

A close-up portrait of a young man wearing a blue hard hat with a white reflective stripe, safety glasses, and a dark blue face mask. The mask features the text 'Glück Auf' and a crossed-pickaxe icon. He is wearing a blue work shirt. The background is a blurred industrial setting.

# Annual Report 2020

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### KEY

- 👁 Audited reference within the Annual Report
- 🔍 Unaudited reference within the Annual Report
- 🌐 Unaudited reference to Internet site

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

**Title:** Paul Herbst is currently in his third year of training to become a plant mechanic at the Werra site.

## SYSTEM-RELEVANT

We produce potassium and sodium salts, which are essential for the basic supply of the population and important in key industries such as medicine, pharmaceuticals, food production, animal feed, as well as agriculture, and are needed on a daily basis. During the pandemic, for example, our high-purity pharmaceutical salts act as the “cab” for the administration of coronavirus vaccines.



# OUR YEAR 2020

## STRONG PERFORMANCE IN PRODUCTION

Through continuous optimization and efficiency improvements, we have succeeded in increasing production in the Agriculture customer segment to a total of 7.3 million tonnes (2019: 6.3 million tonnes). The product quality in Bethune meets the high standard expected by our customers and ourselves. At the same time, we have reduced the average cost of potash production to less than €200/tonne.

# €150

### MILLION THROUGH SYNERGY PROGRAM

We generated more than €150 million from synergies in Procurement, Logistics, Production, as well as Sales and Marketing as planned.

## IMPORTANT MILESTONES ACHIEVED!

### MEASURES IMPLEMENTED IN 2020

- + Agreement reached on the sale of Americas operating unit
- + Joint venture in waste management business with strategic realignment
- + Restructuring of administration completed

We have consistently pursued the implementation of the package of measures on reducing our debt. The agreement on the sale of the Americas operating unit for USD 3.2 billion reached in October 2020 was an important milestone. The associated restructuring of our administration will result in annual savings of €60 million in the future. The strategic realignment in the waste management business reflects the importance of the new joint venture with Remondis.



# €3,698.4

**MILLION IN REVENUE K+S GROUP<sup>1</sup>**

# €444.8

**MILLION EBITDA K+S GROUP<sup>1</sup>**

Difficult conditions: The declined EBITDA in 2020 (2019: €640 million) was mainly attributable to lower potash prices, a weaker de-icing salt business due to weather conditions, COVID-19, and one-off expenses associated with the restructuring of the administrative functions.

<sup>1</sup> From continuing and discontinued operations.



## **IMPORTANT SETTING OF THE COURSE**

The approval of the amendment to the state treaty on the cross-border mining of potassium salts by the parliaments of the Free State of Thuringia and the State of Hesse is an important step in setting the course and a significant component for the long-term underground storage of saline wastewater. At the same time, the approvals of the tailings pile expansions at the Wintershall (Hesse) and Zielitz (Saxony-Anhalt) sites have provided long-term prospects for these two sites.



## **RELIABLE PARTNER FOR OUR CUSTOMERS**

Through comprehensive prevention and effective crisis management, we have managed the challenges imposed by the continuing COVID-19 pandemic relatively well. All employees are sticking together in these difficult times, just as it has always been the case in the mining industry. Production was maintained almost without interruption. We have always remained a reliable partner for our customers.

### **2021 OUTLOOK:**

## **EBITDA<sup>2</sup> EXPECTED AT AROUND HALF A BILLION EUROS**

## **FOCUS ON COST AND CASH FLOW**

We will continue optimizing the cost and capital expenditure structure in production. We aim to generate a positive free cash flow at all production sites, even in difficult conditions.

<sup>2</sup> From continuing operations; including one-time contribution gain from REKS joint venture.

A photograph of Dr. Burkhard Lohr, Chairman of the Board of Executive Directors, sitting at a table in a meeting. He is wearing a dark blue suit, a white shirt, and a striped tie. He is gesturing with his hands while speaking. In the background, there is a large window with a view of a city and a body of water. The text 'INTERVIEW DR. BURKHARD LOHR' is overlaid on the image in large, white, bold letters.

# INTERVIEW DR. BURKHARD LOHR

Chairman of the Board of Executive Directors

## **Keeping on track during the pandemic**

In 2020, the coronavirus pandemic profoundly impacted society, politics, and the economy. Despite all the associated challenges, K+S has continued to stay well on track and achieved important milestones in significantly reducing debt while increasing efficiency as announced. In this interview, Chairman of the Board of Executive Directors, Dr. Burkhard Lohr, comments on the 2020 financial year and the upcoming months.

**Dr. Lohr, 2020 is certainly a year none of us will ever forget. K+S has managed the negative impact of the coronavirus pandemic relatively well. What do you see as the main reasons for this?** Absolutely right, 2020 was an exceptional year. All of us had to face new challenges, both professionally and in our private lives. Our teamwork during this crisis was outstanding and this is something I am very proud of. With great commitment, all our employees focused on a common goal. Operations not only continued without disruptions, but production even increased further. As always, we have been a reliable partner for our customers. We have therefore also made a greater contribution to supporting the system-relevant essential supply of the population as well as important key industries in the fields of pharmaceuticals, food production, animal feed, and agriculture.

**What was the most challenging aspect of COVID-19?** Most obviously, working underground was one of the major challenges: Making a mine coronavirus-safe is not easy at all. To achieve this, we reduced the occupancy in elevators for miners when going underground, shift times were shortened and staggered, and we even produced our own disinfectants. Within record time, we developed solutions from scratch. Pragmatic decisions were taken in just a few hours to keep operations running. This demonstrates that in the mining industry, people stand together!

**Let's look at the development of the operating result in 2020: How do you assess the result achieved and which events have had a significant impact on K+S's EBITDA?** Despite the challenging environment, we are not satisfied with EBITDA of €445 million. This is true even though we made good progress with the measures we had in hand. The COVID-19 pandemic cost us a total of around €40 million. The restructuring of the administration incurred one-off expenditures of a further approximately €40 million. From an operational perspective, the mild winter in North America and Europe had a negative impact on our de-icing salt business and, in particular, the fourth quarter was the weakest we have ever recorded. And the factor with the highest impact: Unfortunately, the recovery in potash prices in the months following the much-anticipated conclusion of agreements with China was weaker than expected.

**“In mining, people stand together!”**

**The consistent implementation of the package of measures to reduce debt was a key focus in 2020. Have you succeeded in achieving this?** Absolutely, as we remained very focused and made great progress in implementing the package of measures. With the agreement to sell the Americas operating unit to Stone Canyon Industries Holdings, we reached an important milestone at the beginning of October. For a very respectable price: USD 3.2 billion. We successfully delivered! In these difficult times, many people would not have believed us capable of doing so. Closing the transaction this summer at the latest will be a major step towards reducing our high level of debt. In this way, we will create a solid financial basis for the sustainable development of the Company.

**This package of measures also includes the restructuring of administration associated with the sale of the Americas operating unit.** That's correct. Our administration had to be newly dimensioned and we accomplished this in an extremely short period of time and without external advisors. The Europe+ operating unit and the K+S holding company have now merged to form a leaner unit. This unfortunately also entailed the reduction of around 300 jobs at our administrative sites in Kassel and Hanover, which we managed in a socially responsible manner and in close consultation with our social partners. In many cases, the necessary cuts proved to be very painful. Through a voluntary program and the transition to a transfer company, however, it was possible to almost completely avoid compulsory redundancies.

**Is this restructuring having a positive impact?** Yes, we have been working with a much leaner structure since the beginning of 2021, saving €60 million a year – that's around 30 percent of our previous administrative costs.

**“We've stayed focused.”**





**The high impairment loss at the beginning of November 2020 came as a surprise to many shareholders. Why was this necessary?**

This one-off adjustment was necessary because our long-term assumptions for potash prices and our cost of capital had to be revised. Adjusted Group earnings after taxes were accordingly significantly impacted by this impairment loss. There was, however, no cash outflow. Most importantly, our business model continues to be intact.

**At the end of the year, K+S announced the bundling of its waste management business with REMEX in a joint venture. What are your expectations of this cooperation?** The cooperation with REMEX, a subsidiary of the Remondis Group, is intended to develop a new business model in waste management. Offering our customers the best waste management solutions while protecting natural resources. We believe the waste management market has a lot of potential. This partnership also provides us with new opportunities and perspectives for tailings pile coverage. And last but not least, we will generate a significant cash inflow totaling around €90 million before taxes resulting from this transaction, which is part of the package of measures to reduce debt. All in all, the cooperation is an important strategic step for both companies.



**What will the “new” K+S look like if, the sale of the Americas business is closed in summer at the latest?** Once the realignment is accomplished, K+S will be an efficient and lean supplier of standard fertilizers and specialties. We will continue to consistently optimize the cost and capital expenditure structure at all our production sites. Each site should generate a positive free cash flow in the future, even in the event of low potash prices and weak demand for de-icing salt. The business model of the new K+S will therefore be more resilient and sustainable overall. Our foundation remains strong: our business model is not subject to disruptive change. We have a unique raw material base and a broad product range. We are the only potash producer with production sites on two continents. Furthermore, we continue to benefit from megatrends, such as the constantly growing world population. We will therefore continue to supply essential products to numerous industries in the future and make a decisive contribution in securing the global food supply. As all of these factors demonstrate, the future prospects for K+S remain attractive.

**“The new K+S will be more resilient and sustainable.”**



# OUR BOARD OF EXECUTIVE DIRECTORS



## Mark Roberts

Member of the Board of Executive Directors and CEO of Morton Salt

Mark Roberts was born in 1963 in New Jersey, USA. His career began as a marketing manager at Victaulic Corporation of America. In 1988, he joined Ashland Chemical Company as a domestic sales representative and account manager.

In 1992, he joined the Potash Import & Chemical Corporation (PICC). In 2004, he became President of PICC and since April 2008, CEO of International Salt Company (ISCO) in Clarks Summit, Pennsylvania, USA. Effective October 1, 2009, Mark Roberts was appointed CEO of Morton Salt, Inc. in Chicago, Illinois, USA.

He has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since October 1, 2012.



## Dr. Burkhard Lohr

Chairman of the Board of Executive Directors and Labor Relations Director

Dr. Burkhard Lohr was born in 1963 in Essen (North Rhine-Westphalia). After studying Business Administration at the University of Cologne, he joined Mannesmann AG in 1991. From 1993 on 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.



## Thorsten Boeckers

Member of the Board of Executive Directors and CFO

Thorsten Boeckers was born in 1975 in Würselen (North Rhine-Westphalia). After training as a banker, he began his career in 1996 at Deutsche Bank in Aachen. In 1999, he joined the equity research department of Deutsche Bank in Frankfurt.

In 2002, he was appointed Head of Institutional Investor Relations at Deutsche Post DHL. In 2012, he joined K+S AKTIENGESELLSCHAFT in Kassel, where he assumed the position of Head of Investor Relations.

Since May 12, 2017, he has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT and Chief Financial Officer.

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/executivedirectors](http://www.kpluss.com/executivedirectors)



# **SUPERVISORY BOARD REPORT**

**Dr. Andreas Kreimeyer**

Chairman of the Supervisory Board

*Dear Shareholders,*

In 2020, the overall conditions for our business continued to be challenging and have additionally been negatively impacted by the COVID-19 pandemic. The prices for our products were at a very low level and only recovered slowly in the fourth quarter. Therefore, we missed our targets for revenues and earnings once again.

Despite the COVID-19 pandemic, with its associated contact restrictions, we have continued to pursue the strategic realignment of our K+S consistently and with even more energy: We are committed to rapidly and significantly reducing debt, sustainably improving the competitiveness of our sites, expanding our specialties assortment as well as developing new businesses. For this purpose, we signed an agreement to sell our Americas operating unit to Stone Canyon Industries Holdings. The structures of our administration have been significantly streamlined and will reduce costs substantially in this process from 2021. We incorporated our waste management business into a joint venture with REMEX, a subsidiary of the Remondis Group, and this business is to be significantly expanded in the future. A project has been launched at our sites aimed at generating positive free cash flow at all sites in the future even in the event of low prices for potassium chloride.

On behalf of the entire Supervisory Board and Board of Executive Directors, I would like to express my sincere thanks to you, our shareholders, for your patience and trust in us during this time, which has probably been the most difficult period for K+S in the past two decades. I also would like to thank our employees for their great loyalty and their willingness to change.

#### **ADVISING THE BOARD OF EXECUTIVE DIRECTORS AND MONITORING OF MANAGEMENT**

During the 2020 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, 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 in order 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.

Due to the COVID-19 pandemic, all meetings of the Supervisory Board and its committees were held as virtual meetings from the middle of March 2020 onward. In 2020, 13 Supervisory Board meetings were held. The average attendance rate of the 16 Supervisory Board members at these meetings was 96% in the reporting period. Two meetings were held as physical meetings. Eight meetings were attended by all Supervisory Board members; at three meetings two members, and at two meetings one member, were unable to attend. All absences were excused. One of the seven meetings of the **Audit Committee** was held as a physical meeting. Six of the seven meetings were attended by all committee members; at one meeting one member was excused. The **Nomination Committee** held one virtual session, fully represented. Two of the seven meetings of the **Personnel Committee** were held as physical meetings. Six meetings were attended in full. One member was excused from the remaining meeting. The **Strategy Committee** met on seven occasions, with full attendance at all meetings. One of the meetings was held as a physical meeting.

#### **COMPOSITION OF THE BOARD OF EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD**

Mr. Mark Roberts will leave 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 and assume a new function under the new ownership. Against this background, corresponding agreements have been concluded with Mr. Mark Roberts governing the restructuring of the service contract and remuneration entitlements. At its meeting on December 8, 2020, the Supervisory Board appointed Mr. Holger Riemensperger to the Board of Executive Directors. Mr. Riemensperger will take up his mandate on April 1, 2021.

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

The Supervisory Board appointments of Mr. George Cardona, Mr. Philip Freiherr von dem Bussche, and Dr. Andreas Kreimeyer expired at the end of the ordinary Annual General Meeting on June 10, 2020. Mr. Philip Freiherr von dem Bussche and Dr. Andreas Kreimeyer were reelected. Dr. Rainier van Roessel was elected as a new member of the Supervisory Board.

After the ordinary Annual General Meeting of K+S AKTIENGESELLSCHAFT, the members of the Supervisory Board elected its Chairman and elected replacement members to the committees:

- + Dr. Andreas Kreimeyer was elected as Chairman.
- + By law, the Chairman of the Supervisory Board is also the Chairman of the Mediation Committee. There were no other changes in the Mediation Committee.

- + Mr. Philip Freiherr von dem Bussche and Dr. Andreas Kreimeyer were elected as members of the Strategy Committee. Its members subsequently elected Dr. Andreas Kreimeyer as Chairman of the committee.
- + Dr. Andreas Kreimeyer was elected as a new member of the Audit Committee.
- + After his election to the Personnel Committee, Dr. Andreas Kreimeyer was appointed as Chairman by the members of that committee.
- + New members elected to the Nomination Committee are Mr. Gerd Grimmig, Mr. Philip Freiherr von dem Bussche, and Dr. Andreas Kreimeyer. The committee members subsequently elected Dr. Andreas Kreimeyer as Chairman of the committee.

As of June 30, 2020, Mr. Peter Bleckmann retired from his position as a company employee and consequently terminated his appointment to the Supervisory Board of K+S AKTIENGESELLSCHAFT. By court appointment, Ms. Brigitte Weitz was appointed as a member of the Supervisory Board with effect from August 26, 2020.

### **SUPERVISORY BOARD MEETINGS**

In 2020, 13 Supervisory Board meetings were held.

At the first meeting of the year on February 18, 2020, resolutions were adopted on the target agreements of the members of the Board of Executive Directors for the 2020 financial year, the determination of target achievement in 2019, the new system of remuneration for the Board of Executive Directors, and amendments to future pension agreements with members of the Board of Executive Directors.

At the ordinary meeting held on March 11, 2020, the Supervisory Board resolved to increase the fixed remuneration of the member of the Board of Executive Directors Mr. Mark Roberts in light of his additional role as CEO of MORTON SALT, INC. and the resulting double responsibility. In addition, the Supervisory Board examined the annual financial statements, the consolidated financial statements, and the management reports, including the non-financial report included in the management report, for the 2019 financial year in the presence of the auditor, approved the financial statements on the recommendation of the Audit Committee, and, following extensive discussions, agreed to the proposal of the Board of Executive Directors concerning the appropriation of profits. The Supervisory Board was also informed in detail by the Board of Executive Directors about the recoverability of the non-current assets of the cash-generating unit Potash and Magnesium Products (CGU Potash) and their sensitivity in the presence of the auditors. The business situation and the outlook for the current year were discussed in depth and the proposed resolutions for the 2020 Annual General Meeting were also approved. The joint declaration of conformity by the Supervisory Board and the Board of Executive Directors was likewise resolved. Finally, the Board of Executive Directors gave a progress report on the package of measures to rapidly generate value and reduce debt.

