.0	57	–	–	63.3	1	–	–
– STI (2021)	–	–	1,318.1	55	–	–	659.0	61	–	–	878.7	56
Multi-year variable remuneration												
– LTI (2020 – 2022)	1,292.3	39	–	–	–	–	–	–	410.8	7	–	–
– LTI (2019 – 2021)	–	–	185.1	8	–	–	–	–	–	–	123.4	8
– LTI (2018 – 2020)	–	–	–	–	–	–	–	–	–	–	–	–
Sum	**2,432.3**	**74**	**1,503.2**	**63**	**760.0**	**57**	**659.0**	**61**	**474.1**	**8**	**1,002.1**	**64**
Miscellaneous[2]	–	–	–	–	–	–	–	–	5,092.1	90	–	–
Total	**3,285.8**	**100**	**2,375.1**	**100**	**1,326.6**	**100**	**1,084.2**	**100**	**5,661.3**	**100**	**1,568.1**	**100**

[1] Excluding the severance payment to Mr. Boeckers, the ratio between fixed and variable compensation components would be 17% and 83%, respectively.
[2] Mr. Thorsten Boeckers left the Board of Executive Directors effective February 28, 2022 and his entitlements were paid out as part of his departure. The target achievement levels for the LTI (2021–2023) and LTI (2022–2024) programs had not yet been defined at the time of his departure, so target achievement of 100% was agreed for him. This resulted in the following payments: LTI (2021–2023) €220.7 thousand and LTI (2022–2024) €30.7 thousand. For the remaining term of his original service agreement from March 1, 2022 to May 11, 2025, he received the following remuneration: fixed remuneration of €1,755.7 thousand (around 36%), fringe benefits of €49.3 thousand (around 1%), one-year variable remuneration (STI) of €1,213.1 thousand (around 25%), long-term incentive program €1,822.7 thousand (around 38%).

MAXIMUM REMUNERATION

The maximum remuneration in accordance with Section 87a (1) Sentence 2 No. 1 AktG is calculated by adding together all maximum remuneration components; it comprises the fixed salary, the cap on fringe benefits, the cap on the bonus (STI), the cap on long-term variable remuneration components (LTI I and LTI II), as well as estimated service costs. The variable remuneration elements (STI and LTI) are each capped at 200% of the base amount. The Supervisory Board has set a maximum remuneration of €3,500 thousand for ordinary members and €5,250 thousand for the Chairperson for service agreements signed after December 8, 2020. The service agreement for Dr. Burkhard Lohr was entered into prior to this date. The remuneration granted and owed to Mr. Holger Riemensperger during the financial year, including service costs, came to €1,767.2 thousand, which was below the maximum remuneration.

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS

The following comparison illustrates the annual change in the remuneration granted and owed to current members of the Board of Executive Directors and members who left during a financial year, the earnings of K+S Aktiengesellschaft, and the annual change in the average remuneration for employees in Germany on a full-time equivalent basis for the last five years. **C.11**

PENSION COMMITMENTS

The pensions of the active members of the Board of Executive Directors are based on a modular system, i.e., a pension module is created for each year of service as a member of the Board of Executive Directors.

For member agreements signed after December 8, 2020, the basis for calculating the pension modules is 20% of the fixed remuneration of the relevant member of the Board of Executive Directors. For agreements signed prior to this date, the basis for the calculations is 40% of the fixed remuneration. The amount is calculated in accordance with actuarial principles and set aside for retirement; the factors for the creation of the 2022 modules for the members of the Board of Executive Directors are between 9.0% and 16.0%, depending on their age. These factors decline with increasing age. The individual pension modules earned during the respective financial years are totaled and, when the insured event occurs, the respective member of the Board of Executive Directors or, if applicable, his or her surviving dependents, receive the benefit to which they are entitled. There is an upper limit on the total annual pension under this modular system, to avoid disproportionately high pensions resulting from long periods of service (> 15 years). Following a regular review in 2019, the upper limit for the Chairman of the Board of Executive Directors is €340 thousand and €255 thousand for each other member of the

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS FOR MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS **C.11**

	2022	2021	2022 vs. 2021 change		2021 vs. 2020 change		2020 vs. 2019 change		2019 vs. 2018 change		2018 vs. 2017 change	
	in € thousand	in € thousand	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Remuneration granted and owed to members of the Board of Executive Directors in office as of December 31, 2022												
Dr. Burkhard Lohr	3,285.8	2,375.1	910.7	38	1,085.6	84	38.0	3	25.9	2	73.8	6
Holger Riemensperger	1,326.6	1,084.2	242.4	22	1,084.2	–	–	–	–	–	–	–
Remuneration granted and owed to members of the Board of Executive Directors who left during the financial year												
Thorsten Boeckers (until Feb. 2022)	5,661.3	1,568.1	4,093.2	261	721.0	85	20.4	2	8.5	1	303.7	59
Employees												
Average employee remuneration in Germany	78.1	78.3	–0.2	0	5.3	7	–0.4	0	3.5	5	–0.1	0
Earnings												
K+S AG net income (in € million)	1,508.3	1,152.4	355.9	31	1,755.8	–291	–891.6	–309	213.7	287	186.9	–166
K+S Group EBITDA (in € million)[1]	2,422.9	1,067.3	1,355.6	127	800.4	300	–143.5	–35	–195.9	–32	29.6	5

[1] Change in presentation of reversals of mining provisions recognized in the income statement in the 2022 financial year. For comparability, this change in presentation was also applied to the 2021 financial year (EBITDA 2021 without change: €969.1 million).

Board. The values are reviewed every three years and adjusted if necessary – this has been done with effect from January 1, 2023. For further information, please refer to page 157 (Outlook for changes to the remuneration of the Board of Executive Directors). Pension benefits are only adjusted in line with the change in the "Consumer Price Index for Germany" upon payment. Pension agreements are subject to the legal provisions concerning the vesting of pension entitlements.

For pension entitlements not covered by the Pension Protection Association, the Company purchases reinsurance policies for the members of the Board of Executive Directors concerned, which are pledged to them in case the Company becomes insolvent.

If the term of office of a member of the Board of Executive Directors ends before the member has reached 60 years of age, the retirement pension starts upon reaching the age of 65 unless it is to be paid on the basis of an occupational or general disability or as a surviving dependent's pension in the event of death. In the event of an occupational or general disability of a member of the Board of Executive Directors prior to reaching pension age, the respective member receives a disability pension commensurate with the pension modules created up to the time the disability occurs. If disability occurs before the age of 55, modules are notionally created on the basis of a minimum value for the years missing up to the age of 55. In the event of the death of an active or former member of the Board of Executive Directors, the surviving spouse receives 60%, each orphan 30%, and each half-orphan 15% of the benefit. The maximum amount of the benefits awarded to surviving dependents may not exceed 100% of the pension payment. If this amount is reached, the benefit is reduced proportionately. If a member of the Board of Executive Directors retires at the age of 60, entitlements can already be claimed in accordance with the pension commitment at that time.

In 2022, the amounts shown in **C.12** were allocated to pension provisions for members of the Board of Executive Directors.

The pension module earned by each of the members of the Board of Executive Directors in 2022 gives rise to pension expenses, which are calculated in accordance with actuarial principles.

TERMINATION OF AGREEMENTS WITH THE BOARD OF EXECUTIVE DIRECTORS

If an appointment as a Board member is revoked, the member of the Board of Executive Directors usually receives, at the time of termination, a severance payment of 1.5 times the fixed remuneration, up to a maximum of the total remuneration for the remaining term of the service agreement.

In the event of early termination of an agreement with a member of the Board of Executive Directors as a result of a takeover **("change of control")**, the fixed remuneration and bonuses outstanding until the end of the original term of the appointment will be paid plus a compensatory payment, unless there are reasons justifying a termination of the respective agreement without giving notice. The STI is calculated on the basis of the average of the preceding two years. The LTI is calculated pro rata on the basis of the relevant extrapolation or planning. The compensatory payment is 1.5 times the annual fixed remuneration. In addition, there is an upper limit for severance payments, which specifies that entitlements arising from the "change of control" clause in existing service agreements may not exceed the value of the combined annual remuneration for three years. This arrangement was amended to make the **combined annual remuneration for two years** the upper limit for service agreements signed after December 8, 2020. This upper limit is calculated on the basis of the total compensation for the financial year immediately preceding the departure. In the event of a change of control, members of the Board of Executive Directors enjoy no extraordinary right to terminate their agreement.

For the term of the service agreement and the subsequent two years after its termination, the member of the Board of Executive Directors undertakes not to work in any way for a competitor company of K+S or a company affiliated with K+S without the approval

PENSIONS OF THE MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS[1] **C.12**

in € thousand		Age	Fair value as of Jan. 1	Pension expenses (service cost)[2]	Fair value as of Dec. 31
Members of the Board of Executive Directors in office as of December 31, 2022					
Dr. Burkhard Lohr	2022	59	8,669.3	1,148.0	6,422.0
Holger Riemensperger	2022	52	344.4	440.6	416.1
Members of the Board of Executive Directors who left during the financial year					
Thorsten Boeckers[3]	2022	47	5,413.7	181.2	3,583.0

[1] Information provided in accordance with IFRS.
[2] Corresponds to the value to be recognized under IFRS without interest expense and does not represent an inflow.
[3] Includes pension entitlements from his time as Head of Investor Relations of K+S Aktiengesellschaft (total entitlement).

of K+S or to participate directly or indirectly in such a company or to conduct business for his or her own account or for the account of third parties in the business fields of K+S. The **post-contractual prohibition of competition** does not apply to subordinate activities for a competitor company without reference to the previous position on the Board of Executive Directors. The post-contractual non-compete arrangement is remunerated; income from self-employment, regular employment, or other gainful employment is offset. K+S may waive the non-competition clause prior to the expiry of the agreement with a notice period of six months.

CLAWBACK CLAUSE

The service agreements of all members of the Board of Executive Directors contain clawback clauses. If there is a serious violation of legal requirements or of obligations arising from the Company's Articles of Association or from the Board member's agreement of service, the Company has the right to demand back or retain any LTI tranches (LTI I and LTI II) that are current at the time of the violation. The clawback option was not used in the 2022 financial year.

OTHER

For the members of the Board of Executive Directors, the Supervisory Board has introduced an age limit set at the age of 65.

The members of the Board of Executive Directors were not promised or granted benefits by third parties for their work as executive directors during the reporting period – nor did they receive any loans. Apart from the service agreements mentioned, there are no contractual relationships between the Company or its Group companies and members of the Board of Executive Directors or persons closely related to them.

REMUNERATION GRANTED AND OWED TO FORMER MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

A severance agreement was concluded between Mr. Boeckers and K+S Aktiengesellschaft, in which the settlement of the remaining term of his original service agreement from March 1, 2022 to May 11, 2025 was regulated.

Table **C.13** below presents the remuneration granted and owed to former members of the Board of Executive Directors during the 2022 financial year in accordance with Section 162 (1) Sentence 1 AktG. Unless otherwise stated, these are pension payments. In accordance with Section 162 (5) AktG, personal details were not included for Board members whose last role on a governing body of K+S Aktiengesellschaft ended before the 2013 financial year.

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS

REMUNERATION GRANTED AND OWED TO FORMER MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS IN THE FINANCIAL YEAR 2022 **C.13**

	in € thousand	in %
Dr. Thomas Nöcker Member of the Board of Executive Directors until Aug. 2018	291.2	100
Norbert Steiner Chairman of the Board of Executive Directors until May 2017	354.6	100
Gerd Grimmig Member of the Board of Executive Directors until Sep. 2014	232.3	100
Dr. Ralf Bethke Chairman of the Board of Executive Directors until June 2007/ Chairman of the Supervisory Board until May 2017	287.2	100

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS FOR FORMER MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS **C.14**

	2022	2021	2022 vs. 2021 change		2021 vs. 2020 change		2020 vs.2019 change		2019 vs. 2018 change		2018 vs. 2017 change	
	in € thousand	in € thousand	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Remuneration granted and owed to former members of the Board of Executive Directors												
Thorsten Boeckers (until February 2022)	5,661.3	–	5,661.3	–	–	–	–	–	–	–	–	–
Mark Roberts (until April 2021)	–	3,600.4	–3,600.4	–100	3,600.4	–	–	–	–	–	–	–
Dr. Thomas Nöcker (until August 2018)	291.2	285.1	6.1	2	–233.3	–45	–110.7	–18	420.6	202	208.5	–
Norbert Steiner (until May 2017)	354.6	345.7	8.9	3	–10.6	–3	–4.8	–1	6.7	2	131.7	59
Gerd Grimmig (until September 2014)	232.3	225.3	7.0	3	1.1	0	3.1	1	–20.8	–9	2.4	1
Dr. Ralf Bethke (until June 2007)	287.2	278.6	8.6	3	1.4	1	3.9	1	5.0	2	4.7	2
Employees												
Average employee remuneration in Germany	78.1	78.3	–0.2	0	5.3	7	–0.4	0	3.5	5	–0.1	0
Earnings												
K+S AG net income (in € million)	1,508.3	1,152.4	355.9	31	1,755.8	–291	–891.6	–309	213.7	287	186.9	–166
K+S Group EBITDA (in € million)[1]	2,422.9	1,067.3	1,355.6	127	800.4	300	–143.5	–35	–195.9	–32	29.6	5

[1] Change in presentation of reversals of mining provisions recognized in the income statement in the 2022 financial year. For comparability, this change in presentation was also applied to the 2021 financial year (EBITDA 2021 without change: €969.1 million).

The comparison in **C.14** illustrates the annual change in the remuneration granted and owed to former members of the Board of Executive Directors, the earnings of K+S Aktiengesellschaft, and the annual change in the average remuneration for employees in Germany on a full-time equivalent basis for the last five years.

OUTLOOK ON CHANGES TO THE REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS

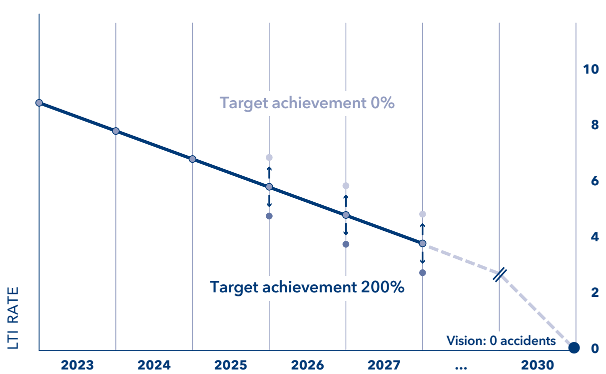
As part of the analysis of the votes cast at the Annual General Meeting, and taking into account feedback from discussions with investor representatives, the Supervisory Board again dealt intensively with the remuneration system for the Board of Executive Directors. The Supervisory Board resolved to include a **"Share Ownership Guideline"** in the service agreements of the members of the Board of Executive Directors from 2023 onwards. This obliges members of the Board of Executive Directors to invest a volume of 100% of their respective STI target remuneration amounts, based on a three-year average, in K+S shares. The build-up phase lasts three years, provided that at least 100% of the STI target remuneration amounts have been paid in at least two consecutive years. Otherwise, the build-up phase is extended by one year in each case. For the first time at the end of the build-up phase and subsequently by January 31 of the following year, the member of the Board of Executive Directors must prove, on the basis of securities account statements of his or her securities account held with a credit institution as of December 31 of each year, that at the end of each year he or she held shares in the volume of 100% of the respective STI target remuneration amounts based on a three-year average in K+S shares. The obligation to hold shares and the obligation to furnish proof exist for two years after the departure. Existing holdings of K+S shares will be credited. In the event of a violation of the "Share Ownership Guideline", an ordinary member of the Board of Executive Directors is liable to a penalty of €100 thousand (Chairman of the Board of Executive Directors €150 thousand).

Following the most recent adjustment to the remuneration of the Board of Executive Directors in 2019, a review was due. As a result, the Supervisory Board resolved a slight increase in Board of Executive Directors' remuneration with effect from January 1,

2023. The fixed, non-performance-related basic remuneration for an ordinary member of the Board of Executive Directors is to be increased from €550 thousand to €566 thousand. Furthermore, the STI is to be increased from €380 thousand to €390 thousand and the LTI from €570 thousand (LTI I and II each €285 thousand) to €590 thousand (LTI I and II each €295 thousand). The Chairman of the Board of Executive Directors receives 1.5 times and the Chief Financial Officer 1.2 times the remuneration of a regular member of the Board of Executive Directors.

From January 1, 2023, the sustainability goals for LTI I in effect until December 31, 2022 have been replaced by three new sustainability goals from the “Society & Employees,” “Environment & Resources,” and “Business Ethics & Human Rights” sustainability areas. The lost-time incident rate from the “Society & Employees” area measures the number of occupational accidents with lost time of at least 24 hours per million hours worked and is to be reduced by three points over a three-year period. As a result of the fatal work accident at the Merkers mine in August 2022, the Supervisory Board resolved to introduce a malus factor of 1.0 points in the event of a fatal work-related accident. Fatalities are not included in the definition of the LTI rate and therefore do not affect it. **C.15**

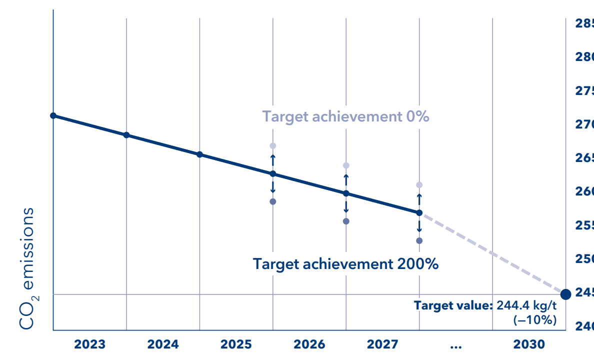
SOCIETY & EMPLOYEES – LOST-TIME INCIDENT RATE (UNTIL 2027) **C.15**



Schematic illustration.

Within the “Environment & Resources” area, specific CO_2 emissions are to be reduced from an initial value of 271.6 kg per tonne in the starting year 2020 to a target value of 254.6 kg per tonne as of December 31, 2027. The LTI value is calculated by dividing the CO_2 emissions (Scope 1 and Scope 2) of all potash and rock salt producing sites in kilograms by the primary production volume of the Hattorf, Wintershall, Unterbreizbach, Bethune, Zielitz, and Neuhof-Ellers sites. **C.16**

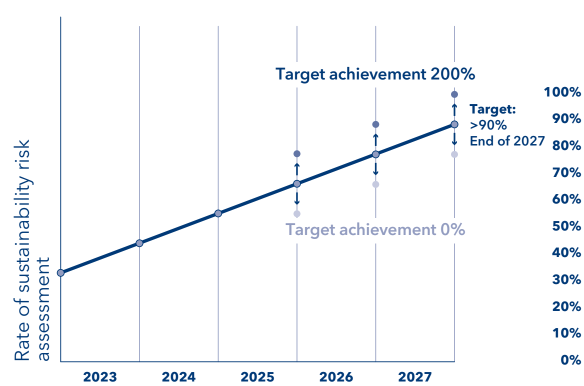
REDUCTION IN SPECIFIC CO_2 EMISSIONS **C.16**



Schematic illustration.

For the area “Business Ethics & Human Rights”, a sustainability risk assessment is to be available for more than 90% of the relevant suppliers by December 31, 2027. This includes suppliers with annual revenues of at least €5,000 whose registered office is in a country that has a relative value of ≤ 75% in the ranking of the Sustainability Development Report. Included are consolidated and non-consolidated K+S Group companies that are managed via the SAP system. **C.17**

SUPPLY CHAINS (UNTIL 2027) **C.17**



Schematic illustration.

The three targets from the three fields of action carry equal weight.

Following the regular review of the upper caps for pensions, the limit for the Chairman of the Board of Executive Directors is to be adjusted from €340 thousand to €360 thousand and for an ordinary member of the Board of Executive Directors from €255 thousand to €270 thousand with effect from January 1, 2023.

REMUNERATION OF THE SUPERVISORY BOARD

OVERVIEW OF THE REMUNERATION SYSTEM

The provisions of the remuneration system for the Supervisory Board, as established in Article 12 of K+S Aktiengesellschaft's Articles of Association, were passed at the Annual General Meeting on May 12, 2021 and were applied in full in the 2022 financial year.

REMUNERATION STRUCTURE AND COMPONENTS

An ordinary member of the Supervisory Board receives fixed annual remuneration of €65 thousand. A chair receives twice this amount and a deputy chair 1.5 times this amount.

The members of the Audit Committee receive additional annual remuneration of €20 thousand. Remuneration for membership of the Personnel Committee is €5 thousand. The members of the Nomination Committee receive further annual remuneration of €2.5 thousand if at least two meetings have taken place during the financial year. Remuneration for membership of the Strategy Committee is €15 thousand. The ESG Committee was established in 2022. Its members receive annual remuneration of €5 thousand. Each committee chair receives twice this amount and a deputy chair 1.5 times this amount. The members of the Supervisory Board are entitled to reimbursement by the Company of any expenses that are necessary and reasonable for the performance of their duties, as well as to reimbursement of any value added tax (VAT) payable as a consequence of their activities in their capacity as Supervisory Board members, if relevant.

Ms. Jella Benner-Heinacher, Prof. Dr. Elke Eller, Mr. Gerd Grimmig, Mr. Markus Heldt, and Dr. Rainier van Roessel are ordinary members of the Supervisory Board of Group subsidiary K+S Minerals and Agriculture GmbH. Dr. Andreas Kreimeyer is Chairman of the Supervisory Board of K+S Minerals and Agriculture GmbH.

An ordinary member receives annual remuneration of €5 thousand for a role on the Supervisory Board of the consolidated subsidiary K+S Minerals and Agriculture GmbH. A chair receives twice this amount and a deputy chair 1.5 times this amount. In addition, the members receive an attendance fee of €400 per meeting.

Both Supervisory Boards have a rule where any member who was only on the Supervisory Board or one of its committees for part of a year receives one-twelfth of the relevant annual remuneration for each month that began during their membership.

The remuneration of the Supervisory Board is paid at the end of the first month following the close of the financial year.

REMUNERATION GRANTED AND OWED

Table **C.18** shows the remuneration granted and owed during the financial year to current members of the Supervisory Board or members who left during the financial year, in either case provided that their underlying service had already been performed in full as of December 31.

Due to the higher numbers of in-person meetings, members of the Supervisory Board were reimbursed expenses totaling €21.2 thousand for 2022 (2021: €10.3 thousand). No other remuneration was paid to members of the Supervisory Board for services rendered personally, particularly consultancy or brokerage services, nor were any benefits granted.

In addition to the Supervisory Board remuneration, employee representatives who are employees of the K+S Group receive remuneration that is not related to activities performed for the Supervisory Board.

A member of the family of a Supervisory Board member is employed by the K+S Group. This individual's remuneration is paid in accordance with the internal remuneration guidelines of the K+S Group and corresponds to the usual remuneration of individuals in comparable positions.

REMUNERATION GRANTED AND OWED TO THE SUPERVISORY BOARD C.18

	Fixed remuneration		Audit Committee		Personnel Committee		Nomination Committee		Strategy Committee		ESG Committee		Remuneration paid by subsidiaries		Total remuneration	
	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Members of the Supervisory Board in office as of December 31, 2022																
Dr. Andreas Kreimeyer	130.0	62	20.0	10	10.0	5	5.0	2	30.0	14			13.3	6	208.3	100
Ralf Becker	97.5	71	20.0	15	5.0	4			15.0	11					137.5	100
Petra Adolph	65.0	75	20.0	23							2.1	2			87.1	100
André Bahn	65.0	81							15.0	19					80.0	100
Jella Benner-Heinacher	65.0	67	20.0	20			1.7	2			4.2	4	6.9	7	97.7	100
Philip Freiherr von dem Bussche	65.0	79					2.5	3	15.0	18					82.5	100
Prof. Dr. Elke Eller	65.0	85			5.0	7							6.9	9	76.9	100
Gerd Grimmig	65.0	87					2.5	3					7.4	10	74.9	100
Lars Halbleib (since August 12, 2022)	27.1	76	8.3	24											35.4	100
Markus Heldt	65.0	88									2.1	3	6.9	9	74.0	100
Michael Knackmuß	65.0	93			5.0	7									70.0	100
Thomas Kölbl	65.0	62	40.0	38											105.0	100
Gerd Kübler	65.0	100													65.0	100
Dr. Rainier van Roessel	65.0	89					1.0	1					7.4	10	73.4	100
Peter Trotha	65.0	97									2.1	3			67.1	100
Brigitte Weitz	65.0	100													65.0	100
Total	**1,099.6**		**128.3**		**25.0**		**12.7**		**75.0**		**10.4**		**48.8**		**1,399.8**	
Members of the Supervisory Board who left during the financial year																
Axel Hartmann (until May 31, 2022)	27.1	76	8.3	24											35.4	100
Total	**27.1**		**8.3**		**–**		**–**		**–**		**–**		**–**		**35.4**	

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS

The following comparison illustrates the annual change in the remuneration granted and owed to current and former members of the Supervisory Board, the earnings of K+S Aktiengesellschaft, and the annual change in the average remuneration for employees in Germany on a full-time equivalent basis for the last five years. **C.19**

AGE LIMIT AND MAXIMUM TERMS OF OFFICE

Candidates for the Supervisory Board may not be older than 70 at the time of election. In addition, members may serve on the Supervisory Board for a maximum of two terms of office – three in exceptional cases. This does not affect the statutory co-determination rules.

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS FOR MEMBERS OF THE SUPERVISORY BOARD **C.19**

	2022	2021	2022 vs. 2021 change		2021 vs. 2020 change		2020 vs. 2019 change[1]		2019[1] vs. 2018 change		2018 vs. 2017 change	
	in € thousand	in € thousand	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Remuneration granted and owed to members of the Supervisory Board in office at December 31, 2022												
Dr. Andreas Kreimeyer	208.3	198.3	10.0	5	–75.0	–27	51.8	23	–26.8	–11	52.3	27
Ralf Becker	137.5	137.5	0.0	0	–67.5	–33	47.5	30	–2.6	–2	38.3	31
Petra Adolph	87.1	85.0	2.1	2	–43.5	–34	25.3	24	25.1	32	78.2	–
André Bahn	80.0	80.0	0.0	0	–45.0	–36	41.3	49	14.8	22	68.9	–
Jella Benner-Heinacher	97.7	89.6	8.2	9	–41.2	–32	17.0	15	–15.1	–12	5.1	4
Philip Freiherr von dem Bussche	82.5	82.5	0.0	0	–43.3	–34	30.8	32	–18.5	–16	–2.3	–2
Prof. Dr. Elke Eller	76.9	72.1	4.9	7	–48.2	–40	23.8	25	23.3	32	73.2	–
Gerd Grimmig	74.9	74.1	0.8	1	–35.7	–32	26.0	31	14.8	22	68.9	–
Lars Halbleib (since Aug. 12, 2022)	35.4	0.0	35.4	–	–	–	–	–	–	–	–	–
Markus Heldt (since May 12, 2021)	74.0	45.4	28.6	63	45.4	–	–	–	–	–	–	–
Michael Knackmuß	70.0	70.0	0.0	0	–51.8	–43	26.0	27	–13.8	–13	5.8	6
Thomas Kölbl	105.0	105.0	0.0	0	–39.3	–27	26.0	22	–12.0	–9	49.1	60
Gerd Kübler	65.0	65.0	0.0	0	–44.8	–41	6.0	6	0.0	0	0.0	0
Dr. Rainier van Roessel	73.4	67.1	6.4	10	3.5	5	63.6	–	–	–	–	–
Peter Trotha (since August 17, 2021)	67.1	27.1	40.0	148	27.1	–	–	–	–	–	–	–
Brigitte Weitz	65.0	65.0	0.0	0	19.6	43	45.4	–	–	–	–	–
Remuneration granted and owed to members of the Supervisory Board who left in the financial year												
Axel Hartmann (until May 31, 2022)	35.4	85.0	–49.6	–58	–44.3	–34	26.8	26	–18.5	–15	–0.8	–1
Employees												
Average employee remuneration in Germany	78.1	78.3	–0.2	0	5.3	7	–0.4	0	3.5	5	–0.1	0
Earnings												
K+S AG net income (in € million)	1,508.3	1,152.4	355.9	31	1,755.8	–291	–891.6	–309	213.7	287	186.9	–166
K+S Group EBITDA (in € million)[2]	2,422.9	1,067.3	1,355.6	127	800.4	300	–143.5	–35	–195.9	–32	29.6	5

[1] Incorporates a waiver of 20% of fixed remuneration.

[2] Change in presentation of reversals of mining provisions recognized in the income statement in the 2022 financial year. For comparability, this change in presentation was also applied to the 2021 financial year (EBITDA 2021 without change: €969.1 million).

ATTENDANCE OF MEETINGS BY MEMBERS OF THE SUPERVISORY BOARD OF K+S AKTIENGESELLSCHAFT IN THE 2022 FINANCIAL YEAR C.20

Supervisory Board members	Meetings, incl. committee meetings	Total number of full Board meetings	Attendance at full Board meetings	Total number of committee meetings	Attendance at committee meetings	Attendance as a percentage of total
Dr. Andreas Kreimeyer	30	7	7	23	23	100%
Ralf Becker	24	7	7	17	16	96%
Petra Adolph	15	7	7	8	8	100%
André Bahn	10	7	7	3	3	100%
Jella Benner-Heinacher	18	7	7	11	11	100%
Philip Freiherr von dem Bussche	16	7	7	9	9	100%
Prof. Dr. Elke Eller	15	7	7	8	7	93%
Gerd Grimmig	13	7	7	6	6	100%
Lars Halbleib (since August 12)	6	4	4	2	2	100%
Axel Hartmann (until May 31)	6	3	3	3	3	100%
Markus Heldt	9	7	7	2	2	100%
Michael Knackmuß	15	7	7	8	8	100%
Thomas Kölbl	13	7	7	6	5	92%
Gerd Kübler	7	7	7	–	–	100%
Dr. Rainier van Roessel	10	7	7	3	3	100%
Peter Trotha	9	7	7	2	2	100%
Brigitte Weitz	7	7	6	–	–	86%
Total	**223**	**112**	**99%**	**111**	**97%**	**98%**

ATTENDANCE AT MEETINGS

Table **C.20** below provides an individualized overview of members' attendance of meetings of the Supervisory Board and its committees in 2022.

OUTLOOK ON CHANGES TO THE REMUNERATION OF THE SUPERVISORY BOARD

In light of the difficult economic environment, the fixed remuneration of the Supervisory Board was significantly reduced from €100 thousand to €65 thousand (–35%) effective January 1, 2021. Reflecting the improved earnings situation, the remuneration was raised to a market-based level effective January 1, 2023. At €85 thousand, however, it is below the original remuneration level.

The Chairman of the Supervisory Board receives double and a Deputy Chairman 1.5 times the remuneration of an ordinary member of the Supervisory Board.