Following detailed discussions at the extraordinary meeting on May 8, 2020, an adjustment to the proposed dividend was resolved to ensure continuing eligibility for development loans from KfW.

At its ordinary meeting on May 11, 2020, the Supervisory Board resolved to waive 20% of its fixed remuneration for 2019 to benefit charitable purposes. It was also resolved to conclude a consultancy agreement for strategic advice to the Supervisory Board. The Supervisory Board also discussed the restructuring of the service contract and compensation entitlements of Mr. Mark Roberts in the event of the sale of the Americas operating unit. In addition, the Board of Executive Directors provided detailed information to the Supervisory Board on the development of the business situation in the first quarter of 2020 and on the status of the sale process of the Americas operating unit. Another point of discussion was the REKS project for bundling waste management activities. The Supervisory Board also resolved to determine a target budget for the new administrative structure. The Chairs of the Audit and Strategy Committees reported to the Supervisory Board on their most recent meetings.

At the extraordinary meeting on June 9, 2020, the Supervisory Board approved the guidelines for answering questions at the upcoming virtual Annual General Meeting. In addition, the Supervisory Board discussed in detail the draft contracts for Mr. Roberts in the event of the sale of the Americas operating unit, under which in the event of the sale of the Americas operating unit Mr. Roberts would leave the K+S GROUP and receive a bonus payment if a particularly high sale price is achieved. The corresponding resolution was adopted by circular resolution on July 30, 2020.

At the end of the Annual General Meeting, the constituent meeting of the new Supervisory Board was held on June 10, 2020. After the election of the Chairman, the members of the Audit, Personnel, Strategy, and Nomination Committees were elected (see "Composition of the Board of Executive Directors and the Supervisory Board" section). In addition, the Supervisory Board had an in-depth discussion of the project to reorganize the administration.

On June 30, 2020, an extraordinary meeting was held, which discussed the short- and long-term composition of the Board of Executive Directors as part of the reorganization project.

As a precautionary measure, K+S AKTIENGESELLSCHAFT has applied for the granting of an additional revolving syndicated loan facility under the "Direct Participation for Syndicated Financing" special program of KfW initiated in association with the COVID-19 pandemic. For this purpose, the Board of Executive Directors complied with KfW's request and agreed to waive part of its entitlement to the bonus (STI) for the 2020 financial year provided the STI exceeds 50% of the base amount envisaged in the event of 100% target achievement. The Supervisory Board approved the waivers of the Board of Executive Directors members by circular resolution on July 7, 2020.

At the ordinary meeting on August 25 and 26, 2020, the Supervisory Board dealt in detail with the findings of the efficiency review of the Board of Executive Directors and Supervisory Board. An adjustment of Supervisory Board remuneration was resolved. The Board of Executive Directors reported to the Supervisory Board on the current business situation of the K+S GROUP. The Supervisory Board also received information on topical environmental issues as well as on the liquidity situation and the current status of the sale

process of the Americas operating unit. Furthermore, a detailed report was provided on the status of the REKS project – for the bundling of waste management activities – and a resolution was passed by the Supervisory Board to pursue the project. The Chairmen of the Audit and Strategy Committees reported on their last meetings.

At the extraordinary meeting on October 5, 2020, the Supervisory Board adopted the resolution to divest the Americas operating unit to Stone Canyon Industries Holdings.

An extraordinary meeting was held on October 28, at which a personnel matter and succession planning in the Board of Executive Directors were discussed.

At the extraordinary meeting held on November 4, 2020, the Board of Executive Directors gave a detailed report to the Supervisory Board on the reasons for the required impairment.

At the ordinary meeting on December 8 and 9, 2020, the Supervisory Board was informed about developments in the German Corporate Governance Code and legislative amendments relating to the Second Shareholders' Rights Directive (ARUG II) and associated contractual amendments to service agreements for the Board of Executive Directors. The Supervisory Board then resolved to introduce a maximum compensation for members of the Board of Executive Directors and a new severance payment cap in the event of a change of control. Other resolutions adopted concerned the reduction of the benefit contribution for future pension agreements to be entered into with members of the Board of Executive Directors as well as the new remuneration system of the Supervisory Board. In addition Mr. Holger Riemensperger was appointed to the Board of Executive Directors. The planning of the K+S GROUP for 2021, including the financing and capital expenditure framework, was examined in depth (including in terms of consistency with strategic objectives) and subsequently approved. The Chairs of the Audit and Strategy Committees reported on their most recent meetings. Together with the Board of Executive Directors, the Supervisory Board discussed the current status of projects derived from the package of measures, and the Board of Executive Directors provided an update on various environmental projects. The Supervisory Board resolved to engage DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT to audit the 2020 non-financial statement. Furthermore, the joint 2020/2021 declaration of conformity by the Board of Executive Directors and Supervisory Board was approved.

🔗 Declaration on corporate governance, page 85

At the last meeting of the year on December 16, 2020, the Supervisory Board approved the establishment of a joint venture with REMEX as well as the signing of the contract.

#### COMMITTEE MEETINGS

In addition to the Mediation Committee required by law, the Supervisory Board has established four more committees to support its tasks and responsibilities: the Audit Committee, the Personnel Committee, the Nomination Committee, and the Strategy Committee. An overview of these committees and their composition can be found in the management report on pages 90–91 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 seven times in 2020. On March 2, 2020, in the presence of the auditor as well as the Chairman of the Board of Executive Directors and the Chief Financial Officer, the committee examined the 2019 annual financial statements of K+S AKTIENGESELLSCHAFT, the 2019 consolidated financial statements, the combined management report, including the non-financial report included in the management report, as well as the proposal of the Board of Executive Directors for the appropriation of profits, and recommended that the reappointment of DELOITTE GMBH WIRTSCHAFTS-PRÜFUNGSGESELLSCHAFT as auditor be proposed to the Annual General Meeting. In addition, the recoverability of the non-current assets of the cash-generating unit Potash and Magnesium Products (CGU Potash) and their sensitivity was discussed in detail. At its meeting on June 30, 2020, which was held as a joint meeting of the Audit and Strategy Committees, in-depth discussions were held on the restructuring of the administrative functions at the Kassel site as well as on other selected measures under the package of measures to rapidly generate value and reduce debt. On August 26, 2020, the committee discussed the K+S GROUP's internal control system (ICS) in detail with the Chairman of the Board of Executive Directors and the Chief Financial Officer. The committee was also given an update on the IBR (independent business review). Moreover, the committee acknowledged and approved the report delivered by the Chief Compliance Officer on the status of the compliance management system of the K+S GROUP. The committee was also given an overview of the new organization of data protection in the K+S GROUP. Finally, the committee discussed focal points of the 2020 audit and noted with approval the report of the Chief Financial Officer on the regular assessment of the quality of the audit of the financial statements. At the meeting on December 8, 2020, a comprehensive report was provided on the updated IBR (independent business review), which had been compiled to reflect the advanced status of the sale process of the Americas operating unit. The Board of Executive Directors reported on developments with regard to consultancy fees and donations as well as on the engagement of the auditor with non-audit services. The meeting also adopted resolutions on remuneration for additional work performed by the auditor in relation to a project, on the engagement of the auditor for the 2021 financial year, and on approval required for non-audit services to be performed by the future auditor. Finally, the Audit Committee recommended that the Supervisory Board engage the statutory auditor to audit the 2020 non-financial statement. The head of Internal Auditing reported on his work in the K+S GROUP. Other points of discussion were the levels of debt and liquidity.

The quarterly reports and the half-yearly financial report awaiting publication, as well as the respective quarters under review, were discussed by the members of the Audit Committee, the Chairman of the Board of Executive Directors, and the Chief Financial Officer on May 7, August 10, and November 10, 2020. The meeting on November 10 also resolved on remuneration for additional work performed by the auditor for the audit of the 2019 financial statements and on the audit engagement for the combined financial statements for the period from 2017 to 2019 in connection with the sale of the Americas operating unit.

The **Personnel Committee**, which prepares personnel decisions of the Supervisory Board and is responsible for other Board of Executive Directors' matters, met seven times in 2020. It dealt with the target agreements and achievement of targets by the members of the Board of Executive Directors, adjustments to future pension agreements with members of the Board of Executive Directors, the appropriateness of the remuneration of the Board of Executive Directors in relation to management staff and the workforce as a whole, an increase in fixed remuneration for the member of the Board of Executive Directors Mark Roberts in light of his additional role as CEO of Morton Salt, Inc. and the resulting double responsibility, the results of the efficiency analysis of the Supervisory Board and Board of Executive Directors, the expansion of the Board of Executive Directors and the associated appointment of Mr. Holger Riemensperger to the Board of Executive Directors, as well as the redrafting of the remuneration system for the Board of Executive Directors and the Supervisory Board. The restructuring of Mr. Mark Roberts' service contract and compensation entitlements in the event of a sale of the Americas operating unit was also discussed in detail. Moreover, there was in-depth discussion of the decision to waive part of the fixed remuneration for 2019 to benefit charitable purposes. In addition, it deliberated the amendments to the German Corporate Governance Code and amendments in legislation relating to the Second Shareholder Rights Directive (SRD II) and the resulting adjustments to service contracts with members of the Board of Executive Directors. It also discussed an external consultancy agreement and dealt with short- and long-term succession planning for the Board of Executive Directors. Detailed information on the amount of compensation for the Board of Executive Directors in 2020 and the structure of the current compensation system can be found on pages 131–134.

The members of the **Nomination Committee** met once in 2020; the main topic of discussion was long-term succession planning for the Supervisory Board.

The **Strategy Committee** met seven times in 2020. It primarily discussed projects derived from the package of measures to rapidly generate value and reduce debt, such as the sale of the Americas operating unit as well as the restructuring of the administrative functions at the Kassel site. They also deliberated the strategic realignment of K+S.

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

The members of the Supervisory Board are responsible for the training and continuing education 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. Before new members of the Supervisory Board take up office, the form in which they require support, e.g. with regard to German legislation, is discussed and K+S provides appropriate support.

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

**ATTENDANCE OF MEETINGS BY MEMBERS OF THE SUPERVISORY BOARD  
OF K+S AKTIENGESELLSCHAFT IN THE 2020 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	35	13	13	22	22	100%
Ralf Becker	34	13	13	21	21	100%
Petra Adolph	20	13	12	7	6	90%
André Bahn	20	13	13	7	7	100%
Jella S. Benner-Heinacher	21	13	13	8	8	100%
Peter Bleckmann (until June 30)	7	7	7	—	—	100%
George Cardona (until June 10)	5	5	5	0	0	100%
Dr. Elke Eller	20	13	12	7	6	90%
Gerd Grimmig	14	13	12	1	1	93%
Axel Hartmann	20	13	12	7	7	95%
Michael Knackmuß	20	13	13	7	7	100%
Thomas Kölbl	20	13	12	7	7	95%
Gerd Kübler	13	13	13	—	—	100%
Nevin McDougall	13	13	12	—	—	92%
Anke Roehr	13	13	12	—	—	92%
Rainier van Roessel (since June 10)	8	8	7	—	—	88%
Philip Freiherr von dem Bussche	21	13	13	8	8	100%
Brigitte Weitz (since August 26)	5	5	5	—	—	100%
<b>Total</b>	<b>309</b>	<b>207</b>	<b>96%</b>	<b>102</b>	<b>98%</b>	<b>96%</b>

**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.

**AUDIT OF THE 2020 ANNUAL FINANCIAL STATEMENTS  
AND CONSOLIDATED FINANCIAL STATEMENTS**

DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, Hanover, audited the annual financial statements of K+S AKTIENGESELLSCHAFT, prepared by the Board of Executive Directors in accordance with the rules of the German Commercial Code (HGB), the consolidated financial statements prepared on the basis of the international accounting standards as adopted by the EU and the supplementary German legal requirements required to be

applied in accordance with section 315e (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the combined management and Group management report for the 2020 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 DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT to audit the conformity with limited assurance of the combined non-financial statement in accordance with the CSR-RUG. DELOITTE reported the results to the Audit Committee of K+S AKTIENGESELLSCHAFT at its meeting on March 8, 2021 and to the Supervisory Board at its meeting on March 9, 2021. Based on the audit procedures performed and the audit evidence obtained, no matters have come to the attention of DELOITTE that cause DELOITTE to believe that the condensed non-financial statement of the company for the period from January 1, to December 31, 2020 has not been prepared, in all material respects, in accordance with sections 315b, 315c in conjunction with 289c to 289e of the German Commercial Code (HGB). The aforementioned documents, the Board of Executive Directors' proposal concerning the appropriation of profits, and the audit reports of DELOITTE 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 8, 2021, as well as at the Supervisory Board meeting held on March 9, 2021, 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 on 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 2020 financial year, thereby ratifying the 2020 annual financial statements of K+S AKTIENGESELLSCHAFT. The Supervisory Board endorsed the proposal of the Board of Executive Directors for the declaration on corporate governance (page 85). 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 for the future!

On behalf of the Supervisory Board

*Yours*  


Dr. Andreas Kreimeyer  
Chairman of the Supervisory Board

Kassel, March 9, 2021



## K+S ON THE CAPITAL MARKET

At the beginning of the year, the continuing price decline on the global potash market due to the Chinese import stop and uncertainties associated with the COVID-19 pandemic had a significantly negative impact on the share price. Even after the conclusion of contracts for potassium chloride in China and India and signing the agreement on the sale of the Americas operating unit, the share price did only slightly recover towards the end of the year.

### CAPITAL MARKET DATA<sup>1</sup>

**A.2**

in € million		2016	2017	2018	2019	2020
Closing price on December 31	XETRA, €	22.69	20.76	15.72	11.12	7.79
Highest price	XETRA, €	23.62	24.83	25.75	18.61	11.20
Lowest price	XETRA, €	16.06	19.11	15.03	9.70	5.12
Average number of shares	million	191.4	191.4	191.4	191.4	191.4
Market capitalization on December 31	€ billion	4.3	4.0	3.0	2.1	1.5
Average daily trading volume	million units	1.74	1.26	1.34	1.40	1.68
Enterprise value (EV) on December 31	€ billion	7.9	8.1	7.4	6.7	6.1
Enterprise value to revenues (EV/revenues)	x	2.3	2.2	1.8	1.6	1.6
Enterprise value to EBITDA (EV/EBITDA)	x	15.3	14.1	12.3	10.5	13.7
Book value per share	€/share	23.78	21.74	21.65	23.49	11.61
Earnings per share, adjusted <sup>2</sup>	€/share	0.68	0.76	0.45	0.41	-8.96
Dividend per share <sup>3</sup>	€/share	0.30	0.35	0.25	0.04	0.00
Total dividend payment <sup>3</sup>	€ million	57.4	67.0	47.9	7.7	0.0
Payout ratio <sup>3,4</sup>	%	44.0	46.2	55.6	36.9	0.0
Dividend yield (closing price) <sup>3</sup>	%	1.3	1.7	1.6	1.3	0.0

<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group.

<sup>2</sup> The adjusted key indicators include the results from operating forecast hedges in the relevant reporting period, which eliminates the effects of changes in the fair value of hedging transactions (see also "Notes to the Income Statement and Statement of Comprehensive Income" starting on page 166). Similarly, attributable effects from deferred and cash taxes are adjusted; tax rate 2020: 30.1% (2019: 30.0%).

<sup>3</sup> In 2019, the proposed dividend was adjusted from the previous €0.15 to the minimum dividend to maintain eligibility for funding by KfW.

<sup>4</sup> Based on adjusted Group earnings after tax.

## THE SHARE

### GLOBAL ECONOMY SIGNIFICANTLY AFFECTED BY COVID-19

During the first half of 2020, the global economy experienced a historic downturn as a result of the outbreak of the COVID-19 pandemic. Recovery was strong until fall, but has weakened recently, particularly due to the second wave of infection.

The DAX, Germany's blue-chip index, after following a weakness during the year 2020, performed slightly better overall at about 4%, closing the year at 13,718 points. The MDAX recorded an increase of about 9% at a closing level of 30,796 points. The global MSCI WORLD index likewise developed positively, gaining 14% to close the year at 2,690 points.

### K+S SHARE BURDENED BY MARKET WEAKNESS AND COVID-19

On January 2, the share price reached its high for the year at €11.20. In the further course of the year, the continuing price decline on the global potash market due to the Chinese import stop and uncertainties associated with the COVID-19 pandemic had a significantly negative impact on the share. Even after the conclusion of contracts in China and India for potassium chloride and signing the agreement on the sale of the Americas operating unit, there was a slight recovery only towards the end of the year. On May 14, the share recorded its lowest closing price of the year at €5.12. The share closed the reporting year at €7.79 (closing price 2019: €11.12).

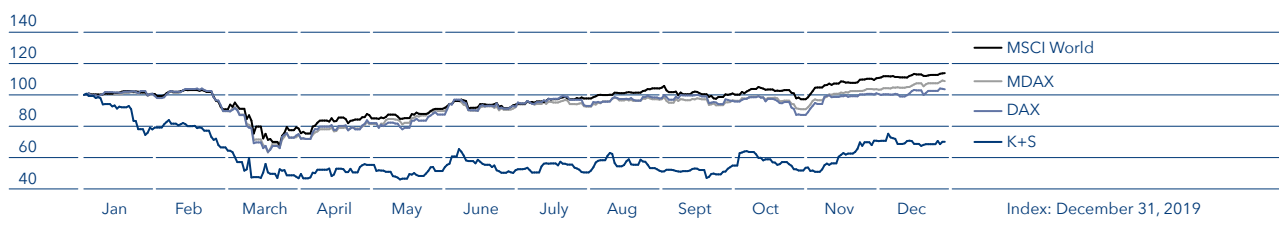
The short ratio (only reportable short selling of 0.5% or more considered) at the end of the year decreased to 5.71% from the previous year's level of 7.55% (source: *Bundesanzeiger*).

📄 [www.kpluss.com/share](http://www.kpluss.com/share)

### K+S SHARE PERFORMANCE IN COMPARISON WITH THE DAX, MDAX, DJ STOXX 600 AND MSCI WORLD IN 2020

**A.3**

in %

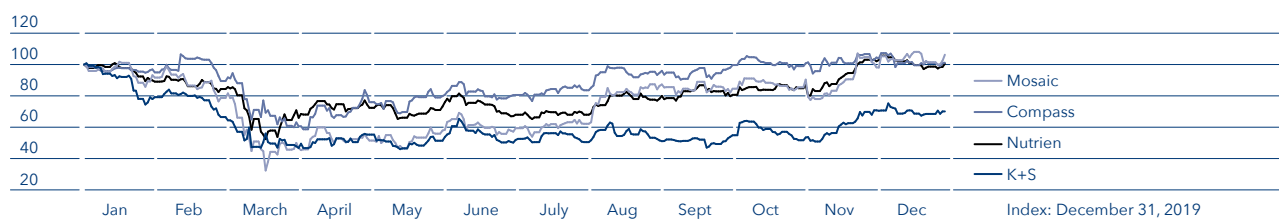


Source: Bloomberg

### K+S SHARE PRICE PERFORMANCE IN COMPARISON WITH COMPETITORS IN 2020

**A.4**

in %



Source: Bloomberg

### SHARE PRICE OF NORTH AMERICAN COMPETITORS

We also track the performance of our share compared with that of our publicly traded competitors. In particular, these include the fertilizer producers NUTRIEN from Canada and MOSAIC from the United States, as well as the primarily salt-producing US-based company COMPASS MINERALS.

Whereas the shares of our competitors achieved a slight increase by the end of the year (NUTRIEN +1%, COMPASS MINERALS +1%, MOSAIC +6%), the K+S share lost about -30% of its value during the same period.

### SHAREHOLDER STRUCTURE

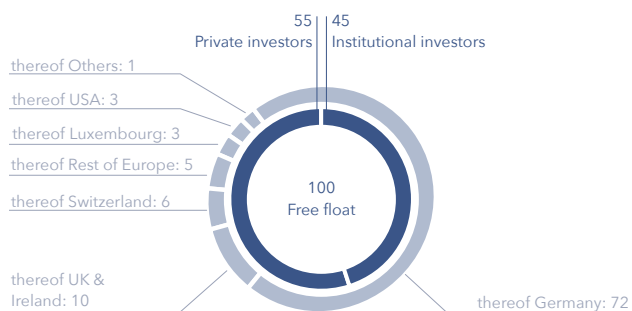
Under the free float definition applied by DEUTSCHE BÖRSE AG, the K+S free float is 100%. As per December 31, 2020, the following shareholders notified us of holdings above the legal thresholds:

- + The Goldman Sachs Group, Inc: 4.93%  
(notification dated March 25, 2020)
- + Dimensional Holdings Inc.: 3.45%  
(notification dated December 9, 2020)
- + BlackRock, Inc: 3.42%  
(notification dated July 20, 2020)

### SHAREHOLDER STRUCTURE

**A.5**

in %



### AMERICAN DEPOSITORY RECEIPTS FOR TRADING IN NORTH AMERICA

In North America, we offer an American depository receipts (ADR) program to assist investors there in trading in K+S securities and 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.

☐ [www.kpluss.com/adr](http://www.kpluss.com/adr)

☐ [www.otcm Markets.com](http://www.otcm Markets.com)

### BONDS AND RATING

#### K+S BONDS

Particularly due to the uncertainties associated with the COVID-19 pandemic, our bonds were quoted significantly weaker during the year. The KfW credit line agreed in August 2020 and, in particular, the signing of the agreement to sell the Americas operating unit in October considerably reduced K+S's uncertainties and subsequently resulted in a normalization of bond prices.

### BOND PRICES AND YIELDS

**A.6**

in %	12/31/2020	
	Price	Yield
K+S bond (December 2021); coupon: 4.125%	102.30	1.57
K+S bond (June 2022); coupon: 3.000%	100.20	2.85
K+S bond (April 2023); coupon: 2.625%	98.33	3.41
K+S bond (July 2024); coupon: 3.250%	97.65	3.97

## RATING

Following a review of K+S's credit rating by the rating agency STANDARD & POOR'S, our rating was downgraded in May 2020 from BB- to B with a "negative" outlook (previously "stable"). The primary reasons for this decision were a lower earnings forecast against the backdrop of the weak market environment for the 2020 financial year and the continued high debt level. The signed sales agreement for the Americas operating unit was welcomed in principle by STANDARD & POOR'S but will only result in possible rating adjustments if further progress is made.

## INVESTOR RELATIONS

### RESEARCH COVERAGE ON K+S

The very extensive research coverage of the K+S GROUP remained almost unchanged compared with the previous year. The banks analyzing us on a regular basis range from investment boutiques with regional expertise to major banks with an international approach. In the 2020 financial year, 26 banks analyzed us regularly (2019: 27).

☐ [www.kpluss.com/analysts](http://www.kpluss.com/analysts)

At the end of the year, according to Bloomberg, 8 banks rated us "buy/accumulate," 12 "hold/neutral," and 6 "reduce/sell." The average target price was at €9.06.

### K+S INVESTOR RELATIONS OFFERS A COMPREHENSIVE RANGE OF INFORMATION

In 2020, we responded to the capital market's need for information, even under the difficult conditions. We therefore spoke with investors from Europe, North America, and Asia. Instead of face-to-face events, we held virtual roadshows and conferences for the most part. We also organized numerous one-on-one meetings and conference calls. We continued to maintain contact with private shareholders by telephone and in virtual format this year. At 47, the number of roadshows and conference days was almost at the same high level as in the previous year (51).

We provide a comprehensive range of information on our website and additionally publish interviews with members of the Board of Executive Directors on YOUTUBE as part of our ongoing financial reporting.

☐ [www.youtube.com/user/kplussag](http://www.youtube.com/user/kplussag)

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.



## ABOUT THIS REPORT

The K+S Annual Report combines the financial and sustainability reporting. The information relates to the reporting period from January 1, 2020 to December 31, 2020 and is reported annually. The former Americas operating unit is reported as “discontinued operations” in accordance with IFRS 5 pursuant to the sale agreement of October 5, 2020. The presentation in the management report refers to the continuing operations of the K+S GROUP, unless explicitly stated otherwise.

### EXTERNAL AUDIT

DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT performed an audit of the consolidated financial statements of K+S AKTIENGESELLSCHAFT, Kassel, as well as the combined management report excluding the combined non-financial statement for the financial year from January 1 to December 31, 2020 and issued an unqualified audit opinion. The non-financial statement of the K+S AKTIENGESELLSCHAFT pursuant to Section 315b HGB, which has been combined with the non-financial statement of the parent company pursuant to Section 289b HGB (hereinafter referred to as the “combined non-financial statement”), has been audited in accordance with ISAE 3000 rev. with limited assurance engagement.

### DATA RECORDING AND REPORTING LIMITS

Financial key indicators are stated in accordance with IFRS 5 (non-current assets held for sale and discontinued operations) for continuing operations, unless explicitly stated otherwise. The prior-year figures have been adjusted accordingly.

The consolidated financial statements include K+S AKTIENGESELLSCHAFT and all major Group companies. Subsidiaries of minor significance are not consolidated.

The key indicators in this report have been rounded in accordance with standard commercial practice. There may therefore be rounding differences and the values in this report may not exactly equal the totals given.

Our Group-wide IT platform includes all major companies, a uniform Group chart of accounts, and standardized automated accounting processes. Most financial data are collected through SAP systems. The collection of non-financial key performance indicators as part of the sustainability goals is included as a mandatory process in our business process software. Internal reporting is subject to multistage and formalized monitoring to ensure the completeness and accuracy of information.

We also collect most of our key personnel indicators worldwide using SAP systems. They cover all fully consolidated companies. The collection of the key indicators on employees’ positive perception of an inclusive working environment is reported accordingly in the “Diversity & Inclusion” section. Key indicators on human rights due diligence are recorded centrally in individual data sheets as well as for all fully consolidated and non-consolidated companies of the K+S GROUP. The majority of HSE key indicators are recorded through an SAP system for all fully consolidated and non-consolidated companies.

We record the environmental key performance indicators at all our main potash and salt production sites. For uniform recording and evaluation, K+S uses the SoFi environmental data software. Performance indicators within the meaning of the CSR-RUG are calculated based on measured and extrapolated values and recorded in individual data sheets.

The purchase volume ordered by the procurement department is mainly entered into the SAP system for all fully consolidated companies.

At present, we record our compliance key indicators using individual data sheets for fully consolidated and non-consolidated companies.

👁 List of shareholdings, page 212

## COMBINED NON-FINANCIAL STATEMENT

All statements and key indicators reported in the non-financial statement relate to the continuing and discontinued operations of the K+S GROUP, including K+S AKTIENGESELLSCHAFT, unless stated otherwise. Additionally, an overview is provided in which the key indicators on the level of the Americas and Europe+ operating units are disclosed on a differentiated basis. The differentiated disclosure is performed against the background of the sale of the Americas operating unit.

- 🔗 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

In accordance with the CSR Directive Implementation Act (CSR-RUG), statements on relevant 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 are not part of the combined non-financial statement.

### REPORTING STANDARDS

At the same time, the 2020 Annual Report is the so-called "Communication on Progress" (CoP) for the UN Global Compact, to which the Board of Executive Directors is explicitly committed. As a member of the UN GLOBAL COMPACT, K+S supports the ten principles of human rights, labor standards, environmental protection, and anti-corruption.

The published sustainability information is prepared in accordance with the internationally recognized guidelines of the Global Reporting Initiative (GRI) in the GRI Standards version, "Core" option. Furthermore, K+S considers the GRI G4 Sector Disclosures: mining and metals. A GRI content index and mapping to the UN GLOBAL COMPACT principles can be found on our website.

- 🔗 [www.kpluss.com/gricontentindex](http://www.kpluss.com/gricontentindex)

The following table presents the key topics of K+S, the associated GRI standards and the respective distinction of the topic regarding its economic, ecological, and social impact according to GRI 103-1.

### SUSTAINABLE DEVELOPMENT GOALS (SDGS)

For achieving the 17 Sustainable Development Goals (SDGs) companies are important partners. K+S is also actively committed to these goals. This involves "Transforming our world: the 2030 Agenda for Sustainable Development." The K+S GROUP assesses its current operations with the SDGs and considers these strategically as part of its sustainability goals.

K+S recognizes that the SDGs and targets are integrated and indivisible. For transparency reasons, we have used the level of the 169 targets (and to a limited extent the level of the 230 indicators) as a reference for the SDGs in the following table. The direct contribution of K+S products to the SDGs was derived on basis of product value impacting. K+S directly contributes to goal 2 "Zero Hunger" with products of the Agriculture customer segment, in particular to subgoals 2.3 and 2.4 as well as to goal 12 "Responsible Consumption and Production" with subgoals 12.2 and 12.3. With our products for the Industry+ customer segment, we make a direct contribution to goal 9 "Industry, Innovation, and Infrastructure" with subgoal 9.4, goal 2 "Zero Hunger" in particular to subgoals 2.1 and 2.3 as well as to goal 3 "Good Health and Well-being" with subgoal 3.8. Our consumer products in the Industry+ segment contribute directly to goal 2 "Zero Hunger" in particular to subgoal 2.1.

## BOUNDARIES OF K+S ACTION AREAS RELATED TO VALUE CHAIN (GRI 103-1)

A.7

K+S Action area	GRI Standards	Boundaries						SDGs targets
		Exploration	Mining	Production	Logistics	Sales/ marketing	Application	
Health & safety	GRI 403: Occupational Health and Safety 2018; GRI 416: Customer Health Safety 2016	X	X	X	X		X	 8.8
Diversity & inclusion	GRI 405: Diversity and Equal Opportunity 2016; GRI 406: Non-discrimination 2016		X	X	X	X	X	 5.1 5.5
								 8.5
Human rights	GRI 407: Freedom of Association and Collective Bargaining 2016; GRI 408: Child Labor 2016; GRI 409: Forced or Compulsory Labor 2016; GRI 412: Human Rights Assessment 2016	X	X	X	X	X	X	 8.7
Water	GRI 303: Water and Effluents 2018		X	X			X	 12.2
								 15.1
Waste management	GRI 306: Effluents and Waste 2016			X				 12.5
Energy & climate	GRI 302: Energy 2016; GRI 305: Emissions 2016		X	X	X		X	 12.2
								 13.1
Sustainable supply chains	GRI 308: Supplier Environmental Assessment 2016; GRI 414: Supplier Social Assessment 2016	X	X	X	X	X		 8.7
Compliance & anti-corruption	GRI 102: General Disclosures 2016; GRI 205: Anti-corruption 2016; GRI 206: Anti-competitive Behavior 2016; GRI 307: Environmental Compliance 2016; GRI 415: Public Policy 2016; GRI 419: Socioeconomic Compliance 2016	X	X	X	X	X	X	 16.5
Stakeholder dialogue	GRI 102 (40–44): General Disclosures 2016	X	X	X	X	X	X	 16.7

# COMBINED MANAGEMENT REPORT

## B

### **27 COMBINED MANAGEMENT REPORT**

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## BUSINESS MODEL

K+S is a customer-focused, independent supplier of mineral products for the areas of Agriculture, Industry, Consumers, and Communities. We serve the constantly growing demand for mineral products from production sites primarily in Europe and North America, as well as through a global distribution network. Following the completion of the transaction for the sale of the Americas operating unit, K+S will continue to develop into a lean, performance-oriented supplier of fertilizers and specialties with a solid financial base. This chapter covers continuing business operations, unless explicitly stated otherwise.

### COMPANY PROFILE

On October 5, 2020, K+S signed an agreement on the sale of the former Americas operating unit (segment as defined by IFRS 8) with Stone Canyon Industries Holdings LLC, Mark Demetree and partners. The sales price (enterprise value) amounts to USD 3.2 billion. Upon closing of the transaction, which is expected in the summer of 2021 at the latest, K+S will receive the cash inflow in the amount of approximately €2.5 billion. The exchange rate for this cash inflow is hedged; slight deviations can only result from the timing of the closing and from purchase price adjustments. Consequently, the former Americas operating unit is no longer a reportable segment in accordance with IFRS 5 and has since been reported retroactively as discontinued operations for the years 2019 and 2020. Continuing operations are focused on the former Europe+ operating unit (segment as defined by IFRS 8). This includes the global business with potash and magnesium products from our plants in Germany and our Canadian site in Bethune, the European salt activities, and, in addition, in Germany the waste management and recycling business, which will in future be operated for the most part together with REMEX in the REKS joint venture, involving the granulation of animal hygiene products as well as trading in a selection of basic chemicals.

K+S has a wide product range and is the only potash producer with production sites on two continents. From a K+S perspective, this is a strong basis for supplying essential products to numerous industries in the future as well and making a decisive contribution to safeguarding the world's food supply. During the COVID-19 pandemic, K+S has also demonstrated that its business model can cope well with disruptive changes such as these.

The megatrends that will carry this business model into the future, such as the constantly growing world population, for example, remain intact.