CONSOLIDATED FINANCIAL STATEMENTS

D

INCOME STATEMENT[1,2] D.1

in € million	Note	2021[4]	2022
Revenues	**(1)**	**3,213.1**	**5,676.6**
Cost of goods sold	(2)	682.3	3,219.3
Gross profit		**2,530.8**	**2,457.3**
Selling, general, and administrative expenses	(2)	175.9	186.3
Other operating income	(3)	397.8	241.8
Other operating expenses	(4)	196.0	374.6
Share of profit or loss of equity-accounted investments	(15)	–1.6	–2.7
– thereof reversals of impairment losses/impairment losses	(15)	–1.3	–1.5
Income from equity investments, net	(5)	5.0	2.1
Gains/(losses) on operating anticipatory hedges	(6)	–43.1	–138.0
Earnings after operating hedges[3]		**2,517.0**	**1,999.6**
Interest income	(7)	10.1	103.4
Interest expense	(7)	122.0	28.3
Other financial result	(8)	20.7	60.0
Financial result		**–91.2**	**135.1**
Earnings before tax		**2,425.8**	**2,134.7**
Income tax expense	(9)	291.5	626.4
– thereof deferred taxes		187.6	212.5
Earnings after tax from continuing operations		**2,134.2**	**1,508.3**
Earnings after tax from discontinued operations	**(20)**	**810.3**	**–**
Net income		**2,944.5**	**1,508.3**
Non-controlling interests		–	–
Earnings after tax and non-controlling interests		**2,944.5**	**1,508.3**
– thereof from continuing operations		2,134.2	1,508.3
– thereof from discontinued operations		810.3	–
Earnings per share in € (undiluted = diluted)	**(11)**	**15.38**	**7.88**
– thereof from continuing operations		11.15	7.88
– thereof from discontinued operations		4.23	–

[1] Rounding differences may arise in percentages and numbers.
[2] In the income statement, all income and expenses of the business classified as a discontinued operation were reclassified to a separate item, "Earnings after tax from discontinued operations."
[3] Key indicators not defined in IFRS.
[4] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

STATEMENT OF COMPREHENSIVE INCOME[1] D.2

in € million	Note	2021[2]	2022
Net income		**2,944.5**	**1,508.3**
Unrealized currency translation gains/losses		–306.2	–23.6
Reclassification to profit or loss of realized currency translation gains/losses		289.9	–
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods		**–16.3**	**–23.6**
Remeasurement gains/(losses) on net liabilities/assets under defined benefit plans		87.5	46.3
Gains/(losses) on equity instruments measured at fair value		22.1	3.2
Items of other comprehensive income not to be reclassified to profit or loss		**109.6**	**49.5**
Other comprehensive income after tax	**(21)**	**93.3**	**25.9**
Total comprehensive income for the period		**3,037.8**	**1,534.2**
Non-controlling interests		–	–
Total comprehensive income for the period, net of tax and non-controlling interests		**3,037.8**	**1,534.2**

[1] Rounding differences may arise in percentages and numbers.
[2] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

BALANCE SHEET – ASSETS[1] D.3

in € million	Note	Dec. 31, 2021[2]	Dec. 31, 2022
Intangible assets	(12)	79.9	181.4
– thereof goodwill from acquisitions of companies	(12)	13.7	13.7
Property, plant, and equipment	(12)	6,406.5	6,292.8
Investment properties	(13)	4.6	4.5
Financial assets	(14)	76.4	42.9
Investments accounted for using the equity method	(15, 5)	175.9	166.4
Other financial assets	(18, 19)	7.5	27.1
Other non-financial assets		25.3	67.0
Securities and other financial assets	(27)	18.4	14.8
Deferred taxes	(16)	18.3	43.9
Non-current assets		**6,812.8**	**6,840.9**
Inventories	(17)	496.5	675.1
Trade receivables	(18)	569.5	1,143.7
Other financial assets	(18, 19)	104.7	101.8
Other non-financial assets		92.5	106.6
Income tax refund claims		44.0	36.2
Securities and other financial assets	(27)	213.5	665.8
Cash and cash equivalents	(31)	390.8	320.0
Current assets		**1,911.5**	**3,049.1**
ASSETS		**8,724.3**	**9,890.0**

[1] Rounding differences may arise in percentages and numbers.
[2] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

BALANCE SHEET – EQUITY AND LIABILITIES[1] **D.4**

in € million	Note	Dec. 31, 2021[2]	Dec. 31, 2022
Issued capital	(21)	191.4	191.4
Capital reserve	(21)	645.7	646.0
Other reserves and net retained earnings	(21)	4,422.1	5,882.6
Equity		**5,259.2**	**6,720.0**
Financial liabilities	(26)	978.2	319.3
Other financial liabilities	(19, 26)	148.1	102.0
Other non-financial liabilities		15.3	14.7
Provisions for pensions and similar obligations	(22)	16.0	2.7
Provisions for mining obligations	(23)	1,017.4	932.4
Other provisions	(23, 24)	163.0	145.0
Deferred taxes	(16)	131.6	382.7
Non-current liabilities		**2,469.6**	**1,898.8**
Financial liabilities	(26)	212.8	411.3
Trade payables	(26)	257.2	312.9
Other financial liabilities	(19, 26)	175.7	197.2
Other non-financial liabilities		70.3	60.5
Income tax liabilities		63.1	26.1
Provisions	(23, 25)	216.4	263.2
Current liabilities		**995.5**	**1,271.2**
EQUITY AND LIABILITIES		**8,724.3**	**9,890.0**

[1] Rounding differences may arise in percentages and numbers.
[2] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

STATEMENT OF CASH FLOWS[1] – NOTE (31) **D.5**

in € million	2021	2022
Earnings after operating hedges (from continuing operations)	2,418.8	1,999.6
Earnings after operating hedges (from discontinued operations)	91.0	–
Income (–)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	31.0	10.4
Elimination of prior-period changes in the fair value of operating anticipatory hedges	39.2	–30.9
Depreciation, amortization, impairment losses (+)/reversals of impairment losses (–)	–1,518.8	443.8
Increase (+)/decrease (–) in non-current provisions (excluding interest rate effects)	–8.7	75.2
Interest received and similar income	2.4	5.3
Realized gains (+)/losses (–) on financial assets/liabilities	44.9	34.8
Interest paid and similar expense (–)[2]	–132.5	–52.6
Income tax paid (–)[3]	–121.9	–441.4
Other non-cash expenses (+)/income (–) and other expenses and income in connection with the disposal of the OU Americas	–86.7	0.1
Gain (–)/loss (+) on sale of assets and securities	–219.3	5.8
Increase (–)/decrease (+) in inventories	56.8	–190.9
Increase (–)/decrease (+) in receivables and other operating assets	–204.1	–536.6
Increase (+)/decrease (–) in current operating liabilities	–68.5	9.0
Increase (+)/decrease (–) in current provisions	8.1	63.9
Allocations to plan assets	–4.8	–3.6
Net cash flow from operating activities	**326.9**	**1,391.9**
– thereof from continuing operations	347.3	1,393.7
– thereof from discontinued operations	–20.4	–1.8
Proceeds from sale of assets	10.6	5.9
Purchases of intangible assets	–15.1	–118.0
Purchases of property, plant, and equipment	–343.6	–356.3
Dividend distributions by investments accounted for using the equity method	–	6.8
Purchases of financial assets/investments accounted for using the equity method	–12.8	–2.7
Proceeds from the sale of consolidated companies, incl. hedging	2,758.2	2.8
Cash and cash equivalents of companies deconsolidated in the year under review	–33.3	–0.2
Proceeds from sale of securities and other financial assets	222.6	303.0
Purchases of securities and other financial assets	–487.4	–749.9
Net cash used in investing activities	**2,099.3**	**–908.6**
– thereof from continuing operations	–519.4	–908.6
– thereof from discontinued operations	2,618.7	–
Dividends paid	–	–38.3
Other proceeds from issuance of share capital	–	1.6
Purchase of treasury shares	–	–2.1
Sale of treasury shares	–	0.4
Repayment (–) of borrowings	–3,694.3	–538.9
Proceeds (+) from borrowings	1,440.0	17.7
Net cash from/(used in) financing activities	**–2,254.3**	**–559.6**
– thereof from continuing operations	–2,190.9	–559.6
– thereof from discontinued operations	–63.4	–
Cash change in cash and cash equivalents	**171.9**	**–76.3**
Exchange rate-related change in cash and cash equivalents	13.3	3.1
Consolidation-related changes in cash and cash equivalents	–	3.4
Net change in cash and cash equivalents	185.2	–69.8
Net cash and cash equivalents as of January 1	**197.4**	**382.7**
Net cash and cash equivalents as of December 31	**382.7**	**312.9**
– thereof cash and cash equivalents	390.8	320.0
– thereof cash received from affiliated companies	–8.1	–7.1

[1] Rounding differences may arise in percentages and numbers.
[2] Interest paid in the reporting period amounted to €47.4 million (2021: €100.2 million).
[3] The item comprises taxes of €451.5 million paid (2021: €135.1 million) and tax refunds of €10.1 million received (2021: €13.2 million).

STATEMENT OF CHANGES IN EQUITY[1] D.6

Note (21)

in € million	Issued capital	Capital reserve	Net retained profits/ retained earnings	Currency translation differences	Remeasurement gains/ (losses) on defined benefit plans	Gains/(losses) on equity instruments measured at fair value	Total equity attributable to shareholders of K+S AG	Non-controlling interests	Equity
As of Jan. 1, 2022	191.4	645.7	4,592.0	–146.5	–68.8	45.4	5,259.2	–	5,259.2
Net income	–	–	1,508.3	–	–	–	1,508.3	–	1,508.3
Other comprehensive income (after tax)	–	–	–	–23.6	46.3	3.2	25.9	–	25.9
Total comprehensive income for the period	**–**	**–**	**1,508.3**	**–23.6**	**46.3**	**3.2**	**1,534.2**	**–**	**1,534.2**
Dividend for the previous year	–	–	–38.3	–	–	–	–38.3	–	–38.3
Employee shares acquired	–	0.3	–	–	–	–	0.3	–	0.3
Changes in the scope of consolidation and other changes in equity	–	–	0.4	–	–	–35.8	–35.4	–	–35.4
As of Dec. 31, 2022	**191.4**	**646.0**	**6,062.4**	**–170.1**	**–22.5**	**12.8**	**6,720.0**	**–**	**6,720.0**
As of Jan. 1, 2021	191.4	645.7	1,647.0	–130.2	–156.3	23.3	2,220.9	1.7	2,222.6
Net income[2]	–	–	2,944.5	–	–	–	2,944.5	–	2,944.5
Other comprehensive income (after tax)	–	–	–	–16.3	87.5	22.1	93.3	–	93.3
Total comprehensive income for the period	**–**	**–**	**2,944.5**	**–16.3**	**87.5**	**22.1**	**3,037.8**	**–**	**3,037.8**
Changes in the scope of consolidation and other changes in equity[2]	–	–	0.5	–	–	–	0.5	–1.7	–1.2
As of Dec. 31, 2021	**191.4**	**645.7**	**4,592.0**	**–146.5**	**–68.8**	**45.4**	**5,259.2**	**–**	**5,259.2**

[1] Rounding differences may arise in percentages and numbers.
[2] Prior year restated. See note on "Changes in accounting policies, adjustment of prior year figures and balance sheet structure."

NOTES

STATEMENT OF CHANGES IN NON-CURRENT ASSETS

STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2022[1]

D.7

		Gross carrying amounts							Depreciation, amortization, and impairment losses									Net carrying amounts
in € million	Note	As of Jan. 1, 2022	Changes in the scope of consolidation	Additions	Disposals	Re-classifications	Exchange differences	As of Dec. 31, 2022	As of Jan. 1, 2022	Changes in the scope of consolidation	Depreciation, amortization, and impairment losses	Impairment losses	Reversals of impairment losses	Disposals	Re-classifications	Exchange differences	As of Dec. 31, 2022	As of Dec. 31, 2022
Other acquired concessions, industrial property rights, similar rights and assets, and licenses in such rights and assets		60.8	–0.7	2.9	3.6	0.9	0.6	60.9	36.5	–0.1	4.4	–	–	3.6	–	0.7	37.9	23.1
Customer relations		0.2	–	–	–	–	–	0.2	–	–	–	–	–	–	–	–	–	0.2
Brands		9.9	–	–	–	–	–	9.9	9.9	–	–	–	–	–	–	–	9.9	–
Goodwill from acquisitions of companies		13.7	–	–	–	–	–	13.7	–	–	–	–	–	–	–	–	–	13.7
Internally generated intangible assets		32.8	2.8	0.5	–	0.5	–	36.6	32.1	–	0.7	–	–	–	–	–	32.8	3.8
Emission permits		37.1	–	112.0	14.1	–	–	135.0	–	–	–	–	–	–	–	–	–	135.0
Intangible assets in progress		3.9	–	2.5	–	–0.7	–	5.7	–	–	–	–	–	–	–	–	–	5.7
Intangible assets	**(12)**	**158.4**	**2.1**	**118.0**	**17.7**	**0.7**	**0.6**	**262.0**	**78.5**	**–0.1**	**5.2**	**–**	**–**	**3.6**	**–**	**0.7**	**80.5**	**181.4**
Land, land rights, and buildings, including buildings on third-party land		2,266.2	–0.1	105.5	270.0	31.3	–4.5	2,128.4	652.7	–0.3	62.0	–	–	81.4	–	–3.2	629.9	1,498.6
Leases for land, land rights, and buildings, including buildings on third-party land		78.4	–	6.0	7.5	0.1	0.2	77.1	33.9	–	14.8	–	–	7.5	–	0.1	41.3	35.8
Raw material deposits		363.6	–	–	–	–	–1.1	362.5	37.8	–	6.9	–	–	–	–	–0.9	43.8	318.7
Technical equipment and machinery		6,586.3	–	145.7	49.5	133.9	–15.9	6,800.5	2,796.7	–0.2	308.1	–	–	46.2	1.3	–12.9	3,046.9	3,753.7
Leases for technical equipment and machinery		284.6	–	5.6	12.9	–17.1	0.4	260.5	75.3	–	23.9	–	–	12.0	–1.4	–1.0	84.8	175.7
Other equipment, operating and office equipment		398.6	0.1	29.8	12.4	3.5	–0.1	419.6	280.2	–0.1	25.3	–	–	11.6	–	–0.2	293.6	126.0
Leases for other equipment, operating, and office equipment		23.7	0.1	3.2	9.4	–	–	17.5	12.8	–	2.9	–	–	8.1	–	–	7.6	9.9
Prepayments and assets under construction[2]		294.4	0.2	234.9	2.9	–152.4	0.2	374.5	–	–	–	–	–	–	–	–	–	374.5
Property, plant, and equipment	**(12)**	**10,296.0**	**0.3**	**530.6**	**364.6**	**–0.7**	**–20.8**	**10,440.7**	**3,889.5**	**–0.6**	**443.9[3]**	**–**	**–**	**166.8**	**–0.2**	**–18.1**	**4,147.9**	**6,292.8**
– thereof leases		386.7	0.1	14.7	29.9	–17.0	0.6	355.1	122.0	–	41.6	–	–	27.6	–1.4	–0.9	133.7	221.4
Investment properties	**(13)**	**8.7**	**–**	**–**	**0.1**	**–**	**–**	**8.6**	**4.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4.1**	**4.5**

[1] Rounding differences may arise in percentages and numbers.
[2] Thereof advance payments made: €44.4 million.
[3] This item contains an effect amounting to approximately €8 million resulting from the adjustment of the useful life in connection with Werra 2060.

STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2021[1] D.8

		Gross carrying amounts							Depreciation, amortization, and impairment losses									Net carrying amounts
in € million	Note	As of Jan. 1, 2021	Changes in the scope of consolidation	Additions	Disposals	Re-classifications	Exchange differences	As of Dec. 31, 2021	As of Jan. 1, 2021	Changes in the scope of consolidation	Deprecia-tion, amorti-zation, and impairment losses	Impairment losses	Reversals of impairment losses	Disposals	Re-classifications	Exchange differences	As of Dec. 31, 2021	As of Dec. 31, 2021
Other acquired concessions, industrial property rights, similar rights and assets, and licenses in such rights and assets		57.1	–	3.4	3.8	3.0	1.1	60.8	34.3	–	5.5	–	0.8	3.4	–	0.9	36.5	24.3
Customer relations		0.2	–	–	–	–	–	0.2	–	–	–	–	–	–	–	–	–	0.2
Brands		9.9	–	–	–	–	–	9.9	9.9	–	–	–	–	–	–	–	9.9	–
Goodwill from acquisitions of companies		13.7	–	–	–	–	–	13.7	–	–	–	–	–	–	–	–	–	13.7
Internally generated intangible assets		32.8	–	0.1	0.1	–	–	32.8	31.8	–	0.5	–	0.1	0.1	–	–	32.1	0.7
Emission permits		40.1	–	10.7	13.6	–	–	37.1	–	–	–	–	–	–	–	–	–	37.1
Intangible assets in progress		6.4	–	0.9	0.1	–3.4	–	3.9	0.7	–	–	–	0.5	–	–	–	–	3.9
Intangible assets	**(12)**	**160.1**	**–**	**15.1**	**17.5**	**–0.4**	**1.1**	**158.4**	**76.8**	**–**	**6.0**	**–**	**1.5**	**3.5**	**–**	**0.9**	**78.5**	**79.9**
Land, land rights, and buildings, including buildings on third-party land		1,965.0	–	225.5	21.1	13.1	83.8	2,266.2	1,006.0	–	39.0	–	427.0	0.1	1.8	33.1	652.7	1,613.5
Leases for land, land rights, and buildings, including buildings on third-party land		68.5	–0.8	13.8	3.8	–	0.7	78.4	22.5	–	12.6	–	1.1	0.7	–	0.5	33.9	44.6
Raw material deposits		336.3	–	–	–	–	27.3	363.6	139.8	–	4.5	–	117.7	–	–	11.1	37.8	325.9
Technical equipment and machinery		5,974.9	–	156.0	38.3	260.0	233.7	6,586.3	3,646.2	–	194.9	0.1	1,167.2	33.3	45.5	110.5	2,796.7	3,789.6
Leases for technical equipment and machinery		296.2	–	11.7	0.4	–44.0	21.0	284.6	106.3	–	16.0	–	48.5	–	–5.6	7.1	75.3	209.3
Other equipment, operating and office equipment		378.4	–	24.7	10.7	2.5	3.7	398.6	277.1	–	19.4	–	8.4	10.1	–	2.3	280.2	118.4
Leases for other equipment, operating, and office equipment		20.2	–	3.6	0.2	–	–	23.7	9.8	–	4.2	–	1.1	0.1	–	–	12.8	10.9
Prepayments and assets under construction[2]		355.7	–	159.8	1.5	–231.3	11.7	294.4	77.6	–	–	–	38.7	0.1	–41.6	2.9	–	294.3
Property, plant, and equipment	**(12)**	**9,395.2**	**–0.8**	**595.0**	**75.9**	**0.4**	**382.0**	**10,296.0**	**5,285.3**	**–**	**290.6**	**0.1**	**1,809.8**	**44.5**	**–**	**167.5**	**3,889.5**	**6,406.5**
– thereof leases		384.9	–0.8	29.1	4.4	–44.0	21.7	386.7	138.6	–	32.8	–	50.7	0.8	–5.6	7.6	122.0	264.8
Investment properties	**(13)**	**8.7**	**–**	**–**	**–**	**–**	**–**	**8.7**	**4.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4.1**	**4.6**

[1] Rounding differences may arise in percentages and numbers.
[2] Thereof advance payments made: €22.1 million.

STATEMENT OF CHANGES IN PROVISIONS

STATEMENT OF CHANGES IN PROVISIONS[1] D.9

in € million	Note	As of Jan. 1, 2022[2]	Exchange differences	Changes in the scope of consolidation	Additions	Interest component	Utilization	Reversals	Reclassification	As of Dec. 31, 2022
Backfilling of vacant mines and shafts		523.6	–0.1	–	53.1	-56.5	15.9	111.2	–	393.0
Maintenance of tailings piles		371.8	–	–	110.5	-7.9	4.7	58.8	–	410.9
Risk of mining damage		40.8	–	–	36.1	-7.6	0.9	1.9	–	66.5
Other mining obligations		81.2	–	–	2.8	-0.5	4.5	17.0	–	62.0
Provisions for mining obligations	**(23)**	**1,017.4**	**–0.1**	**–**	**202.5**	**-72.5**	**26.0**	**188.9**	**–**	**932.4**
Service anniversaries		32.9	–	–	3.6	-8.3	1.9	0.1	–	26.2
Other personnel obligations		17.6	–	–	16.1	-0.8	1.7	0.1	-0.9	30.2
Personnel obligations	**(24)**	**50.5**	**–**	**–**	**19.7**	**-9.1**	**3.6**	**0.2**	**-0.9**	**56.4**
Other provisions	**(23)**	**112.5**	**–**	**–**	**8.3**	**-2.6**	**0.8**	**28.8**	**–**	**88.6**
Provisions (non-current liabilities)		**1,180.4**	**–0.1**	**–**	**230.5**	**-84.2**	**30.4**	**217.9**	**-0.9**	**1,077.4**
Provisions for mining obligations	(23)	4.2	–	–	1.2	–	0.4	–	–	5.0
Personnel obligations		103.3	–	0.1	97.7	–	100.8	2.4	0.9	98.8
Provisions for obligations from sales transactions		33.9	–0.3		69.5	–	27.7	4.1	–	71.3
Other provisions		75.0	–1.5	0.2	72.4	–2.6	50.5	4.9	–	88.1
Provisions (current liabilities)		**216.4**	**–1.8**	**0.3**	**240.8**	**–2.6**	**179.4**	**11.4**	**0.9**	**263.2**
Provisions		**1,396.8**	**–1.9**	**0.3**	**471.3**	**–86.8**	**209.8**	**229.3**	**–**	**1,340.6**

[1] Rounding differences may arise in percentages and numbers.

[2] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

GENERAL PRINCIPLES

The consolidated financial statements of the K+S Group prepared by K+S Aktiengesellschaft as of December 31, 2022, have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). This process took account of all IFRS adopted by the European Union for which application was mandatory as of the balance sheet date, as well as the additional requirements of Section 315e of the German Commercial Code (Handelsgesetzbuch, HGB).

K+S Aktiengesellschaft is a listed stock corporation (Aktiengesellschaft) registered in the commercial register under HRB 2669 at the Local Court of Kassel. Its registered office is Bertha-von-Suttner-Str. 7, 34131 Kassel, Germany.

The consolidated financial statements are prepared in euros (€). The individual items of the consolidated financial statements are presented in millions of euros (€ million) in the interests of clarity. Rounding differences may arise in percentages and numbers.

The consolidated financial statements were prepared by the Board of Executive Directors on March 14, 2023, and presented to the Supervisory Board for approval on March 14, 2023.

SCOPE OF CONSOLIDATION

The following companies were initially consolidated in the 2022 financial year:

+ K+S Minerals and Agriculture (Panama) S.A.
+ K+S Fertilizers (India) Private Limited
+ MSW-Chemie Gesellschaft mit beschränkter Haftung

K+S (Huludao) Magnesium Products Co., Ltd. was deconsolidated as of January 1, 2022.

As a result of a merger with another group company, K+S Canadian Potash Holding Limited was deconsolidated effective October 1, 2022.

A total of 11 (2021: 10) domestic and 19 (2021: 19) foreign companies were included in the consolidated financial statements. A total of 18 (2021: 21) subsidiaries were not included in the consolidated financial statements and are measured at fair value according to IFRS 9, as they are immaterial to the consolidated financial statements in terms of total assets, revenues, and earnings.

All joint ventures and companies over which companies of the K+S Group exercise significant influence (associates) are accounted for using the equity method. Companies for which the potential effect on profit or loss from equity accounting can be deemed immaterial were measured at fair value in accordance with IFRS 9 due to their immateriality to the financial statements as a whole. Two (2021: two) companies were measured using the equity method in the 2022 financial year.

At the end of 2021, K+S economically sold 50% of the shares in its wholly owned subsidiary REKS GmbH & Co. KG to REMEX GmbH. As consideration, REMEX GmbH paid a provisional purchase price of €95.7 million in cash (of which €92.9 million will be cash-effective in the 2021 financial year) and will additionally contribute, within the framework of a spin-off, a sales unit, and its subsidiary AUREC GmbH to REKS GmbH & Co. KG. Under the contractual agreements, REKS GmbH & Co. KG is to be accounted for as a jointly controlled entity (joint venture) as of the economic transfer date at the end of 2021.

The core business of REKS GmbH & Co. KG is the long-term safe recovery and disposal of hazardous waste. This waste from various disposal companies is recycled underground in former mining areas of K+S as backfill or deposited. K+S continues to be responsible for the implementation of the backfilling measures or the disposal of the waste. Furthermore, REKS GmbH & Co. KG is responsible for procuring the materials needed for covering certain potash tailings piles. Due to the transfer of shares and the resulting joint management, REKS GmbH& Co. KG had to be deconsolidated as a subsidiary in the previous year and the remaining shares had to be accounted for as a joint venture. The fair value of the retained shares of €149.7 million was recognized as the acquisition cost of the joint venture. Fair value was determined on the basis of an income-based approach using the discounted cash flow method with non-observable inputs (Level 3). Most of the fair value is related to the business of underground waste recovery and management. The material assumptions for measuring this business concern the annual waste volumes, the attainable prices, and the costs payable to K+S for backfilling and depositing the waste. The assumptions made at the end of the previous year are generally aligned with the business plan, which was the basis for determining the purchase price for the transfer of shares. The calculation was based on a real price increase of 1% p.a. as well as on a period up to 2040 for underground recovery and up to 2070 for underground disposal (landfill). The discount rate used was 6.4%.

The deconsolidation of REKS GmbH & Co. KG resulted in a gain in the previous year, which was recognized in other operating income: **D.10**

A complete summary of equity investments of K+S Aktiengesellschaft can be found in the list of shareholdings on page 231.

GAIN ON DECONSOLIDATION **D.10**

in € million	2021
Purchase price	95.9
Fair value of shares retained (50%)	149.7
Assets/liabilities derecognized	24.5
– thereof non-current assets	1.0
– thereof cash and cash equivalents	4.3
– thereof other current assets	31.3
– thereof non-current liabilities/provisions	1.1
– thereof current liabilities/provisions	10.8
Other expenses	1.9
Gain on disposal	**219.2**

CONSOLIDATION METHODS

SUBSIDIARIES

Subsidiaries are companies controlled by K+S Aktiengesellschaft. Control is presumed to exist when K+S Aktiengesellschaft has existing rights granting the Company the present ability to direct the relevant activities. The relevant activities are those activities that materially affect the returns of the Company. As a rule, the ability to exercise control is based on K+S Aktiengesellschaft directly or indirectly holding a majority of the voting rights. Consolidation begins at the point in time at which K+S Aktiengesellschaft acquires the possibility of control.

The financial statements of the consolidated subsidiaries are prepared as of the same balance sheet date as the consolidated financial statements. The assets and liabilities of the consolidated subsidiaries are recognized and measured uniformly in accordance with the policies described here and in the following notes.

Revenues, expenses, and income generated or incurred between consolidated companies while the companies concerned are members of the K+S Group are eliminated in full. Similarly, receivables and liabilities as well as inter-company profits resulting from goods and services supplied between consolidated subsidiaries are eliminated, unless they are immaterial.

In capital consolidation, the acquisition values of the investments are offset against the revalued equity attributable to them at the time of acquisition. Any positive difference that remains after allocating the purchase price to the assets and liabilities is recognized as goodwill. Any negative differences from the purchase price allocation are recognized in profit or loss.

JOINT OPERATIONS, JOINT VENTURES, AND ASSOCIATES

Joint operations and joint ventures are defined by the existence of a contractual arrangement according to which K+S Aktiengesellschaft directly or indirectly conducts the respective activities jointly with a non-Group company and decisions about the relevant activities require the unanimous consent of the parties sharing control. In a joint operation, the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The assets and liabilities are included in the consolidated financial statements of the K+S Group on the basis of the interest held. In joint ventures, the parties that have joint control have rights to the net assets of the arrangement.

Associates are companies over which K+S Aktiengesellschaft directly or indirectly has significant influence.

ACCOUNTING POLICIES

RECOGNITION OF INCOME AND EXPENSES

In the K+S Group, revenues include income from the sale of goods and the provision of services, as well as revenues from customer-specific construction contracts. K+S acts as a principal in almost all transactions.

Revenues are recognized from the sale of goods as of the date when control of the goods is transferred to the customer. As a rule, and subject to the contractual arrangements and agreed transport clauses, the control is transferred at the time of delivery to the agreed location, handover to the carrier, or collection by the customer.

Revenues from services and customer-specific construction contracts are recognized over the period in which the service obligation is fulfilled. Revenues from services are recognized on a straight-line basis over the period in which the service is rendered. Revenues from customer-specific construction contracts are recognized based on the ratio of costs incurred to total expected costs (input-oriented method). Due to the nature of the services rendered and the predominance of customer-specific construction contracts, this method is most suitable for providing a true and fair view of the transfer of control to the customer. If the stage of completion cannot be measured reliably, revenues are recognized only to the extent of costs incurred that are expected to be recovered by the Company.

The transaction price is determined taking any variable elements into account and is allocated to the respective performance obligations on the basis of standalone selling prices. No directly observable stand-alone selling prices are available for either the goods supplied or transportation services provided. The stand-alone selling prices of the transportation services provided are, therefore, determined by applying the adjusted market approach method; the stand-alone selling prices of goods are calculated using the residual value method.

Contracts may contain variable components such as discounts or rebates. K+S grants customers discounts if the goods purchased by the customer during the defined period exceed a contractually agreed threshold. Variable components are reliably estimated in accordance with the contractual arrangements and existing expected values, and are only recognized as revenues to the extent that they are not limited within the meaning of IFRS 15. Variable consideration is not limited to the extent that it is highly probable that there will not be a significant cancellation of revenues in connection with it as soon as the corresponding uncertainty no longer exists.

Rebates granted give rise to refund liabilities in the amount of the rebates expected to be refunded. They are reported under current provisions. The rebate considered to be due is reported until payment as part of provisions in current liabilities. Reversals of provisions and additions to provisions for sales transactions are reported under revenues.

Contracts containing (explicitly agreed or implied) significant financing arrangements do not normally exist. Should this apply to future contracts with customers, use of the facilitation in IFRS 15.63 of considering such effects only from a term of payment of more than one year in the transaction price will be made. Costs of obtaining contracts with payment terms of one year or less are not capitalized, but recognized immediately in profit or loss.

In addition, use is made of the practical expedient in IFRS 15.121 not to disclose information on remaining performance obligations that are part of a contract with an original expected duration of one year or less.

If the amount can be determined reliably and it is probable that economic benefits will flow to the Company as a result of the transaction, other operating income is recognized in the period in which a legal (contractual or statutory) claim arises.

Other operating expenses are charged to profit or loss on the date the goods or services are used, or the expenses are incurred.

NET INCOME FROM EQUITY INVESTMENTS

This item includes the income (distributions, profit transfers) from non-consolidated subsidiaries and joint ventures, associates, and other investments not accounted for using the equity method for reasons of materiality.

INTANGIBLE ASSETS

Intangible assets are recognized at cost if it is probable that future economic benefits associated with the intangible asset will flow to the Company and the cost of the asset can be measured reliably. Purchased intangible assets are recognized at cost.

Internally generated intangible assets are recognized at the development cost attributable to them (production costs).

They are subsequently carried at cost less amortization and, if required, impairment losses. The option of subsequent measurement at fair value, which is allowed under certain conditions, is not exercised. If their useful lives can be determined, intangible assets are subject to systematic amortization.

If they have indefinite useful lives, they are not amortized, but written down for impairment, if necessary. Whenever there is an indication of impairment, including between reporting dates, the corresponding assets are tested for impairment. Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication of impairment. Goodwill is always assumed to have an indefinite useful life.

Intangible assets with finite useful lives are amortized using the straight-line method based on normal useful lives. These assets are based on standard useful lives that are recognized across the Group. The remaining intangible assets have useful lives ranging from 1 to 62 years.

The depreciation charges for the financial year are disclosed in the income statement in line with the use of the assets concerned under the following items:

+ Cost of goods sold
+ Selling, general, and administrative expenses
+ Other operating expenses

Impairment losses are recognized in case of impairment. If the reasons for previously recognized impairment losses no longer exist, the impairment loss is reversed, although the net carrying amount of the asset must not be exceeded. The reversal is recorded on the income statement within the functional area to which the intangible asset was allocated. Impairment losses on goodwill must not be reversed.

Goodwill is tested for impairment at least once a year and whenever there is an indication of impairment. An impairment loss is recognized if necessary. Any need to recognize an impairment loss is determined in accordance with IAS 36 by comparing the carrying amounts of the cash-generating units to which goodwill has been allocated with the recoverable amounts of the units. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Where the recoverable amount is fair value less costs of disposal, the measurement is, therefore, conducted from the perspective of an independent market participant. The measurement is based on the future net cash flows determined by using a DCF method, since market prices are not normally available for separate units. Since this involves the use of non-observable inputs, the measurements are categorized within Level 3 of the fair value hierarchy.

Where the recoverable amount is value in use, the cash-generating units are measured as currently used. Value in use is determined based on the discounted expected future cash flows from the cash-generating units. If there is a need to recognize an impairment loss, the individual assets whose carrying amounts are to be reduced are written down to fair value less costs of disposal, value in use, or zero, whichever is the highest. Any write-down requirement that remains because of this lower limit is in turn allocated to the other assets of the respective CGU on a proportionate basis, taking into account the lower value limits.

If intangible assets are sold or decommissioned, the gain or loss calculated as the difference between net realizable value (sale proceeds less cost of disposal) and the net carrying amount is recognized in other operating income or expenses.

Certificates issued by the German Emissions Trading Authority (DEHSt) are recognized at a value of zero in the balance sheet. Emission certificates purchased in the market are recognized at cost as intangible assets. If the fair value on the reporting date falls below cost, an impairment test is carried out under which the carrying amount of the cash-generating unit holding the emission allowances is compared with the value in use of that unit.

A provision is recognized for the obligation to surrender emission certificates to DEHSt, provided that the CO_2 emissions generated up to the reporting date are not covered by emission certificates granted free of charge.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment is recognized at cost if it is probable that economic benefits associated with the assets will flow to the Company and cost can be reliably determined. Where relevant, cost also includes future restoration and renaturation obligations for which provisions have been recognized in accordance with IAS 37. They are subsequently carried at cost less depreciation and, if required, impairment losses. The option of subsequent measurement at fair value, which is allowed under certain conditions, is not exercised.

Property, plant, and equipment is generally depreciated using the straight-line method based on standard useful lives.

For property, plant, and equipment depreciated using the straight-line method, the following useful lives are applied as standard across the Group: **D.11**

USEFUL LIVES OF PROPERTY, PLANT, AND EQUIPMENT **D.11**

Years	
Buildings	15–50
Raw material deposits	3–56
Technical equipment and machinery (tunnels and excavations)	15–130
Technical equipment and machinery (other)	8–40
Other equipment, operating and office equipment	7–11

The depreciation charges for the financial year are disclosed in the income statement in line with the use of the assets concerned under the following items:

+ Cost of goods sold
+ Selling, general, and administrative expenses
+ Other operating expenses

Acquired raw material deposits are recognized as property, plant, and equipment. Depreciation starts on the date the raw materials are first extracted.

Excavations (main ventilation drifts, main conveyor roads, return air collection drifts, main access roads, workshops, bunkers, warehouses) are also reported as property, plant, and equipment if they are used for longer than one period.

Whenever there is an indication of impairment, including between annual reporting dates, the corresponding assets are tested for impairment. If the impairment losses exceed depreciation charges already recognized, an impairment loss is recognized in the function to which the item of property, plant, and equipment is allocated. These impairment losses are determined in accordance with IAS 36 by comparing the carrying amounts with the recoverable amounts of the assets concerned. If the recoverable amount cannot be determined at the level of individual assets, the carrying amount of the cash-generating unit to which the assets have been allocated is compared with its recoverable amount; see also the explanations in Note (12) "Intangible assets, property, plant, and equipment, and impairment tests".

The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Where the recoverable amount is fair value less costs of disposal, the measurement is, therefore, conducted from the perspective of an independent market participant. The measurement is based on the future net cash flows determined by using a DCF method, since market prices are not normally available for separate units. As this involves the use of non-observable inputs, the measurements are categorized within Level 3 of the fair value hierarchy.

Where the recoverable amount is value in use, the cash-generating units are measured as currently used. Value in use is determined based on the discounted expected future cash flows from the cash-generating units. If there is a need to recognize an impairment loss, the individual assets whose carrying amounts are to be reduced are written down to fair value less costs of disposal, value in use, or zero, whichever is the highest. Any write-down requirement that remains because of this lower limit is in turn allocated to the other assets of the respective CGU on a proportionate basis, taking into account the lower value limits.

If the reasons for previously recognized impairment losses no longer exist, the impairment loss is reversed as appropriate, although the net carrying amounts must not be exceeded. The reversal is recorded on the income statement within the functional area to which the asset was allocated.

If property, plant, and equipment is sold or decommissioned, the gain or loss calculated as the difference between net realizable value (sale proceeds less cost of disposal) and the net carrying amount is recognized in other operating income or expenses.

CAPITALIZATION OF BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset and should therefore be capitalized. A qualifying asset is an asset that takes a period of at least one year to get ready for its intended use or sale. In the statement of cash flows, capitalized borrowing costs are reported under "Interest paid and similar expenses" in "Net cash flow from operating activities."

LEASES

A lease is defined as a contract that conveys the right to use an asset for a period of time in exchange for consideration. All rights and obligations under leases are recognized as right-of-use assets in the underlying assets and as lease liabilities for the payment obligations assumed in the lessee's balance sheet.

The lease liability is recognized at the present value of the future lease payments. Present value is determined by discounting the lease payments at the discount rate implicit in the lease. If this cannot be determined, discounting is performed using the lessee's incremental borrowing rate. K+S uses discounting both at the rate implicit in the lease and at the incremental borrowing rate. The incremental borrowing rate is calculated based on the risk-free rate for matching maturities in the payment currency for the lease plus a creditworthiness-dependent spread. In subsequent periods, discounting of the lease liability is unwound and the lease liability reduced by the lease payments made. Unwinding of the discount on the lease liability is presented as interest expense. The lease liabilities are presented as other financial liabilities.

Under certain conditions, K+S remeasures the lease liability and makes a corresponding adjustment to the right-of-use asset. This involves the following cases of remeasurement and modification:

+ The lease term has changed or a significant event or change in circumstances has occurred, and this has led to a reassessment of whether a purchase option will or will not be exercised. In these cases, the lease liability must be remeasured on the basis of the changed lease installments, any change in the lease term, and a newly calculated discount rate.

+ The lease payments may change as a result of changes in an index or because of the dependence on another market price, or because of amounts expected to be paid under the residual value guarantee. In these cases, the lease liability must be remeasured on the basis of the changed lease installments, leaving the discount rate unchanged. As a departure from this, a changed discount rate has to be applied if the change in the lease installments is due to a change in an agreed variable interest rate.
+ A lease is modified and the modification is not treated as a separate lease. In these cases, the lease liability is remeasured as of the effective date of the modification on the basis of the term of the modified lease, the changed lease installments, and a new discount rate.

Right-of-use assets are measured at cost, which consists of the lease liability, lease payments made at or before the commencement date, less any lease incentives received, initial direct costs, and restoration obligations. As a rule, lease assets are depreciated over the term of the respective lease. Impairment losses may have to be recognized if necessary. As a departure from this, lease assets are depreciated over the useful life of the asset if the asset is transferred to the lessee at the end of the lease, or it can be assumed with reasonable certainty that a purchase option on the underlying asset will be exercised. As a rule, the depreciation policy for right-of-use assets is the same as for comparable assets to which the Company has legal title (straight-line depreciation). Certain right-of-use assets in the "technical equipment and machinery" group are depreciated according to the units of production method, because this method more suitably reflects the consumption of economic benefits. Depreciation charges for the right-of-use asset are allocated to function costs. Right-of-use assets are presented under the same item within property, plant and equipment that the underlying asset would have been presented under had it been purchased.

For short-term leases of up to twelve months (and not containing a purchase option) and leases of low-value assets, an entity may elect not to recognize the right-of-use asset and the lease liability. K+S exercises these options and elects not to recognize most classes of assets leased under short-term leases and low-value assets in the balance sheet. Instead, lease payments are recognized as operating expenses. In addition, for some classes of underlying asset, lease and non-lease components are not separated and the total payment is taken as the basis when measuring the lease liability.

A large number of leases contain extension and/or termination options. Such contract terms and conditions offer K+S a maximum of operational flexibility. When determining the term of the respective contracts, all facts and circumstances are taken into account that provide an incentive to exercise extension options or not to exercise termination options. The term options are only taken into consideration in determining the term if it is reasonably certain that they will or will not be exercised.

The K+S Group only acts as lessor to an insignificant extent.

GOVERNMENT GRANTS

Government grants for the acquisition or production of items of property, plant, and equipment (e.g., investment grants and subsidies) reduce the cost of the assets concerned. Grants related to income are offset against the corresponding expenses in the current year.

INVESTMENT PROPERTY

Investment property is recognized at cost if it is probable that economic benefits associated with the investment property will flow to the Company and cost can be reliably determined. It is subsequently carried at cost less depreciation and, if required, impairment losses. The option of subsequent measurement at fair value, which is allowed under certain conditions, is not exercised. Investment property is depreciated using the straight-line method based on standard useful lives. A useful life of 50 years is generally assumed. The depreciation expense is recognized under other operating expenses. Income from the disposal of investment property is recognized in the financial result.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset (or disposal group) is classified as held for sale if the associated carrying amount will principally be recovered through a sale transaction rather than continuing use. That is the case if the asset (or disposal group) is available for sale in its current condition and such a sale is highly probable. Non-current assets (or disposal groups) classified as held for sale are recognized at the lower of carrying amount and fair value less costs of disposal. These assets are no longer depreciated or amortized.

A part of the company that has been sold or that is classified as held for sale is reported as a discontinued operation if it:

+ represents a separate major line of business or geographical area of operations,
+ is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
+ is a subsidiary acquired exclusively with a view to resale.

Inter-company receivables, liabilities, expenses, and income between the companies of the discontinued operation and the other Group companies are eliminated in full. For inter-company supplies of goods and services and lending and borrowing arrangements entered into after deconsolidation, all elimination entries arising from expense and income consolidation are allocated to the discontinued operation. If these arrangements are not continued, all elimination entries are made in the continuing operations of the K+S Group.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset for one of the parties to such a contract and to a financial liability or equity instrument for the other party. Financial assets and financial liabilities are reported separately from each other (no offsetting). Financial assets mainly comprise cash and cash equivalents, trade receivables, receivables from customer-specific construction contracts, securities, financial assets, as well as derivative financial instruments with a positive fair value. Financial liabilities include, in particular, financial liabilities, trade payables, as well as derivative financial instruments with a negative fair value.

Regular way purchases and sales of financial instruments are always recognized as of the settlement date.

CLASSIFICATION AND MEASUREMENT

The classification and measurement of financial assets depends on the company's business model, among other factors. As a rule, K+S aims to recognize as income the contractual cash flows from the financial asset. For this reason, the "hold" business model is applied during classification and measurement.

The accounting treatment of financial assets in the form of debt instruments additionally depends on the cash flow characteristics. If the contractually agreed cash flows represent solely payments of principal and interest on the principal amount outstanding, they are measured at amortized cost. If this cash flow condition is not met, the assets are measured at fair value through profit or loss.

Trade receivables available for sale under factoring arrangements are allocated to the "hold and sell" business model under IFRS 9 and measured at fair value through other comprehensive income.

Equity instruments in the "hold" business model are always measured at fair value. This mainly applies to shares in unconsolidated subsidiaries, joint ventures, associates, and other equity investments. They are always held for the long term and not for trading. For this reason, the OCI option is exercised, which allows changes in fair value to be recognized in other comprehensive income without reclassifying them to the income statement on disposal.

Dividends paid or profits transferred by unconsolidated subsidiaries are recognized through profit or loss.

Derivatives are measured at fair value. Changes in fair value are recognized through profit or loss. Derivatives are derecognized on the settlement date. Hedge accounting is not applied.

Financial liabilities (except derivatives with negative fair values) are measured at amortized cost.

IMPAIRMENT LOSSES

For financial assets not measured at fair value, impairment losses are recognized on the basis of expected losses.

At initial recognition, an impairment loss in the amount of the expected twelve-month losses must always be recognized. Interest is determined on the basis of gross carrying amounts.

If default risk increases significantly in subsequent periods, the impairment loss is determined on the basis of the lifetime expected losses of the instrument. Interest is likewise determined on the basis of gross carrying amounts.

If there is objective evidence of impairment (e.g., insolvency), the impairment loss is also determined on the basis of the lifetime expected losses of the instrument, but interest is determined on the basis of net carrying amounts.

At K+S, the guidance on impairment losses is applied most frequently to trade receivables, for which lifetime expected credit losses are recognized on initial recognition in accordance with the simplified IFRS 9 model.

INVENTORIES

In accordance with IAS 2, inventories include assets, either held for sale in the ordinary course of business (finished goods and merchandise), assets in the production process for sale in the ordinary course of business (work in progress), or that are used to provide services (raw materials, consumables, and supplies).

Inventories are measured at the lower of average cost and net realizable value. In addition to direct costs, production costs also include reasonable proportions of fixed and variable material and manufacturing overhead, provided they are incurred in connection with the production process. The same applies to general administrative expenses, post-employment and other employee benefit costs, as well as other social security expenses. Fixed overheads are allocated on the basis of normal capacity. Net realizable value is defined as the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

OTHER NON-FINANCIAL ASSETS

This item includes receivables and assets that are not underpinned by a contractual entitlement to payment and that cannot be allocated to any other balance sheet item. Examples include prepayment for the provision of goods and services in the future (e.g., energy supply) and claims for reimbursement of value added tax that has been paid.

CASH AND CASH EQUIVALENTS

This item includes cash on hand and balances with banks. It also includes financial assets with a maturity of generally not more than three months from the date of acquisition.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions and similar obligations are determined in accordance with actuarial principles applying the projected unit credit method. The discount rate is determined on the basis of the returns for high-quality corporate bonds available at the reporting date. Since the previous year, the actuarial interest rate has been calculated based on the Mercer Yield Curve, published by Mercer. Aspects such as future expected salary and pension increases, and mortality rates are also taken into account. Any plan assets are offset against the corresponding obligations.

The net interest for a reporting period is determined by multiplying the net defined benefit liability (asset) by the discount factor specified above, taking into consideration expected payments.

Remeasurement gains or losses on the net liabilities from defined benefit pension plans are recognized in other comprehensive income. They include:

+ actuarial gains/losses,
+ income from plan assets, excluding amounts contained in the net interest on the net defined benefit liability (asset), and
+ changes in the effects of the asset ceiling, excluding amounts contained in the net interest on the net defined benefit liability (asset).

PROVISIONS

Provisions are recognized in the amount of the expected utilization for current obligations to third parties resulting from a past event. The utilization must be more likely than unlikely, and the amount of the obligations must be reliably estimable. Non-current provisions with a remaining term of more than one year are discounted at a capital market interest rate with an appropriate maturity, taking into account future cost increases, to the extent that the interest effect is material. Adjustments due to changes in the discount rate are recognized in net interest income.

PROVISIONS FOR MINING OBLIGATIONS

K+S's provisions for mining obligations are largely related to two categories of provisions: maintenance of tailings piles and mine and shaft backfill. The latter includes backfilling shafts after a plant closes down as well as the safekeeping of bore holes used for injection, observation, and caverns. Backfilling shafts stops water from penetrating the mine, ensures the shafts' stability, and in doing so protects the surface around the shafts against subsidence.

At K+S, mine backfilling is considered to include all obligations for the backfilling or flooding of former underground mining chambers and drifts. Backfilling activities usually aim to increase the long-term stability of the chambers concerned and reduce subsidence. Moreover, the term is also deemed to include obligations to build dams and perform other underground restoration work.

The provision category maintenance of tailings piles is primarily understood to involve the obligation under public law to collect saline tailings pile waters, store them in the interim, and dispose of them in a controlled manner. The aim behind the measures that must be performed by K+S is to prevent or mitigate impacts on the ground and surface waters as far as possible. As a result, the forecast of the expected volumes of tailings pile water and the management plans are extremely important. The provision includes all costs that are payable for these activities after a site is closed. Furthermore, net revenue from covering tailings piles is factored into the calculations for the provision and reduce it in size if the cover has sufficiently detailed specifications and likelihood.

The provisions for mining damage at K+S are recognized primarily for expenses incurred for specific damage that is expected to buildings and other infrastructure from the surface subsidence associated with underground extraction. Furthermore, obligations for monitoring after decommissioning of the sites are also taken into account here.

The obligation to decommission underground production facilities after closure of a site is included in the category of underground restoration. In concrete terms, this includes removing machines, vehicles, and water-polluting substances from the mine and disposing of them properly.

For certain provisions (e.g., for shaft backfilling), a corresponding asset is recognized at the time the provisions are established in the amount of the expected restoration and recultivation expenses, which is reported under property, plant, and equipment. In subsequent periods, this asset is depreciated on a straight-line basis over its estimated useful life and, if necessary, reduced by impairment losses. Additions, to and reversals of, these provisions result in a corresponding increase or decrease in the asset item.

If the amount of the reversal of the provision exceeds the corresponding asset item, the difference (income) is recognized in profit or loss under cost of goods sold (active sites) or other operating income (inactive sites) from the 2022 financial year onwards. This applies equally to reversals of provisions without asset items recognized in profit or loss (see note on "Changes in accounting policies, restatement of prior-year figures and balance sheet structure"). As an exception to this rule, adjustments due to changes in the discount rate for provisions without corresponding asset items are recognized in net interest income.

SHARE-BASED PAYMENT

The K+S Group's share-based payment program is a cash-settled share-based payment plan that is part of performance-related pay (LTI II program). The fair value of the obligation is charged to the income statement pro rata over the benefit period. Fair value and the associated provision to be recognized are remeasured as of each balance sheet date. Any changes in fair value and the corresponding changes in the amount of the provision are recognized in profit or loss. Fair value is calculated using a recognized option pricing model (CRR option pricing model).

INCOME TAXES

Deferred taxes are determined in accordance with IAS 12 using the liability method in line with common international practice. This results in the recognition of deferred tax items for temporary differences between the tax base and the amounts recognized in the consolidated balance sheet, as well as for tax loss carryforwards. However, deferred tax assets are only recognized if it is sufficiently probable that they will be realized. Deferred taxes are measured using tax rates that, under current legislation, are expected to apply in the future when the temporary differences will reverse. The effects of changes in tax legislation on deferred tax assets and liabilities are recognized in profit or loss in the period in which the changes in legislation have been substantively enacted. As specified in IAS 12, deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset based on maturity within individual companies or within tax groups.

Current income taxes are recognized in the balance sheet at the time they are incurred. They are calculated taking into account the respective local tax legislation and existing case law. The complexity of these regulations and possible differences in their interpretation lead to uncertainties with regard to the tax treatment of individual business transactions. In accordance with IFRIC 23, these uncertain tax positions are measured at the most probable value, i.e., a potential utilization.

ACQUISITIONS

Business combinations are accounted for using the acquisition method. In connection with the remeasurement of the acquiree, all hidden reserves and hidden liabilities of the acquiree are uncovered, and assets, liabilities, and contingent liabilities are recognized at their fair values (with the exceptions specified in IFRS 3). Any resulting positive difference from the cost of the acquiree is recognized as goodwill. Any negative difference is immediately recognized in profit or loss.

JUDGMENT AND ESTIMATES

JUDGMENT IN THE APPLICATION OF ACCOUNTING POLICIES

The carrying amounts of assets and liabilities sometimes depend on judgment on the application of accounting policies. This relates in particular to the following:

+ Determination of the basis of consolidation,
+ Definition of cash-generating units,
+ Determination of whether a company acts as principal or agent in a sales transaction,
+ Determination of whether it is reasonably certain that extension or termination options in a lease within the meaning of IFRS 16 will be exercised or not,
+ Determination of whether it is reasonably certain that a purchase option in a lease within the meaning of IFRS 16 will be exercised,
+ Determination whether the material opportunities and risks are transferred to the factor under the factoring arrangement,
+ Recognition and valuation of uncertain tax positions (risks) and the determination of the recoverability of deferred tax assets, in particular on loss carryforwards.

ESTIMATES AND ASSUMPTIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The reasons for, and amount of, some items recognized in the IFRS financial statements are in some cases based on estimates and the definition of certain assumptions. This is particularly necessary in the case of:

+ Determining the useful lives of depreciable items of property, plant, and equipment,
+ Specifying measurement assumptions and future gains or losses resulting from impairment tests,
+ Inventories with inherent measurement uncertainty because of their physical attributes,
+ Determining the net realizable value of inventories,
+ Determining the inputs necessary for the measurement of pension provisions and similar obligations (e.g., discount rate, future wage/salary and pension trends, mortality rates, healthcare cost trends),
+ Determining the parameters required for the measurement of lease liabilities (incremental borrowing rate),
+ Determining fair value for the measurement of the provisions for share-based payment in accordance with IFRS 2,
+ Determining the parameters necessary for measuring the provisions for mining obligations (e.g., amount of the payments expected, cost increase rate, settlement dates, discount rates, and amount of net revenue expected from pile covering),
+ Selecting inputs for the model-based measurement of derivatives (e.g., assumptions about volatility and interest rates),

+ Determining the accrual of revenues and expenses according to IFRS 15 for services that have not yet been (fully) provided at the reporting date,
+ Determining the profit or loss on customer-specific construction contracts according to the stage of completion (estimate of contract progress, total contract costs, cost to completion, total contract revenue, and contract risks),
+ Determining the usability of tax loss carryforwards, determining the fair value of intangible assets, property, plant, and equipment, and liabilities acquired in connection with a business combination, and determining the useful lives of the intangible assets and property, plant, and equipment acquired,
+ Determining fair value in the measurement of shares in affiliated companies and equity investments as well as when first recognizing joint ventures,
+ Determining the recoverable amount of discontinued operations.

Despite taking great care in producing such estimates, actual outcomes may differ from the assumptions made.

CURRENCY TRANSLATION

The annual financial statements of foreign Group companies are translated into euros in accordance with the functional currency concept of IAS 21. All companies conduct their operations independently in financial, economic, and organizational terms. The functional currency is the currency of the primary economic environment in which the Group company operates; it normally corresponds to the local currency. Assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Income and expenses are translated at the average exchange rates for the quarter. The resulting currency translation differences are recognized directly in equity. When Group companies exit the scope of consolidation, the corresponding currency translation difference is reversed and recognized in profit or loss.

At K+S Asia Pacific Pte. Ltd., the US dollar is used as the functional currency, in contrast to the local currency, as this company generates most of its cash flows in and out of this currency. K+S Finance Belgium B.V. changed its functional currency from the US dollar to the euro during the previous year.

The translation of significant currencies in the Group was based on the following exchange rates for the euro: **D.12, D.13**

EXCHANGE RATES **D.12**

	2022				
per €1	Spot rate on Dec. 31	Quarterly average rate, Q1	Quarterly average rate, Q2	Quarterly average rate, Q3	Quarterly average rate, Q4
US dollar (USD)	1.067	1.122	1.065	1.007	1.021
Canadian dollar (CAD)	1.444	1.421	1.359	1.315	1.385
Czech koruna (CZK)	24.116	24.653	24.644	24.579	24.389
Chinese renminbi (CNY)	7.358	7.121	7.043	6.898	7.258
UAE dirham (AED)	3.917	4.120	3.913	3.699	3.699
Singapore dollar (SGD)	1.430	1.517	1.467	1.407	1.415

EXCHANGE RATES **D.13**

	2021				
per €1	Spot rate on Dec. 31	Quarterly average rate, Q1	Quarterly average rate, Q2	Quarterly average rate, Q3	Quarterly average rate, Q4
US dollar (USD)	1.133	1.205	1.206	1.179	1.144
Canadian dollar (CAD)	1.439	1.526	1.480	1.485	1.441
Czech koruna (CZK)	24.858	26.070	25.638	25.500	25.374
Brazilian real (BRL)	6.310	6.599	6.381	6.159	6.382
Chilean peso (CLP)	964.760	873.700	863.096	911.975	945.139
Pound sterling (GBP)	0.840	0.874	0.862	0.855	0.848

In the year under review, net translation differences of €39.9 million (2021: €26.5 million) were recognized in the income statement (e.g., measurement/realization of receivables and liabilities in a foreign currency); they were mainly reported in other operating income or expenses.

NEW OR AMENDED FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

The changes to the financial reporting standards and interpretations will have no material impact on the consolidated financial statements of the K+S Group. **D.14**

NEW OR AMENDED FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED

The following financial reporting standards and interpretations were published by the IASB by the reporting date, although application by the K+S Group is only required at a subsequent date. **D.15**

As things stand, the changes to the financial reporting standards and interpretations will have no material impact on the consolidated financial statements of the K+S Group.

NEW OR AMENDED FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **D.14**

Standard/ interpretation			Date of mandatory application in the K+S Group[1]
Amendment	Collective standard to amend several IFRS (IFRS 3, IAS 16, IAS 37, Annual Improvements 2018 – 2020)	Amendments to IAS 16 Property, Plant, and Equipment, amendments to IAS 37 Provisions, Contingent Liabilities, and Contingent Assets, amendments to IFRS 3 Business Combinations, Annual Improvements to IFRS Standards 2018–2020 cycle	Jan. 1, 2022

[1] Initial application for companies whose registered office is in the EU for reporting periods beginning on or after this date. The application of new or amended IFRS standards or interpretations for companies whose registered office is in the EU is subject to endorsement by the European Commission. Occasionally, the date of mandatory application determined by the European Commission may differ from the first-time application date stipulated by the IASB.

NEW OR AMENDED FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED **D.15**

Standard/ interpretation			Date of mandatory application in the K+S Group[1]
New	IFRS 17	IFRS 17 – Insurance Contracts	Jan. 1, 2023
Amendment	IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan. 1, 2023
Amendment	IAS 1	Presentation of Financial Statements and Practice Statement 2 – Disclosure of Accounting Policies	Jan. 1, 2023
Amendment	IAS 8	Accounting Policies, Changes in Accounting Estimates, and Errors	Jan. 1, 2023
Amendment	IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	Jan. 1, 2023
Amendment	IAS 1	Amendments relating to the Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	Jan. 1, 2024
Amendment	IFRS 16	Lease Liability in a Sale-and-Leaseback	Jan. 1, 2024

[1] Initial application for companies whose registered office is in the EU for reporting periods beginning on or after this date. The application of new or amended IFRS standards or interpretations for companies whose registered office is in the EU is subject to endorsement by the European Commission. Until then, the date of mandatory application for companies whose registered office is in the EU remains open. Early application of one or more IFRS standards or interpretations (if provided for by the IASB) is subject to EU endorsement. Occasionally, the date of mandatory application determined by the European Commission may differ from the first-time application date stipulated by the IASB.

CHANGES IN ACCOUNTING POLICIES, RESTATEMENT OF PRIOR-YEAR FIGURES AND BALANCE SHEET STRUCTURE

A provision is recognized for the obligation to surrender emission certificates to DEHSt, provided that the CO_2 emissions generated up to the reporting date are not covered by emission certificates granted free of charge.

Until December 31, 2021, the FiFo method was used as the consumption sequence method for the stock of emission certificates acquired against payment. As of 2022, the average method is being used for the first time. The K+S Group is of the opinion that the changeover will lead to a balancing out of the expenses for the consumption of emission certificates, which are constantly increasing as a result of price factors, and will therefore enable a more appropriate presentation of the earnings position in the future. Furthermore, emission rights are not physical assets. There is no actual (physical) withdrawal.

If the current consumption method were to be retained, the cost of goods sold would be €11.8 million lower in 2022. After taking into account tax effects, net income would be €8.2 million higher. The previous year's figures have not been adjusted as the effects are immaterial. Assuming no change in the portfolio of emission certificates acquired in return for payment, the cost of goods sold in 2023 would be €12.8 million lower.

The presentation of outstanding invoices changed in 2022. They are now reported as trade payables and no longer as current provisions. The prior-period figures were adjusted accordingly. This results in the changes in the balance sheet presented in table **D.16**.

Furthermore, the prior-year figures for deferred tax assets and liabilities relating to temporary differences between the tax bases and the carrying amounts in the consolidated financial statements were adjusted retrospectively due to inapplicable recognition. This results in the changes in the balance sheet and income statement presented in Tables **D.16** and **D.17**. The prior-year figures in Notes (9), (11), and (16) have been adjusted and marked accordingly. Furthermore, earnings per share (basic = diluted) decreased retrospectively from €15.59 to €15.38. The adjustment related solely to continuing operations.

For reversals through profit or loss of mining provisions with asset items or mining provisions without asset items that were not attributable to changes in the discount rate, the reversal effect was previously allocated to net interest income and cost of goods sold (active sites) or other operating income (inactive sites) based on the history of the recognition of the earnings effects from this provision. From the 2022 financial year onwards, the reversal effect will be reported in full in the operating result, i.e., in cost of goods sold or other operating income. As a result of this change

CHANGES IN THE BALANCE SHEET **D.16**

in € million	Dec. 31, 2021, before changes	Change in deferred taxes	Change in presentation of outstanding invoices	Dec. 31, 2021, after changes
Non-current assets	**6,824.7**	**–11.9**	**–**	**6,812.8**
Deferred taxes	30.2	–11.9	–	18.3
Current assets	**1,911.5**	**–**	**–**	**1,911.5**
ASSETS	**8,736.2**	**–11.9**	**–**	**8,724.3**
Equity	**5,297.4**	**–38.2**	**–**	**5,259.2**
Non-current liabilities	**2,443.3**	**26.3**	**–**	**2,469.6**
Deferred taxes	105.3	26.3	–	131.6
Current liabilities	**995.5**	**–**	**–**	**995.5**
Trade payables	186.9	–	70.3	257.2
Provisions	286.7	–	–70.3	216.4
EQUITY AND LIABILITIES	**8,736.2**	**–11.9**	**–**	**8,724.3**

in presentation, the reversal is recognized correspondingly to the recognition of the provisions, as these also solely affect the operating result (in the case of provisions with asset items, through the depreciation and amortization in subsequent years). This standardizes the presentation of earnings and increases comparability with the reversals of other provisions.