The former Europe+ operating unit and the holding company have been merged to form a leaner and in our view more efficient K+S. As part of this streamlining, hierarchical levels have been omitted and the management level reporting directly to the Board of Executive Directors has been significantly downsized. The Board of Executive Directors performs the economic analysis and assessment, takes operational decisions, and allocates overall resources for this purpose. Therefore, as of the 2021 financial year, K+S will report according to one segment within the meaning of IFRS 8.

We combine the interests of our customers in the Agriculture and Industry+ customer segments (not segments within the meaning of IFRS 8, as the business is not managed according to these segments or there is no complete internal reporting for these segments respectively). Industry+ combines the Industry, Consumers, and Communities customer segments reported separately in the past financial year.

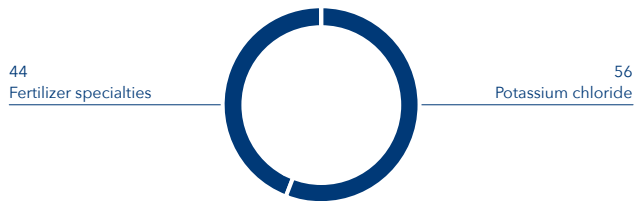
### CUSTOMER SEGMENTS

The Industry+ customer segment is regionally focused, as the products are strongly dependent on transportation costs. The Agriculture customer segment operates in a global environment. We supply potash products from Germany and Canada all over the world. Although there are few synergies in market development between Agriculture and Industry+; due to the geographical adjacency of the potash and salt mines within Germany, there are many synergies in terms of production, technology, and logistics, which we have been making greater use of since the development into ONE K+S.

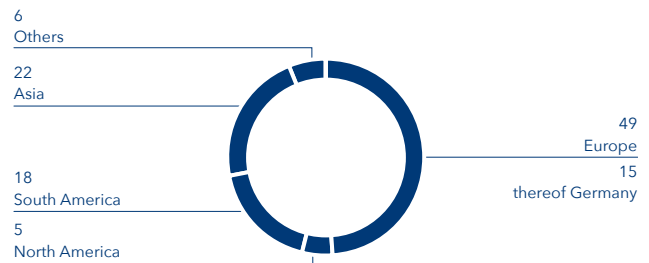


**AGRICULTURE – REVENUES BY PRODUCT GROUP****B.1**

in %

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

in %

**AGRICULTURE: WE WANT TO HELP FARMERS IN SECURING THE GLOBAL FOOD SUPPLY**

We sell our fertilizers on almost all continents of the world. 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 in farming as plant nutrients. As natural products, these are largely permitted for organic farming under EU law as well. **B.1**

**Potassium chloride:**

The universally applicable mineral fertilizer potassium chloride is used in particular for important crops, such as cereals, corn, rice, and soybeans. Potassium chloride is applied directly on fields in granular form, mixed with other straight fertilizers in bulk blends or alternatively supplied as a fine-grain "standard" product to the fertilizer industry, which processes it along 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 that have a greater need for magnesium and sulfur, such

as rapeseed or potatoes, as well as for chloride-sensitive crops, such as citrus fruits, grapes, or vegetables. Fully water-soluble fertilizers are used in applications such as fertigation (use of fertilizer in irrigation systems), particularly for fruit and vegetables. The fertilizer specialties are marketed under the following product brands: KALISOP®, KORN-KALI®, PATENTKALI®, ESTA® KIESERIT, MAGNESIA-KAINIT®, SOLUMOP®, SOLUSOP®, SOLUNOP®, SOLUMAP®, SOLUMKP®, HORTISUL®, EPSO TOP®, EPSO MICROTOP®, EPSO COMBITOP®, and EPSO BORTOP®.

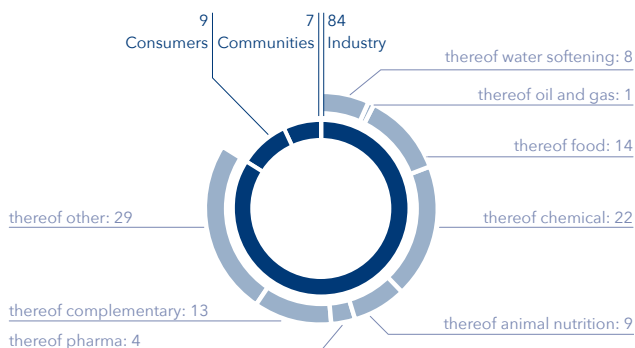
**Important sales regions and competitive positions**

Almost half of revenues in the customer segment Agriculture are generated in Europe. In this region, we benefit from the logistically favorable proximity of our production sites to European customers. Other key sales regions are located in South America, particularly in Brazil, as well as in Asia. **B.2**

As measured by sales volume, K+S is the world's fifth-largest and Western Europe's largest producer of potash products. With the new site in Bethune, Canada, K+S has increased its share of the world potash market to about 9% (Source: IFA, K+S). Fertilizer specialties play an important role in our product portfolio, too. Major competitors include the North American companies NUTRIEN and MOSAIC as well as the Russian producers URALKALI and EUROCHEM, the Belarusian company BELARUSKALI, the Israeli enterprise ICL, the Jordanian producer APC, and the Chilean company SQM.

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

in %



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

In this customer segment, our business activities with industrial products, products for end consumers, and de-icing salts for cities and communities are combined.

Our products are primarily used in the electrolysis and food industries, but also in a wide range of applications 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 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 higher-quality potash, magnesium, and salt products for industrial applications that are available in different degrees of purity and in specific grain sizes. These are used, for example, in chlor-alkali electrolysis in the chemical industry as a component of various plastics, to improve 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, and in the recycling of plastics. In addition, a range of products is available to meet the particularly high requirements of the pharmaceutical, cosmetics, food processing, and animal nutrition industries. Product brands in the industry products customer segment include: APISAL®, AXAL®, BÄCKERSTOLZ®, KASA®, K-DRILL®, NUTRIKS®, and SOLSEL®. **B.3**

As a service for third parties and as a complementary business, K+S also uses selected underground chambers created by the extraction of crude salt. On the one hand, waste is removed safely from the biosphere and stored in underground depositories. On the other hand, residue from the flue gas cleaning procedure is used as backfilling material for the chambers. The underground areas used for this purpose are separated from the ongoing raw materials extraction operation, are impermeable for both gas and liquids and are securely separated from the layers carrying groundwater. A combination of geological and technical barriers guarantees the highest possible safety. K+S offers a complete service covering the recycling of salt slag for the secondary aluminum industry. An additional business sector is the above-ground recycling of low-contaminated materials. K+S AKTIENGESELLSCHAFT and REMEX GMBH, a wholly owned subsidiary of REMONDIS SE & CO. KG, signed an agreement on December 18, 2020, to bundle their waste management activities in a new joint venture, REKS GMBH & CO. KG, in which both partners will have an equal share of 50% each. In this partnership, K+S contributes its sales activities for waste disposal. 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 backfilling at the K+S site in Bernburg. From our perspective, this will open up even better market access for the joint venture in waste disposal and processing. Furthermore, it provides K+S with the best possible access to the materials needed for the future covering of large tailings piles at the German potash sites. The transaction was filed for approval with the antitrust authorities. The closing of the transaction is expected in summer 2021.

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 supplies for MARS GMBH, among other things.

CHEMISCHE FABRIK KALK (CFK) trades in a selection of basic chemicals such as caustic soda, nitric acid, sodium carbonate (soda), as well as calcium chloride and magnesium chloride.

K+S products for consumers include table salt, salt for water softening, and dishwashing salt. Household packs of de-icing salt for consumers supplement the product range in this segment. The product brands used are, for example, CÉRÉBOS®, SALDORO®, VATEL® for table salts and REGENIT®, and AXAL® for water softening.

Our premium German table salt brand SALDORO® experienced growth twice as strong as the table salt segment in Germany as a whole during the year under review. The brand was awarded the German Brand Award for its successful brand management in 2019. In Portugal too, the VATEL® table salt brand outperformed the market as a whole. In addition, sales of AXAL® for water softening increased further.

Public road works authorities, winter service providers, as well as large commercial users obtain de-icing salt from K+S largely through public tenders. Premium de-icing products are also offered; often as a result of adding calcium or magnesium chloride, they create heat on contact with ice and snow and work more efficiently than conventional products, especially at very low temperatures. These products are marketed under the DI-MIX® brand in Europe.

### Important sales regions and competitive positions

Following the sale of the Americas operating unit, the majority of the customer segment's revenue 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 MINERALS AND AGRICULTURE GMBH is Europe's leading supplier of salt products for the food industry and salts for industrial and commercial applications, alongside its competitors SÜDWESTDEUTSCHE SALZWERKE, GROUPE SALINS, WACKER CHEMIE, and NOURYON (formerly AKZONOBEL). In the European underground waste disposal and recovery market, where K+S MINERALS AND AGRICULTURE GMBH mainly operates, it is the leading supplier.

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

K+S is a leading supplier of consumer products in Europe alongside its competitors SÜDWESTDEUTSCHE SALZWERKE, GROUPE SALINS, and NOURYON (previously: AKZONOBEL).

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

K+S MINERALS AND AGRICULTURE GMBH is the leading supplier of de-icing salts in Europe alongside its competitors SÜDWESTDEUTSCHE SALZWERKE and GROUPE SALINS.

### GROUP LEGAL 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, page 212

Significant subsidiaries are the directly held K+S MINERALS AND AGRICULTURE GMBH, K+S HOLDING GMBH, and K+S FINANCE BELGIUM BVBA. K+S HOLDING GMBH encompasses K+S NETHERLANDS HOLDING B.V., which holds shares, for example, in Group companies in Canada, and K+S BELGIUM HOLDING BVBA, which holds shares in Group companies in Chile and Brazil. K+S FINANCE BELGIUM BVBA, together with K+S NETHERLANDS HOLDING B.V., holds shares in MORTON SALT, INC. (MORTON SALT) via subsidiaries. Part of the Group companies in Canada and Brazil, the Group companies in Chile and Peru, as well as the shares in Morton Salt, Inc and the corresponding subsidiaries will be sold as part of the Americas operating unit, the closing of which is expected for summer 2021 at the latest. K+S MINERALS AND AGRICULTURE GMBH holds its foreign companies mainly through its own intermediate holding companies.

The scope of consolidation has changed as follows, compared with December 31, 2019: As of January 1, 2020, the companies K PLUS S MIDDLE EAST FZE and SHENZHEN K+S TRADING CO. LTD. were included in the scope of consolidation of the K+S GROUP. On August 12, 2020, MORTON SALT, INC sold its 100% share in K+S NORTH AMERICA ASSET MANAGEMENT GMBH to K+S AKTIENGESELLSCHAFT. On September 11, 2020, 50% of the shares in K+S BAUSTOFFRECYCLING GMBH were transferred by K+S MINERALS AND AGRICULTURE GMBH to K+S VERMÖGENSTREUHÄNDER E.V. The company is no longer fully consolidated but included in the consolidated financial statements at equity. On September 21, 2020, REKS GMBH & CO. KG was founded. The personally liable partner (general partner) is ESCO VERWALTUNGS GMBH, and the limited partner is K+S MINERALS AND AGRICULTURE GMBH. The new company is consolidated. On September 30, 2020, WINDSOR SALT LTD. was founded by K+S BELGIUM HOLDING BV with registered office in Vancouver, Canada. The new company is consolidated. On October 23, 2020, ESCO VERWALTUNGS GMBH changed its name to REKS VERWALTUNGS GMBH. On December 30, 2020, K+S MINERALS AND AGRICULTURE GMBH sold shares in WERRA KOMBI TERMINAL BETRIEBSGESELLSCHAFT MBH to MODAL 3 LOGISTIK GMBH. As part of the "ONE K+S FRANCE" project, the following companies were merged into ESCO FRANCE S.A.S. on December 31, 2020: SALINE CÉRÉBOS S.A.S., K+S KALI WITTENHEIM S.A.S., K+S KALI FRANCE S.A.S., K+S FRANCE S.A.S. The remaining ESCO FRANCE S.A.S. was renamed K+S FRANCE S.A.S.

## VALUE CREATION<sup>1</sup>

Below 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 figures relate to continuing operations. **B.4**

### EXPLORATION

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

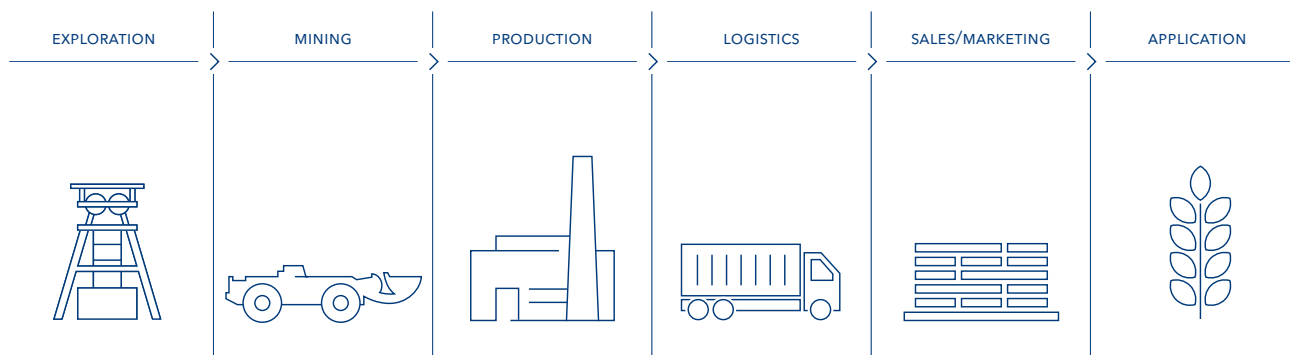
### RESERVES AND RESOURCES

Our potash and rock salt deposits are either under the ownership of the K+S GROUP or located in places where we possess the appropriate licenses and/or similar rights that permit the mining or solution mining of raw material reserves and secure these rights over the long term. 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. Reserves include deposits that have been proven to be certain or probable and are economically recoverable with known technology. Resources are deposits that are anticipated on account of geological indicators

<sup>1</sup> The content in this section is non-audited optional content that was not included in the final audit.

## VALUE CHAIN

**B.4**



but are not yet recoverable in a cost-efficient manner or have not yet been reliably identified. These potential extraction areas are predominantly connected to existing ones and belong to the K+S GROUP, or the K+S GROUP has the option to purchase them.

For our Bethune site in Canada, we report reserves and resources in billion tonnes of potassium chloride as a finished product ready for sale. Reserves amount to 0.2 billion tonnes, resources to around 0.9 billion tonnes.

The K+S GROUP has reserves in its rock salt deposits amounting to 0.2 billion tonnes of crude salt in Europe. Furthermore, resources amounting to about 0.4 billion tonnes of rock salt can be reported, taking into account extraction and impoverishment losses.

## MINING

We extract raw materials in conventional underground mining as well as solution mining. Due to broadly 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 the coordinated procurement of machinery and auxiliary materials.

In underground mining, the crude salt is usually extracted by 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<sub>4</sub>)/kieserite (MgSO<sub>4</sub>-H<sub>2</sub>O) 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 new Bethune potash plant in Saskatchewan, Canada.

In 2020, 34.9 million tonnes of crude salt were extracted from potash deposits in Germany. Furthermore, 1.9 million tonnes of potassium chloride were produced at Bethune for sale as a finished product. Production from salt deposits in Europe amounted to 3.9 million t.

## LONG-TERM PLANNING OF MINES

Once the raw materials of a mining operation are exhausted or their extraction becomes economically unviable, measures are initiated for the partial or complete closure of the mine. 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 been largely coordinated with the relevant authorities. Besides these activities, K+S decided to establish an 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 reuse options.

👁 Research and development, page 64

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

If no reasonable reuse of a decommissioned mine is possible, we are generally under obligation in Lower Saxony to flood the remaining caverns. A total of 25 caverns have already been flooded there, two are currently being flooded, and one has been kept "dry." At present, five sites in Lower Saxony are in the process of being secured, and at 23 sites this process has already been completed. Flooding at Sigmundshall is planned as of July 1, 2021.

## PRODUCTION

The processing and refining of raw materials are part of our core competencies. The mineral crude salt mined by us passes through multi-stage mechanical or physical processes without changing its natural properties.

At the end of 2020, the annual production capacity for potash and magnesium products reached up to 8 million tonnes.

In addition to the mineral potassium (11% to 25% potassium chloride raw material content), the potash deposits in Germany also contain magnesium and sulfur (9% to 24% magnesium sulfate content). Depending on the quality of the crude salt, we use the following processes: hot leaching, flotation, and, partly in combination with both, electrostatic separation (ESTA® process) for processing. Solid residues and saline wastewater are generated in the extraction and processing of potash crude salts. A detailed description of our tailings pile management and water protection measures can be found under Environment in the combined non-financial statement on page 69.