The prior-period amounts were adjusted accordingly. This results in the changes to the income statement presented in table **D.17**.

If the previous presentation of reversals of provisions had been retained in the 2022 financial year, the related income statement items would have changed as follows:

+ Cost of goods sold: €25.4 million higher
+ Interest expense: €25.4 million lower

CHANGES IN THE INCOME STATEMENT **D.17**

in € million	2021 before changes	Change in deferred taxes	Change in presentation of reversals of provisions for mining obligations	2021 after changes
Cost of goods sold	734.0	–	–51.7	682.3
Gross profit	**2,479.1**	**–**	**51.7**	**2,530.8**
Other operating income	351.3	–	46.5	397.8
Earnings after operating hedges	**2,418.8**	**–**	**98.2**	**2,517.0**
Interest expense	23.8	–	98.2	122.0
Financial result	**7.0**	**–**	**–98.2**	**–91.2**
Earnings before tax	**2,425.8**	**–**	**–**	**2,425.8**
Income tax expense	252.8	38.7	–	291.5
– thereof deferred taxes	148.9	38.7	–	187.6
Net income	**2,983.2**	**–38.7**	**–**	**2,944.5**

NOTES TO THE INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

The income statement and statement of comprehensive income are presented on pages 161 – 162. The income statement has been prepared in accordance with the cost of sales method.

The K+S Group uses derivatives to hedge market risk. The hedging strategy is explained in more detail in Note (19). IFRS 9 requires derivatives to be measured at fair value (fair value measurement). Fair value measurement is based on mathematical finance models (see Note (19) Derivative financial instruments). Hedge accounting according to IFRS 9 is not applied to the derivatives and hedged items described above, so that fluctuations in the fair values of the outstanding derivatives are recognized through profit or loss at each reporting date. In addition, the exercise/settlement, sale, or expiry of derivatives used for hedging purposes also have an effect on profit or loss.

Depending on the purpose of the hedge, the effects of hedging are reported under the following items in the income statement:

A) GAINS/(LOSSES) ON OPERATING ANTICIPATORY HEDGES

All effects on profit or loss arising from anticipatory hedges of operating transactions to be recognized in profit or loss in future periods are combined in this income statement line item. “Anticipatory” refers to hedged items expected with a high degree of probability, although they have not yet been recognized in the balance sheet or income statement. “Operating” relates to hedged items that will have an effect on earnings after operating hedges. Significant cases of application are:

+ Hedging forecasted revenues in USD,
+ Hedging forecasted cash outflows (capital expenditure, operating expenses) in Canadian dollars.

B) OTHER OPERATING INCOME/EXPENSES

This item includes effects on profit or loss from hedging existing foreign currency receivables (e.g., hedging USD receivables against exchange rate fluctuations with a EUR/USD forward exchange contract).

C) FINANCIAL RESULT

Effects on profit or loss from hedging items with a financing element that affect earnings after operating hedges neither in the current financial year nor in future financial years are reported in the financial result (e.g., currency derivatives used for liquidity management).

Internal control of the K+S Group is, among other things, performed on the basis of EBITDA. In addition to being adjusted for depreciation and amortization, it differs from earnings after operating hedges reported in the income statement in that fair value changes arising from operating anticipatory hedges are not taken into account if they result from fair value measurements during the term of the hedging instrument as specified in IFRS 9. As a result, the following effects must be eliminated from earnings after operating hedges reported in the income statement:

+ **Income (–)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges**
  Until maturity, the hedging transactions must be measured at fair value as of each balance sheet date. Any difference from the carrying amount is recognized as income or expense.

+ **Elimination of prior-period changes in the fair value of operating anticipatory hedges**
  The carrying amount of the hedging instrument is derecognized at the time it is realized. It is realized when the hedging instrument is exercised/settled, expires, or is sold. The difference between the realized amount and carrying amount is the income or expense recognized in the current period. Since EBITDA is intended to show earnings that exclude the effects of fair value measurement in accordance with IFRS 9, changes in fair value from earlier periods included in the carrying amount are eliminated.

Due to the elimination of all fair value changes during the term, hedging gains or losses included in EBITDA correspond to the value of the hedging transactions at the time of realization (difference between the spot rate and hedging rate); in the case of options, it is reduced by the premium paid or increased by the premium received.

If expected capital expenditures in foreign currencies are hedged, the calculation of EBITDA takes into account not only the above items, but all gains or losses. This is because the gains or losses on the hedged capital expenditures denominated in foreign currency (increase or decrease in depreciation or amortization after the acquisition date) are not included in EBITDA. For this reason, due to the non-inclusion of gains or losses on the hedged item, the gains or losses reported on these hedges as of the maturity date would not produce a valid calculation of earnings in EBITDA. **D.18**

RECONCILIATION TO EBITDA[1] **D.18**

in € million	2021 Continuing operations[2]	2021 Discontinued operations	2021 Continuing and discontinued operations[2]	2022
Earnings after operating hedges	**2,517.0**	**90.9**	**2,607.9**	**1,999.6**
Income (–)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	31.0	–	31.0	10.4
Elimination of prior-period changes in the fair value of operating anticipatory hedges	38.1	1.1	39.2	–30.9
Realized gains (–)/losses (+) on capital expenditure hedges	–	–	–	–
Depreciation and amortization (+)/impairment losses (+)/reversals of impairment losses (–) on non-current assets	–1,514.6	–	–1,514.6	449.1
Depreciation charges recognized directly in equity (–)[3]	–5.5	–	–5.5	–6.8
Impairment losses (+)/reversals of impairment losses (–) on equity-accounted investments	1.3	–	1.3	1.5
EBITDA[2]	**1,067.3**	**92.0**	**1,159.3**	**2,442.9**

[1] EBITDA is defined as earnings before interest, tax, depreciation, and amortization, adjusted for depreciation and amortization of own work capitalized recognized directly in equity, gains/losses from fair value changes arising from operating anticipatory hedges still outstanding, changes in the fair value of operating anticipatory hedges recognized in prior periods, and realized gains/losses on net investment hedges.

[2] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

[3] This relates to depreciation of assets used for the production of other items of property, plant, and equipment. Depreciation is capitalized as part of cost and not recognized in profit or loss.

(1) REVENUES

The K+S Group's revenues amounted to €5,676.6 million (2021: €3,213.1 million) and can be broken down as follows: **D.19**.

REVENUES **D.19**

in € million	2021	2022
Agriculture	**2,272.1**	**4,465.6**
– thereof potassium chloride	1,349.3	2,976.5
– thereof fertilizer specialties	922.8	1,489.2
Industry+	**941.0**	**1,211.0**
– thereof consumers	60.0	63.8
– thereof communities	193.2	139.0
– thereof industry	687.7	1,008.2
– thereof water softening	52.3	60.6
– thereof industrial applications	92.1	144.0
– thereof food processing industry	96.9	124.6
– thereof chemicals	163.4	343.4
– thereof animal nutrition	63.2	78.8
– thereof pharma	25.9	33.5
– thereof complementary activities	163.0	185.4
– thereof other	31.1	37.8
Total	**3,213.1**	**5,676.6**

Revenues are broken down on the basis of market-related customer segments (Agriculture and Industry+). Industry+ is further broken down into the areas of Industry, Consumer, and Communities on the basis of customer interests. Industry, the largest area, is also broken down into product groups.

The chosen breakdowns of revenues reflect the influence of economic factors on the nature, amount, timing, and uncertainty of revenues and cash flows.

Revenues are generated, in particular, from the sale of goods. Sales are made via multi-year framework agreements with annual adjustments to volumes and prices. Furthermore, there are customer agreements for the supply of fixed capacities, which are also renegotiated on a regular basis regarding volumes and prices. In addition, part of the customers are also supplied via short-term orders. The payment terms agreed with customers are mainly between 10 and 180 days; in certain markets, longer payment terms are also customary.

Performance obligations not yet completely fulfilled as of the reporting date generally result in revenue recognition in the following year.

As a rule, no warranties are granted beyond the normal guarantee that the products comply with the agreed specifications.

Tables **D.20** and **D.21** present the opening and closing carrying amounts of trade receivables, receivables from customer-specific construction contracts, and contract liabilities.

OPENING AND CLOSING CARRYING AMOUNTS **D.20**

in € million	Opening carrying amount as of Jan. 1, 2021	Closing carrying amount as of Dec. 31, 2021
Trade receivables	272.7	569.5
Receivables from customer-specific construction contracts	1.5	1.4
Contract liabilities	3.9	6.2

OPENING AND CLOSING CARRYING AMOUNTS **D.21**

in € million	Opening carrying amount as of Jan. 1, 2022	Closing carrying amount as of Dec. 31, 2022
Trade receivables	569.5	1,143.7
Receivables from customer-specific construction contracts	1.4	0.8
Contract liabilities	6.2	5.4

Contract assets exist in the form of receivables under customer-specific construction contracts for which K+S has a contingent claim to payment from the customer. If the contractual performance exceeds the advance payments, such receivables are reported as current assets in the balance sheet under "Other financial assets." Contract liabilities are recognized in connection with multiple-element arrangements for advance payments received from customers prior to contractual performance and are presented as current liabilities in the balance sheet under "Other non-financial liabilities." When the performance obligations are satisfied, these contract liabilities are recognized as revenues.

Revenues include revenues from prior periods of €4.2 million (2021: €5.1 million), which result primarily from the reversal of provisions for sales transactions through profit or loss.

The regional breakdown of revenues is shown in the segment reporting disclosures under Note (33).

(2) COST OF GOODS SOLD AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Cost of goods sold in the financial year amounted to €3,219.3 million (2021: €682.3 million). In 2021, cost of goods sold was reduced by a reversal of impairment losses on property, plant, and equipment and intangible assets (excluding goodwill) in the amount of €1,811.3 million. Adjusted for the impact of the reversals of impairment losses, the cost of goods sold in the previous year amounted to €2,493.6 million.

Cost of goods sold includes freight costs of €665.1 million (2021: €529.6 million). Marketing costs amounted to €61.0 million (2021: €60.0 million) and general and administrative expenses stood at €125.3 million (2021: €115.9 million). The cost of materials includes the following items: **D.22**

COST OF MATERIALS **D.22**

in € million	2021	2022
Expenses for raw materials and supplies and for purchased goods	446.1	702.8
Cost of purchased services	423.7	503.5
Energy costs	294.0	436.9
Cost of materials	**1,163.8**	**1,643.2**

(3) OTHER OPERATING INCOME

Other operating income includes the following material items: **D.23**

The income from the deconsolidation of subsidiaries in the previous year is attributable to the economic transfer of 50% of the shares in REKS GmbH & Co. KG (see section “Scope of consolidation”).

Income from the reversal of provisions is reported in the corresponding cost accounts according to the costs-by-cause principle.

OTHER OPERATING INCOME **D.23**

in € million	2021[1]	2022
Gains on exchange rate differences/ currency hedging transactions	62.7	161.1
Reversals of provisions	62.2	19.2
Rental and leasing income	3.9	4.2
– thereof from investment property	0.9	0.9
Compensation and refunds received	1.5	2.5
Income from the disposal of property, plant, and equipment and intangible assets	0.5	0.4
Reversals of allowances for receivables	–	0.1
Income from the deconsolidation of subsidiaries	219.5	–
Other income	47.7	54.3
Other operating income	**397.8**	**241.8**

[1] Prior year restated. See Note on “Changes in accounting policies, adjustment of prior-year figures and balance sheet structure.”

(4) OTHER OPERATING EXPENSES

Other operating expenses include the following material items: **D.24**

OTHER OPERATING EXPENSES **D.24**

in € million	2021	2022
Losses on exchange rate differences/ currency hedging transactions	70.1	206.4
Expenses for disused plant and preservation of Merkers	54.4	74.6
Prior-period expenses	9.5	13.1
Ancillary capital expenditure costs	15.0	14.8
Research and development costs	10.0	11.6
Losses on the disposal of non-current assets	3.7	6.3
Depreciation, amortization, and impairment losses	4.2	5.1
– thereof impairment losses	–	–
Expenses for consultancy, assessments, and attorney’s fees	1.1	0.5
Other expenses	28.0	42.2
Other operating expenses	**196.0**	**374.6**

(5) NET INCOME FROM EQUITY INVESTMENTS

In the financial year under review, investment income of €2.1 million (2021: €5.0 million) was generated, mainly from dividends paid by non-consolidated companies.

(6) GAINS/(LOSSES) ON OPERATING ANTICIPATORY HEDGES

More information on "Gains/(losses) on operating anticipatory hedges" can be found in the 'Notes to the income statement and statement of comprehensive income' on page 187. **D.25**.

GAINS/(LOSSES) ON OPERATING ANTICIPATORY HEDGES **D.25**

in € million	2021	2022
Gain/loss on the realization of currency hedging transactions	**–12.1**	**–127.7**
– thereof positive contributions to profit or loss	17.3	72.8
– thereof negative contributions to profit or loss	–29.4	–200.5
Changes in the fair value of hedging transactions not yet due	**–31.0**	**–10.3**
– thereof positive fair value changes	3.4	42.5
– thereof negative fair value changes	–34.4	–52.8
Gains/(losses) on operating anticipatory hedges	**–43.1**	**–138.0**

(7) NET INTEREST

In determining the borrowing costs to be capitalized, a weighted cost of capital of 3.0% was applied (2021: 3.1%). **D.26**.

NET INTEREST **D.26**

in € million	2021[1]	2022
Interest component of provisions for mining obligations	–	73.1
Interest component of provisions for long-service awards/working lifetime accounts	3.4	15.8
Elimination of interest against discontinued operation	–2.0	–
Other interest and similar income	8.7	14.5
Interest income	**10.1**	**103.4**
Interest expense on bonds/promissory note loans	–65.2	–27.6
Interest component from measurement of provisions for mining obligations	–36.8	–0.6
Interest expense on pension provisions	–0.6	–0.2
Capitalization of borrowing costs	12.1	14.1
Interest expense from leasing	–8.8	–6.9
Other interest and similar expenses	–27.0	–7.1
Elimination of interest against discontinued operation	4.3	–
Interest expense	**–122.0**	**–28.3**
Net interest	**–111.9**	**75.1**

[1] Prior-year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

The "Interest component from measurement of provisions for mining obligations" consists of the items presented in table **D.27**.

INTEREST COMPONENT OF PROVISIONS FOR MINING OBLIGATIONS **D.27**

in € million	2021[1]	2022
Interest rate effect from the change in the discount rate for provisions for mining obligations	–28.2	81.1
Increase in provisions for mining obligations due to passage of time (interest cost)	–8.6	–8.6
Interest component from measurement of provisions for mining obligations	**–36.8**	**72.5**

[1] Prior-year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

The elimination of interest income/expense from loan and in-house cash receivables and liabilities between the continuing operations and the discontinued operation, the Americas operating unit, was fully allocated to continuing operations in the previous year, because these arrangements ceased after the closing of the sale.

In the previous year, the "Settlement of interest with discontinued operation" item under interest income contained the interest expenses eliminated against the discontinued operation, the Americas operating unit, in the amount of €2.0 million. In the previous year, the "Settlement of interest with discontinued operation" item under interest expense contained the interest income eliminated against the discontinued operation, the Americas operating unit, in the amount of €4.3 million.

(8) OTHER FINANCIAL RESULT

Gains or losses on derivatives result mainly from derivatives used to manage liquidity in foreign currency holdings. Gains or losses from foreign currency exposures include foreign currency effects from internal loans and receivables/liabilities from in-house cash, as well as bank balances and cash deposits (in each case in foreign currencies). Gains or losses on the repurchase of issued bonds and promissory note loans result from the difference between the repurchase price and the carrying amount at the time of repurchase. **D.28**

OTHER FINANCIAL RESULT **D.28**

in € million	2021	2022
Gains or losses on derivatives	42.9	34.1
– thereof income from realization	65.5	69.8
– thereof expenses from realization	–23.3	–36.3
– thereof income from remeasurement	0.8	0.6
– thereof expenses from remeasurement	–0.1	–
Gains or losses from foreign currency exposures	5.5	30.0
– thereof income from realization	77.7	42.4
– thereof expenses from realization	–75.6	–40.7
– thereof income from remeasurement	19.7	60.5
– thereof expenses from remeasurement	–16.3	–32.2
Gains or losses on repurchase of issued bonds/promissory note loans	–22.3	–2.3
– thereof income	–	0.3
– thereof expenses	–22.3	–2.6
Other finance income	0.1	–
Other finance expenses	–5.5	–1.8
Other financial result	**20.7**	**60.0**

(9) INCOME TAX EXPENSE

Deferred taxes in Germany were calculated using a tax rate of 30.2% (2021: 30.2%). In addition to an unchanged corporate income tax rate of 15.0% and an unchanged solidarity surcharge of 5.5%, an average trade tax rate of 14.4% (2021: 14.4%) was taken into account. Deferred taxes in other countries are calculated applying the relevant national income tax rates. **D.29**

INCOME TAX EXPENSE **D.29**

in € million	2021[1]	2022
Current taxes	104.0	413.9
– thereof Germany	95.2	401.3
– thereof outside Germany	8.8	12.6
Deferred taxes	187.5	212.5
– thereof Germany	31.1	95.9
– thereof outside Germany	156.4	116.6
– thereof from loss carryforwards and tax credits	45.3	1.1
– thereof attributable to temporary differences	142.2	211.4
Income tax expense	**291.5**	**626.4**

[1] Prior-year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

Table **D.30** reconciles expected to actual tax expense. The expected income tax expense was calculated based on a domestic Group income tax rate of 30.2% (2021: 30.2%).

RECONCILIATION OF TAXES ON INCOME **D.30**

in € million	2021[1]	2022
Earnings before tax	2,425.8	2,134.7
Expected income tax expense (Group income tax rate 30.2%; previous year: 30.2%)	**732.6**	**644.7**
Changes in expected tax expense:		
Reduction in tax resulting from tax-free income and other items	–21.0	–2.6
Trade tax additions/deductions	3.5	1.3
Increases in tax resulting from non-deductible expenses and other items	5.6	4.2
Permanent differences	0.1	0.1
Increases/reductions in tax resulting from the measurement of deferred tax assets	–391.5	–1.5
Reclassifications in connection with discontinued operations	–	–
Effects of tax rate differences	–46.9	–24.5
Effects of tax rate changes	1.0	–
Taxes for prior years	5.3	0.7
Other effects	2.8	4.0
Actual tax expense[2]	**291.5**	**626.4**
Tax rate	**12.0%**	**29.3%**

[1] Prior-year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."
[2] Based on consolidated profit before tax.

(10) PERSONNEL EXPENSES/EMPLOYEES

D.31, D.32

- Employees
- Remuneration report

PERSONNEL EXPENSES **D.31**

in € million	2021	2022
Wages and salaries	706.8	738.2
Social security costs	164.7	167.1
Pension	13.8	23.9
Personnel expenses	**885.3**	**929.2**

EMPLOYEES INCLUDING TEMPORARY EMPLOYEES **D.32**

Annual average (FTE)	2021	2022
Germany	9,849	9,870
Other countries	927	1,011
Total	**10,776**	**10,881**
– thereof trainees	553	530

(11) EARNINGS PER SHARE

Undiluted earnings per share are calculated by dividing consolidated earnings after tax and non-controlling interests by the weighted average number of shares outstanding. Since none of the conditions resulting in the dilution of earnings per share are met in the K+S Group at present, undiluted earnings per share are the same as diluted earnings per share. **D.33**

EARNINGS PER SHARE[1] **D.33**

in € million	2021[2]	2022
Earnings after tax and non-controlling interests	**2,944.5**	**1,508.3**
– thereof from continuing operations	2,134.2	1,508.3
– thereof from discontinued operations	810.3	–
Average number of shares (in millions)	191.4	191.4
Earnings per share in € (undiluted = diluted)	**15.38**	**7.88**
– thereof from continuing operations	11.15	7.88
– thereof from discontinued operations	4.23	–

[1] Adjusted earnings per share as well as its calculation are described on page 50.
[2] Prior-year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

The previous year benefited from the reversal of impairment losses on property, plant, and equipment and intangible assets (excluding goodwill). If the authorized capital is utilized or a conditional capital increase is implemented (see Note (21), page 206), earnings per share could be diluted in the future.

NOTES TO THE BALANCE SHEET

The balance sheet is presented on pages 166 – 167. The balance sheet is structured according to the maturity of the assets and liabilities. The gross carrying amounts and depreciation, amortization, and impairment losses on individual non-current assets are shown separately on pages 170 – 171.

(12) INTANGIBLE ASSETS, PROPERTY, PLANT, AND EQUIPMENT, AND IMPAIRMENT TESTS

The goodwill from acquisitions of companies that is recognized on the Group's balance sheet amounting to €13.7 million (2021: €13.7 million) is fully allocated to the Salt cash-generating unit (CGU).

The Potash and Magnesium Products CGU comprises the global business with potash and magnesium products from our facilities in Germany and our Canadian Bethune site. The Salt CGU covers the European salt activities.

An impairment test must be carried out for all assets within the IAS 36 area of application if there are indicators of potential impairment as at the reporting date. Goodwill must be impairment-tested each year regardless of the existence of such indicators. An asset is considered impaired when the carrying amount of a cash-generating unit (CGU) is higher than the CGU's recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Both methods use the present values of the future cash flows of the cash-generating units as their basis. Fair value less costs of disposal is the price at which an orderly transaction to sell a CGU would take place between business partners who are knowledgeable, willing to enter a contract, and independent of each other, less the costs of disposal. As both options are generally available at any time for an investment decision, the higher amount is the relevant one.

The cash-flow forecast is generally based on the latest mid-term planning of the K+S Group on the basis of plans of the companies concerned. The mid-term planning is based on internal estimates of the performance of the operating business, market studies, the latest financial results, and the best possible estimate of drivers such as selling prices and sales volumes, energy and shipping costs, or exchange rates. These forecasts may be adjusted for expectations of market participants for the purpose of determining fair value less costs of disposal. As part of the planning process, the targeted goal of the climate strategy (reducing CO_2 emissions by a further 10% by 2030) is taken into account through investment measures that have already been specified and resolved.

POTASH AND MAGNESIUM PRODUCTS CGU

The assumptions underlying the valuation of the Potash and Magnesium Products CGU were reviewed regularly in 2022. An evaluation based on the changes was performed to determine if any impairment losses were required as a result. This was not the case at any time.

The comparison of the fair value less costs of disposal of €6,849.8 million with the carrying amount of the CGU of €6,397.4 million results in a surplus of €452.5 million as of December 31, 2022 (previous year: €1,131.7 million). As there is still a surplus of the carrying amount, positive effects from the Werra 2060 project have not yet been included in the valuation.

Overall, the lower surplus as of December 31, 2022 compared to December 31, 2021 is mainly attributable to the following changed assumptions, with negative effects (marked with –) exceeding positive effects (marked with +):

+ Increased costs due to higher prices over the entire reporting period (in particular for energy and freight) (–)
+ Increased cost of capital (8.0% instead of the previous year's 6.8%) (–)
+ Updated assumptions on the expansion of our Canadian Bethune site (–)
+ Improved potash prices over the entire period under review (+)
+ Changed expectations of exchange rate development (USD 1.08/EUR instead of the previous USD 1.16/EUR) (+)
+ Higher annual growth and inflation rate due to changed price indices (1.7% vs 1.5% in the previous year) (+)

The fair value less costs of disposal of the Potash and Magnesium Products CGU on December 31, 2022, is based on the mid-term planning for the years 2023–2025 and the subsequent further development until the end of the plants' operating lives. The lifetime of the German plants is determined as the sum of the raw-material reserves and annual production. The production volume for this period is extrapolated based on the most recent year for mid-term planning. For the Bethune production facility in Canada, this takes account of the gradual ramp-up of production capacity to 4 million tonnes per year and a corresponding increase in planned sales volumes. The lifetime is determined based on reserves and proportional resources. A further 60% safety discount is applied to the published resources that are already stated in tonnes of end product less mining losses. This results in a lifetime of almost 150 years. For simplification purposes, a perpetual annuity was therefore used for the impairment test (previous year analogous). As a rule, the price planning for 2023 to 2025 is based on the mid-term planning. Where, as in this year, more recent information is available (from forecast or general market dynamics), prices are adjusted for the purpose of impairment testing. After this time, we rely on the real-price development in the external Argus Potash Analytics study by information provider Argus Media Ltd. (updated November/December 2022) for the years 2026 – 2037, which we convert into nominal prices for reasons of consistency with our own inflation assumptions. After 2036, the prices are only increased in line with an inflation rate of 1.7% (2021: 1.5%). The expected inflation rate is based on published price indices for capital-goods producers and gross employee pay. Based on a realized average price for granulated MOP in Brazil of 732 USD/t in 2022, we are expecting a significant year-on-year drop in MOP prices in 2023. Subsequently, the price level will continue to gradually decline at an average rate of 8% per year until 2028 (nominal), with the biggest downturn expected as early as 2024. After 2028, prices will increase slightly by around 4% (nominal) per year until 2037. From 2038, the nominal price increase of 1.7% per year (2021: 1.5%) is assumed unchanged. Revenues relating to the remainder of the product portfolio have been adjusted by an expected inflation rate of 1.7% per year (2021: 1.5%) from the year 2026 onward. As part of the mid-term planning, significant cost increases are assumed for the next three years due to the persistently high inflation. Assuming that the cost situation normalizes again analogously to the development of potash prices, costs will be reduced to a "normalized" but still comparatively high level from 2026 onwards, taking into account current market developments (in particular for energy, materials, and logistics items). Furthermore, costs for the entire product portfolio are extrapolated by 1.7% per year (2021: 1.5%) for inflationary expectations.

Sensitivity analyses were carried out to take account of estimation uncertainties. This was done by changing one assumption in the calculation while leaving the other assumptions unchanged compared with the original calculation.

+ A 5% decrease (increase) in the planned MOP price over the entire planning period would result in the recoverable amount of the Potash and Magnesium Products CGU decreasing by €1.1 billion (increasing by €1.1 billion).
+ An increase (decrease) in the discount rate by 0.5 percentage points would result in recoverable amount decreasing by €0.6 billion (increasing by €0.6 billion).
+ A decrease (increase) in the growth and inflation rate by 0.5 percentage points over the entire planning period would result in the recoverable amount decreasing by €0.8 billion (increasing by €0.9 billion).
+ A decrease (increase) in the lifetime of the German potash plants by five years would result in the recoverable amount decreasing by €0.3 billion (increasing by €0.2 billion).
+ An increase (decrease) of 5 cents in the USD/EUR exchange rates would result in recoverable amount decreasing by €0.9 billion (increasing by €1.0 billion) (not including opposite effects from currency hedges in either case).

In line with the change in recoverable amount, an impairment loss would result for all factors except for the plant lifetime, taking into account the sensitivities described above (all figures without including positive effects from Werra 2060).

SALT CGU

The assumptions underlying the measurement of the Salt CGU were reviewed regularly in 2022. An evaluation based on the changes was performed to determine if any impairment losses were required as a result. This was not the case at any time. A comprehensive regular review of the recoverability of goodwill was performed as of December 31, 2022. The impairment test conducted on the basis of value in use confirms that the goodwill allocated to the Salt CGU was not impaired. The surplus for the Salt CGU is roughly at the same level as at December 31, 2021 (€19 million; previous year: €23 million). The effects of the changes in the following assumptions almost offset each other (negative effects are marked by –, positive effects by +):

+ Rising prices in sales and slight rise in sales volumes for evaporated salt (+)
+ Increased costs due to higher prices (particularly for packaging material, energy, and freight) (–)
+ Higher annual growth and inflation rate (1.7% vs 1.5% in the previous year) (+)
+ Increased cost of capital (8.0% instead of the previous year's 6.8%) (–)

The calculation of value in use is generally based on the mid-term planning, which includes a detailed forecast period for the coming three years (2023 to 2025). For years beyond the detailed forecast period, a growth rate of 1.7% (2021: 1.5%) has been assumed for costs and revenues and, as a consequence, also for cash flows. The mid-term planning for the Salt CGU is strongly influenced by assumptions for the winter. In this context, we are forecasting a normalization of winter conditions (normal winters based on the average sales volumes of the last ten years). As we cannot rule out the possibility of effects resulting from climate change on the development of the de-icing salt business, the application of climate risk analysis models is being examined. The year 2022 was dominated by strong inflation-driven cost volatility, a large part of which can, or could, be passed on to customers in the Salt CGU. With a view to future development, a normalized margin is assumed in the impairment test as of December 31, 2022 (also based on historical average values). The impairment test conducted on the basis of value in use at the end of the 2022 financial year confirms that the goodwill allocated to the Salt CGU is not impaired.

Sensitivity analyses were carried out to take account of estimation uncertainties. This was done by changing one assumption in the calculation while leaving the other assumptions unchanged compared with the original calculation.

+ An increase (decrease) in the discount rate by 0.5 percentage points would result in the recoverable amount decreasing by €21 billion (increasing by €23 billion).
+ A decrease (increase) in the growth and inflation rate by 0.5 percentage points over the entire planning period would result in the recoverable amount decreasing by €14 billion (increasing by €15 billion).
+ A decrease in long-term EBITDA by 0.5 percentage points starting in 2025 would result in recoverable amount decreasing by €24 billion (increasing by €24 billion).

Corresponding to the change in the recoverable amount, taking into account the above sensitivities for the discount rate and the EBITDA margin, a partial impairment of goodwill would result.

Table **D.34** shows the discount rates applied as of the end of the relevant financial year.

IMPAIRMENT TEST DISCOUNT RATES **D.34**

	2021	2021	2022	2022
Interest rates in %	Before tax	After tax	Before tax	After tax
Potash and Magnesium Products CGU	9.7	6.8	11.5	8.0
Salt CGU	9.7	6.8	11.5	8.0

The interest rates of the cash-generating units correspond to the K+S Group's cost of capital calculated on the basis of a representative peer group.

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(13) INVESTMENT PROPERTIES

Investment properties are primarily leased properties. As of December 31, 2022, the fair values of investment properties amounted to €12.4 million (2021: €12.6 million). The fair values were estimated by internal specialist departments on the basis of local market conditions. In determining the values, particular account was taken of local property valuation records and, in part, of external valuation records. The measurement methods correspond to Level 3 of the three-level fair value hierarchy set out in IFRS 13.

(14) FINANCIAL ASSETS

The financial assets mainly comprise the shares in subsidiaries, joint ventures, and associated companies, which were not consolidated due to their minor importance. The year-on-year decline is mainly attributable to the previously non-consolidated subsidiaries included in the consolidated financial statements of the K+S Group in 2022.

(15) SHARES IN EQUITY-ACCOUNTED INVESTMENTS

K+S Baustoffrecycling GmbH, a joint venture, is accounted for using the equity method. K+S holds 50% of the capital and the voting rights of the company. The purpose of the company is to accept non-hazardous soil and building materials used to cover and recultivate former tailings piles of potash residue. As part of the REKS transaction (see section "Scope of consolidation"), 50% of the shares in K+S Baustoffrecycling GmbH were sold to REMEX GmbH at a contractually agreed purchase price in the previous year. The closing of the transaction is subject, among other things, to the acquisition of the shares in K+S Baustoffrecycling GmbH currently held by K+S Vermögenstreuhänder e.V.

REKS GmbH & Co. KG is accounted for as a joint venture using the equity method (see comments in the section "Scope of consolidation"). The purpose of the company is the management and further development of waste management activities in the business areas of underground mining, secondary aluminum industry, and tailings piles covering.

The tables below summarize the financial information of K+S Baustoffrecycling GmbH and REKS GmbH & Co. KG, as disclosed in their own financial statements, modified for adjustments to fair value at the acquisition date and differences in accounting policies. The hidden reserves of K+S Baustoffrecycling GmbH mostly relate to the right to use the Wathlingen tailings pile. For REKS GmbH & Co. KG, the hidden reserves according to the preliminary purchase price allocation mostly relate to the cooperation agreement between REKS and K+S that provides for capacity for underground waste disposal. The tables also show a reconciliation of the summarized financial information to the carrying amount of the Group's interest in K+S Baustoffrecycling GmbH and REKS GmbH & Co. KG.**D.35**, **D.36**, **D.37**, **D.38**

FINANCIAL INFORMATION OF K+S BAUSTOFFRECYCLING GMBH – BALANCE SHEET **D.35**

in € million	2021	2022
Ownership interest	**50%**	**50%**
Non-current assets	63.5	63.1
– thereof goodwill from fair value adjustments	20.1	20.1
Current assets	1.9	0.2
– thereof cash and cash equivalents	1.6	0.1
Assets (100%)	**65.4**	**63.3**
Equity	55.4	53.5
Non-current liabilities	4.7	4.2
– thereof financial liabilities (without trade payables and other operating liabilities)	–	–
Current liabilities	5.3	5.6
– thereof financial liabilities (without trade payables and other operating liabilities)	4.2	4.2
Equity and liabilities (100%)	**65.4**	**63.3**

FINANCIAL INFORMATION OF K+S BAUSTOFFRECYCLING GMBH – INCOME STATEMENT **D.36**

in € million	2021	2022
Ownership interest	**50%**	**50%**
Income statement for the period from Jan. 1 to Dec. 31		
Revenues	**3.5**	**0.2**
Depreciation, amortization, and impairment losses	–1.4	–1.5
Income tax expense	0.2	1.1
Net income	–0.4	–1.8
Comprehensive income	**–0.4**	**–1.8**
Investment carrying amount based on the equity method as of Jan. 1	**27.8**	**26.3**
Share of comprehensive income (recognized in P&L)	–0.2	–1.4
Fair-value measurement	–1.4	–1.5
Investment carrying amount based on the equity method as of Dec. 31	**26.3**	**23.4**

FINANCIAL INFORMATION OF REKS GMBH & CO. KG – BALANCE SHEET **D.37**

in € million	2021	2022
Ownership interest	**50%**	**50%**
Non-current assets	294.5	291.6
– thereof goodwill from fair value adjustments	33.7	33.7
Current assets	56.7	39.2
– thereof cash and cash equivalents	4.3	6.0
Assets (100%)	**351.2**	**330.8**
Equity	299.3	285.6
Non-current liabilities	21.6	35.3
– thereof financial liabilities (without trade payables and other operating liabilities)	0.7	0.9
Current liabilities	30.3	9.9
– thereof financial liabilities (without trade payables and other operating liabilities)	0.1	0.5
Equity and liabilities (100%)	**351.2**	**330.8**

FINANCIAL INFORMATION OF REKS GMBH & CO. KG – INCOME STATEMENT D.38

in € million	2021	2022
Ownership interest	**50%**	**50%**
Income statement for the period from Jan. 1 to Dec. 31		
Revenues	**67.1**	**93.6**
Depreciation, amortization, and impairment losses	–	9.9
Income tax expense	1.2	1.0
Net income	6.4	0.3
Comprehensive income	6.4	0.3
Investment carrying amount based on the equity method as of Jan. 1	**149.7**	**149.7**
Share of comprehensive income (recognized in P&L)	–	0.2
Distributions received	–	–6.8
Investment carrying amount based on the equity method as of Dec. 31	**149.7**	**143.0**

As REKS GmbH & Co. KG was deconsolidated as a subsidiary and recognized as a joint venture for the first time at the end of the previous year, the total comprehensive income presented in the table was not included in the reconciliation to the carrying amount of the investment in REKS GmbH & Co. KG. The income related to the period prior to classification as a joint venture and is included in full in the income statement for the 2021 financial year.

(16) DEFERRED TAXES

The following deferred tax assets and liabilities recognized in the balance sheet relate to recognition and measurement differences for individual balance sheet line items and to tax loss carryforwards presented in table **D.39**.

No deferred tax assets were recognized for deductible temporary differences of €1.0 million (2021: €2.0 million) and tax loss carryforwards of €3.9 million (2021: €5.8 million), because it is not considered sufficiently probable that positive taxable income will be realized in future. The underlying loss carryforwards amount to €15.8 million (2021: €25.0 million). Most of them can be carried

DEFERRED TAXES D.39

	Deferred tax assets		Deferred tax liabilities	
in € million	2021[1]	2022	2021[1]	2022
Intangible assets	14.1	12.3	3.5	4.5
Property, plant, and equipment	13.7	18.9	446.6	543.6
Financial assets	–	0.1	2.3	1.9
Investments accounted for using the equity method	–	–	17.0	15.8
Inventories	2.6	1.0	0.3	0.3
Trade receivables	–	6.3	6.1	0.1
Other assets	6.2	3.9	9.7	32.2
– thereof derivative financial instruments	–	–	1.7	14.2
Provisions	280.2	157.9	18.4	21.9
Trade payables	–	–	–	–
Other liabilities	66.5	68.9	13.4	27.3
– thereof derivative financial instruments	11.1	29.0	–	–
Gross amount	**383.3**	**269.3**	**517.3**	**647.6**
– thereof non-current	308.0	220.2	493.9	614.0
Amount not recognized because recoverability not sufficiently probable	–2.0	–1.0	–	–
Tax loss carryforwards	11.1	10.4	–	–
Consolidation adjustments	9.2	24.7	–2.4	–5.4
Netting	–383.3	–259.5	–383.3	–259.5
Carrying amount (net)	**18.3**	**43.9**	**131.6**	**382.7**

[1] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

EXPIRY OF UNRECOGNIZED LOSS CARRYFORWARDS D.40

in € million	2021	2022
Unrecognized loss carryforwards	**25.0**	**15.8**
– thereof loss carryforwards expiring within one year	–	–
– thereof loss carryforwards expiring between two and five years	–	–
– thereof loss carryforwards expiring after five years	0.9	–
– thereof loss carryforwards that will not expire	24.1	15.8

forward indefinitely. To determine deferred tax assets on loss carryforwards, the expected taxable income was derived from the corporate planning while assuming that deferred tax liabilities will reverse. **D.40**

For companies with a tax loss in the current year or in the previous year, deferred tax assets exceeded deferred tax liabilities by €4.9 million (2021: €2.7 million). The basis for the development of these deferred taxes is the assessment that tax profits will be achieved in future financial years.

In the year under review, deferred taxes of €-22.3 million (2021: €31.5 million) were recognized in other comprehensive income; they were mostly attributable to provisions. The amount of deferred taxes recognized in the balance sheet as of December 31, 2022 changed by €225.5 million (2021: €225.4 million); this change is made up of an increase in deferred tax assets of €25.6 million (2021: €–157.7 million) and an increase in deferred tax liabilities of €251.1 million (2021: €67.7 million). Taking into account deferred taxes of €–22.3 million (2021: €31.5 million) and currency translation effects of €9.3 million (2021: €–0.5 million), and deferred taxes recognized in discontinued operations of €0 (2021: –68.8 million), this results in a deferred tax expense of €212.5 million reported in the income statement (2021: €187.6 million). Temporary differences of €423.7 million (2021: €214.2 million) are related to shares in subsidiaries for which no deferred tax liabilities are recognized in accordance with IAS 12.39.

(17) INVENTORIES

Table **D.41** presents the breakdown of inventories. Since inventories are carried at net realizable value, allowances of €28.0 million (2021: €23.0 million) were recognized in the reporting period.

INVENTORIES D.41

in € million	2021	2022
Raw materials, consumables, and supplies	261.8	304.8
Work in progress	33.5	48.5
Finished goods and merchandise	195.1	321.8
Inventories	**496.5**	**675.1**

(18) TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Other financial assets include receivables recognized in connection with accounting for customer-specific construction contracts and are presented in table **D.42**.

TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS D.42

in € million	2021	thereof due in more than 1 year	2022	thereof due in more than 1 year
Trade receivables	569.5	–	1,143.7	–
Other financial assets	112.2	7.5	128.9	27.1
– thereof derivative financial instruments	12.0	6.4	73.4	26.3
– thereof receivables from affiliated companies	13.2	–	16.9	–
– thereof to other investees and investors	17.2	–	13.8	–
Trade receivables and other financial assets	**681.7**	**7.5**	**1,272.6**	**27.1**

The year-on-year increase in trade receivables as of December, 31, 2022, is due, among other things, to higher revenues and the discontinuation in full of factoring.

K+S entered into factoring agreements with factors for the sale of trade receivables. The receivables relevant for factoring arrangements are allocated to the "hold and sell" business model under IFRS 9. The factoring agreements are designed in such a way that the material opportunities and risks are transferred to the factor. The factored trade receivables are therefore derecognized in full. No trade receivables were sold under factoring arrangements as of the reporting date (2021: €120.7 million).

In some cases, security is withheld by the factor from the purchase price of the receivables to cover the moral hazard. This security is presented under "other financial assets"; given the short-term nature of these financial assets, their carrying amounts are approximately equivalent to their fair values.

Other financial assets include cash collateral of €0.6 million (2021: €6.4 million). Cash collateral is generally deposited with banks for the issuance of sureties and guarantees to suppliers (2022: €0.6 million; 2021: €1.8 million). In the previous year, there were also security obtained by withholding the purchase price under factoring agreements (2021: €4.6 million).

Allowances on trade receivables are recognized in the amount of lifetime expected credit losses. However, K+S pursues a strategy of securing trade receivables using suitable instruments. This kind of security is considered an integral part of the contractual relationships with customers and is taken into account when measuring expected credit losses.

As of the reporting date, €914.7 million, or 87%, (2021: €477.0 million, or 95%) of the Group's trade receivables that can be secured were protected against default with credit insurance and other debt protection instruments. Due to the excellent credit ratings of the credit insurers, the risk is largely limited to a small excess. The trade receivables that cannot be secured included receivables from public-sector customers. Based on past default rates, no material defaults are expected for receivables that cannot be secured and the unsecured portion of trade receivables of €133.0 million, or 13%, (2021: €26.6 million, or 5%) that are, in principle, securable. There is no indication that future default rates will significantly differ from past default rates. Expected losses have therefore only been recognized for cases with objective evidence of impairment. Objective evidence includes, e.g., filing for insolvency, significant financial difficulties of the customer, or receivables that are more than 90 days past due, unless they can be shown not to be impaired even though they are past due. For insured receivables, the maximum impairment loss recognized is the possible excess. **D.43**

BREAKDOWN OF CARRYING AMOUNTS OF TRADE RECEIVABLES **D.43**

in € million	2021	2022
Secured	477.0	914.7
Securable but unsecured	26.6	133.0
Total securable receivables	**503.6**	**1,047.7**
Not securable	76.9	107.4
Total gross carrying amounts	**580.5**	**1,155.1**
Valuation allowances	11.0	11.4
Net carrying amounts	**569.5**	**1,143.7**

The maximum risk of default on receivables and other financial assets is reflected in the carrying amount recognized in the balance sheet. As of December 31, 2022, the maximum amount in default in the highly unlikely event of a simultaneous default on all unsecured receivables was €240.4 million (2021: €103.5 million).

The following table D.44 shows the reconciliation of valuation allowances recognized on the basis of objective evidence at the beginning of the year to the balance at the end of the year. Due to immateriality, expected losses not based on such objective evidence were not recognized and are therefore not included in the table. Also for reasons of materiality, there is no further information on the default risk and expected credit losses for the balance sheet items concerned.

VALUATION ALLOWANCES ON TRADE RECEIVABLES **D.44**

in € million	2021	2022
As of Jan. 1	7.8	11.0
IFRS 5 reclassifications/changes in the basis of consolidation	–0.1	–
Additions	3.4	0.6
Reversals	–	0.1
Utilization	0.1	0.1
As of Dec. 31	**11.0**	**11.4**

For items measured at amortized cost that are included in current or non-current financial assets, allowances are also recognized in the amount of expected credit losses. Based on the good credit ratings of the counterparties, no evidence of material impairment was identified. Similar to trade receivables, expected losses have therefore only been recognized for cases with objective evidence of impairment. There was no such impairment as of the reporting date, similar to the previous year.

In addition, the "other financial assets" item includes assets already impaired on acquisition with a carrying amount of €4.3 million (2021: €4.2 million) and a nominal repayment amount of €7.3 million (2021: €7.0 million). As in the previous year, no impairment losses were recognized on receivables from customer-specific construction contracts.

If receivables have a residual term of more than one year, they are discounted applying interest rates as of the reporting date.

As of December 31, 2022, no non-interest-bearing and low-interest receivables were discounted (2021: €0.0 million).

Table D.45 provides information about the extent of the risk of default contained in "trade receivables".

As of the reporting date, an amount of €3.2 million (2021: €1.3 million) of the unimpaired other financial assets was overdue.

Receivables management is aimed at collecting all outstanding accounts punctually and in full, as well as of avoiding the loss of receivables. Invoices are issued on a daily basis and invoice data is transferred to debtor accounts online. Accounts receivable are monitored on an ongoing basis with system support, in accordance with the payment terms agreed with the customers. Most payment terms range from 10 to 180 days, with longer terms being customary in some markets. In the case of late payment, reminders are issued at regular two-week intervals. Impaired receivables are generally subject to enforcement measures.

RISK OF DEFAULT **D.45**

	Carrying amount	thereof neither past due nor impaired as of the reporting date	thereof not impaired as of the reporting date but past due			
in € million			≤ 30 days	> 31 and ≤ 90 days	> 91 and ≤ 180 days	> 180 days
2022						
Trade receivables	1,143.7	1,109.8	7.7	5.0	2.8	–
2021						
Trade receivables	569.5	543.4	2.4	3.1	–	1.3

(19) DERIVATIVE FINANCIAL INSTRUMENTS

Currency and interest rate management is performed centrally for all Group companies. This also applies to the use of derivative financial instruments, e.g., those aimed at limiting certain costs. The use of derivative financial instruments is regulated by guidelines and procedural instructions. Trading, settlement, and control are strictly segregated. Derivative financial instruments are only traded with banks that have a good credit rating; they are monitored continually by means of appropriate instruments. As a rule, the entire portfolio of derivative financial instruments is distributed among several banks to reduce the risk of default. The level of default risk is limited to the amount of derivative financial assets.

The aim of interest rate management is to mitigate the risks arising from rising interest expense for financial liabilities as well as the risks arising from declining interest income from financial assets as a result of changes in the general level of interest rates. Interest caps were purchased in the past to mitigate a large part of the risk of higher interest expenses that existed because of outstanding promissory notes with floating interest rates at those times. It was no longer necessary to purchase these instruments on the reporting date of December 31, 2022. In the case of the financial assets, there is currently no identifiable need for action because of the short remaining maturities and the low interest rates, meaning that there is a minimal risk of declining rates.

Derivatives are used in currency hedging in order to limit the risks to which operating activities can be exposed as a result of changes in exchange rates. Exchange rate risks exist mainly with respect to the US dollar and the Canadian dollar, and, to a lesser extent, pound sterling. Hedging transactions are entered into for invoiced receivables and anticipated net positions on the basis of projected revenues. In this context, the net positions are determined on the basis of revenue and cost planning using safety margins and updated continuously to avoid excess hedging or hedging shortfalls.

The hedging transactions used for hedging of anticipated positions can have maturities of up to three years. The main objective is to hedge a worst-case scenario. Here, futures and plain vanilla options are used, although participation in favorable market developments is, as a rule, limited by the sale of simple options. This also serves to reduce premium expenses.

Based on the agreed payment terms, the maturities of instruments used to hedge invoiced receivables are less than one year.

The hedges of anticipated net positions described above are used for US dollar positions as well as for Canadian dollar positions for production in Canada.

All the above-mentioned derivatives are traded over the counter only. Forward exchange and option contracts are always transacted via a trading platform through which quotations are obtained from several banks, so that a transaction can be entered into with the bank providing the best quotation.

Forward exchange contracts are subject to market risk on the respective reporting date. This is, however, offset by the opposite effects of currency-based measurement of receivables, which uses derivatives to hedge foreign currency receivables.

For hedging exchange rate risks due to the expected purchase price payment from the planned sale of the Americas operating unit, a series of transaction-dependent EUR/USD foreign currency forward contracts (so-called “deal contingent forwards”) were concluded in October 2020. The deal contingent forwards were exercised upon completion of the underlying sales transaction (exercise income: €18.2 million). Overall, there is an effect of €–59.4 million recognized in profit or loss for 2021, which is allocated to profit/loss from discontinued operations (see Note (20) “Discontinued Operations and Disposal Groups”), as the economic purpose of the hedging transactions was to hedge the exchange rate risks from the expected disposal of the Americas operating unit.

The fair values of derivative financial instruments determined in this process correspond to the hypothetical value they would have on premature transfer on the balance sheet date. The values are determined using recognized financial methods generally used by market participants. These calculations were based, in particular, on the following inputs that applied on the balance sheet date:

+ Spot exchange and forward exchange rates of the currencies concerned,
+ interest rate level,
+ agreed hedging level and exercise prices,
+ traded volatilities, and
+ counterparty risk.

Derivative financial instruments as of December 31, 2022, were as follows: D.46

DERIVATIVE FINANCIAL INSTRUMENTS **D.46**

	2021		2022	
in € million	Nominal amount[1]	Fair value	Nominal amount[1]	Fair value
GBP/EUR forward exchange contracts				
– thereof maturing in 2022	6.2	–0.1	–	–
CAD/EUR forward exchange contracts				
– thereof maturing in 2022	48.3	0.3	–	–
– thereof maturing in 2023	–	–	42.0	0.2
USD/EUR forward exchange contracts				
– thereof maturing in 2022	899.9	–23.3	–	–
– thereof maturing in 2023	104.2	–0.3	2,034.4	20.1
– thereof maturing in 2024	–	–	501.9	25.6
USD/CAD forward exchange contracts				
– thereof maturing in 2022	123.5	–	–	–
– thereof maturing in 2023	41.4	0.2	248.5	–7.0
– thereof maturing in 2024	–	–	55.9	–0.2
Plain vanilla currency options purchased (USD/EUR)				
– thereof maturing in 2022	517.8	1.8	–	–
– thereof maturing in 2023	189.3	3.8	637.4	5.9
Plain vanilla currency options sold (USD/EUR)				
– thereof maturing in 2022	541.6	–11.1	–	–
– thereof maturing in 2023	198.4	–2.6	670.7	–16.4
Plain vanilla currency options purchased (CAD/USD)				
– thereof maturing in 2022	211.3	2.4	–	–
– thereof maturing in 2023	68.9	2.1	218.7	0.9
Plain vanilla currency options sold (CAD/USD)				
– thereof maturing in 2022	199.1	–1.1	–	–
– thereof maturing in 2023	65.9	–0.9	209.6	–4.7
Total derivative financial instruments	**3,215.8**	**–28.7**	**4,619.1**	**24.3**

[1] In EUR, translated using weighted average exchange rates.

(20) DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

DISCONTINUED OPERATIONS

As part of the package of measures to reduce debt made public in December 2019, K+S Aktiengesellschaft announced on March 11, 2020, that it would sell the whole of the Americas operating unit, in which the North and South American salt business is bundled.

The agreement to sell the Americas operating unit was signed on October 5, 2020. The buyer is Stone Canyon Industries Holdings LLC (SCIH), Mark Demetree and partners. The selling price amounted to about €2.7 billion (before purchase price adjustment). The transaction closed on April 30, 2021 and the purchase price was paid in cash at that time.

The criteria of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" were met following the conclusion of the sale agreement, and the Americas operating unit was, therefore, recognized as a disposal group held for sale until closing and accounted for as a discontinued operation. The Americas operating unit was reported as a separate segment within the meaning of IFRS 8 until the conclusion of the sale agreement. The fair value less costs of disposal between the end of the preceding reporting period and the closing of the transaction were higher than the carrying amount for the Americas operating unit. Consequently, no impairment losses were recognized on the discontinued operation in accordance with IFRS 5.

As of the time of classification in accordance with IFRS 5 through to the closing of the transaction, the assets and liabilities of the Americas operating unit were accounted for as separate balance sheet items: "assets held for sale" and "liabilities relating to assets held for sale".

In the income statement, all income and expenses of the business classified as a discontinued operation were recognized as a separate item, "earnings after tax from discontinued operations".

In addition to operating income and expenses of the discontinued operation, expenses and income directly related to the sale were also reported under "earnings after tax from discontinued operations". In the previous year, this related to the following items allocated to the discontinued operation: disposal costs of €21.2 million, expenses for purchase-price hedging transactions of €59.4 million and tax expenses totaling €111.3 million. The tax expenses mainly comprise remitted withholding taxes as well as deferred taxes from using tax attributes.

The above expenses for purchase price hedging transactions result from the fulfillment of deal-contingent forwards with a principal volume of USD 3.0 billion that were entered into with a number of banks to hedge the foreign currency risk in connection with the purchase price. The fulfillment of the deal contingent forwards led to an expense of €59.4 million at the time the transaction closed.

The earnings of the discontinued operation were as follows in the previous year: **D.47**

EARNINGS FROM DISCONTINUED OPERATIONS (AMERICAS OPERATING UNIT) **D.47**

in € million	2021
Revenues	544.5
Other operating income/expenses	–453.5
Earnings after operating hedges	91.0
Financial result	–2.6
Earnings before tax	88.4
– thereof from ordinary activities	88.4
Income tax expense	–2.7
– of which from ordinary activities	–2.7
Earnings after tax from discontinued operations	85.7
Net gain on disposal	724.6
Earnings after tax from discontinued operations	**810.3**

The carrying amounts for the assets and liabilities at the time of disposal were made up as follows: **D.48**, **D.49**

ASSET CARRYING AMOUNTS AT TIME OF DISPOSAL (AMERICAS OPERATING UNIT) **D.48**

in € million	April 30, 2021
Intangible assets	845.4
– thereof goodwill from acquisitions of companies	639.9
Property, plant, and equipment	1,171.7
Financial assets	5.5
Other financial assets	0.3
Other non-financial assets	10.1
Deferred taxes	35.8
Non-current assets	**2,068.9**
Inventories	295.8
Trade receivables	190.0
Other financial assets	11.2
Other non-financial assets	11.0
Income tax refund claims	4.7
Cash and cash equivalents	**29.0**
Current assets	**541.7**

DEBT CARRYING AMOUNTS AT TIME OF DISPOSAL (AMERICAS OPERATING UNIT) **D.49**

in € million	April 30, 2021
Other financial liabilities	66.2
Other non-financial liabilities	3.0
Income tax liabilities	24.0
Provisions for pensions and similar obligations	104.5
Provisions for mining obligations	20.1
Other provisions	37.4
Deferred taxes	128.1
Non-current liabilities	**383.2**
Trade payables	87.6
Other financial liabilities	31.7
Other non-financial liabilities	9.3
Income tax liabilities	3.2
Provisions	64.9
Current liabilities	**196.6**

Accumulated expenses and income attributable to discontinued operations and recognized in other comprehensive income amounted to €1.1 million in the previous year.

The gain on the disposal of the Americas operating unit is as follows: **D.50**

GAIN ON DISPOSAL (AMERICAS OPERATING UNIT) **D.50**

in € million	Dec. 31, 2021
Purchase price (after hedges and costs of disposal)	2,575.0
Carrying amount for net assets disposed of	2,030.8
– thereof non-current assets	2,068.8
– goodwill	639.9
– property, plant, and equipment	1,171.7
– thereof current assets	541.7
– thereof non-current liabilities	383.2
– thereof current liabilities	196.6
Derecognition of non-controlling interests	1.7
Reclassification of currency translation differences	289.9
Attributable tax expenses	–111.3
Gain on disposal after income tax	**724.5**

(21) EQUITY

The changes in individual equity items are shown separately on page 169.

ISSUED CAPITAL

The issued capital of K+S Aktiengesellschaft is unchanged from the previous year at €191.4 million, divided into 191.4 million no-par-value registered shares. The shares are fully paid up. **D.51**

Corporate Governance and Monitoring, Disclosures in Accordance with Section 289a(1) and Section 315a(1) HGB as well as the Explanatory Report of the Board of Executive Directors in Accordance with Section 176(1) Sentence 1 AktG

ISSUED CAPITAL **D.51**

in € million	Outstanding shares on issue	Issued capital
Dec. 31, 2020	191.4	191.4
Dec. 31, 2021	191.4	191.4
Dec. 31, 2022	**191.4**	**191.4**

SHARE BUYBACK

According to the resolution adopted by the Annual General Meeting on June 10, 2020, the Board of Executive Directors was authorized to acquire own shares of up to 10% of the share capital until June 9, 2025. K+S Aktiengesellschaft did not make use of the authorization in the 2022 financial year.

AUTHORIZED CAPITAL

The Board of Executive Directors was authorized at the Annual General Meeting on June 10, 2020, to increase the Company's share capital, with the consent of the Supervisory Board, by a total of €38,280,000.00 in one lump sum or several partial amounts at different times, by issuing a maximum of 38,280,000 new registered shares (authorized capital) during the period to June 9, 2025.

The Board of Executive Directors was authorized at the Annual General Meeting on May 12, 2021, to increase the Company's share capital, with the consent of the Supervisory Board, by a total of €38,280,000.00 in one lump sum or several partial amounts at different times, by issuing a maximum of 38,280,000 new registered shares (authorized capital II) during the period to May 11, 2026.

K+S Aktiengesellschaft did not make use of the authorizations in the 2022 financial year.

CONDITIONAL CAPITAL

The share capital is increased by up to €19,140,000.00 by issuing up to 19,140,000 registered shares with no par value (conditional capital).

The Board of Executive Directors is authorized until June 9, 2025, with the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or warrant-linked bonds on one or several occasions and to grant conversion rights to, or impose conversion obligations on, the holders or creditors of bonds or to issue warrants on shares in the Company in a proportionate amount of the share capital of up to €19,140,000.00 in total. K+S Aktiengesellschaft did not make use of the authorization in the 2022 financial year.

SHARE PREMIUM

The share premium mainly consists of the premium received as part of share issues of K+S Aktiengesellschaft.

OTHER RESERVES AND NET RETAINED EARNINGS

This item summarizes retained earnings, net retained profits, currency translation differences, measurement of equity instruments at fair value, and the remeasurement of pensions and similar obligations.

Retained earnings mainly consist of past earnings of the companies included in the consolidated financial statements, less dividends paid to shareholders. Currency translation differences mainly comprise differences from the translation of foreign business operations from the functional currency into the Group's reporting currency (euro). **D.52**

OTHER COMPREHENSIVE INCOME **D.52**

			2021			2022
in € million	Before tax	Tax effect	Net	Before tax	Tax effect	Net
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods	**–8.6**	**–7.7**	**–16.3**	**–23.6**	**–**	**–23.6**
Exchange differences on translation of foreign currency	–8.6	–7.7	–16.3	–23.6	–	–23.6
– thereof change in unrealized gains/losses	–298.5	–7.7	–306.2	–23.6	–	–23.6
– thereof realized gains/losses	289.9	–	289.9	–	–	–
Items of other comprehensive income not to be reclassified to profit or loss	**88.4**	**21.2**	**109.6**	**70.7**	**–21.2**	**49.5**
Gains/(losses) on equity instruments measured at fair value	22.1	–	22.1	3.2	–	3.2
Remeasurement gains/losses on net liabilities/assets under defined-benefit plans	66.3	21.2	87.5	67.5	–21.2	46.3
Other comprehensive income	**79.8**	**13.5**	**93.3**	**47.1**	**–21.2**	**25.9**

NET RETAINED PROFITS/NET ACCUMULATED LOSSES REPORTED IN THE ANNUAL FINANCIAL STATEMENTS OF K+S AKTIENGESELLSCHAFT (HGB)

The dividend distribution is based on the annual financial statements of K+S Aktiengesellschaft as prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB). It is intended to make a proposal at the Annual General Meeting to distribute a dividend of €1.00 per no-par value share, i.e., €191.4 million in total, to shareholders and to transfer the remaining amount of €113.7 million to retained earnings.

As of the reporting date, the following net retained profits were reported in the annual financial statements of K+S Aktiengesellschaft: **D.53**

NET RETAINED PROFITS/NET ACCUMULATED LOSSES REPORTED IN THE SINGLE-ENTITY FINANCIAL STATEMENTS OF K+S AKTIENGESELLSCHAFT (HGB) **D.53**

in € million	2021	2022
Net retained profits of K+S Aktiengesellschaft as of January 1	–603.4	274.5
Dividend distributed for previous year	–	–38.3
Appropriation to other revenue reserves (resolution of Annual General Meeting)	–	–236.2
Net income/loss of K+S Aktiengesellschaft for the year	1,152.4	305.1
Appropriation to other revenue reserves from net income	–274.5	–
Net retained profits/net accumulated losses of K+S Aktiengesellschaft as of December 31	274.5	305.1

(22) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The K+S Group has made a number of defined benefit pension commitments. Most of these commitments relate to Germany, with only a small number of commitments existing in foreign countries.

A significant pension plan in Germany is the K+S pension scheme, which consists primarily of a basic pension, supplementary benefits II, as well as vested pension rights. The basic pension is based on a modular system under which notional contributions corresponding to a certain percentage of pensionable income are collected annually. The pension entitlement is calculated by applying a fixed percentage and the sum of all notional contributions. Supplementary benefits II are a final salary plan under which the entitlement is based on certain percentages of salary components above statutory and miners' insurance, multiplied by the number of pensionable years of service. Fixed euro amounts or vested rights to final-salary percentages were granted for periods of service before the introduction of the basic pension and supplementary benefits II. This pension plan has since been discontinued, so that no additional employees are eligible to acquire benefits.

Alongside the K+S pension scheme, numerous individual commitments were made, especially to members of the Board of Executive Directors and senior management. They are generally based on a modular system under which a certain percentage of pensionable annual income is converted into a lifelong pension applying an age-related factor. The total entitlement corresponds to the sum of the individual year-based modules. In some contracts, a predefined benefit level may not be exceeded.

In addition, there are other company-specific pension commitments in Germany, which were already discontinued some years ago. Most of the beneficiaries are already drawing pensions.

In Germany, all the pension obligations described above are covered by a contractual trust arrangement (CTA). K+S Vermögenstreuhänder e.V. serves as the contractual entity, which manages the assets earmarked for servicing the pension obligations as a trustee. While the pension payments continue to be made by the respective company, the payments are normally reimbursed by the CTA as they occur. There are no minimum funding requirements.

Moreover, there are deferred compensation arrangements and commitments that will be met through a provident fund. These obligations are largely covered by reinsurance policies.