The potash deposit in Bethune, Canada contains the mineral potassium (26% potassium chloride content). We use solution mining here, in which minerals are dissolved with water. The mineral-rich solution called brine is then extracted from the ground and the minerals are recovered. As the solution mining process is water- and energy-intensive, great efforts have been taken to conserve 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 from underground is crushed to the required 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 this scoping was approved, we started the actual environmental studies. At the end of 2020, the application documents with the results of the studies were submitted to the environmental authority. In parallel with the ongoing approval process, we are continuing to work on completing the feasibility study for the project. Following the receipt of all necessary approvals, K+S will make a final investment decision for the construction of the solar salt production facility. When completed, the site could have an annual production capacity of 4.5 million tonnes of salt.

## PROCUREMENT

In 2020, K+S purchased technical goods, raw materials, and supplies as well as services (incl. logistics services) from about 8,700 suppliers for about €1.6 billion (2019: €1.6 billion). The majority of our purchasing volume relates to production, maintenance, and expansion measures. Materials used in our production or in our products account for only a comparatively small share of the purchasing volume.

In accordance with the distribution of our sites, the K+S GROUP procures materials and services mainly from Germany (68%). In addition, materials and services are procured from Canada (15%), the Netherlands (5%), France (2%), Belgium (1%), and the rest of the world (9%). Overall, 99% of our contractual partners come from OECD countries.

- ◊ Combined non-financial statement, Business ethics, page 83
- ◊ Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

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 solely economic criteria. We have long-term partnerships with our strategic suppliers and service providers to ensure, among other things, supplies and cargo space in the long term.

## LOGISTICS

Our supply chain management governs and monitors the entire supply chain in order to ensure reliable supply to our customers worldwide under competitive terms and conditions. We make use of the various transportation carriers, taking into account their individual advantages, and incorporate more environmentally friendly and cost-effective railway lines and waterways as much as possible. With the help of key performance indicators applicable across the Group, we monitor actual costs, measure the efficiency of logistics systems, and improve these in a continuous process in order to maintain and increase customer satisfaction.

K+S transports an average of more than 25 million tonnes of goods per year in relation to continuing operations, 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 TRANSPORT GMBH was merged with K+S MINERALS AND AGRICULTURE GMBH as part of SHAPING 2030. 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 each year. For the purpose of ensuring onward transportation of the goods, K+S MINERALS AND AGRICULTURE GMBH has a shareholding in MODAL 3 LOGISTIK GMBH (formerly BÖRDE CONTAINER FEEDER GMBH), which provides access to a multi-modal logistics service provider that promotes environmentally friendly concepts for container transportation.

The state-of-the-art transshipment and storage facility for potash products in the port of Vancouver (Port Moody), has an unloading station for rail cars, 1,260 meters of conveyor belt and a 263-meter-long storage shed that can hold up to 160,000 tonnes of potash products. Freight trains hauling 18,000 tonnes of product can be unloaded here and ships with a capacity of 70,000 tonnes can be loaded at the facility's quay. K+S has approximately 1,200 rail cars at its disposal to transport goods from the Bethune plant to the harbor. These have been designed especially for our requirements.

We have also invested in our own fleet of rail cars for our European rail traffic and now have 404 freight cars as of March 2020.

## 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 which 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 professional advice should contribute significantly to customer loyalty. In terms of quality management, we want to improve the quality of our products in all phases of the value chain. Our quality management system is

based on DIN EN ISO 9001 and is audited by accredited external certification companies. We constantly assess our products for possible risks to health and safety and for their environmental compatibility, and ensure that they are safe for people and not harmful to nature when they are used responsibly and properly. We provide our customers with comprehensive information about our products and services in product and safety specification sheets. Since most of our products are chemically non-modified natural substances, they are exempt from mandatory registration in the context of the EUROPEAN CHEMICALS REGULATION REACH. All other substances are registered in accordance with the regulations.

## APPLICATION

Products and services, their application as well as important sales market, and competitive positions are described under the four customer segments in the "Company profile" section.

## APPLICATION ADVICE

In the Agriculture customer segment, professionally educated and trained agronomists advise our customers and develop needs-based solutions worldwide. We also conduct our own research and field trials in order to optimize the supply of nutrients by adapting our product portfolio. The crops we focus on are potatoes, corn, oil palms, rapeseed, and soybeans. For our customers, we offer individual fertilization recommendations, which are the prerequisites for "good professional practice" in terms of agricultural land use. These recommendations help safeguard fertility and the productivity of the soil as a natural resource in the long term.

As a service, we offer professional advice to customers in the agricultural sector. We anticipate trends and research changes in general conditions with a view to water and resource efficiency, and in relation to soil fertility. Our aim is to optimize the supply of plant nutrients to crops even when general conditions change. We offer technical application advice for our industrial products worldwide.

In 2013, K+S began its involvement in Uganda with the "Growth for Uganda" project in cooperation with the SASAKAWA AFRICA ASSOCIATION. One of the aims of the project is to improve the income of small farmers by optimizing soil fertility and increasing crop yields. The second phase of the project involved implementing the idea of "Farming as a business." By the end of the five-year

project, through the various measures more than 130,000 small farmers in the region were trained, which had a positive effect on the incomes of more than 450,000 people in the region.

Since then K+S has been working towards transferring the findings and cooperation into a sustainable business model and developing a platform for farmers. For the continuation of activities on a local basis, we identified GRAINPULSE LTD in the capital Kampala as a suitable partner, and K+S invested in this company in 2018. Together with GRAINPULSE, the project aims at ensuring that small farmers have good, efficient market access to all the relevant entities throughout the supply chain. GRAINPULSE offers, for example, plant-specific fertilizer mixtures in small quantities that small farmers can simply spread in accordance with the fertilizer recommendations. On the other hand, GRAINPULSE buys the harvest, such as coffee and cereals, from farmers with the purpose of processing them and selling them to the respective customers.

This trading platform is to be developed together with further partners by gradually offering digital solutions for the greatest challenges faced by the small farmers. One approach in this regard is offered by local agritech start-up AKORION LTD, in which K+S and South African fintech company MFS Africa invested via a joint venture in 2019. Akorion has since been working on the continuous development of the "EzyAgric" app and the connection of the associated ecosystem of products and services to provide more and more small farmers with access to agricultural supplies and to a marketplace for harvested products, but also to funding and insurance and agricultural consulting services through this digital platform.

📄 [www.kpluss.com/EzyAgric](http://www.kpluss.com/EzyAgric)

These partnerships are another step towards becoming the leading agricultural platform in the African sub-Saharan region.

#### VALUE ADDED STATEMENT

The following value added statement describes our contribution to private and public income. Value added is calculated using sales revenues and other income after deducting material costs, depreciation and amortization (including impairment losses) and other expenditures. The allocation statement indicates what share of value added went to employees, shareholders, the government and lenders, and what share remained in the Company (reserves). The value added statement refers to continuing operations. **B.5**

In 2020, our value added was negative due to the one-off, non-cash asset impairment loss on assets as described on page 45 amounting to €-925.0 million (2019: €965.3 million). €895.2 million (2019: €859.7 million) were allocated to our employees. This share is composed of wages and salaries, social insurance contributions, and pension contributions. Furthermore, it includes a one-off allocation to provisions associated with the project to restructure the administrative functions. The communities received taxes and levies of €5.0 million (2019: €50.6 million). €95.7 million was attributable to interest expense paid to lenders (2019: €39.9 million). With the proposed dividend of €0, shareholders will not receive any payout (2019: €7.7 million). The Company reports a loss carried forward of €-1,920.9 million, including other (2019: retained earnings and other of €7.4 million). **B.6**

GENERATION OF VALUE ADDED		B.5	
in € million	2019	2020	
Revenues	2,549.7	2,432.1	
Other income	186.8	184.0	
Cost of materials	-1,060.7	-1,038.6	
Depreciation	-353.2	-2,209.6	
Other expenses	-357.3	-293.0	
<b>Value added</b>	<b>965.3</b>	<b>-925.0</b>	

ALLOCATION OF VALUE ADDED		B.6	
in € million	2019	2020	
To employees (wages, salaries, social)	859.7	895.2	
To governments (taxes, fees)	50.6	5.0	
To lenders (interest expenses)	39.9	95.7	
To shareholders (dividend) <sup>1</sup>	7.7	-	
To the Company (retained earnings / loss carried forward and other)	7.4	-1,920.9	
<b>Value added</b>	<b>965.3</b>	<b>-925.0</b>	

<sup>1</sup> The figure for 2020 corresponds to the dividend proposal.

## CORPORATE STRATEGY

Comprehensive package of measures to reduce debt. Revision of corporate strategy following completion of the sale of the Americas operating unit.

We continuously evaluate the success of our corporate strategy and make adjustments as necessary. In December 2019, we decided on a comprehensive package of measures to generate value in the short term and significantly reduce our debt, even under the difficult external conditions. The package of measures was consistently implemented in the 2020 financial year.

The complete sale of the Americas operating unit represents an important milestone. On October 5, 2020, we signed a sales agreement with STONE CANYON INDUSTRIES HOLDINGS LLC, MARK DEMETREE, AND PARTNERS. The sales price (enterprise value) is USD 3.2 billion. Upon closing of the transaction, which is expected in the summer of 2021 at the latest, K+S will receive the cash inflow in the amount of approximately €2.5 billion, which will significantly reduce net debt. The exchange rate for this cash inflow is hedged; slight deviations can only result from the timing of the closing and from purchase price adjustments.

The establishment of a joint venture with REMEX, a subsidiary of the REMONDIS GROUP, was a further strategic step in the realignment of K+S. For this purpose, the waste management activities of both partners are bundled in a new joint venture "REKS." In the future, two strong partners will therefore jointly focus on developing the attractive and strongly growing market for waste recovery and disposal as well as sustainable waste management solutions. We anticipate closing of this transaction in summer 2021 with payment of almost €90 million before tax. At the same time, the "REKS" joint venture provides K+S with the best possible access to the materials needed for the future covering of large tailings piles at the German potash sites. For the prevention of tailings pile water incurred by rainfall and for the long-term solution of an important issue of water protection, all tailings piles are supposed to be covered in a suitable manner and by the implementation of new, environmentally friendly processes in the long term. For this long-term environmental commitment, K+S will establish an intelligent, solution-oriented business model in cooperation with REMEX.

Following the implementation of the measures as part of the changed structure of K+S, the administrative functions at the Kassel site were comprehensively streamlined. The associated staff reduction of around 300 employees by the end of 2020 was carried out almost entirely through a specially launched volunteer program. We have already been working in the new, streamlined structure since the beginning of 2021. As a result, we expect annual cost savings of around €60 million, with a significant part of this already being realized as planned in 2021.

During periods of low potash prices and below-average winters, we also aim to optimise each plant to generate a positive free cash flow even in a difficult economic environment. In this context, we not only take the actual production processes into consideration, but also assess the associated logistics in and between the plants as well as the product mix in terms of maximum value and cash generation. As these adjustments involve a more extensive impact on existing processes, this part will require more time than the measures already executed.

The leveraging in synergies in the low triple-digit million range per year from our Group-wide Shaping 2030 strategy was successfully completed at the end of 2020. These were achieved in administration, purchasing, logistics, sales and marketing, and production. Regarding production, measures taken as part of the Operational Excellence Program not only resulted in greater efficiency, but also in more stable production at our German plants and at the Bethune site in Canada. Production at the Werra plant was therefore ensured without interruption despite the dry summer of 2020 with low water levels of the Werra river. Having overcome the initial quality problems, production at the Bethune site has continued to ramp-up as planned. We increased production by around 300 kt compared to 2019 with consistently high product quality.

The 2020 financial year has demonstrated that the K+S business model remains intact. The megatrends supporting our business model into the future continue to exist. We expect a growing global population, an increased average temperature, increasing water scarcity, as well as a growing middle class. We believe that all these developments will shape our business. This is particularly relevant for agriculture where the increase of yield per hectare and stress resistance of crops is crucial. This provides opportunities in the specialties business and in fertigation (liquid fertilization). At the same time, we also see a growing need for salts for industrial applications because of the growing world population. We therefore intend to enhance our product portfolio in the Industry customer segment and develop new supplies for the pharmaceutical industry. With our products and services, we also make an important contribution to the system-relevant essential supply of the population and important key industries in pharmaceuticals and food production, animal feed, and agriculture. Nevertheless, K+S must continue to work on improving its free cash flow. Therefore, a strong growth phase is currently not in focus. In addition to organic growth, which we intend to achieve by further optimizing our plants and ramping up our Bethune plant in Canada as planned, the options for external growth are limited, although the growth areas we have identified as part of our strategy development persist.

Following the complete implementation of the package of measures, K+S will have become considerably leaner. We are currently revising our corporate strategy, vision, and mission to incorporate this change.

## SUSTAINABILITY PROGRAM<sup>1</sup>

K+S is clearly committed to sustainability. We have set ourselves ambitious goals in the three areas of people, environment, and business ethics. In collaboration with our stakeholders, we are constantly further developing our sustainability management locally at our sites and worldwide.

### K+S GROUP FIELDS OF ACTION

We assess relevant topics and social trends for our Company systematically and promptly. The K+S GROUP's Sustainability program addresses the key sustainability issues and goes beyond them in the fields of action. In 2017, we last identified the key sustainability issues for the K+S GROUP in an online survey. Worldwide, 690 internal and external stakeholders were invited to evaluate sustainability aspects from the guideline of the GLOBAL REPORTING INITIATIVE, the "GRI STANDARDS." The response rate was 59% for the Europe+ operating unit and 42% for the Americas operating unit. The results show a clear focus in the aspect of the environment on the topics of "wastewater," "energy," "emissions," and "use of water." Our stakeholders also considered the topics of "health and safety" and "compliance" to be of particular relevance. We will update our analysis of the main sustainability topics based on the new corporate structure in 2021.

### SPECIFIC SUSTAINABILITY TARGETS THROUGH 2030

The definition of specific targets to 2030 and regular reporting of performance indicators makes our progress measurable. The targets adopted by the Board of Executive Directors were developed by the specialist units and the Sustainability department. Each member of the K+S Board of Executive Directors is also a personal sponsor of specific goals and actively pursues their implementation.

- 🔗 Combined non-financial statement, page 69
- 🔗 Corporate governance, page 85

<sup>1</sup> This section is part of the combined non-financial statement, which contains the information pursuant to Sections 289c–289e HGB and Section 315c HGB and is not within the scope of the audit of content in accordance with Section 317 (2) Sentence 4 HGB.

## K+S SUSTAINABILITY KPIS AND TARGETS 2030

B.7

Target	KPI <sup>1</sup>	Unit	Target value	2020	Dead-line	Achievements of targets
<b>PEOPLE</b>						
<b>Health &amp; Safety:</b> Providing a healthy and safe working environment to protect our employees who are our most valuable capital.	Lost time incident rate	(LTI rate)	0	6.9	Vision 2030	20%
<b>Diversity &amp; Inclusion:</b> 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 and results.	Positive perception of an inclusive working environment by employees <sup>2</sup>	%	> 90	54.4	2030	60%
<b>Human rights:</b> Establishing the respect towards internationally recognized human rights at all sites to ensure this core value is applied globally.	Sites covered by a human rights due diligence process	%	100	7.8	2030	8%
<b>ENVIRONMENT</b>						
<b>Water:</b> Ending deep-well injection of saline wastewater from potash production in Germany by end of 2021, no application for renewal.	Deep well injection of saline wastewater in Germany	million m <sup>3</sup> p.a.	0	1.3	From January 2022	
Reducing saline process water.	Additional reduction of saline process water from potash production in Germany <sup>3</sup>	million m <sup>3</sup> p.a.	-0,5	0.2	2030	0%
<b>Waste:</b> Reducing the environmental impact and conserving natural resources by re-examining the potential of residues stored on tailings piles.	Amount of residue used for other purposes than talings or increased amount of raw material yield	million t p.a.	3	1.2	2030	39%
	Additional area of tailings piles covered	ha	155	8.9	2030	6%
<b>Energy &amp; Climate:</b> Reducing the carbon footprint and improving energy efficiency to increase competitiveness.	Carbon footprint for power consumed (kg CO <sub>2</sub> /MWh)	%	-20	-1.6	2030	8%
	Specific greenhouse gas emissions (CO <sub>2</sub> ) in logistics (kg CO <sub>2</sub> e/t)	%	-10	-2.9	2030	29%
<b>BUSINESS ETHICS</b>						
<b>Sustainable supply chains:</b> Demanding sustainable practices from our suppliers along the entire supply chain so as to align all business activities to our values.	Critical suppliers aligned with the K+S Group Supplier Code of Conduct (SCoC)	%	100	68.2	End of 2025	68%
	Coverage of the purchasing volume by the Code of Conduct for suppliers of the K+S Group	%	> 90	71.7	End of 2025	80%
<b>Compliance &amp; Anti-corruption:</b> Ensuring a zero tolerance policy against corruption and bribery, using a globally standardized and regular compliance risk analysis, and deriving resulting measures at all K+S companies.	After having achieved our communication and training goal with 100% in 2019, we set a <b>new goal</b> in 2020: Coverage of K+S companies with a standardized compliance risk analysis <sup>4</sup>	%	100	0	End of 2025	0%

<sup>1</sup> The base year for all our non-financial performance indicators is 2017.