The plans described above are subject to a number of risks, in particular:

+ Investment risks: the provisions for pensions and similar obligations are calculated using a discount rate based on AA-rated corporate bonds. If the yield on plan assets is below this interest rate, this will result in underfunding. The investments are spread widely, mainly in bonds and equities, with the latter being particularly exposed to significant market price fluctuations.

+ Inflation risks: in Germany, the German Company Pension Plan Act (Gesetz zur Verbesserung der betrieblichen Altersvorsorge, BetrAVG) requires a review of pension levels every three years, and this generally results in pensions being adjusted for inflation. As a rule, an increase in the rates of inflation will therefore lead to a corresponding increase in the respective obligations.
+ Interest rate risks: a decrease in yields on corporate bonds and, consequently, in the discount rate leads to an increase in obligations, which may only be partially offset by a corresponding change in the value of plan assets.
+ Longevity risks: life expectancy is taken into account in calculating obligation levels by using mortality tables. An increase in life expectancy results in a corresponding increase in the obligations.
+ Salary risks: if the actual trend in salaries exceeds the anticipated trend, this will result in an increase in obligation levels.

The K+S Group strives to mitigate the risks by, for example, changing over from defined-benefit plans to defined-contribution plans. For this reason, most of the workforce in Germany now receives defined-contribution commitments only.

The following assumptions have been made in calculating provisions for pensions and similar obligations as of the balance sheet date: **D.54**

ACTUARIAL ASSUMPTIONS – MEASUREMENT OF PENSION COMMITMENTS **D.54**

	2021	2022
in % (weighted average)	Germany	Germany
Pension commitments		
Discount rate	1.32	4.17
Expected annual rise in income[1]	2.80	3.00
Expected annual rise in pensions[2]	1.65	1.84

[1] Incl. career trend of 1.0% p.a. (up to 50 years of age).
[2] December 31, 2022: Annual pension growth of 2.91% is assumed until 2025.

The actuarial interest rate was calculated based on the Mercer Yield Curve, published by Mercer. As of December 31, 2022, the 2018 G Heubeck mortality tables were used to determine mortality probabilities, as in the previous year.

For the determination of pension expenses for 2022, the actuarial assumptions in table **D.55** – defined at the end of the 2021 financial year – were used.

ACTUARIAL ASSUMPTIONS – PENSION COMMITMENT EXPENSES **D.55**

	2021	2022
in % (weighted average)	Germany	Germany
Pension commitments		
Discount rate	0.60	1.32
Expected annual rise in income	1.80	2.80
Expected annual rise in pensions	1.60	1.65

The following tables show the changes in plan assets and the projected benefit obligation. **D.56, D.57**

CHANGES IN PLAN ASSETS **D.56**

	2021	2022
	Germany	Germany
in € million	Pensions	Pensions
Plan assets on Jan. 1	244.2	300.3
Interest income	1.4	3.9
Employer contributions	54.7	3.6
Gains (+)/losses (–) from remeasurement of plan assets (excluding amounts recognized in interest income)	13.3	–15.0
Pension payments	–13.3	–12.9
Plan assets on Dec. 31	300.3	279.9

CHANGES IN PROJECTED BENEFIT OBLIGATION D.57

	2021			2022		
	Total	Germany	Other countries	Total	Germany	Other countries
in € million		Pensions	Pensions		Pensions	Pensions
Projected benefit obligation on Jan. 1	352.0	348.0	4.0	312.4	308.8	3.6
Service costs	10.0	10.0	–	8.0	7.7	0.3
Interest expense	2.0	2.0	–	4.0	4.0	–
Remeasurements	–37.9	–37.9	–	–82.5	–81.7	–0.8
– thereof actuarial gains (–)/losses (+) from changes in demographic assumptions	–	–	–	–	–	–
– thereof actuarial gains (–)/losses (+) from changes in financial assumptions	–34.3	–34.3	–	–102.5	–101.7	–0.8
– thereof actuarial gains (–)/losses (+) based on experience-based adjustments	–3.6	–3.6	–	20.0	20.0	–
Pension payments	–13.7	–13.3	–0.4	–13.3	–12.9	–0.4
Plan amendments/settlements	–	–	–	8.3	8.3	–
Projected benefit obligation on Dec. 31	312.4	308.8	3.6	236.9	234.2	2.7

For reconciliation to the carrying amounts, the projected benefit obligation must be offset against plan assets: **D.58**

RECONCILIATION TO CARRYING AMOUNTS OF PENSIONS AND SIMILAR OBLIGATIONS D.58

	2021			2022		
	Total	Germany	Other countries	Total	Germany	Other countries
in € million		Pensions	Pensions		Pensions	Pensions
Projected benefit obligation on Dec. 31	312.4	308.8	3.6	236.9	234.2	2.7
Plan assets on Dec. 31	300.3	300.3	–	279.9	279.9	–
Carrying amounts on Dec. 31	**12.1**	**8.5**	**3.6**	**–43.0**	**–45.7**	**2.7**
– thereof provisions for pensions and similar obligations (+)	16.0	12.4	3.6	2.7	–	2.7
– thereof assets (–)	–3.9	–3.9	–	–45.7	–45.7	–

The amounts in table **D.59** were recognized in the statement of comprehensive income.

EFFECTS ON THE STATEMENT OF COMPREHENSIVE INCOME **D.59**

	2021			2022		
	Total	Germany	Other countries	Total	Germany	Other countries
in € million		Pensions	Pensions		Pensions	Pensions
Service costs	10.0	10.0	–	8.0	7.7	0.3
Net interest expenses (+)/income (–)	0.6	0.6	–	0.1	0.1	–
Expenses (+)/income (–) from plan amendments/settlements	–	–	–	8.3	8.3	–
Amounts recognized in the income statement	**10.6**	**10.6**	**–**	**16.4**	**16.1**	**0.3**
Gains (–)/losses (+) on remeasurement of plan assets (excluding amounts recognized in interest income)	–13.3	–13.3	–	15.0	15.0	–
Actuarial gains (–)/losses (+) from changes in demographic assumptions	–	–	–	–	–	–
Actuarial gains (–)/losses (+) from changes in financial assumptions	–34.3	–34.3	–	–102.5	–101.7	–0.8
Actuarial gains (–)/losses (+) based on experience–based adjustments	–3.6	–3.6	–	20.0	20.0	–
Amounts recognized in other comprehensive income	**–51.2**	**–51.2**	**–**	**–67.5**	**–66.7**	**–0.8**
Total (amounts recognized in statement of comprehensive income)	**–40.6**	**–40.6**	**–**	**–51.1**	**–50.6**	**–0.5**

The service costs (including past service costs) are reported in earnings before operating hedges according to the allocation of employees to the respective functional area. Net interest expense or income is reported in net interest income.

The fair value of the plan assets is spread across the following asset classes: **D.60**

BREAKDOWN OF PLAN ASSETS BY ASSET CLASS **D.60**

	2021	2022
	Germany	Germany
in € million	Pensions	Pensions
Other equity investments	73.4	71.4
Shares	68.3	80.5
Bonds	100.4	68.4
Reinsurance arrangements	45.3	39.9
Cash and cash equivalents	16.2	13.1
Liabilities	–7.5	–
Other	4.2	6.6
Plan assets on Dec. 31	**300.3**	**279.9**

The shares are regularly traded on an active market. While the same generally applies to the bonds, the item includes securities with a carrying amount of €16.1 million (2021: €18.5 million) that are not traded on an active market. There is no active market for reinsurance arrangements or other equity investments.

Other equity investments comprise the shares in K+S Baustoffrecycling GmbH and K+S Real Estate GmbH & Co. KG. The shares in K+S Real Estate GmbH & Co. KG had been acquired by K+S Vermögenstreuhänder e.V. from K+S Aktiengesellschaft in 2019. The main assets held by the Company are administrative buildings in Germany that are used by K+S under a long-term lease on an arm's length basis.

As in the previous year, the Group did not hold financial instruments of its own during the financial year.

The sensitivity analysis shows how the present value of the obligation would change in the event of a change in actuarial assumptions. No correlation between individual assumptions was taken into account, which means that in the event of one assumption being changed, the other assumptions remained unchanged. The projected unit credit method used to determine the carrying amounts was also used in the sensitivity analysis. **D.61**

SENSITIVITY ANALYSIS AS OF DEC. 31, 2022 **D.61**

		Change in present value of obligations		
		Total	Germany	Other countries
in € million	Change in assumption		Pensions	Pensions
Discount rate	+100 basis points	–25.2	–24.9	–0.3
Discount rate	–100 basis points	31.1	30.8	0.3
Expected annual rise in income	+50 basis points	0.1	0.1	–
Expected annual rise in income	–50 basis points	–0.1	–0.1	–
Expected annual rise in pensions	+50 basis points	11.2	11.1	0.1
Expected annual rise in pensions	–50 basis points	–10.3	–10.2	–0.1
Life expectancy	+1 year	6.8	6.7	0.1
Life expectancy	–1 year	–6.8	–6.7	–0.1

The figures for the previous year were as follows: **D.62**

SENSITIVITY ANALYSIS AS OF DEC. 31, 2021 **D.62**

		Change in present value of obligations		
		Total	Germany	Other countries
in € million	Change in assumption		Pensions	Pensions
Discount rate	+100 basis points	–42.3	–41.8	–0.5
Discount rate	–100 basis points	54.9	54.3	0.6
Expected annual rise in income	+50 basis points	0.3	0.3	–
Expected annual rise in income	–50 basis points	–0.3	–0.3	–
Expected annual rise in pensions	+50 basis points	18.5	18.3	0.2
Expected annual rise in pensions	–50 basis points	–16.8	–16.6	–0.2
Life expectancy	+1 year	12.4	12.3	0.1
Life expectancy	–1 year	–12.1	–12.0	–0.1

Table **D.63** shows the maturities of non-discounted payments of pensions and similar obligations that are expected in subsequent years:

EXPECTED PAYMENTS OF PENSIONS AND SIMILAR OBLIGATIONS **D.63**

in € million	Dec. 31, 2021	Dec. 31, 2022
Up to 1 year	14.5	16.3
Between 1 and 4 years	54.8	59.6
Between 5 and 10 years	63.3	70.2
More than 10 years	283.3	299.6
Total	**415.9**	**445.7**

As of December 31, 2022, the weighted average duration of obligations was 12 years (previous year: 16 years). The duration and maturity profile of the obligations differ between individual companies, significantly so in some cases. Asset allocation generally takes this circumstance into account. The aim is to service the pension payments from current plan asset income.

A cash outflow of €1.6 million (previous year: €1.6 million) is expected from pensions and similar obligations in the 2023 financial year. Outflows are considered as including allocations to plan assets and pension payments that are not covered by corresponding reimbursements from plan assets.

In addition, there are other pension plans for which no provisions need to be recognized, since there are no obligations other than contribution payments (defined contribution plans). These comprise both benefits funded solely by the employer and deferred compensation subsidies for employees.

Employers and employees made contributions under the – now closed – pension plan operated via the BASF pension fund. In 2011, the BASF pension fund terminated the regular memberships for K+S employees, so that, since then, only extraordinary membership is available for the employees concerned and those memberships are continued as vested pension rights. In addition, the BASF pension fund makes regular pension scheme payments to (former) K+S employees. K+S Group employees with vested pension rights and pensioners account for less than 10% of the total BASF pension fund.

The pension benefits provided via the BASF pension fund are classified as a multi-employer plan within the meaning of IAS 19.32 et seq. The plan is classified as a defined benefit plan. Since reliable information, in particular on plan assets, is only available for the pension fund as a whole and not specifically for the units attributable to the K+S Group, insufficient information is available for reporting the plan on the balance sheet. That is why the plan is accounted for as a defined-contribution plan in accordance with IAS 19.34.

As a result of the termination of regular memberships, no further contributions are required to be paid into the BASF pension fund. In the past, special contributions were made in a small number of cases (e.g., due to a decrease in the discount rate at the BASF pension fund). Further special contributions in the future cannot be ruled out.

Moreover, the secondary liability governed by the German Company Pension Plan Act (BetrAVG) may give rise to an obligation to assume liabilities for K+S, especially for inflation adjustments to current pension payments. Pension adjustments not covered by the BASF pension plan must be assumed by K+S. This resulted in additions to provisions in the amount of €8.3 million (2021: €0.0 million) in the reporting period.

No contribution payments are expected to be made to the BASF pension fund in 2023.

PENSION EXPENSE **D.64**

in € million	2021 Total	2021 Germany	2021 Other countries	2022 Total	2022 Germany	2022 Other countries
Defined-contribution expenses	4.1	1.8	2.3	4.6	1.9	2.7
Defined-benefit expenses	10.0	10.0	–	16.3	16.0	0.3
Pension expense (recognized in earnings after operating hedges)	**14.1**	**11.8**	**2.3**	**20.9**	**17.9**	**3.0**

In total, pension expenses are as follows for the period under review: **D.64**.

In addition, contributions of €85.2 million (2021: €79.9 million) were paid to government pension funds.

(23) PROVISIONS FOR MINING OBLIGATIONS

Provisions for mining obligations are recognized as a result of legal and contractual requirements as well as conditions imposed by the authorities; details are primarily provided in operating plans and water permit decisions. These obligations, most of which are subject to public law, require surface securing and renaturation measures. Any obligations arising as a result are covered by provisions. **D.65**

The amount of the provisions to be recognized is based on expected expenditure or estimated compensation. It is determined by internal experts and – where necessary – with the help of third-party reports prepared using state-of-the-art techniques and in compliance with current legal requirements. The expected settlement dates largely depend on the remaining useful lives of the locations. Since some of them are in the future, there may be differences between actual and estimated expenses, even though great care is taken in applying these techniques. These differences may arise, for example, from different cost trends, technological advances, changes in expected volumes of tailings pile water, or changes in legal requirements. These circumstances are taken into account by regularly recalculating the provisions required. The calculation of the development of volumes of tailings pile water with regard to future precipitation is currently based on a long-term average analysis. The effects of climate change on changes in volumes of tailings pile water cannot be ruled out, so the use of climate risk analysis models is being examined.

The vast majority of mining provisions relate to German sites. The provision amounts are based on the settlement amounts discounted to the reporting date. This is based on a future price increase of 1.7% p.a. (2021: 1.5% p.a.), which is derived from a long-term average of published price indices for capital goods producers and gross employee pay in the chemical industry. An increase or decrease in the rate of price increases by 0.1% would increase the provision by around €33 million or decrease it around €31 million.

The current inflation rates and those expected up to 2025 are above the long-term price increase rate of 1.7% p.a. For this reason, an additional inflation margin of approximately 5.6% was factored into the relevant provisions as of December 31, 2022, increasing all future expected expenses by this percentage. This resulted in

PROVISIONS FOR MINING OBLIGATIONS **D.65**

in € million	2021 Total	2021 of which current	2022 Total	2022 of which current
Mine and shaft backfilling	523.6	–	393.0	–
Maintenance of tailings piles	371.8	–	411.0	–
Mining damage	45.0	4.2	71.5	5.0
Underground restoration	66.2	–	47.8	–
Other	15.1	–	14.1	–
Provisions for mining obligations	**1,021.7**	**4.2**	**937.4**	**5.0**

a €25.8 million increase in provisions, of which €10.0 million was recognized in profit or loss and €15.8 million increased property, plant, and equipment (assuming all other measurement parameters remain constant).

The risk-free zero-coupon bond yields from 1 to 30 years, calculated using the Svensson method and published by Deutsche Bundesbank as of the reporting date, are used as the basis for discounting German obligations with maturities up to 30 years. No EUR interest rates for matching maturities are available on the capital market for maturities of more than 30 years. For this reason, the long-term average of the nominal yields on 30-year federal bonds is calculated and converted into an average real rate by subtracting the historic inflation rates in Germany. A figure of 2% is applied for expected inflation, similar to the ECB's inflation target. Adding together the long-term average real rate of 1.9% (2021: 2.2%) and expected inflation of 2% (2021: 2.0%) produces an ultimate forward rate of 3.9% (2021: 4.2%), which approximates a nominal discount rate that can be expected over the long term. As in the previous year, the ultimate forward rate is applied to maturities of 50 years and more. The methodology described for calculating the ultimate forward rate was applied for the first time in the previous year in the course of a change in estimation in which a modified calculation technique and changed inputs were used. For maturities of 31 to 50 years, a rate is calculated by converging the most recently available capital market discount rate for year 30 toward the ultimate forward rate. An increase in the discount rate by 0.1 percentage points across all maturities would reduce the provision by around €30 million, while a corresponding decrease would increase it by around €32 million.

The average operating life of the plants increased in the reporting period, due in part to the Werra 2060 project. As a result, provisions decreased by €78.4 million, of which €71.4 million related to a reduction in property, plant, and equipment, €9.4 million to cost of goods sold, and €–2.4 million to net interest income (assuming all other measurement parameters remain constant).

As at the balance sheet date, the expected net revenue (covering revenues minus covering costs) from covering four tailings piles (previous year: two tailings piles) was taken into account when determining the settlement amount of the provisions for tailings pile maintenance, as covering of these tailings piles is considered to be sufficiently concrete and likely, e.g., on the basis of feasibility studies. The amount of probable revenues gained from the reception of the covering material was calculated based on the covering volume required as well as the expected composition and future pricing of the cover material. Average inflation of 1.9% p.a. (previous year: 1.9% p.a.) was assumed for the attainable prices during the period that the piles are covered. The cover costs were calculated, in particular, on basis of past experience in tailings pile covering and inflated with a price increase rate of 1.7% p.a. (previous year: 1.5% p.a.). The consideration of the expected revenues in tailings pile covering leads to a reduction in provisions for three tailings piles and to a reversal of provisions for one tailings pile (previous year: two tailings piles), as the amount of the discounted future expected net revenue reduces the present value of the tailings pile cover obligations for which provisions must be recognized after the end of operations. The assessment of the amount of the covering revenues and the covering costs is subject to corresponding uncertainties particularly as the covering of the affected tailings piles is not expected to start in 3 to 6 years and the covering will extend over a period of up to 110 years. A 10% reduction in expected revenues from tailings pile covering would increase the provision by around €35 million. A 10% increase in expected covering costs would lead to an increase in the provision of around €19 million.

EFFECTS OF OFFSETTING TAILINGS PILE MAINTENANCE REVENUES AND MODIFYING DISCOUNT-RATE CALCULATION METHODOLOGY (2021) **D.66**

	Offset of tailings pile revenue[1]	Modification of discount-rate calculation methodology	Total
Mining provisions (– = decrease/+ = increase)	–157.4	203.5	46.1
Property, plant, and equipment (+ = decrease/– = increase)	11.9	–175.3	–163.4
Net interest income (+ = income/– = expense)	–	–28.2	–28.2
Cost of goods sold (+ = income/– = expense)	101.3	–	101.3
Other operating income (+ = income/– = expense)	44.2	–	44.2

[1] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

In the previous year, the two effects (modified calculation methodology of discount rate, first-time revenue recognition of tailings pile provisions) had an effect on the financial statements as shown in Table **D.66**.

To calculate the effects presented in table **D.66**, the net revenue from covering the two tailings piles concerned was offset (applying the previous discounting methodology) and the modified discounting methodology was then applied to the remaining provisions. If the former discounting methodology were to be maintained and all other measurement parameters remained constant (i.e., including when factoring in the offset revenue), the mining provision would be €203.5 million lower as of the reporting date of the prior year than presented in the table. In return, property, plant, and equipment would have decreased by €175.3 million and net interest income would have improved by €28.2 million.

The inclusion of net revenue from covering the two additional tailings piles in the 2022 financial year in the calculation of the provisions led to a reduction in provisions for pile maintenance at the reporting date of €48.1 million (assumption: all other measurement parameters remain constant). In return, property, plant, and equipment decreased by €44.1 million and cost of goods sold by €4.0 million.

(24) OTHER NON-CURRENT PROVISIONS

The other non-current provisions include long-term above-ground restoration obligations and personnel obligations (mainly provisions for anniversary bonuses and working lifetime accounts).

The carrying amount of provisions for anniversary bonuses is €26.2 million (2021: €32.9 million) and, therefore, represents a significant item under non-current personnel obligations. They are recognized for future payments in connection with 25, 40, and 50-year service anniversaries. They are measured using the projected unit credit method. Calculations are based on a discount rate of 4.1% (2021: 1.1%), an anticipated annual increase in salaries and wages of 2.0% (2021: 1.8%), and a career trend of 1.0% (2021: 1.0%) to up to 50 years of age. In addition, there are obligations from working-lifetime accounts amounting to €38.5 million (2021: €44.8 million), which are financed by plan assets amounting to €46.1 million (2021: €51.7 million). Calculations were based on a discount rate of 4.1% (2021: 1.1%). Credit balances in long-term accounts accrue assumed interest at a rate of 2.0% (2021: 1.8%) each year.

The provisions for above-ground restoration obligations amounted to €58.1 million (2021: €83.8 million) at year end. This measurement uses the same discount rates that are applied for measuring mining provisions. Because of a change in estimation due to a modified calculation technique for the discount rate and the input factors for it in the previous year (see Note (23) Mining Provisions), the above-ground restoration provisions rose in the 2021 financial year. If the former calculation technique for maturities in more than 30 years' time were to be maintained and all other measurement parameters remained constant, the provision would have been €5.6 million lower as of the December 31, 2021 balance sheet date.

(25) CURRENT PROVISIONS

Obligations arising from sales transactions contained in the current provisions relate primarily to discounts and price concessions. Current personnel obligations mostly consist of provisions for performance-related remuneration and provisions for outstanding vacation leave and non-working shifts.

- Employees
- Remuneration report

(26) FINANCIAL LIABILITIES

The following tables show the liquidity analysis of financial liabilities in the form of contractually agreed, non-discounted cash flows: **D.67**, **D.68**

LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES IN 2022 **D.67**

		Cash flows			
in € million	2022 carrying amount	Total future cash flows anticipated	Due within ≤ 1 year	Due after > 1 year and ≤ 5 years	Due after > 5 years
Financial liabilities	730.6	758.8	429.3	329.5	–
– thereof bonds	679.7	706.3	413.4	292.9	–
– thereof promissory note loans	13.0	13.2	13.2	–	–
– thereof liabilities to banks	37.9	39.3	2.7	36.6	–
Trade payables	312.9	312.9	312.4	0.4	0.1
Lease liabilities	169.2	218.2	60.7	119.4	38.1
Other non-derivative financial liabilities	80.9	80.9	79.3	0.2	1.4
Non-derivative financial liabilities	**1,293.6**	**1,370.8**	**881.7**	**449.5**	**39.6**

LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES IN 2021 [1] **D.68**

		Cash flows			
in € million	2021 carrying amount	Total future cash flows anticipated	Due within ≤ 1 year	Due after > 1 year and ≤ 5 years	Due after > 5 years
Financial liabilities	1,190.9	1,269.3	246.8	1,022.5	–
– thereof bonds	1,134.2	1,212.2	240.8	971.4	–
– thereof promissory note loans	13.0	13.4	0.2	13.2	–
– thereof commercial paper	–	–	–	–	–
– thereof liabilities to banks	43.7	43.7	5.8	37.9	–
Trade payables	257.2	257.2	256.2	0.1	0.9
Lease liabilities	206.3	264.7	55.7	149.4	59.6
Other non-derivative financial liabilities	76.9	76.3	76.3	–	–
Non-derivative financial liabilities	**1,731.3**	**1,867.5**	**635.0**	**1,172.0**	**60.5**

[1] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

Trade accounts payable include accrued outstanding invoices in the amount of €88.7 million (2021: €70.3 million).

The decrease in financial liabilities in the 2022 financial year is mainly attributable to the buyback as well as the repayment of the Group's own bonds.

The bonds and promissory note loans issued break down as presented in table **D.69**.

Tables **D.70** and **D.71** show the Group's liquidity analysis for derivative financial liabilities. The table is based on non-discounted gross cash flows that are settled on a gross basis.

As a precautionary measure to secure liquidity during the COVID-19 crisis, the K+S Group agreed an additional syndicated credit line under a special KFW program (KFW syndicated credit line) in the 2020 financial year with a volume of €350 million on arm's length terms. A total of €280 million of this additional credit

ISSUED BONDS AND PROMISSORY NOTE LOANS **D.69**

	2021		2022	
	Principal amount	Nominal interest rate	Principal amount	Nominal interest rate
	in € million	p.a.	in € million	p.a.
2012/2022 bond	207	3.000%	–	–
2017/2023 bond	443	2.625%	396	2.625%
2018/2024 bond	485	3.250%	284	3.250%
Promissory note loans (fixed, maturing 2023)	13	1.520%	13	1.520%

LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL LIABILITIES IN 2022 **D.70**

		Cash flows			
in € million	2022 carrying amount	2022 total	Due within ≤ 1 year	Due after > 1 year and ≤ 5 years	Due after > 5 years
Currency derivatives	–49.1	–50.8	–48.3	–2.5	–
Payment obligation[1]		–1,686.5	–1,601.9	–84.6	–
Payment claim[1]		1,635.7	1,553.6	82.1	–

[1] Translation of payment transactions in foreign currency at the spot rate.

LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL LIABILITIES IN 2021 **D.71**

		Cash flows			
in € million	2021 carrying amount	2021 total	Due within ≤ 1 year	Due after > 1 year and ≤ 5 years	Due after > 5 years
Currency derivatives	–40.7	–34.7	–33.3	–1.5	–
Payment obligation[1]		–1,351.4	–1,231.5	–119.9	–
Payment claim[1]		1,316.7	1,198.3	118.4	–

[1] Translation of payment transactions in foreign currency at the spot rate.

line was attributable to KfW and €70 million to the syndicate banks. K+S terminated the KfW syndicated credit line in the first half of 2021 after not drawing down on it during its term.

The obligations agreed for the syndicated credit line of €600 million originally included a standard financial covenant to maintain a specific financial performance indicator, in this case a ratio of net financial liabilities (including all lease liabilities) to EBITDA. If this specific ratio was exceeded as of the agreed reporting date, the lenders had the right to call the loans for repayment. Under normal circumstances, the other financial liabilities could also be called on the basis of a cross-default clause. The originally agreed financial covenant stopped being applicable in the fourth quarter of 2022.

(27) FURTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

Table **D.72** shows the carrying amounts and fair values of the Group's financial instruments.

The item "Securities and other financial assets" includes cash investments with a remaining maturity of more than three months

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS **D.72**

in € million	Measurement category in accordance with IFRS 9	Dec. 31, 2021[1] Carrying amount	Dec. 31, 2021[1] Fair value	Dec. 31, 2022 Carrying amount	Dec. 31, 2022 Fair value
Shares in affiliated companies and other equity investments	Fair value through other comprehensive income	71.0	71.0	37.5	37.5
Equity investments	Fair value through profit or loss	5.3	5.3	5.3	5.3
Loans	Amortized cost	0.2	0.2	0.2	0.2
Financial assets		**76.4**	**76.4**	**42.9**	**42.9**
Trade receivables	**Amortized cost**	**408.3**	**408.3**	**727.4**	**727.4**
Trade receivables	**Fair value through other comprehensive income (with recycling)**	**161.2**	**161.2**	**416.3**	**416.3**
Derivatives with positive fair values	Fair value through profit or loss	12.0	12.0	73.4	73.4
Other non-derivative financial assets	Amortized cost	100.3	100.3	55.5	55.5
Other financial assets		**112.3**	**112.3**	**128.9**	**128.9**
Securities and other financial assets	**Amortized cost**	**194.9**	**194.9**	**673.6**	**673.6**
Securities and other financial assets	**Fair value through other comprehensive income**	**7.0**	**7.0**	**7.0**	**7.0**
Securities and other financial assets	**Fair value through profit or loss**	**30.0**	**30.0**	**–**	**–**
Cash and cash equivalents	**Amortized cost**	**390.8**	**390.8**	**320.0**	**320.0**
Assets		**1,380.9**	**1,380.9**	**2,316.1**	**2,316.1**
Financial liabilities[2]	**Amortized cost**	**1,190.9**	**1,225.1**	**730.6**	**726.8**
Trade payables	**Amortized cost**	**257.2**	**257.2**	**312.9**	**312.9**
Derivatives with negative fair values	Fair value through profit or loss	40.7	40.7	49.1	49.1
Other non-derivative financial liabilities	Amortized cost	76.9	76.9	80.8	80.8
Lease liabilities	Separate category (IFRS 7)	206.3	206.3	169.2	169.2
Other financial liabilities		**323.9**	**323.9**	**299.1**	**299.1**
Equity and liabilities		**1,772.0**	**1,806.2**	**1,342.6**	**1,338.8**

[1] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."
[2] The fair value for the financial liabilities, which varies from their carrying amount, relates solely to issued bonds and can be categorized as Level 1 of the fair value hierarchy.

at the time of acquisition and not included in cash and cash equivalents. The increase compared with the previous year is particularly attributable to the additional investment of cash funds. Various types of bonds amounting to €235.8 million (2021: €181.9 million) and commercial paper amounting to €444.8 million (2021: €50.0 million) were held as of the balance sheet date.

The carrying amounts of the financial instruments, aggregated according to IFRS 9 measurement categories, are presented in table **D.73**.

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AGGREGATED BY MEASUREMENT CATEGORY **D.73**

in € million	2021[1]	2022
Measurement category in accordance with IFRS 9		
Fair value through other comprehensive income	78.0	44.5
Fair value through other comprehensive income (with recycling)	161.2	416.3
Amortized cost (financial assets)	1,094.5	1,776.7
Fair value through profit or loss (financial assets)	47.3	78.7
Amortized cost (financial liabilities)	1,525.0	1,124.3
Fair value through profit or loss (financial liabilities)	40.7	49.1

[1] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

The fair values of the financial instruments are mostly based on the market information available on the reporting date. They can be allocated to one of the three levels of the fair value hierarchy of IFRS 13.

Level 1 financial instruments are measured on the basis of quoted prices in active markets for identical assets and liabilities. Level 2 financial instruments are measured on the basis of inputs that can be derived from observable market data, or on the basis of market prices for similar instruments. Level 3 financial instruments are calculated on the basis of inputs that cannot be derived from observable market data.

Tables **D.74** and **D.75** show the assets and liabilities measured at fair value of the K+S Group.