<sup>2</sup> Deviating base year: 2019.

<sup>3</sup> Excluding a reduction due to the KCF facility and the discontinuation of production in Sigmundshall.

<sup>4</sup> Deviating base year: 2020.

🔗 Four-year summary of the K+S GROUP regarding Sustainability KPIS, page 231

## STAKEHOLDER DIALOGUE<sup>1</sup> 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 ONE K+S Values are the basis of our collaboration and illustrate the claim that we make regarding 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), act quickly to satisfy market and customer requirements (AGILE), and are adaptable and open to new perspectives (INNOVATIVE).

👁️ ONE K+S VALUES, page 95

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 dialogue that is beneficial for both sides, to seek new developments and to share viewpoints. K+S informs its stakeholders, using different formats, and uses various channels to share information and have discussions with specific target groups.

Despite the restrictions imposed by the COVID-19 pandemic, we continued to maintain dialogue with our stakeholders in digital form at various events in the past financial year. The Board of Executive Directors, heads of the operating units, and management of the central functions offered digital company meetings in the reporting year to inform our employees and communicate on current business development topics and ongoing projects. This included, in particular, information and discussions on the implementation of the extensive package of measures to reduce debt, the planned sale of the Americas operating unit, and the associated restructuring of administration.

We conducted a short survey of our employees (pulse survey) on diversity and inclusion among all K+S employees. The survey took place in November 2019 and was evaluated in 2020. The results provide information about the perception of K+S employees regarding the existence of a positively inclusive working environment at K+S. According to our first global pulse survey, 75% of employees support K+S's commitment to diversity and inclusion. We gained some important insights into employees' perceptions of the Company as well as significant suggestions for improvement opportunities. We will use these findings to further design and develop strategies to continue strengthening the commitment at K+S.

👁️ Diversity and inclusion, page 72

Another pulse survey was implemented in August 2020 in the context of the ongoing COVID-19 pandemic on the experience of employees in dealing with working from home. For this purpose, K+S employees at the Kassel site were asked for their opinion and assessment in a short survey. The findings of the survey provided a comprehensive impression of working from home and revealed the positive experiences to prevail.

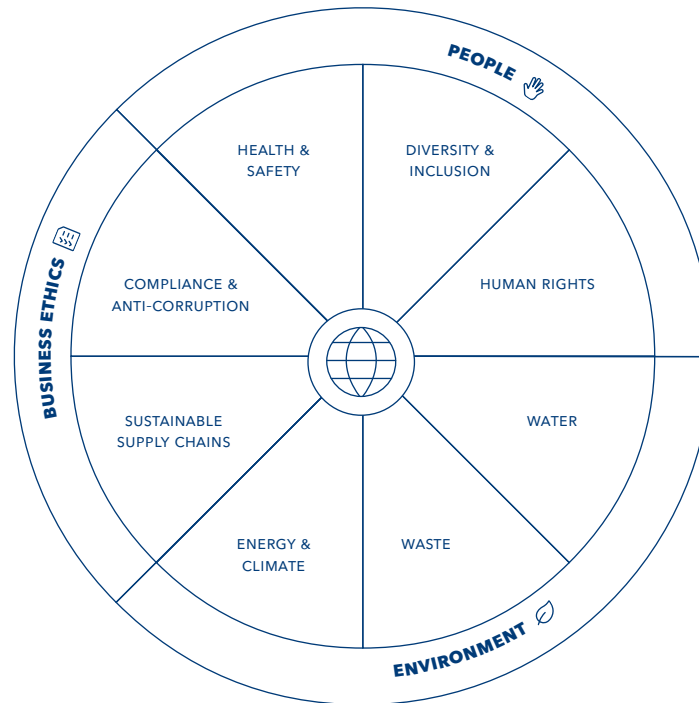
Due to the COVID-19 pandemic, the Annual General Meeting of K+S AKTIENGESELLSCHAFT was also held in a virtual format for the first time, to protect the health of our shareholders and our employees. Shareholders had the opportunity to submit their questions in advance. In addition to shareholder and investor meetings by telephone, virtual roadshows, conferences, and private shareholder events also took place for the first time.

👁️ K+S on the capital market, page 20

Besides our Internet presence with a special focus on our customers, we are in regular communication with political representatives on site, state and national levels. Our capital city office in Berlin plays a particularly important role at the federal level, providing political actors in the government, ministries, parliament, associations, and other sociopolitical groups, including NGOs, with information about current business developments and our key policy-relevant topics, and seeking dialogue.

<sup>1</sup> This section is part of the combined non-financial statement, which contains the information pursuant to Sections 289c–289e HGB and 315c HGB and is not within the scope of the audit of content in accordance with Section 317 (2) Sentence 4 HGB.





As a consequence of the COVID-19 pandemic, some of the meetings were held in a digital format. The opportunity to gain insights into underground work at the K+S sites was only possible to a very limited extent this year. Larger events such as the Hessenfest had to be canceled. Therefore, K+S could only have a limited active presence in these well-established activities compared to the previous year.

In the 2020 reporting year, we also continued the stakeholder dialogue with environmental associations, political representatives, communities, and the interested public, particularly regarding current projects and plans, as far as it was possible during the pandemic. The formats largely took place virtually.

Additionally, our subsidiary, K+S POTASH CANADA, published a Sustainability Community Report for the first time in 2020, which was submitted to local stakeholders. A continuous update of the report is planned.

☞ [www.kpluss.com/communityreport](http://www.kpluss.com/communityreport)

K+S is involved in the "EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE" (EITI) with the aim of combating corruption in international raw materials extraction and is therefore an active member of the multi-stakeholder group of D-EITI coordinated by the German Federal Ministry for Economic Affairs and Energy.

☞ [www.d-eiti.de](http://www.d-eiti.de)

☞ [www.rohstofftransparenz.de](http://www.rohstofftransparenz.de)

## OVERVIEW OF STAKEHOLDER DIALOGUE: CONTENT AND DIALOGUE FORMATS

B.9

<b>Employees</b> The success of our company is dependent on the expertise and success of our employees. Our employees voice matters of importance to them at regular employee assemblies. A mutual exchange and transfer of information is promoted via the intranet.	Main topics	Human resources policy decisions, remuneration, further training, communication, career and family, etc.
	Methods	Meetings, committee work, joint projects, events / conferences, Annual Report, blogs and social media, intranet, internal communications and Board of Executive Directors staff meetings at sites, etc.
<b>Customers and Business partners</b> Dialogue with our customers helps us better identify their needs, to which we align our products and services. We provide a wealth of information on the Internet. In addition to personal conversations, we undertake satisfaction analyses to gain specific information for improvements.	Main topics	Quality assurance, production conditions, observation of rules and standards, compliance, etc.
	Methods	Surveys, meetings, user training, trade fairs, joint projects, social media, press and public relations activities, guided site tours, etc.
<b>Shareholders/Investors/Analysts/Banks</b> We present our business, field questions from the capital market, and gather suggestions and ideas at regular roadshows and conferences.	Main topics	Company assessment, corporate strategy, targets, financing, results, risks / opportunities, competition, sustainability topics, etc.
	Methods	Annual General Meeting, business report, quarterly reports, Capital Markets Day, meeting with analysts / investors / banks, surveys, phone calls, conferences, roadshows, etc.
<b>Politics and Administration</b> As a member of various associations and organizations, we directly or indirectly contribute our positions to the political discussion through national and international dialogue with representatives of governments, responsible authorities, and parliamentary members.	Main topics	Social acceptance, social license to operate, environmental issues, economic developments, strategic orientation, job security, etc.
	Methods	Confidential face-to-face meetings, Parliamentary Evening / Barbara Celebration Berlin, meetings, workshops, committee work, press and public relations work, guided site tours, etc.
<b>Site communities</b> It is important for us to be good neighbors to the communities and regions in which our sites are located. We create trust at our sites through dialogue with the communities and residents.	Main topics	Social acceptance, environmental issues, economic development, job opportunities, etc.
	Methods	Meetings with selected stakeholders, events, information offices, open house events, press and public relations, site tours, etc.
<b>Non-governmental organizations / General public</b> 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	Social acceptance, potash mining, water protection improvement projects, environmental issues, job security, etc.
	Methods	Public information events, attending trade fairs and symposia, guided tours of facilities and mines, information office, personal meetings, etc.

## DONATIONS AND SPONSORSHIP

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 for scientific and charitable purposes totaled €2.3 million in 2020 (2019: just under €1.4 million). The increase is largely attributable to emergency measures due to the COVID-19 pandemic as well as support for educational and development programs for young people.

In the reporting year, the K+S Supervisory Board waived part of its annual remuneration for 2019. Therefore, K+S supported institutions, initiatives, and projects in need as a result of the COVID-19 pandemic with about €320,000. The donations were given to institutions such as children's hospices, food banks, nursing organizations, and several aid organizations at K+S sites in Germany, France, Canada, the United States of America, Chile, and Brazil.

☐ [www.kpluss.com/community](http://www.kpluss.com/community)

🔗 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

## REPORT ON ECONOMIC POSITION

In the 2020 financial year, the K+S GROUP generated revenues from continuing operations of €2,432.1 million (2019: €2,549.7 million). Including the discontinued operations of the former Americas operating unit, revenues amounted to €3,698.4 million (2019: €4,070.7 million). EBITDA<sup>1</sup> from continuing operations amounted to €266.9 million (2019: €410.4 million) due to lower average revenues for potash and magnesium products as well as a weak de-icing salt business. Including the discontinued operations of the former Americas operating unit, EBITDA<sup>1</sup> of the K+S GROUP reached €444.8 million (2019: €640.4 million).

### OVERVIEW OF THE BUSINESS DEVELOPMENT

The overview of the business development relates to the **continuing and discontinued operations** of the K+S GROUP. The former Americas operating unit is reported as "discontinued operations" in accordance with IFRS 5 pursuant to the sales agreement of October 5, 2020.

### MACROECONOMIC ENVIRONMENT

As a consequence of the COVID-19 pandemic, the global economy experienced a severe economic downturn in spring, recovering gradually over the remainder of the year.

In particular, the situation in China, where the pandemic was effectively combated at a very early stage, was better than the global average. China also benefited from specialization in the manufacture of consumer goods as well as from the high demand for personal and medical protective equipment, and in some cases even significantly exceeded pre-crisis economic levels.

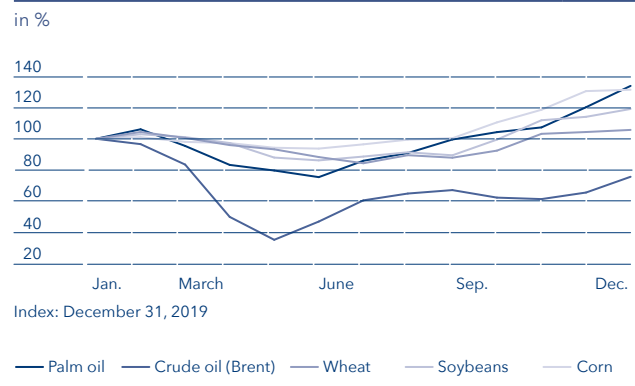
In many countries, the decline in output from the pre-crisis level remained at around 3 to 5%, as in the United States, the eurozone and Japan.

Compared with pre-crisis levels, the gap is largest in India and the United Kingdom, where the economic downturn in spring was notably severe, and in some countries where foreign tourism is of particular importance, such as Spain, Croatia, Greece, Thailand, and the Philippines.

<sup>1</sup> EBITDA is defined as earnings before interest, taxes, depreciation, and amortization, adjusted for the amortization amount recognized directly in equity in connection with own work capitalized, the result from fluctuations in the fair value of operating forecast hedges still outstanding, and fluctuations in the fair value of operating anticipatory hedges still outstanding, and changes in the fair value of operating anticipatory hedges recognized in prior periods. A reconciliation is provided on page 52.

Initially, prices of key agricultural commodities were also negatively impacted by the COVID-19 pandemic. Nevertheless, they recovered strongly, particularly from May onwards. The price of soybeans rose by more than 30% over the full year, corn by just under 20% and wheat by just under 6%. At the end of the year, the price of palm oil was over 30% higher compared to the beginning of the year, rising for the second year in succession. **B.10**

### CHANGES IN COMMODITY PRICES ON A MONTHLY BASIS IN 2020

**B.10**


Source: World Bank

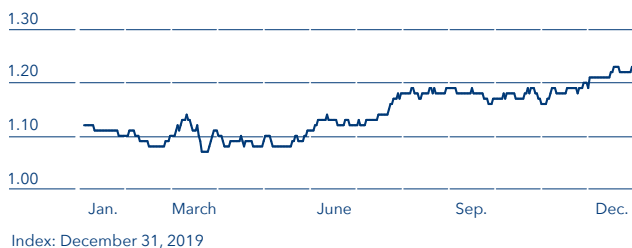
After the downturn in spring, the price of a barrel of Brent Crude rose again significantly over the year. This was mainly attributable to drastic production cuts resolved in spring being largely implemented in the main exporting countries and a significant drop in production in the United States in view of the low price level. Consequently, global crude oil inventories, which had recently risen sharply, were gradually reduced. Listed at around USD 50 per barrel at the end of the year, the oil price was around 24% below its pre-crisis level (December 31, 2019: USD 66). The average price in 2020 was around USD 42, tangibly lower than in the previous year (2019: USD 64).

The value of the U.S. dollar averaged €1.14/USD for the year and was therefore weaker than in the previous year (2019: €1.12/USD).

#### B.11

Sources: Kiel Institute for the World Economy (IfW), World Bank, Bloomberg

#### CHANGES IN EUR / USD EXCHANGE RATES IN 2020 B.11



Source: Bloomberg

#### IMPACT ON K+S

Following the spread of the COVID-19 pandemic, K+S set up task forces at an early stage to continuously monitor and assess the situation as well as to coordinate the relevant measures. Comprehensive measures were implemented at the producing sites to minimize the risks of infection. The occupancy in mine elevators, for instance, has been significantly reduced to ensure a greater distance between employees. For the prevention of overcrowding, shifts have also been shortened or staggered. In relevant areas, respiratory protection masks have been used to minimize the risk of infection. Slightly negative effects on sales volumes in the Industry customer segment were partly offset by positive effects on sales volumes in the Consumers customer segment. The COVID-19-related efficiency losses as well as – with lesser significance – effects on sales volumes described above had an impact on EBITDA in the mid double-digit million range and concern continuing as well as discontinued operations. Overall, production was largely maintained, and supply chains remained stable.

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

- + During the year under review, the partially significant price increases for agricultural raw materials and the yield prospects of farmers resulting from lower prices for various input materials led to an increased use of plant nutrients for enhancing yields per hectare. Nevertheless, there was a significant decline in the price of potassium chloride due to the import ban by China at the beginning of the financial year. With the

conclusion of a new contract with Chinese buyers in April, overseas prices began to recover, but not to the expected extent.

- + The K+S GROUP's energy costs are particularly affected by the cost of purchasing natural gas. Nevertheless, our long-term-oriented purchasing agreements at favorable conditions fundamentally provide us with greater independence from short-term market price developments. Overall, the energy costs of the K+S GROUP from primary purchases were slightly below the level of the previous year despite higher production volumes in 2020.
- + Foreign currency hedging system: On basis of the hedging instruments used for transaction risks, the exchange rate in 2020 averaged €1.15/USD including hedging costs (2019: €1.16 EUR/USD) at an average spot rate of €1.14/USD (2019: €1.12/USD). Overall, the exchange rate had a slightly negative impact on revenues and EBITDA.

👁 Financial position, page 57

#### SECTOR-SPECIFIC ENVIRONMENT

##### AGRICULTURE CUSTOMER SEGMENT

During the first half of the year, demand in the Agriculture customer segment was strong in the northern hemisphere and in Brazil. In Southeast Asia, the upturn in demand largely failed to materialize due to the COVID-19 pandemic. Until April, prices for potassium chloride fell significantly during the import ban in China. The conclusion of the contract at the end of April led to the expected bottoming out in Brazil and to rising prices until the end of the year, but not to the expected extent. Apart from seasonal peculiarities in some regions (e.g. staggered price system in Europe), prices for our fertilizer specialties remained largely stable in the first half of the year. With a time lag, the price development of potassium chloride still had a negative impact on the prices of fertilizer specialties containing potash in the second half of the year. Nevertheless, this impact was significantly lower due to potassium chloride prices rising again. In total, our competitors quantified global potash demand to a good 72 million tonnes (2019: 68.5 million tonnes including almost 5 million tonnes of potassium sulfate and potash grades with lower mineral contents).