The shares in affiliated companies and other long-term equity investments shown in the tables have not been consolidated due to immateriality. They are always held for the long term and not for trading. For this reason, when permitted, the OCI option was exercised, which allows changes in fair value to be recognized in other comprehensive income without reclassifying them to the income statement on disposal. Fair value was calculated as the present value of the figures in the latest three-year results planning (mid-term planning) and a subsequent perpetual annuity. The Company's cost of capital has been used for discounting purposes. Changes in future results, the growth rate of the perpetual annuity, or the

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE **D.74**

	Measurement category in accordance with IFRS 9				2022
in € million		Level 1	Level 2	Level 3	Total
Assets		**–**	**80.4**	**459.1**	**539.5**
Shares in affiliated companies and other equity investments	Fair value through other comprehensive income	–	–	37.5	37.5
Equity investments	Fair value through profit or loss	–	–	5.3	5.3
Trade receivables	Fair value through other comprehensive income (with recycling)	–	–	416.3	416.3
Derivative financial instruments	Fair value through profit or loss	–	73.4	–	73.4
Securities and other financial assets	Fair value through other comprehensive income	–	7.0	–	7.0
Securities and other financial assets	Fair value through profit or loss	–	–	–	–
Equity and liabilities		**–**	**49.1**	**–**	**49.1**
Derivative financial instruments	Fair value through profit or loss	–	49.1	–	49.1

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE D.75

in € million	Measurement category in accordance with IFRS 9	Level 1	Level 2	Level 3	Total
					2021
Assets		**–**	**49.0**	**237.5**	**286.5**
Shares in affiliated companies and other equity investments	Fair value through other comprehensive income	–	–	71.0	71.0
Equity investments	Fair value through profit or loss	–	–	5.3	5.3
Trade receivables	Fair value through other comprehensive income (with recycling)	–	–	161.2	161.2
Derivative financial instruments	Fair value through profit or loss	–	12.0	–	12.0
Securities and other financial assets	Fair value through other comprehensive income	–	7.0	–	7.0
Securities and other financial assets	Fair value through profit or loss	–	30.0	–	30.0
Equity and liabilities		**–**	**40.7**	**–**	**40.7**
Derivative financial instruments	Fair value through profit or loss	–	40.7	–	40.7

cost of capital will have a corresponding effect on the present value calculation. Table **D.76** presents changes in fair values in the reporting period.

RECONCILIATION OF SHARES IN UNCONSOLIDATED AFFILIATED COMPANIES AND OTHER EQUITY INVESTMENTS (LEVEL 3) D.76

in € million	2021	2022
As of Jan. 1	47.3	76.4
Changes in the basis of consolidation	–5.4	–39.5
Additions	12.8	2.7
Disposals	0.7	–
Measurement gains/losses (other comprehensive income)[1]	22.1	3.2
Measurement gains/losses (through profit or loss)	0.3	0.1
Disposal gains/losses (other comprehensive income)	–	–
As of Dec. 31	**76.4**	**42.9**

[1] See “Other comprehensive income” table in Note (21) Equity.

The fair values of shares in affiliated companies and other equity investments break down as follows: **D.77**

BREAKDOWN OF UNCONSOLIDATED SHARES IN AFFILIATED COMPANIES AND OTHER EQUITY INVESTMENTS D.77

in € million	2021	2022
Subsidiaries in Germany	18.3	5.3
Subsidiaries in Europe (excluding Germany)	18.1	19.5
Subsidiaries in rest of world	34.0	11.3
Joint ventures, associates, and other equity investments	6.0	6.6
Total	**76.3**	**42.7**

The derivative financial instruments primarily consist of currency derivatives (forward exchange contracts, options). The fair value of forward exchange contracts is calculated by discounting the anticipated future gross cash flows from the contract based on the quoted forward exchange rates as of the reporting date and the agreed forward exchange rates, which are subsequently discounted at a rate matching the respective maturities and currencies. Recognized option pricing models are applied when determining the fair value of currency options, using inputs observed in the market on the reporting date (in particular, exchange rate, interest rate, volatility). In addition, the risk of counterparty default is taken into account when performing the calculations.

Derivatives constituting a financial asset or financial liability that may only be offset on condition of a breach of contract or the insolvency of one of the contracting parties do not comply, or only partially comply, with the criteria for offsetting in the statement of financial position under IAS 32. The value of these derivatives with positive fair values amounted to €73.4 million (2021: €12.0 million) and those with negative fair values to €49.1 million (2021: €40.7 million). Thereof, positive and negative fair values exist with respect to the same contractual partner in the amount of €–24.5 million (2021: €9.0 million). Net amounts of €48.9 million (2021: €3.0 million) would result for derivatives with positive fair values and €24.6 million (2021: €31.8 million) for derivatives with negative fair values.

In the case of trade receivables, other non-derivative financial assets and cash and cash equivalents, the carrying amounts correspond to their fair values, because these instruments mostly have short maturities.

Trade receivables that could potentially be sold through existing factoring agreements can be categorized as “fair value through other comprehensive income (with recycling)”. The carrying amount is assumed to be equivalent to the fair value due to the short payment terms. The items recognized in this category at the start of the year are usually paid or sold throughout the course of the financial year.

The fair values of securities and other financial assets correspond to the present values of the cash flows associated with these balance sheet items (Level 2).

In the case of financial liabilities, fair value is based on market prices, if active markets exist (Level 1); if not, the present value of future cash flows is used (Level 2). They are discounted using market interest rates with matching maturities.

In the case of trade payables and other non-derivative financial liabilities, it is assumed that the carrying amounts correspond to the fair values of these instruments, because these instruments mostly have short maturities.

For loans and lease liabilities, we assume that carrying amounts correspond to fair values, because differences between market interest rates and discount rates are not material.

Table **D.78** shows the net gains or losses on financial instruments of the K+S Group.

NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS **D.78**

Measurement category in accordance with IFRS 9		
in € million	2021	2022
Fair value through other comprehensive income	27.1	5.3
Amortized cost (financial assets)	13.1	16.9
Fair value through profit or loss	–28.5	–160.0
Amortized cost (financial liabilities)	14.7	23.8

Net gains/losses on financial assets measured at fair value through other comprehensive income primarily comprise measurement gains or losses (see table **D.76**) and dividend distributions (see Note (5) Net income from equity investments) from unconsolidated shares in affiliated companies and other equity investments. Net gains/losses on financial assets measured at amortized cost mainly include the effects of currency translation and changes in allowances. Net gains/losses on financial assets and liabilities measured at fair value through profit or loss consist mainly of effects arising from the fair value measurement and realization of derivative financial instruments. Net gains/losses on financial liabilities measured at amortized cost come mainly from the effects of currency translation.

Total interest income and expenses for financial assets and liabilities measured using the effective interest method were as follows for the K+S Group: **D.79**

NET INTEREST INCOME/EXPENSE FROM FINANCIAL INSTRUMENTS **D.79**

in € million	2021	2022
Interest income	1.1	7.8
Interest expenses before capitalization of borrowing costs	98.5	41.4
Capitalized borrowing costs	12.1	14.1
Interest expenses after capitalization of borrowing costs	86.4	27.3

LIQUIDITY RISK

Liquidity risk entails the failure to procure the funds needed to meet payment obligations or the inability to do so in a timely manner. External factors, especially a general financial crisis, could make it impossible to replace credit lines or bonds on acceptable commercial terms should the need arise. There would also be a risk that the cost of procuring liquidity would rise. For this reason, the principal objective of our liquidity management activities is to ensure the ability to make payments at any given time. Liquidity is managed by the central Treasury unit using a Group-wide cash pooling system. The liquidity requirement is determined in our liquidity planning. Available liquidity amounted to €1,957.3 million as of December 31, 2021 (2021: €1,445.1 million); it consisted of short-term investments, cash and cash equivalents, the undrawn portion of the factoring facilities, and the syndicated credit line maturing in 2024.

Report on Risks and Opportunities, Financial Risks and Opportunities

RISK OF DEFAULT

The vast majority of customer receivables are hedged against default risk with appropriate insurance coverage and other hedging instruments. We only waive a security against non-payment following a critical review of the customer relationship and specific approval. The vast majority of unsecured receivables are receivables from public-sector customers.

Report on Risks and Opportunities, Financial Risks and Opportunities

Default risks also exist regarding partners with which we have concluded hedging transactions, credit lines exist, or money was invested. A potential default of a bank or other party could have an adverse effect on the financial position.

MARKET RISK

Interest rate risk arises from a change in market interest rates, which may have an impact on interest payable or receivable, and also on the fair values of financial instruments. This may also impact earnings or equity. Under IFRS 7, interest rate risk must be presented using a sensitivity analysis. This analysis is based on the following assumptions:

+ The effect on earnings or equity identified by way of a sensitivity analysis relates to the total as of the reporting date and demonstrates the hypothetical effect over one year.
+ Changes in market interest rates for primary financial instruments with variable interest rates have an impact on net interest and are taken into account in an earnings-based sensitivity analysis.
+ Changes in market interest rates for primary financial instruments with fixed interest rates that are measured at amortized cost do not have an impact on earnings or equity and are therefore not taken into account during the sensitivity analysis. While these instruments are subject to interest rate risk on reinvestment, this is not taken into account in the sensitivity analysis carried out as of the balance sheet date.

Report on Risks and Opportunities, Financial Risks and Opportunities

There were no floating-rate liabilities on the balance sheet date.

As in the previous year, a one percentage point increase in the benchmark interest rate would therefore not have resulted in any further interest charges. As in the previous year, a decrease in the reference interest rate by one percentage point would have had no impact on interest expenses.

In addition to receivables and liabilities denominated in Group currency, there are also items in foreign currency. Under IFRS 7, exchange rate risks must be presented using sensitivity analysis. If the euro had been 10% stronger or weaker against foreign currencies (mainly the US dollar), the carrying amount of the net position of foreign-currency receivables and liabilities would have increased or decreased by €46.9 million (2021: €24.6 million) through profit or loss.

(28) DISCLOSURES ON CAPITAL MANAGEMENT

The aim of capital management in the K+S Group is to ensure and efficiently control liquidity across the Group, maintain and optimize financing capability, and reduce financial risk.

Report on Economic Position, Financial Position

The financial policy instruments for meeting these aims include financing measures that involve both equity and borrowings. All financing measures in the Company, which also include cash, currency, and interest rate management, are coordinated and managed by the central Treasury unit.

Capital management is guided by a number of key financial indicators, such as particularly net financial liabilities (including all lease liabilities), whose ratio to EBITDA was also relevant as a financial covenant until the third quarter of 2022 (see Note (26) Financial liabilities). Other indicators used in capital management are the ratio of net debt to equity and the equity ratio (equity/total assets). **D.80**, **D.81**

CAPITAL MANAGEMENT INDICATORS[1] **D.80**

	2021[2]	2022
Net financial liabilities (incl. lease liabilities)/ EBITDA ratio[3,4] (in € million)	0.7	–[5]
Net debt/equity (%)	34.4	12.4
Equity ratio (%)	60.3	67.9

[1] For 2021, the figures relate to the continuing operations of the K+S Group.
[2] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."
[3] The calculation of EBITDA is presented in the "Disclosures on the income statement and statement of comprehensive income" on page 188.
[4] EBITDA is defined as earnings before interest, tax, depreciation, and amortization, adjusted for depreciation and amortization of own work capitalized recognized directly in equity, gains/losses from fair value changes arising from operating anticipatory hedges still outstanding, changes in the fair value of operating anticipatory hedges recognized in prior periods, and realized gains/losses on net investment hedges.
[5] There are no longer any net financial liabilities as of December 31, 2022.

NET DEBT **D.81**

in € million	Dec. 31, 2021	Dec. 31, 2022
Cash and cash equivalents	390.8	320.0
Non-current securities and other financial assets	18.4	14.8
Current securities and other financial assets	213.5	665.8
Financial liabilities	–1,191.0	–730.6
Lease liabilities from finance leases	–38.0	–25.1
Net financial liabilities (–)/ Net asset position (+)	**–606.3**	**244.9**
Lease liabilities excluding liabilities from finance leases	–168.3	–144.0
Provisions for pensions and similar obligations	–16.0	–2.7
Non-current provisions for mining obligations	–1,017.4	–932.4
Net debt	**–1,808.0**	**–834.2**

The capital structure was as follows as of the reporting date: **D.82**

CAPITAL STRUCTURE **D.82**

in € million	2021[1]	2022
Equity	5,259.2	6,720.0
Non-current liabilities	2,469.6	1,898.8
Current liabilities	995.5	1,271.2
Total equity and liabilities	**8,724.3**	**9,890.0**

[1] Prior year restated. See Note on "Changes in accounting policies, adjustment of prior-year figures and balance sheet structure."

(29) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

In the K+S Group, general business activities are associated with a number of risks, for which provisions have been recognized, provided that the conditions for recognition according to IAS 37 have been met. In addition, there is an obligation to disclose contingent liabilities. Contingent liabilities are possible obligations that are not recognized in the balance sheet as it is less likely that they will be used. As of the reporting date, contingent liabilities amounted to around €8.7 million (2021: around €8.9 million), resulting mainly from legal risks. As of the reporting date, contingent tax liabilities of up to €176.4 million (2021: €166.0 million) are expected to result from corporate transactions and cross-border activities whose occurrence is not considered entirely remote.

Report on Risks and Opportunities, Financial Risks and Opportunities

In 2022, liabilities from uncompleted capital expenditure projects totaled €304.9 million (2021: €117.1 million). They related almost exclusively to uncompleted capital expenditure projects in property, plant, and equipment. For information on other financial liabilities due to leases, see the disclosures in Note (30).

(30) LEASES

The K+S Group acts as lessee in a number of different leases. The material leases relate to technical equipment and machinery such as supply networks, dedicated railway sidings, railway goods carriages, and combined heat and power units; vehicles, office premises, and storage capacity. Information on changes in right-of-use assets arising from these leases can be found in the "Statement of Changes in Non-Current Assets" on pages 170 through 171. The maturity breakdown of the corresponding lease liabilities is presented in Note (26).

In the 2022 financial year, the impairment test conducted on the Potash and Magnesium Products CGU did not result in any impairment losses or reversals of impairment losses on right-of-use assets arising from leases (2021: reversal of impairment losses amounting to €50.7 million). The following amounts in connection with leases under which K+S is the lessee were recognized in the income statement: **D.83**

IMPACT OF LEASES ON THE INCOME STATEMENT **D.83**

in € million	2021	2022
Depreciation of right-of-use assets	32.8	41.6
Interest expenses on lease liabilities	8.8	6.9
Expenses for short-term leases	4.9	5.5
Expenses for low-value leases	1.1	1.4
Variable lease expenses	1.6	2.2

In the 2022 fiscal year, cash outflows for leases totaled €68.6 million (2021: €88.4 million).

There are future lease obligations for short-term leases.

K+S has leases with variable lease installments, which are recognized in profit or loss. Variable lease payments account for 3.69% (2021: 2.01%) of the volume of fixed lease payments. K+S enters into leases with variable lease installments especially for storage capacity and transport arrangements.

Potential cash outflows of around €12.5 million (2021: €12.9 million) were not included in the calculation of lease liabilities within the meaning of IFRS 16, because it is not reasonably certain that the relevant leases will be extended or because it is reasonably certain that the relevant leases will be terminated.

NOTES TO THE CASH FLOW STATEMENT

The statement of cash flows is presented on page 168.

Report on Economic Position, Financial Position

(31) OTHER CASH FLOW STATEMENT DISCLOSURES

Cash and cash equivalents include cash on hand and balances with banks, as well as financial assets with a maturity that generally does not exceed three months from the date of acquisition. These financial assets consist predominantly of short-term deposits at credit institutions and other cash-equivalent investments.

The inflows and outflows from securities transactions in the cash flow from investing activities result from the investment during the year or the repayment of cash deposits with residual maturity > three months.

Cash deposits with affiliated companies are reported under “Other financial assets” (current) and cash deposits received from affiliated companies are reported under “Other financial liabilities” (current).

The reconciliation of net cash flows from/used in financing activities is presented in tables **D.84** and **D.85**.

RECONCILIATION OF NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES **D.84**

in € million	Carrying amount Jan. 1, 2022	Cash flows from financing activities (net)	Lease additions/ disposals	Exchange rate changes	Other effects	Carrying amount Dec. 31, 2022
Bonds	1,134.2	–453.5	–	–	–1.0	679.7
Promissory note loans	13.0	–	–	–	–	13.0
Liabilities to banks	43.7	–15.8	–	–	10.0	37.9
Total financial liabilities (as recognized in balance sheet)	1,190.9	–469.3	–	–	9.0	730.6
Lease liabilities	206.3	–51.9	12.3	2.3	0.2	169.2
Total	**1,397.2**	**–521.2**	**12.3**	**2.3**	**9.2**	**899.8**

RECONCILIATION OF NET CASH FLOWS FROM/USED IN FINANCING ACTIVITIES **D.85**

in € million	Carrying amount Jan. 1, 2021	Cash flows from financing activities (net)	Reclassi-fication under IFRS 5	Lease additions/ disposals	Exchange rate changes	Other effects	Carrying amount Dec. 31, 2021
Bonds	2,220.6	–1,087.4	–	–	–	1.0	1,134.2
Promissory note loans	424.3	–411.5	–	–	–	0.2	13.0
Commercial papers	154.0	–154.0	–	–	–	–	–
Liabilities to banks	570.3	–525.2	–	–	0.3	–1.7	43.7
Total financial liabilities (as recognized in balance sheet)	3,369.2	–2,178.1	–	–	0.3	–0.5	1,190.9
Lease liabilities	335.2	–76.2	–94.0	24.7	11.4	5.2	206.3
Total	**3,704.4**	**–2,254.3**	**–94.0**	**24.7**	**11.7**	**4.7**	**1,397.2**

Table **D.86** presents the composition of net cash and cash equivalents.

NET CASH AND CASH EQUIVALENTS D.86

in € million	2021	2022
Cash and cash equivalents (as recognized in balance sheet)	390.8	320.0
Cash deposits received from affiliated companies	–8.1	–7.1
Net cash and cash equivalents	**382.7**	**312.9**

Dividend payments and profit transfers from non-consolidated companies totaled €2.0 million in the reporting period (2021: €4.8 million).

As of the balance sheet date, there were liabilities from leases as well as trade payables and current provisions totaling €97.2 million (2021: €79.9 million) resulting from non-cash additions to property, plant, and equipment.

At the end of the prior period, trade receivables sold under factoring arrangements (adjusted for security obtained and factoring fees) amounted to €120.3 million (December 31, 2020: €184.2 million). Trade receivables were no longer sold as of December 31, 2022. Compared with the end of the prior period, the reduction in sold receivables, therefore, resulted in a charge to net cash from operating activities of €120.3 million in the reporting period (previous year: €63.9 million).

SEGMENT REPORTING DISCLOSURES

(32) DEFINITION OF SEGMENTS

Following the sale of the Americas operating unit in 2021, the remaining operating unit Europe+ and the holding company were merged to form a leaner and more powerful K+S. As part of this streamlining, hierarchical levels were eliminated and the management level reporting directly to the Board of Executive Directors was significantly streamlined. The Board of Executive Directors performs the economic analysis and assessment, takes operational decisions, and allocates overall resources for this purpose. Therefore, there is no part of our Company that comprises an operating segment under IFRS 8. As a result, starting in 2021 financial year, K+S only has a single business segment.

(33) REVENUES BY REGION

The breakdown of the K+S Group's revenues by region is as follows: **D.87**

REVENUES BY REGION D.87

in € million	2021	2022
Europe	1,816.8	2,756.0
– thereof Germany	667.3	776.0
North America	209.6	305.5
South America	621.1	1,338.2
Asia	413.1	878.9
Africa, Oceania	152.5	398.0
Total revenues	**3,213.1**	**5,676.6**

The allocation is based on the registered office of customers. No single customer accounted for more than 10% of total revenues in the 2022 and 2021 financial years.

(34) NON-CURRENT ASSETS BY REGION

The non-current assets of the K+S Group comprise intangible assets, property, plant, and equipment, and investment property. The regional breakdown is presented in table **D.88**.

NON-CURRENT ASSETS BY REGION D.88

in € million	2021	2022
Europe	2,507.9	2,597.5
– thereof Germany	2,393.9	2,482.7
North America	3,970.4	3,841.5
– thereof USA	0.8	1.2
– thereof Canada	3,969.6	3,840.2
Asia	1.9	0.9
Africa, Oceania	10.8	12.0
Total assets	**6,491.0**	**6,451.9**

The allocation is based on the location of the relevant assets.

OTHER DISCLOSURES

IMPACT OF COVID-19

During the peak phase of the COVID-19 pandemic, K+S had set up crisis teams to continuously monitor and assess the current situation arising from the pandemic and to coordinate the necessary measures. This procedure facilitated the coordination of all measures for employees and business partners. Protecting the health of employees and ensuring supplies to our customers were given top priority in this process.

K+S has implemented and optimized extensive measures at all sites to minimize the risks of infection and protect our employees. In this way, we have succeeded in ensuring production at all sites. Moreover, K+S administrative employees work from home if necessary. Due to the ongoing vaccination against the coronavirus, no further adverse effects on the workforce have been anticipated since the middle of 2022. If the COVID-19 situation worsens as a result of new virus variants, new measures may have to be taken.

During the reporting period, EBITDA was impacted by comprehensive measures to minimize the risk of infection by COVID-19 associated with efficiency losses, costs for tests, and K+S vaccination campaigns at the German sites in the same way as in the previous year, recording a figure in the low double-digit million euros range.

GOVERNMENT GRANTS

The investment grants/subsidies and reimbursements under the Infection Protection Act relate to amounts in the Federal Republic of Germany's funding area. **D.89**

GOVERNMENT GRANTS **D.89**

in € million	2021	2022
Investment grants/subsidies	0.9	1.5
Research grants	–	1.8
Refunds under the Infection Protection Act	1.1	0.7
Government grants	**2.0**	**4.0**

SHARE-BASED PAYMENT PROGRAM AND EMPLOYEE SHARE PROGRAM

SHARE-BASED PAYMENT PROGRAM

The K+S Group's share-based payment program is a cash-settled share-based payment plan that forms a component of performance-related pay (LTI II program). The share-based payment program (LTI II) went live on January 1, 2018. A new program begins on January 1 of each year. Eligible to participate in the respective program are certain non-tariff professionals and executives who are in active employment as of the respective January 1, as well as all members of the Board of Executive Directors.

LTI II is based on the K+S share price performance compared to the performance of the MDAX. The calculation is based on the performance index for the MDAX, and comparability is ensured. If the K+S share price performance is equal to the performance of the MDAX during the reference period, target achievement is 100%. If the price performance of the K+S share exceeds or falls short of the performance of the MDAX, the percentage rate of target achievement increases or decreases on a straight-line basis by the same percentage. The maximum target achievement is 200% and the minimum achievement is 0%. The amount to be paid is determined by multiplying the individual target amount of the eligible beneficiary at the start of the program by the degree of target achievement of the respective completed program.
Remuneration report

Payment is made in April of the year following the end of the program. In the event of termination of a service contract or reaching retirement age, a discounted pro-rata payment for all current tranches is generally made in April of the following year.

For cash-settled share-based payment (LTI II), provisions of €18.3 million (2021: €8.6 million) were recognized as of December 31, 2022. Personnel expenses from additions to provisions in 2022 amounted to €11.9 million (2021: €4.4 million). The intrinsic value of the liabilities at the end of the period that the beneficiaries can have remunerated to them was €3.7 million (2021: €1.3 million).

EMPLOYEE SHARE PROGRAM

The employee share program is valid for the year 2022 and is offered to all employees covered by collective bargaining agreements and trainees as well as non-tariff, non-managerial employees of K+S Aktiengesellschaft and K+S Minerals and Agriculture GmbH employed in Germany. Simultaneous participation in an LTI program is excluded. Employees who participate in the K+S share program specify their own investment (limited to a maximum of €3,500) of the overall capital investment at which shares are to be subscribed. On the actual capital investment, the employee receives a percentage subsidy from K+S amounting to 20%. For this purpose, about 61,000 shares were acquired at the beginning of April 2022 at a price of €28.42 per share. At the time of acquisition, the value of the shares amounted to €1.7 million. The shares were distributed to employee deposits on April 12, 2022, so that there were no own shares in the portfolio at December 31, 2022. The shares are subject to a one-year vesting period. Personnel expenses for the employee share program amounted to €0.3 million.

RELATED PARTIES

RELATED PARTY ENTITIES

The K+S Group has relationships with further affiliated companies besides the subsidiaries included in the consolidated financial statements; these include non-consolidated subsidiaries, joint ventures, as well as companies over which the K+S Group can exercise a significant influence (associated companies). A complete overview of all related companies can be found in the list of all shareholdings on page 231.

The following table shows the transactions carried out by the K+S Group with affiliated companies during the reporting period. The transactions were conducted at arm's length. **D.90, D.91**

RELATED PARTY TRANSACTIONS – GOODS AND SERVICES PROVIDED **D.90**

in € million	2021	2022
Unconsolidated subsidiaries	35.4	29.8
Joint ventures	1.2	65.0
Associates	0.1	0.1

RELATED PARTY TRANSACTIONS – GOODS AND SERVICES RECEIVED **D.91**

in € million	2021	2022
Unconsolidated subsidiaries	31.2	13.0
Joint ventures	0.1	0.3
Associates	5.5	5.6

The goods and services provided result primarily from the costs to be paid by REKS GmbH & Co. KG for backfilling and depositing of waste, as well as from the sale of goods to foreign sales companies. Goods and services received largely consist of freight costs and commissions invoiced by foreign distribution companies. As of December 31, 2022, the outstanding balances with affiliated companies were as follows: **D.92, D.93**

RELATED PARTY RECEIVABLES **D.92**

in € million	2021	2022
Unconsolidated subsidiaries	13.2	16.9
– thereof banking receivables	–	–
Joint ventures	8.1	13.8
Associates	–	–

RELATED PARTY LIABILITIES **D.93**

in € million	2021	2022
Unconsolidated subsidiaries	9.4	7.2
– thereof banking receivables	8.1	7.1
Joint ventures	24.0	13.9
Associates	0.2	0.1

At the reporting date, allowances on receivables from unconsolidated subsidiaries amounted to €0.8 million (2021: €0.7 million). There are no contingency insurance policies for receivables from unconsolidated subsidiaries. Banking receivables are the result of centralized withdrawals and deposits of cash at K+S Aktiengesellschaft (cash pooling). As of the reporting date, there were no loans to affiliated companies.

RELATED PERSONS

Related persons are defined as persons who are responsible for the planning, management, and monitoring of a company. They include the Board of Executive Directors and the Supervisory Board.

The remuneration for the members of the Board of Executive Directors consists of annual components and those with a long-term incentive character. The annual remuneration components include both those not related to performance (fixed) and performance-related components (variable). The components that are not related to performance comprise fixed remuneration, non-cash remuneration, other benefits, and pension commitments. The variable performance-related portion consists in each case of two components: the bonus (STI and performance factor) as well as two variable remuneration components, based on key indicators, with a long-term incentive character (LTI I and LTI II).

The STI is calculated based on achievement of the K+S Group's EBITDA set in the annual planning and of targets agreed between the entire Board of Executive Directors and the Supervisory Board. EBITDA is a key performance indicator for assessing the profitability of the K+S Group and, as a performance criterion, it helps to promote the Company's business strategy. If the EBITDA value of the annual planning approved by the Supervisory Board is achieved, the level of achievement for this first STI component is deemed to be 100%. If the actual EBITDA exceeds or falls short of the planned EBITDA, the percentage rate of target achievement increases or decreases in a straight line by the same percentage. The maximum target achievement is 200% and the minimum achievement is 0%.

The Supervisory Board signs a target agreement with the entire Board of Executive Directors at the start of each financial year and this agreement acts as a second component of the STI. After the end of the relevant financial year, the Supervisory Board determines a performance factor for the entire Board of Executive Directors. This serves as the STI multiplier. The performance factor is between 0.8 and 1.2. Provisions for the short-term incentive as of December 31, 2022, amount to €1.9 million (2021: €2.6 million).

The long-term incentive (LTI) consists of two equally weighted components. Since January 1, 2020, one component (LTI I) has been measured by the achievement of sustainability targets. For this purpose, the Company has set itself sustainability goals in three areas of action, namely "Society & Employees", "Environment & Resources", and "Business Ethics & Human Rights". A target was selected for each area of action. Plan values were set as the benchmark for target achievement in each case. As of December 31, 2022, provisions for LTI I amounted to €1.2 million (2021: €0.6 million).

The second component (LTI II) relates to the K+S share price performance compared with the performance of the MDAX. The MDAX performance index is used for the calculation while ensuring comparability. If the K+S share price performance is equal to the performance of the MDAX during the reference period, target achievement is 100%. If the price performance of K+S shares exceeds or falls short of the performance of the MDAX, the percentage rate of target achievement increases or decreases on a straight-line basis by the same percentage. The maximum target achievement is 200% and the minimum achievement is 0%. As of December 31, 2022, provisions for LTI II amounted to €3.5 million (2021: €2.1 million).

The total remuneration of the Board of Executive Directors was attributable to three members in the reporting period. Two of those members were in office for the full year. The contractual relationship with Mr. Thorsten Boeckers was terminated as of February 28, 2022. In the previous year, the remuneration of the Board of Executive Directors was attributable to four members. Mr. Holger Riemensperger took up his position on the K+S Aktiengesellschaft Board of Executive Directors on April 1, 2021. Mr. Mark Roberts left the Company as a member of the Board of Executive Directors of the K+S Group in the course of the sale of the Americas operating unit at the end of April 30, 2021. The pension provisions for active members of the Board of Managing Directors amounted to €6.8 million (2021: €14.4 million). Mr. Thorsten Boeckers left the Board of Executive Directors effective February 28, 2022. The target achievement levels for the LTI (2021–2023) and LTI (2022–2024) programs had not yet been defined at the time of his departure, so target achievement of 100% was agreed for him. This resulted in the following payments: LTI (2021–2023) €220.7 thousand and LTI (2022–2024) €30.7 thousand. For the remaining term of his original service agreement from March 1, 2022 to May 11, 2025, he received the following rema uneration: fixed remuneration of €1,755.7 thousand (around 36%), fringe benefits of €49.3 thousand (around 1%), one-year variable remuneration (STI) of €1,213.1 thousand (around 25%), long-term incentive program €1,822.7 thousand (around 38%). **D.94**

Remuneration report

DISCLOSURES ON REMUNERATION IN ACCORDANCE WITH SECTION 314 (1) NO. 6 HGB **D.94**

in € million	2021	2022
Total remuneration of the Supervisory Board	**1.4**	**1.4**
– thereof fixed	1.4	1.4
Total remuneration of the Board of Executive Directors	**6.7**	**5.2**
– thereof fixed	3.1	1.5
– thereof STI	3.0	2.0
– thereof LTI I	–	0.9
– thereof LTI II	0.6	0.8
Total remuneration of former members of the Board of Executive Directors and their surviving dependents	**5.5**	**7.0**

The remuneration of active members of the Board of Executive Directors and the Supervisory Board in the 2022 financial year is presented in table **D.95**. There were no other material transactions with related persons.

RELATED PARTY DISCLOSURES (IAS 24) **D.95**

in € million	2021	2022
Short-term benefits	5.1	3.5
Long-term benefits (LTI I)	0.4	0.8
Share-based payment (LTI II)	1.1	2.0
Termination benefits of the employment relationship	3.6	4.8
Service costs	3.1	1.8
Supervisory Board remuneration	1.4	1.4
Total remuneration of Board of Executive Directors and Supervisory Board	14.7	14.3

The remuneration system for the Supervisory Board has the following elements:

+ Fixed remuneration
+ Additional fixed remuneration, depending on membership of one or more committees

In addition to the Supervisory Board remuneration, employee representatives who are employees of the K+S Group receive remuneration that is not related to activities performed for the Supervisory Board.

A member of the family of a Supervisory Board member is employed by the K+S Group. Remuneration is paid in accordance with the internal remuneration guidelines of the K+S Group and corresponds to the usual remuneration of individuals in comparable positions.

MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

A list of the members of the Board of Executive Directors and its responsibilities can be found in the 'Management report' starting on page 103.