##### INDUSTRY CUSTOMER SEGMENT

Due to the diverse applications of our products, demand for products in the Industry customer segment was robust overall despite the COVID-19 pandemic. While demand for products for the oil and gas as well as the pharmaceutical industries declined in Europe, demand for products for the food and chemical industries re-

mained largely stable and increased in the waste management as well as in animal feed. In North and South America, demand for products for the chemical industry also remained largely stable, whereas demand for the other application areas declined compared to the previous year due to the COVID-19 pandemic.

### CONSUMER CUSTOMER SEGMENT

Following the positive impact on demand for consumer products already in the first quarter, particularly for table salt in both operating units because of increased home consumption related to the COVID-19 pandemic, demand for pool and water softening salts also already rose in early summer. This positive trend continued in the second half of the year.

### COMMUNITIES CUSTOMER SEGMENT

In both Europe and North America, the historically mild winter at the beginning of the year negatively affected demand for the year as a whole and had a negative impact on tenders for the 2020/2021 winter season. Winter weather conditions in the fourth quarter also remained below the long-term average.

### KEY EVENTS AFFECTING THE BUSINESS DEVELOPMENT

- + Despite the production cuts in the second half of 2019, China's continued ban on potassium chloride imports caused potassium chloride prices to fall. The conclusion of the contract with Chinese buyers at the end of April 2020 led to the expected bottoming out with a subsequent tangible recovery in potassium chloride prices. Nevertheless, the contract was concluded later and at a lower price level due to the COVID-19 pandemic. The recovery in the subsequent months was also weaker than anticipated.
- + The historically mild winter in Europe and North America at the beginning and the end of the year resulted in significantly lower sales volumes for de-icing salt. While in a normal year we used to sell an average of 12.5 to 13.0 million tonnes in the Communities customer segment, sales volumes in 2020 declined to 7.24 million tonnes.
- + Impact of COVID-19 pandemic: The arisen efficiency and sales volumes losses described on page 44 add up to a total EBITDA effect in the mid double-digit million range in 2020 and relate to the continuing and discontinued operations. Efficiency losses were determined on the basis of production volume losses. The effects on sales volumes, which were of lesser significance to the EBITDA effect, were determined on the basis of an analysis of causes of target/actual variances. Overall, production was largely maintained, and supply chains remained stable.
- + We further increased production at our new Bethune potash plant, which opened in 2017, in the 2020 financial year. Since

the beginning of the year 2020, the quality of the products has met our requirements and those of our customers. Production volumes were also increased in Germany.

- + The one-off provisions recognized for the restructuring of the administration burdened EBITDA by €36.3 million.
- + On December 18, 2020, K+S AKTIENGESELLSCHAFT and REMEX GMBH, a wholly owned subsidiary of REMONDIS SE & CO. KG, agreed on December 18, 2020, to bundle their waste management activities in the new joint venture REKS GMBH & CO. KG, in which both partners have an equal share of 50% each.
- + As a result of the deconsolidation of K+S BAUSTOFFRECYCLING GMBH and the pro rata contribution to K+S VERMÖGENSTREUHÄNDER E. V., non-cash income of €55.6 million was already generated in the third quarter of 2020. This one-off effect could largely offset the COVID-19-related efficiency losses described above as well as the project costs incurred by the package of measures to reduce debt over the year. Further information is provided on page 154.
- + The complete sale of the Americas operating unit represents an important milestone. We signed a sales agreement with STONE CANYON INDUSTRIES HOLDINGS LLC, MARK DEMETREE AND PARTNERS on October 5, 2020. The sale price (enterprise value) is USD 3.2 billion. Upon closing of the transaction, which is expected in the summer of 2021 at the latest, K+S will receive the cash inflow in the amount of approximately €2.5 billion, which will significantly reduce net debt. The exchange rate for this cash inflow is hedged; slight deviations can only result from the timing of the closing and from purchase price adjustments.
- + At the end of the third quarter of 2020, the K+S GROUP had to adjust its assumptions regarding the development of the potash price – both against the backdrop of slower price recovery in the medium-term perspective and taking into account lower long-term potash price expectations. On the basis of the changed assumptions, there was an indication of impairment and an impairment test was carried out intrayear as of September 30, 2020 for the cash-generating unit (CGU) Potash and Magnesium Products. In the process, potash prices were assumed to be lower than the potash prices previously used as a basis. In the context of the impairment test, an increase in the cost of capital rate also had to be taken into account. Overall, this resulted in a one-time non-cash impairment loss on assets of the Europe+ operating unit of around €2 billion. This impairment was recognized in the quarterly statement as of September 30, 2020 and had a corresponding negative impact on adjusted Group earnings after taxes and ROCE, but did not result in a cash outflow. The Executive Board therefore felt compelled to inform the public accordingly at the beginning

of November 2020. Some simplifying assumptions had to be made for the cash flow forecast on which the valuation as of September 30, 2020 was based. These were specified as part of the adoption of the medium-term planning and valuation in the consolidated financial statements as of December 31, 2020, and updated where necessary compared with the status as of September 30, 2020. As a result, the impairment loss at September 30, 2020 was reduced to an amount of €1.79 billion. This was mainly the result of more specific assumptions for the individual calculation components in the course of preparing the financial statements. As of December 31, 2020, the impairment requirement increased by around €71 million to a total of €1.86 billion, due in particular to negative exchange rate effects.

### COMPARISON OF THE ACTUAL AND THE FORECASTED BUSINESS DEVELOPMENT OF CONTINUING AND DISCONTINUED OPERATIONS

#### EARNINGS FORECAST

The EBITDA level for 2020 expected in the 2019 Annual Report could not be achieved. With the publication of the 2019 Annual Report on March 12, 2020, we had expected EBITDA of the K+S GROUP, including the Americas operating unit, to range between €500 million and €620 million (2019: €640.4 million). We have revised this forecast with the publication of our Q1 financial figures to an EBITDA level of around €520 million, assuming no significant impact on our business as a result of the COVID-19 pandemic beyond the efficiency losses reported in the first quarter. A later-than-expected contract conclusion with China at a lower price level for potassium chloride than initially anticipated and the absence of winter weather at the end of the first quarter in the Communities customer segment constituted the underlying factors. In our H1/2020 Half-Yearly Financial Report, we confirmed this forecast before one-off restructuring expenditures. The COVID-19-related efficiency losses now considered for the remainder of the year were expected to be largely offset with effects from our extensive package of measures. After taking into account the one-off expenditures for restructuring measures estimated initially at up to €40 million in the Half-Yearly Financial Report, we expected EBITDA of around €480 million. We confirmed this forecast in the Quarterly Report for the third quarter. As usual, this forecast for de-icing salt assumed normal winter weather in the fourth quarter. Due to below-average winter weather conditions in Europe and North America in the fourth quarter, as well as a weakening of the U.S. dollar that was stronger than expected, EBITDA of the K+S GROUP including the Americas operating unit, which is now reported as discontinued operations, was moderately below this level at €444.8 million in the 2020 financial year. **B.12**

For the former Europe+ operating unit, we expected EBITDA in a range from a significant decline to remaining largely stable in 2020 at the time the 2019 Annual Report was published. As of the Quarterly Report for the first quarter, we have specified this forecast to a tangible decline. We met this forecast in the reporting period with EBITDA of €344.2 million (2019: €437.0 million). While we had assumed a slight to noticeable decline for the Americas operating unit in the 2019 Annual Report, we forecast a moderate decline in the Q1/2020 Quarterly Report under the assumption of average winter weather conditions in the fourth quarter and only a slight decline since the H1/2020 Half-Yearly Financial Report due to the improved operating performance, high cost discipline, and optimized utilization of the distribution and logistics network. The Americas operating unit generated EBITDA of €212.1 million (2019: €230.0 million), a moderate decrease due to below-average winter weather conditions and a weaker-than-expected U.S. dollar.

For adjusted group earnings after tax, we had forecast a significant year-on-year decline in the 2019 Annual Report for 2020 (2019: €77.8 million). Given the impairment loss on assets in the Europe+ operating unit described on page 45, we expected a strong decline to a clearly negative figure since the publication of the Q3/2020 Quarterly Report. Adjusted group earnings after tax amounted to €-1,802.5 million in the reporting year.

👁️ Key events affecting the business development, page 45

At -22.8%, ROCE was strongly negative (2019: 2.3%). We had also adjusted this forecast to a strongly negative figure since the Q3/2020 Quarterly Report for the reasons already mentioned, after still assuming a significant decline at the time of publication of the 2019 Annual Report.

#### CASH FLOW FORECAST

Our forecast made in the 2019 Annual Report was an approximately break-even, adjusted free cash flow for the 2020 financial year. In the reporting period, it amounted to €-42.2 million (2019: €+139.7 million). At €526.0 million, capital expenditure was moderately higher than in the previous year (2019: €493.3 million), although we had still assumed a significantly higher level in our forecast.

#### FORECAST OF THE NON-FINANCIAL PERFORMANCE INDICATORS

##### Lost time incident rate (LTI rate)

In the 2019 Annual Report, we forecast a significant reduction in the LTI rate for 2020 compared with 2019 (2019: 10.3). We achieved this reduction at a rate of 6.9.



## TARGET/ACTUAL COMPARISON OF CONTINUING AND DISCONTINUED OPERATIONS 2020

B.12

		ACTUAL 2019	Forecast 2019 Annual Report	Forecast Q1/2020	Forecast H1/2020	Forecast 9M/2020	ACTUAL 2020
<b>K+S Group</b>							
EBITDA <sup>1</sup>	€ million	640.4	500 to 620	around 520 before restructuring expenditures	around 480 incl. restructuring expenditures	around 480 incl. restructuring expenditures	444.8
– Europe+ operating unit	€ million	437.0	tangible decline to almost stable	tangible decrease	tangible decrease	tangible decrease	344.2
– Americas operating unit	€ million	230.0	slight to tangible decrease	moderate decrease	slight decrease	slight decrease	212.1
Capital expenditures <sup>2</sup>	€ million	493.3	significant increase	significant increase	significant increase	significant increase	526.0
Consolidated earnings after tax, adjusted <sup>3</sup>	€ million	77.8	significant decrease	significant decrease	significant decrease	strongly negative	–1,802.5
Adjusted free cash flow	€ million	139.7	about balanced	about balanced	about balanced	about balanced	–42.2
ROCE	%	2.3	significant decrease	significant decrease	significant decrease	strongly negative	–22.8
EUR/USD exchange rate after hedging	EUR/USD	1.14	1.12	1.12	1.13	1.14	1.14
Sales volumes Agriculture customer segment	million tonnes	6.30	over 7	over 7	over 7	over 7	7.30
Average price Agriculture customer segment	€/tonnes	272.4	slight decrease compared to Q4/2019 (255€/t)	slight increase compared to Q1/2020 (239€/t)	slight increase compared to Q2/2020 (231€/t)	slight increase compared to Q3/2020 (225€/t)	233.1
Sales volumes Communities customer segment	million tonnes	12.70	8 to 9	around 8	around 8	around 8	7.24

<sup>1</sup> Earnings before interest, taxes, depreciation, and amortization, adjusted by the depreciation and amortization amount not recognized in profit and loss in the context of own work capitalized, earnings arising from changes in the fair market value of outstanding operating anticipatory hedges, changes in the fair value of operating anticipatory hedges recognized in prior periods (EBITDA).

<sup>2</sup> Relates to cash payments for investments in property, plant, and equipment and intangible assets, taking claims for reimbursement from claim management into account excluding additions to leases in accordance with IFRS 16.

<sup>3</sup> The adjusted key indicators include the results from operating anticipatory hedges in the relevant reporting period, which eliminate the effects of changes in the fair value of the hedges. In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2020: 30.1%.

### Reduction of saline process water

For the 2020 financial year, we anticipated a slight reduction in saline process water compared to 2019 (3.5 million m<sup>3</sup>). At 2.9 million m<sup>3</sup>, we have already achieved a significant reduction and are on the right track. Overall, the Company has targeted to reduce saline process water from potash production in Germany by 500,000 m<sup>3</sup> by 2030 compared to 2017. Nevertheless, there has been a moderate increase in saline process water compared with the same period in 2017 due to increases in production. We are still committed to our target and are optimistic of achieving the reduction.

### Sustainable supply chains

In the 2019 Annual Report, we anticipated achieving the 2020 commitment rate for our purchasing volume in relation to the Code (62.0%) (2019 commitment rate: 44.9%). In 2020, it finally amounted to 71.7%; we therefore exceeded our anticipation.

For 2020, we announced in the 2019 Annual Report our intention to exceed the targeted increase in the rate of commitment of the Code by critical suppliers by 11.1 percentage points (commitment rate 2019: 23.2%). With a commitment rate of 68.2%, this has also been significantly exceeded.

## BUSINESS DEVELOPMENT OF THE FORMER CUSTOMER SEGMENTS (NO SEGMENTS ACCORDING TO IFRS 8)

### AGRICULTURE CUSTOMER SEGMENT

In the Agriculture customer segment, revenues in the reporting year were slightly below the previous year's figure at €1,701.5 million (2019: €1,715.6 million); higher volumes could not completely offset lower average prices and negative currency effects. Revenues in Europe were €831.6 million in 2020 (2019: €874.6 million), while overseas revenues were €869.8 million (2019: €841.0 million). In total, €956.8 million of revenues in the Agriculture customer segment were attributable to potassium chloride (2019: €995.8 million) and €744.7 million to fertilizer specialties (2019: €719.7 million). **B.13, B.14**

👁 Sector-specific environment, page 44

In 2020, sales volumes increased significantly to a total of 7.30 million tonnes (2019: 6.30 million tonnes). Following the production cuts in the previous year, both the further ramp-up of production in Bethune and the increase in production in Germany had a positive impact, along with the return to normal production due to favorable demand. In the reporting year, 3.16 million tonnes were sold in Europe (2019: 3.16 million tonnes) and 4.14 million tonnes overseas (2019: 3.14 million tonnes). Of the total sales volume, potassium chloride accounted for 4.68 million tonnes (2019: 3.87 million tonnes) and fertilizer specialties for 2.62 million tonnes (2019: 2.42 million tonnes).

At €244.5 million, EBITDA in the Agriculture customer segment in 2020 was significantly below the level of the previous year (2019: €294.9 million). Higher sales volumes and lower average costs were offset by significantly lower average selling prices.

### AGRICULTURE CUSTOMER SEGMENT<sup>1</sup>

**B.13**

in million €	2019	Q1/2020	Q2/2020	Q3/2020	Q4/2020	2020	%
<b>Revenues</b>	<b>1,715.6</b>	<b>453.7</b>	<b>404.6</b>	<b>373.0</b>	<b>470.2</b>	<b>1,701.5</b>	<b>-0.8</b>
– thereof potassium chloride	995.8	245.9	232.8	212.7	265.4	956.8	-3.9
– thereof fertilizer specialties	719.7	207.8	171.8	160.3	204.8	744.7	+3.5
<b>Sales volumes (in million tonnes)</b>	<b>6.30</b>	<b>1.90</b>	<b>1.75</b>	<b>1.66</b>	<b>1.99</b>	<b>7.30</b>	<b>+15.9</b>
– thereof potassium chloride	3.87	1.22	1.15	1.07	1.24	4.68	+20.9
– thereof fertilizer specialties	2.42	0.68	0.60	0.58	0.75	2.62	+8.3
<b>EBITDA</b>	<b>294.9</b>	<b>97.1</b>	<b>39.2</b>	<b>11.5</b>	<b>96.7</b>	<b>244.5</b>	<b>-17.1</b>

<sup>1</sup> The quarterly figures constitute unaudited, voluntary content not subject to the audit of the financial statements.