MEMBERS OF THE SUPERVISORY BOARD

A list of the members of the Supervisory Board and its committees can be found in the 'Management report' starting on page 100.

SHARES HELD IN K+S AKTIENGESELLSCHAFT

DWS Investment GmbH, Frankfurt (Germany), notified us on March 3, 2022 that its share of the voting rights had exceeded the threshold of 3% and that it now holds 3.00% of the Company. In a notice dated May 5, 2022, BlackRock, Inc., Wilmington (USA) notified us that its share of voting rights was 4.96%. The Goldman Sachs Group, Inc., Wilmington (USA), notified us on May 26, 2022, that it held a 3.65% share of the voting rights. On August 23, 2022, the share of voting rights held by Norges Bank (Ministry of Finance on behalf of the State of Norway), Oslo (Norway), was 3.80%. Until the end of February 2023, no other shareholder notified us of shareholdings above the legal reporting threshold of 3%.

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB

The figures in Table **D.96** also apply to the previous year. If there are any deviations, these are commented on in a footnote on the company concerned.

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB **D.96**

in %	Company's registered office		Interest held	Share of voting rights
Fully consolidated German companies (11 companies)				
K+S Aktiengesellschaft	Kassel	Germany	–	–
Chemische Fabrik Kalk GmbH	Cologne	Germany	100.00	100.00
Deutscher Straßen-Dienst GmbH[2]	Kassel	Germany	100.00	100.00
esco international GmbH[1,2]	Kassel	Germany	100.00	100.00
K+S Beteiligungs GmbH[1,2]	Kassel	Germany	100.00	100.00
K+S Holding GmbH[1,2]	Kassel	Germany	100.00	100.00
K+S Minerals and Agriculture GmbH[1,2]	Kassel	Germany	100.00	100.00
K+S North America Asset Management GmbH in liquidation	Kassel	Germany	100.00	100.00
K+S Versicherungsvermittlungs GmbH[2]	Kassel	Germany	100.00	100.00
Kali-Union Verwaltungsgesellschaft mbH[1,2]	Kassel	Germany	100.00	100.00
MSW-Chemie GmbH	Langelsheim	Germany	100.00	100.00
Consolidated foreign companies (19 companies)				
Frisia Zout B.V.	Harlingen	Netherlands	100.00	100.00
K plus S Middle East FZE DMCC	Dubai	United Arab Emirates	100.00	100.00
K plus S Minerals Spain S.L.	Barcelona	Spain	100.00	100.00
K plus S Salt Australia Pty Ltd	Perth	Australia	100.00	100.00
K+S Asia Pacific Pte. Ltd.	Singapore	Singapore	100.00	100.00
K+S Benelux NV/SA	Diegem	Belgium	100.00	100.00
K+S Canada Holdings Limited	Vancouver	Canada	100.00	100.00
K+S Czech Republic a.s.	Prague	Czech Republic	100.00	100.00
K+S Fertilizers (India) Private Limited	New Delhi	India	100.00	100.00
K+S Finance Belgium B.V.	Diegem	Belgium	100.00	100.00
K+S Finance Ltd.	St. Julians	Malta	100.00	100.00
K+S France S.A.S.	Reims	France	100.00	100.00
K+S Investments Ltd.	St. Julians	Malta	100.00	100.00
K+S Minerals and Agriculture (Panama) S.A.	Panama City	Panama	100.00	100.00
K+S Netherlands Holding B.V.	Harlingen	Netherlands	100.00	100.00
K+S North America Corporation	Aurora	USA	100.00	100.00
K+S Potash Canada General Partnership	Vancouver	Canada	100.00	100.00
Shenzhen K+S Trading Co. Ltd.	Shenzhen	China	100.00	100.00
VATEL Companhia de Produtos Alimentares S.A.	Alverca	Portugal	100.00	100.00

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB D.96

in %	Company's registered office		Interest held	Share of voting rights
Equity-accounted companies (2 companies)				
K+S Baustoffrecycling GmbH	Sehnde	Germany	50.00	50.00
REKS GmbH & Co. KG	Düsseldorf	Germany	50.00	50.00
Unconsolidated German companies (5 companies)[3]				
4. K+S Verwaltungs GmbH	Kassel	Germany	100.00	100.00
Beienrode Bergwerks-GmbH	Kassel	Germany	89.81	89.81
Ickenroth GmbH	Staudt	Germany	100.00	100.00
K+S AN-Instituts Verwaltungsgesellschaft mbH	Kassel	Germany	100.00	100.00
Wohnbau Salzdetfurth GmbH	Bad Salzdetfurth	Germany	100.00	100.00
Unconsolidated foreign companies (13 companies)[3]				
Akorion Company Limited	Kampala	Uganda	65.25	65.25
EzyAgric B.V.	Amsterdam	Netherlands	51.00	51.00
Grainpulse Limited	Kampala	Uganda	75.00	75.00
K plus S Africa (Pty) Ltd.	Johannesburg	South Africa	100.00	100.00
KplusS Fertilizers Kenya Limited	Mombasa	Kenya	100.00	100.00
K+S Brasileira Fertilizantes e Produtos Industriais Ltda.	São Paulo	Brazil	100.00	100.00
K+S (Huludao) Magnesium Products Co., Ltd.	Huludao	China	100.00	100.00
K+S Italia S.r.L.	Verona	Italy	100.00	100.00
K+S Legacy GP Inc.	Vancouver	Canada	100.00	100.00
K+S Mining Argentina S.A.	Buenos Aires	Argentina	100.00	100.00
K+S Polska Sp. z o.o.	Poznan	Poland	100.00	100.00
K+S Transição Gestão de Imóveis Ltda	São Paulo	Brazil	100.00	100.00
K+S UK & Eire Ltd.	Hertford	United Kingdom	100.00	100.00
Joint ventures (1 company)[4]				
REKS Verwaltungs GmbH	Düsseldorf	Germany	50.00	50.00
Associates (2 companies)[4]				
Al Biariq for Fertilizer Plant Co. Ltd.	Riyadh	Saudi Arabia	30.00	30.00
modal 3 Logistik GmbH	Hamburg	Germany	33.33	33.33
Other equity investments (6 companies)				
Fachschule f. Wirtschaft und Technik Gem. GmbH	Clausthal	Germany	9.40	9.40
K+S Real Estate GmbH & Co. KG	Kassel	Germany	10.10	10.10
Lehrter Wohnungsbau GmbH	Lehrte	Germany	6.67	6.67
Poldergemeinschaft Hohe Schaar	Hamburg	Germany	8.66	8.66
Pristav Pardubice a.s.	Pardubice	Czech Republic	0.41	0.41
Zoll Pool Hamburg AG	Hamburg	Germany	1.43	1.43

[1] Exemption of Section 291 HGB applied.
[2] Exemption of Section 264 (3) HGB applied.
[3] Not consolidated due to immateriality.
[4] Not equity-accounted due to immateriality.

AUDITOR'S FEES

The audit services include the audit of the consolidated financial statements and annual financial statements of all consolidated German Group companies. The fee for the other assurance services mainly includes the fee for the limited assurance review of the non-financial statement and the substantive review of the compensation report.

In the first quarter of 2022, the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, and its network companies completed tax advisory services in connection with the sale of the Americas operating unit in 2021 in the amount of €0.02 million that had begun in the prior period. In accordance with the statutory requirements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and its network companies no longer provided tax advisory services and other non-audit services for German K+S Group companies as from the date of issuance of the audit opinion for the K+S Group's 2021 consolidated financial statements on March 8, 2022. **D.97**

AUDITOR'S FEES **D.97**

in million €	2021	2022
Audit services	1.4	0.9
Other assurance services	0.1	0.3
Tax advisory services	2.6	–
Auditor's fees	**4.1**	**1.2**

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) with the recommendations of the Government Commission on the German Corporate Governance Code was issued by the Board of Executive Directors and the Supervisory Board of K+S Aktiengesellschaft for 2021/2022. It is available to shareholders on the K+S Group's website (www.kpluss.com) and also published in the 'Declaration on corporate governance' on page 95.

EVENTS AFTER THE BALANCE SHEET DATE

On January 25, 2023, K+S signed an agreement to acquire 75% of the fertilizer business of South African trading company Industrial Commodities Holdings (Pty) Ltd (ICH). The company will operate under the name Fertiva (Pty) Ltd. in the future. The purchase price is in the low double-digit million euros range. The remaining 25% of the shares will be held in the future by two former ICH shareholders who previously managed the fertilizer business at ICH and are now also part of the management team of Fertiva (Pty) Ltd. Closing is still subject to a number of conditions being fulfilled, including receipt of the necessary regulatory approvals, and is expected to be completed in the second quarter of 2023.

On December 14, 2022, the 3-months par call on the K+S bond maturing in April 2023 was called and the bond became due on January 6, 2023. As at December 31, 2022, the principal amount of the bond was €396.4 million; including accrued interest, €404.2 million was paid.

On February 15, 2023, the Supervisory Board of K+S Aktiengesellschaft and Mr. Holger Riemensperger mutually reached agreement on a separation, as Mr. Riemensperger will take on a new challenge in another company. A termination agreement was entered into by Mr. Riemensperger and K+S Aktiengesellschaft. His mandate as a member of the Board of Executive ended on February 28, 2023. No severance payment was agreed upon. In light of this, Dr. Carin-Martina Tröltzsch already assumed her duties on the Board of Executive Directors of K+S Aktiengesellschaft effective February 20, 2023.

Kassel, Germany, March 14, 2023

K+S Aktiengesellschaft
Board Of Executive Directors

INDEPENDENT AUDITOR'S REPORT

To K+S Aktiengesellschaft, Kassel

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of K+S Aktiengesellschaft, Kassel, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of K+S Aktiengesellschaft, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

+ the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
+ the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Mining Obligations
2. Valuation of non-current assets of the cash-generating unit "potash and magnesium products"

Our presentation of these key audit matters has been structured in each case as follows:

a) Matter and issue
c) Audit approach and findings
c) Reference to further information

Hereinafter we present the key audit matters:

1. MINING OBLIGATIONS

a) In the company's consolidated financial statements, mining provisions of € 932.4 million are reported under long-term provisions and € 5.0 million under short-term provisions. These provisions relate in particular to obligations for mine and shaft backfilling, tailings storage, mining damage and dismantling. Changes in interest rates can have a significant impact on the valuation of these mining provisions, which are recognised at present value and calculated on the basis of a valuation model using the discounted cash flow method. In addition, due to the long-term nature of the provisions, they are based to a large extent on estimates and assumptions by the legal representatives regarding future cost developments, the inclusion of future revenues, waste water volumes, technological innovations, especially in extraction processes and procedures for covering tailings piles, as well as the operating lives of the mines. Legal, contractual and regulatory requirements have a significant impact on the recognition and amount of provisions.

Against this background, we considered these matters to be of particular significance in the context of our audit, as the recognition and measurement of these items, which are significant in terms of amount are subject to considerable scopes of judgment on the part of the executive directors and have a direct and significant effect on the consolidated financial statements.

b) As part of our audit, we analysed the measures taken by the legal representatives to assess the completeness and valuation of the mining obligations. In this context, we reviewed the structural and procedural organisation of the process for the creation of mining provisions with regard to its appropriateness and the effectiveness of the controls relevant to the audit. In doing so, we based our analyses on our knowledge of the legal, contractual and regulatory requirements and the timeliness of the respective custody concepts and assessed the current status of the regulatory requirements and custody concepts in terms of amounts based on evidence in the form of correspondence with the mining authorities and detailed individual factual statements. The focus was also on the assessment of the underlying custody concepts and the underlying cost assumptions as well as the invoiced revenues. Furthermore, we verified the correct derivation of the cost increase rates and the interest rates with appropriate maturities from market data. We assessed the reliability of the assumptions made by the legal representatives by comparing actual cost rates of the financial year with the previous year's planning. As part of our audit, we also assessed the results of experts and the professional qualifications of the experts. When examining the discount rate, we inspected and assessed evidence on the parameters used. Furthermore, we traced the planned temporal utilisation of the provisions. In the event of changes in the estimates made to date, we obtained evidence to assess the appropriateness of these adjustments.

We were able to satisfy ourselves that the estimates and assumptions made by the legal representatives for the recognition and measurement of the mining provisions are sufficiently substantiated and documented.

c) The disclosures on mining provisions are included in the notes to the consolidated financial statements in the section "Notes to the balance sheet" under sub-item "(23) Provisions for mining obligations" of the notes to the consolidated financial statements.

2. VALUATION OF NON-CURRENT ASSETS OF THE CASH-GENERATING UNIT "POTASH AND MAGNESIUM PRODUCTS"

a) The cash-generating unit "Potash and Magnesium Products" comprises non-current assets with a carrying amount of € 6,397.4 million.

The valuation of the assets was reviewed on the basis of their fair values less costs to sell, which exceed their values in use. The recoverable amount as the higher of fair value less costs to sell and value in use was calculated based on a valuation model using the discounted cash flow method. This is based on the planning calculations for the next three years (medium-term planning) prepared by the legal representatives and acknowledged by the Supervisory Board and extrapolated on the basis of long-term assumptions with regard to the potash price, the planned utilisation or production capacities of the plants, their expected running times, as well as the planned costs.

The result of these valuations is highly dependent on how the legal representatives estimate the future cash inflows as well as on the discount rates, growth rates and other assumptions used. The valuations are therefore subject to significant uncertainties and discretionary scope. Against this background and due to the underlying complexity of the valuation, this matter was of particular importance in the context of our audit.

b) In order to examine the appropriateness of the calculation used for the valuation, we reconciled the expected future cash inflows with the planning adopted by the Executive Board and approved by the Supervisory Board. Furthermore, with the involvement of our valuation specialists, we assessed the assumptions underlying the planning on the basis of general and industry-specific market expectations and the current price development in the potash market. In order to objectify the forecast potash price development, we have also taken into account, in particular, market studies by third parties on the future development of potash prices. In addition, we assessed the appropriate consideration of the costs of group functions. In view of the fact that even relatively small changes in the discount rate used can have a significant impact on the amount of the fair value determined (less costs of disposal), we also assessed, together with our valuation specialists, the parameters used by K+S in determining the discount rate used as well as the assumptions underlying the model for deriving the discount rate. In addition, we examined the calculation schemes with regard to consistency and calculation systematics. In order to take into account the existing forecast uncertainties, we verified the sensitivity analyses prepared by the company.

The valuation parameters and assumptions applied by the legal representatives are in line with our expectations and are also within what we consider to be reasonable ranges.

c) The Company's disclosures on property, plant and equipment are included in the notes to the consolidated financial statements in the section "Notes to the balance sheet" under sub-item "(12) Intangible assets, property, plant and equipment and impairment test".

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

+ the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate governance and monitoring" of the group management report
+ the non-financial statement to comply with §§ 289b to 289e HGB and with §§ 315b to 315c HGB included in section "Combined non-financial statement" of the group management report
+ the information contained in the sections "Business Model", "Report on economic position" and "Report on risks and opportunities" of the Group Management Report, which are marked as unaudited

The other information comprises further

+ the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible
+ all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

+ is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
+ otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

+ Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

+ Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
+ Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
+ Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
+ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
+ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
+ Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
+ Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 ABS. 3A HGB

ASSURANCE OPINION

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file KplusS_AG_KAuKLB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

BASIS FOR THE ASSURANCE OPINION

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

GROUP AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

+ Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
+ Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
+ Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

+ Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
+ Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 12 May 2022. We were engaged by the supervisory board on 24 August 2022. We have been the group auditor of the K+S Aktiengesellschaft, Kassel, without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Michael Conrad.

Frankfurt am Main, 14 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Conrad	Thorsten Neumann
Wirtschaftsprüfer	Wirtschaftsprüfer

FURTHER INFORMATION

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INDEPENDENT PRACTITIONER'S REPORT

ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING FROM JANUARY 1 TO DECEMBER 31, 2022[1]

To K+S AG, Kassel

We have performed a limited assurance engagement on the combined non-financial statement of K+S AG, Kassel, (hereinafter the "Company") for the period from 1 January to 31 December (hereinafter the "Combined Non-financial Statement") included in section "Combined Non-financial Statement" of the combined management report.

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement.

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the Combined Non-financial Statement in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU-Taxonomy" of the Combined Non-financial Statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Company that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a Combined Non-financial Statement that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU-Taxonomy" of the Combined Non-financial Statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

RESPONSIBILITY OF THE ASSURANCE PRACTITIONER

Our responsibility is to express a conclusion with limited assurance on the Combined Non-financial Statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE)

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined non-financial statement and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Combined Non-financial Statement, other than the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU-Taxonomy" of the Combined Non-financial Statement.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

+ Gain an understanding of the structure of the Company's sustainability organisation and stakeholder engagement
+ Inquiries of the executive directors and relevant employees involved in the preparation of the Combined Non-financial Statement about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Non-financial Statement
+ Identification of likely risks of material misstatement in the Combined Non-financial Statement
+ Analytical procedures on selected disclosures in the Combined Non-financial Statement
+ Evaluation of the presentation of the Combined Non-financial Statement
+ Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the Combined Non-financial Statement
+ Inquiries on the relevance of climate-risks

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

ASSURANCE OPINION

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Combined Non-financial Statement of the Company for the period from 1 January to 31 December is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU-Taxonomy" of the Combined Non-financial Statement.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement.

RESTRICTION OF USE

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Kassel, 14 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Conrad
Wirtschaftsprüfer
[German public auditor]

ppa. Elena Ollendiek

INDEPENDENT PRACTITIONER'S REPORT

REMUNERATION REPORT PURSUANT TO SECTION 162 AKTG FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022

To K+S Aktiengesellschaft, Kassel

We have audited the remuneration report of K+S Aktiengesellschaft, Kassel, for the financial year from 01.01.2022 to 31.12.2022 including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

The executive directors and the supervisory board of K+S Aktiengesellschaft are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDIT OPINION

In our opinion, based on the findings of our audit, the remuneration report for the financial year from 01.01.2022 to 31.12.2022, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

REFERENCE TO AN OTHER MATTER – FORMAL AUDIT OF THE REMUNERATION REPORT ACCORDING TO § 162 AKTG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

RESTRICTION ON USE

We issue this auditor's report on the basis of the engagement agreed with K+S Aktiengesellschaft. The audit has been performed only for purposes of the company and the auditor's report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Frankfurt am Main, March 14, 2023

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Michael Conrad
Wirtschaftsprüfer
(German Public Auditor)

Thorsten Neumann
Wirtschaftsprüfer
(German Public Auditor)

REPORT ON EQUALITY AND EQUAL PAY

PUBLICATION AS AN ANNEX TO THE 2022 MANAGEMENT REPORT PURSUANT TO TRANSPARENT REMUNERATION LAW (ENTGTRANSPG)

Pursuant to Sections 21, 22 of the Law for Promotion of Remuneration Transparency between Women and Men (Transparency Remuneration Law – EntgTranspG), K+S Aktiengesellschaft is obliged to compile a report on equality and equal remuneration every five years as an annex to the management report. In deviation from the annual financial statements and management report and in accordance with the legal requirement, the year 2021 is the relevant reporting year for the report in 2022 and the relevant reporting period for multi-year disclosures 2017–2021.

1. MEASURES FOR PROMOTING EQUALITY BETWEEN WOMEN AND MEN AND THEIR IMPACT

We are committed to equal opportunities. Our values and principles (Code of Conduct) set out this commitment. As a signatory to the Global Compact and the Charter of Diversity, we affirm this position.

Our activities in "Diversity & Inclusion" counteract discrimination and strive for equal opportunities for women as well as equal remuneration. The basis for diversity and inclusion is the appreciation of all employees. At K+S, all employees experience this appreciation, irrespective of gender, nationality, ethnic origin, religion or ideology, social origin, physical or mental impairment, age, sexual orientation, and identity. K+S aims to promote and support the compatibility of work and family life. Family-friendly work structures, room for diversity and individual offers for compatibility are intended to enable our employees to achieve a good balance between professional and family tasks. Within the scope of our Company's possibilities, we support our employees in balancing work and family life with flexible working time models, working from home, and needs-based care services, both for children and for family members. This also includes additional time off for care emergencies. At our headquarters in Kassel, we also provide a day-care center close to the Company.

Pursuant to the statutory provision for the equal participation of women and men in management positions, the minimum proportion of women and men on the Supervisory Board is 30% each. As of December 31, 2021, the Supervisory Board comprised two female shareholder representatives and two female employee representatives, so that the minimum proportion of both employee and shareholder representatives was always achieved.

With the election proposals of the Supervisory Board to the Annual General Meeting to be held on May 10, 2023 – and assuming that these are adopted with the required majority – it is intended to achieve a proportion of women on the Supervisory Board of more than 30%, also considered overall.

The Supervisory Board set a new target of 25% at its meeting on May 14, 2019, for the equal participation of women and men in management positions. This is to be achieved by December 31, 2023.

Regarding the law for the equal participation of women and men in management positions, we have set targets for the proportion of women in the management level below the Board of Executive Directors of K+S Aktiengesellschaft by December 31, 2021. In the first level below the Board of Executive Directors, the target of 13% was achieved as of December 31, 2021. As of the reporting date, the proportion of women is just over 13% (2020: 9%). At the second level below the Board of Executive Directors, the target of 11% was again significantly exceeded as of the reporting date, with the proportion of women at just over 20% (2020: 20%).

2. MEASURES FOR THE ESTABLISHMENT OF EQUAL REMUNERATION FOR WOMEN AND MEN

At K+S Aktiengesellschaft, we pursue the goal of remunerating our employees in a performance-related, market-oriented, and comparable manner. Our employees covered by collective wage agreements are subject to the German collective wage agreement, whose equal remuneration has been confirmed by the German Federal Anti-discrimination Agency. Under our non-tariff remuneration system, non-tariff functions are assessed and remunerated based on uniform Group-wide criteria. Regular market comparisons ensure fairness and market conformity.

3. BREAKDOWN OF STATISTICAL DATA FOR K+S AKTIENGESELLSCHAFT

AVERAGE TOTAL NUMBER OF EMPLOYEES[1] E.1

	2016	2021	Change 2021 vs. 2016
Average total number of employees	**900**	**814**	**–86**
– thereof male	596	519	–77
– thereof female	303	295	–8
Average number of full-time employees	**755**	**680**	**–75**
– thereof male	562	497	–65
– thereof female	193	183	–10
Average number of part-time employees	**145**	**133**	**–12**
– thereof male	34	21	–13
– thereof female	110	112	+2
Average number of trainees	**16**	**32**	**+16**
– thereof male	6	20	+14
– thereof female	10	12	+2

[1] Rounding differences may arise in percentages and figures.

TEN-YEAR SUMMARY OF THE K+S GROUP[1] E.2

		2013	2014	2015	2016	2017	2018	2019	2020	2021[12]	2022
Income statement											
Revenues	€ million	3,950.4	3,821.7	4,175.5	3,456.6	3,627.0	4,039.1	4,070.7	3,698.4	3,213.1	5,676.6
EBITDA[2]	€ million	907.2	895.5	1,057.5	519.1	576.7	606.3	640.4	444.8	1,067.3	2,422.9
EBITDA margin	%	23.0	23.4	25.3	15.0	15.9	15.0	15.7	12.0	33.2	42.7
Depreciation[3]	€ million	251.3	254.3	275.9	289.8	305.9	379.1	431.9	404.9	292.5	443.8
Group earning, adjusted[4]	€ million	437.1	366.6	542.3	130.5	145.0	85.4	77.8	–1,802.5	2,182.4	1,494.0
Earnings per share, adjusted[4]	€	2.28	1.92	2.83	0.68	0.76	0.45	0.41	–9.42	11.40	7.81
Cash flow											
Operating cash flow	€ million	755.7	719.1	669.4	445.4	306.8	308.7	639.8	428.5	347.3	1,393.7
Capital expenditures[5]	€ million	742.5	1,153.2	1,278.8	1,170.8	810.8	443.2	493.3	526.0	334.3	403.8
Adjusted free cash flow	€ million	48.7	–306.3	–635.9	–776.8	–389.8	–206.3	139.7	–42.2	92.7	932.0
Balance sheet											
Balance sheet total	€ million	7,498.2	7,855.2	8,273.6	9,645.5	9,754.4	9,966.2	10,592.2	8,387.4	8,724.3	9,890.0
Equity	€ million	3,396.6	3,974.5	4,295.6	4,552.2	4,160.7	4,144.1	4,495.1	2,222.6	5,259.2	6,720.0
Equity ratio	%	45.3	50.6	51.9	47.2	42.7	41.6	42.4	26.5	60.3	67.9
Net financial liabilities (–)/ Net asset position (+) as of Dec. 31[6]	€ million	–190.4	–590.9	–1,363.6	–2,401.1	–2,974.1	–3,241.5	–3,116.6	–3,217.4	–606.3	244.9
Debt ratio (Net financial liabilities/EBITDA)[6]	x-times	0.2	0.7	1.3	4.6	5.2	5.3	4.9	7.2	–0.6	–[7]
Working capital	€ million	844.9	768.1	945.9	894.6	968.1	1,126.7	1,037.9	747.4	647.4	1,303.6
Return on capital employed (ROCE)	%	15.2	12.7	12.5	3.0	3.2	2.6	2.3	–22.8	42.9	25.7
Employees											
Employees as of Dec. 31[8]	number	14,421	14,295	14,383	14,530	14,793	14,931	14,868	14,732	10,711	11,097
Average number of employees[8]	number	14,348	14,295	14,276	14,446	14,654	14,904	14,693	14,758	10,776	10,881
Share											
Book value per share	€	17.7	20.8	22.4	23.8	21.7	21.7	23.5	11.6	27.5	35.1
Dividend per share[9]	€	0.25	0.90	1.15	0.30	0.35	0.25	0.04	–	0.20	1.00[10]
Dividend yield[9]	%	1.1	3.9	4.9	1.3	1.7	1.6	1.3	–	1.3	5.4
Closing price as of Dec. 31	XETRA, €	22.38	22.92	23.62	22.69	20.76	15.72	11.12	7.79	15.19	18.38
Market capitalization	€ billion	4.3	4.4	4.5	4.3	4.0	3.0	2.1	1.5	2.9	3.5
Enterprise value (EV) as of Dec. 31	€ billion	5.3	6.1	6.9	7.9	8.1	7.4	6.7	6.1	4.7	4.4
Average number of shares[11]	million	191.4	191.4	191.4	191.4	191.4	191.4	191.4	191.4	191.4	191.4

[1] The figures relate to the continuing and discontinued operations of the K+S Group for the years 2013 to 2020. From 2021 onwards, the information relates to the continuing operations of the K+S Group.
[2] EBITDA is defined as earnings before interest, tax, depreciation, and amortization, adjusted for the amount of depreciation and amortization recognized directly in equity relating to own work capitalized, the result of changes in the fair value of operating forecast hedges still outstanding, and changes in the fair value of operating forecast hedges recognized in prior periods. A reconciliation can be found on page 49.
[3] Relates to depreciation and amortization of property, plant, and equipment, intangible assets, and investments accounted for using the equity method, adjusted for the amount of depreciation and amortization recognized directly in equity relating to own work capitalized.
[4] The adjusted key figures include the result from operating forecast hedges for the respective reporting period; effects from changes in the fair value of hedges are eliminated. The effects on deferred and cash taxes are also adjusted; tax rate 2022: 30.2% (2021: 30.2%).
[5] Relates to cash-effective investments in property, plant, and equipment and intangible assets, taking into account reimbursement claims from subsequent claims management, excluding lease additions in accordance with IFRS 16. The first-time application was effective as of January 1, 2019.
[6] Since January 1, 2019, lease liabilities explicitly resulting from finance lease contracts concluded are included.
[7] As of December 31, 2022, there are no net financial liabilities.
[8] FTE: Full-time equivalents; part-time positions are weighted according to their respective share of working hours.
[9] In 2019, the proposed dividend was adjusted from the previous €0.15 to the minimum dividend to maintain eligibility for funding by KfW. In 2022, the figure corresponds to the dividend proposal.
[10] The Board of Executive Directors and the Supervisory Board have resolved, in addition to the dividend of €1.00 per share, to buy back shares with an equivalent value of up to around €1 per share resp. up to €200 million in total and subsequently cancel them. The buyback is to begin after the Annual General Meeting on May 10, 2023.
[11] Total number of shares less the average number of own shares held by K+S.
[12] The year 2021 has been adjusted. See information on changes in accounting policies, restatement of prior-year figures, and balance sheet structures in the 'Notes' on p. 185.

FOUR-YEAR SUMMARY OF THE K+S GROUP ON SUSTAINABILITY KPIS[1] **E.3**

		2019[2]	2020	2021	2022
Society & Employees					
Injury with lost time	LTI rate	10.4	8.8	11.3	8.3
Positive perception of an inclusive work environment by employees[3]	%	54.4	54.4	54.4	87.0
Environment & Resources					
Injection of saline wastewater in Germany[4]	m^3 million p.a.	1.1	1.3	1.0	–
Additional reduction of saline process water from potash production in Germany[5]	m^3 million p.a.	0.8	0.2	0.6	–0.4
Amount of residue used for purposes other than tailings piles or avoided by increasing raw material yields[6]	million tonnes p.a.	1.5	1.2	0.2	0.2
Additional covered tailings pile area	ha	8.7	8.9	10.1	14.1
Carbon footprint for power consumed (kg CO_2/MWh)	%	–1.7	–1.6	New goal as of 2021	–
New as of 2021: Absolute CO_2 emissions in the K+S Group worldwide[7]	%	–	–	–0.5	–3.0
Specific greenhouse gas emissions (CO_2) in logistics (kg CO_2e/tonne)	%	–11.1	–4.3	–11.6	–13.1
Business Ethics & Human Rights					
Percentage of critical suppliers aligned with the K+S Group Supplier Code of Conduct	%	23.2	77.4	86.6	89.6
Coverage of purchasing volume by the K+S Group Supplier Code of Conduct	%	44.9	66.8	80.7	84.5
Coverage of the K+S companies with a standardized compliance risk analysis[8]	%	–	–	25.0	66.7

[1] The base year for our non-financial performance indicators is 2017.
[2] Values incl. Americas operational unit, which was sold effective April 30, 2021. From 2020, values only for continuing operations.
[3] The first data collection was carried out in 2019 (base year). An update was performed in 2022.
[4] Injection was discontinued as of December 31, 2021.
[5] Excluding a reduction due to the KCF plant and the end of production at Sigmundshall in 2018.
[6] From 2021, excluding a reduction through the existing immediate backfill measure.
[7] Deviating base year: 2020 with base value 100.
[8] Deviating base year: 2022.

FINANCIAL CALENDAR, ONLINE SERVICE

FINANCIAL CALENDAR

Quarterly Report as of March 31, 2023	May 9, 2023
Annual General Meeting, virtual	May 10, 2023
Dividend payment	May 15, 2023
Half-Year Financial Report as of June 30, 2023	August 10, 2023
Quarterly Report as of September 30, 2023	November 14, 2023
2023 Annual Report	March 14, 2024

ONLINE SERVICE

Annual Report	www.kpluss.com/ar2022
Annual General Meeting	www.kpluss.com/agm
Other publications	www.kpluss.com/publications

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In the event of any doubt, the German version of the Annual Report will prevail.

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