### DEVELOPMENT OF REVENUES, SALES VOLUMES, AND AVERAGE PRICES BY REGION<sup>1,2</sup>

**B.14**

		2019	Q1/2020	Q2/2020	Q3/2020	Q4/2020	2020	%
<b>Revenues</b>	<b>million €</b>	<b>1,715.6</b>	<b>453.7</b>	<b>404.6</b>	<b>373.0</b>	<b>470.2</b>	<b>1,701.5</b>	<b>-0.8</b>
Europe	million €	874.6	263.6	195.6	176.2	196.2	831.6	-4.9
Overseas	million USD	941.5	209.7	230.2	229.9	326.8	996.6	+6.7
<b>Sales volumes</b>	<b>million tonnes eff.</b>	<b>6.30</b>	<b>1.90</b>	<b>1.75</b>	<b>1.66</b>	<b>1.99</b>	<b>7.30</b>	<b>+15.9</b>
Europe	million tonnes eff.	3.16	0.93	0.76	0.69	0.78	3.16	
Overseas	million tonnes eff.	3.14	0.97	0.99	0.97	1.21	4.14	+31.8
<b>Ø Price</b>	<b>€/tonnes eff.</b>	<b>272.5</b>	<b>239.2</b>	<b>230.9</b>	<b>225.0</b>	<b>235.5</b>	<b>233.1</b>	<b>-14.5</b>
Europe	€/tonnes eff.	277.0	283.8	258.5	255.4	251.2	263.2	-5.0
Overseas	USD/tonnes eff.	299.8	216.6	231.1	237.7	268.8	240.3	-19.8

<sup>1</sup> 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.

<sup>2</sup> The quarterly figures constitute unaudited, voluntary content not subject to the audit of the financial statements.

**INDUSTRY CUSTOMER SEGMENT<sup>1</sup>****B.15**

in million €	2019	Q1/2020	Q2/2020	Q3/2020	Q4/2020	2020	%
Revenues	1,148.0	294.1	269.2	282.1	244.1	1,089.5	-5.1
Sales volumes in million tonnes	10.09	2.58	2.28	2.53	2.43	9.81	-2.7
EBITDA	218.0	55.1	56.0	105.6	17.5	234.3	+7.5

<sup>1</sup> The quarterly figures constitute unaudited, voluntary content not subject to the audit of the financial statements.

**INDUSTRY CUSTOMER SEGMENT**

In the Industry customer segment, revenues decreased moderately to a total of €1,089.5 million in 2020 (2019: €1,148.0 million); this was due to lower volumes and negative currency effects.

👁️ Sector-specific environment, page 44

Despite the COVID-19 pandemic, overall sales volumes of 9.81 million tonnes were only slightly down on the prior-year level (2019: 10.09 million tonnes) due to the wide range of applications for our products. While sales volumes of products for the oil, gas and pharmaceutical industries declined in the former Europe+ operating unit, sales volumes of products for the food and chemical industries remained largely stable and increased in the animal feed sector. In the Americas operating unit, sales volumes of products for the chemical industry also remained largely stable, while volumes in the other application areas were down year on year due to the COVID-19 pandemic and in part to availability constraints.

EBITDA amounted to €234.3 million, compared with €218.0 million in the prior-year period. This was positively impacted in the third quarter by a non-cash, one-off contribution gain from the deconsolidation of K+S BAUSTOFFRECYCLING GMBH in the former Europe+

operating unit. High cost discipline as well as optimized use of the distribution and logistics network in the former Americas operating unit were offset by changing the product mix to a lower proportion of higher-margin products such as salt for dialysis solutions. **B.15**

**CONSUMER CUSTOMER SEGMENT**

Revenues of €496.3 million in the reporting year were slightly above the level of the previous year (2019: €484.7 million); higher prices and a change in the product mix towards higher-value products more than offset slightly negative volume and currency effects.

👁️ Sector-specific environment, page 44

At 1.71 million tonnes, sales volumes were slightly below the level of the previous year (2019: 1.79 million tonnes). The overall positive development of table, water softening, and pool salts was offset by a weather-related decline in sales volumes of packaged de-icing salts.

At €67.6 million, EBITDA in 2020 was tangibly above the level of the previous year (2019: €59.7 million). This was again attributable to positive price effects and a more favorable product mix. **B.16**

**CONSUMERS CUSTOMER SEGMENT<sup>1</sup>****B.16**

in million €	2019	Q1/2020	Q2/2020	Q3/2020	Q4/2020	2020	%
Revenues	484.7	122.2	132.7	118.8	122.5	496.3	+2.4
Sales volumes in million tonnes	1.79	0.43	0.42	0.41	0.45	1.71	-4.2
EBITDA	59.7	21.2	23.1	13.9	9.3	67.6	+13.3

<sup>1</sup> The quarterly figures constitute unaudited, voluntary content not subject to the audit of the financial statements.

COMMUNITIES CUSTOMER SEGMENT<sup>1</sup>

B.17

in million €	2019	Q1/2020	Q2/2020	Q3/2020	Q4/2020	2020	%
Revenues	719.9	218.5	33.1	46.4	109.1	407.1	-43.4
Sales volumes in million tonnes	12.70	3.61	0.60	0.88	2.15	7.24	-43.0
EBITDA	94.4	42.7	-11.8	-21.8	0.8	9.9	-89.5

<sup>1</sup> The quarterly figures constitute unaudited, voluntary content not subject to the audit of the financial statements.

## COMMUNITIES CUSTOMER SEGMENT

Revenues in the Communities customer segment significantly decreased to a total of €407.1 million in 2020 (2019: €719.9 million) due to the historically mild winter at the beginning and the end of the year in Europe and North America.

👁 Sector-specific environment, page 44

Total sales volumes of de-icing salt amounted to 7.24 million tonnes in the year under review, very significantly below the prior-year level (2019: 12.70 million tonnes). The historically mild winter at the beginning of the year resulted in a very weak first quarter, weak early fills business, and the winter weather in the fourth quarter also fell short of the long-term average.

EBITDA declined to €9.9 million from €94.4 million in the previous year. High cost discipline as well as optimized use of the distribution and logistics network reduced the effects of substantially lower sales volumes of de-icing salt. **B.17**

## EARNINGS POSITION

The description of the earnings position relates to the **continuing operations** of the K+S GROUP, unless stated otherwise. The former Americas operating unit is reported as "discontinued operations" in accordance with IFRS 5 pursuant to the sales agreement of October 5, 2020. The income statements of the respective previous year were adjusted accordingly.

## REVENUES

In the 2020 financial year, revenues of the K+S GROUP from continuing operations amounted to €2,432.1 million, compared with €2,549.7 million in the previous year. Lower average prices of potash and magnesium products, lower sales volumes of de-icing salt resulting from the historically mild winter, as well as negative currency effects could not be offset by positive volume effects for potash and magnesium products. **B.18, B.19**

## VARIANCE COMPARED TO PREVIOUS YEAR

B.18

in %	2020
<b>Change in revenues</b>	<b>-4.6</b>
- volume-/structure-related	+3.4
- price-/pricing-related	-8.7
- currency-related	-0.6
- consolidation-related	+1.3

REVENUES FROM CONTINUING OPERATIONS BY QUARTER<sup>1,2</sup>

B.19

in million €	2019	Q1/2020	Q2/2020	Q3/2020	Q4/2020	2020	%
<b>K+S Group</b>	<b>2,549.7</b>	<b>647.0</b>	<b>590.3</b>	<b>566.1</b>	<b>628.7</b>	<b>2,432.1</b>	<b>-4.6</b>
Share of total revenues (%)	-	26.6	24.3	23.3	25.8	100.0	-

<sup>1</sup> The quarterly figures constitute unaudited, voluntary content not subject to the audit of the financial statements.

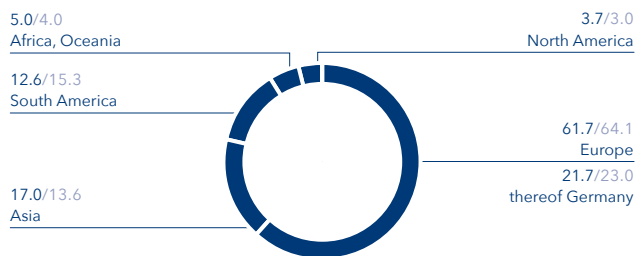
<sup>2</sup> The figures relate to continuing operations of the K+S Group.

The breakdown of revenues by region changed in accordance with the higher share of production volumes at our Bethune site in Canada, which are mainly sold in overseas markets. We continued to generate the largest share of revenue in Europe with a good 62%, followed by Asia with around 17%. South and North America accounted for 13% and 4% of our total revenues, respectively. **B.20**

#### REVENUES BY REGION

**B.20**

in %



○ 2020/2019

#### ORDER DEVELOPMENT

Most of our business is not covered by longer-term agreements on fixed volumes and prices. 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 tenders from the second quarter for the upcoming winter season, but also, in some cases, for subsequent winter seasons. The contracts include agreements on both 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 orders 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, the 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 continuing operations increased from €2,210.2 million to €4,158.9 million; adjusted for the portion of the one-off, non-cash special impairment loss recognized in cost of sales amounting to €1,847.3 million, this represents an increase to €2,311.6 million. This was attributable, in particular, to higher sales volumes of products in the Agriculture customer segment. Marketing and general administrative expenses increased to €197.1 million in the reporting year, compared with €172.0 million in the previous year, due to the one-off expenditures associated with the restructuring of the administration. Other operating income increased to €176.3 million (2019: €104.7 million) following the one-off contribution gain from the deconsolidation of K+S BAUSTOFFRECYCLING GMBH, and other operating expenses increased slightly to €191.4 million (2019: €181.9 million). Net income from operating anticipatory hedging transactions increased to €42.4 million in 2020 (2019: €–12.8 million) due to transactions concluded at a favorable level compared to the EUR/USD exchange rate.

The cost of materials, personnel expenses, energy, and freight have a particularly strong effect on the development of the total costs. At €1,064.1 million, the cost of materials remained stable (2019: €1,066.4 million). In 2020, personnel expenses amounted to €895.2 million, slightly above the previous year's figure (2019: €859.7 million). Of this amount, €36.3 million was attributable to a one-time addition to provisions in connection with the project to restructure the administrative functions. Freight costs decreased slightly to €404.8 million (2019: €417.6 million) due to price-related factors, a change in the transport portfolio, and lower internal freight. At €236.6 million, energy costs were slightly higher than in the previous year (2019: €227.3 million) due to volume-related factors.

👁 Notes, page 169

**EBITDA FROM CONTINUING OPERATIONS BY QUARTER<sup>1,2,3</sup>****B.21**

in million €	2019	Q1/2020	Q2/2020	Q3/2020	Q4/2020	2020	%
<b>K+S Group</b>	<b>410.4</b>	<b>99.2</b>	<b>52.8</b>	<b>76.3</b>	<b>38.6</b>	<b>266.9</b>	<b>-35.0</b>
Share of total EBITDA (%)	–	37.1	19.8	28.6	14.5	100.0	–

<sup>1</sup> EBITDA is defined as earnings before interest, taxes, depreciation, and amortization, adjusted by the depreciation and amortization amount not recognized in profit and loss in the context of own work capitalized, earnings arising from changes in the fair market value of outstanding operating anticipatory hedges, and changes in the fair value of operating anticipatory hedges recognized in prior periods.

<sup>2</sup> The quarterly figures constitute unaudited, voluntary content not subject to the audit of the financial statements.

<sup>3</sup> The figures relate to continuing operations of the K+S Group.

**EARNINGS DEVELOPMENT 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. **B.21**

EBITDA amounted to €266.9 million in the year under review, significantly below the previous year's figure (2019: €410.4 million). As already described for the development of revenues, this decrease was attributable to lower average prices for potash and magnesium products as well as a weak de-icing salt business as a result of a historically mild winter. In addition, there were one-off effects from restructuring, project costs for the extensive package of measures to reduce debt as well as efficiency losses associated with the COVID-19 pandemic. Higher sales volumes of potash and magnesium products and the one-off contribution gain from the deconsolidation of K+S BAUSTOFFRECYCLING GMBH had a positive impact. **B.22**

**FINANCIAL RESULT**

The financial result amounted to €–105.7 million, compared with €–34.3 million in the previous year. The difference is mainly explained by a reduction in the netting of interest with the former Americas operating unit (discontinued operations). Furthermore, the absence of positive currency effects arising from liquidity management had a negative effect.

**GROUP EARNINGS AND EARNINGS PER SHARE FROM CONTINUING OPERATIONS**

Group earnings after tax decreased significantly in the year under review to €–1,890.8 million (2019: €27.3 million) attributable to the one-off, non-cash impairment loss on assets of €1,863.0 million described on page 45. The expected income tax expense was calculated on the basis of a domestic Group tax rate of 30.1% (2019: 30.0%). Accordingly, earnings per share in the reporting year amounted to €–9.88 (2019: €0.14). As in the previous year, the calculation was based on an average number of 191.4 million no-par value outstanding shares. **B.24**

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**RECONCILIATION OF OPERATING EARNINGS AND EBITDA<sup>1</sup>****B.22**

in million €	2019	2020
<b>Earnings after operating hedges</b>	<b>80.7</b>	<b>-1,893.4</b>
Income (-)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	2.7	-37.3
Elimination of prior-period changes in the fair value of operating anticipatory hedges	-20.1	-5.7
<b>Earnings before operating hedges</b>	<b>63.3</b>	<b>-1,936.4</b>
Depreciation and amortization (+)/impairment losses (+)/reversals of impairment losses (-) on non-current assets	353.2	2,209.6
Capitalized depreciation <sup>2</sup> (-)	-6.1	-6.3
<b>EBITDA</b>	<b>410.4</b>	<b>266.9</b>

<sup>1</sup> The figures relate to the continuing operations of the K+S Group.

<sup>2</sup> This relates to depreciation of assets used for the production of other assets, plant, and equipment. Depreciation is capitalized as part of cost and not recognized in profit or loss.

**ADJUSTED GROUP EARNINGS AND ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS**

We also report adjusted group 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 tax are also eliminated.

Adjusted group earnings after tax from continuing operations amounted to €-1,920.9 million (2019: €15.1 million). In the year under review, adjusted group earnings per share from continuing operations amounted to €-10.04 (2019: €0.08). This figure, too, was based on 191.4 million no-par value shares.

As of December 31, 2020, we held no treasury shares. At the end of the year, the total number of outstanding shares of the K+S GROUP therefore remained unchanged at 191.4 million no-par value shares. Excluding the non-cash, one-off impairment loss on assets and the related effects on deferred taxes, adjusted group earnings after tax from continuing operations would have amounted to €-159.4 million and adjusted group earnings per share from continuing operations would have been €-0.83 (2019: €15.1 million and €0.08 per share, respectively). **B.26**

**(ADJUSTED) GROUP EARNINGS AND (ADJUSTED) EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS**

Earnings amounted to €-1,714.8 million (2019: €88.9 million). Adjusted group earnings amounted to €-1,802.5 million (2019: €77.8 million). Discontinued operations of the former Americas operating unit included in this figure accounted for €118.3 million (2019: €62.7 million). Adjusted group earnings provide the basis for calculating the dividend under our dividend policy and are determined in Table **B.23**. Excluding the non-cash, one-off impairment loss on assets and the related effects on deferred taxes, adjusted net income would have been €-156.4 million (2019: €77.8 million).

Earnings per share amounted to €-8.96 (2019: €0.46), while adjusted group earnings per share amounted to €-9.42 (2019: €0.41). The discontinued operations of the former Americas operating unit included in this figure accounted for €0.62 (2019: €0.33). Excluding the non-cash, one-off impairment loss on assets and the related effects on deferred taxes, adjusted group earnings per share would have been €-0.82 (2019: €0.41).

**EARNINGS PER SHARE****B.23**

	2019	2020	%
Earnings per share from continuing operations (€)	0.14	-9.88	-
Earnings per share from continuing operations, adjusted (€) <sup>1</sup>	0.08	-10.04	-
Earnings per share (€)	0.46	-8.96	-
Earnings per share, adjusted (€) <sup>1</sup>	0.41	-9.42	-
Average number of shares (millions)	191.40	191.40	-

<sup>1</sup> The adjusted key indicators include the results from operating anticipatory hedges in the relevant reporting period, which eliminate the effects of changes in the fair value of the hedges. In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2020: 30.1% (2019: 30.0%).



**RECONCILIATION OF ADJUSTED GROUP EARNINGS  
AFTER TAX FROM CONTINUING OPERATIONS** **B.24**

in million €	2019	2020
<b>Earnings after tax from continuing operations</b>	<b>27.3</b>	<b>-1,890.8</b>
Income (-)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	2.7	-37.3
Elimination of prior-period changes in the fair value of operating anticipatory hedges	-20.1	-5.7
Elimination of resulting deferred taxes and cash taxes	5.2	12.9
<b>Group earnings after tax from continuing operations, adjusted</b>	<b>15.1</b>	<b>-1,920.9</b>

**EARNINGS POSITION OF DISCONTINUED OPERATIONS****Significant decline in revenues**

In the year under review, revenues in the former Americas operating unit decreased significantly to €1,266.3 million (2019: €1,532.2 million); this was mainly attributable to negative volume effects due to the historically mild winter and negative currency effects. **B.26, B.27**

**EBITDA significantly down year on year**

After allocation of project costs associated with the divestment of the business, EBITDA of the former Americas operating unit amounted to €177.9 million, compared with €230.0 million in the prior year; this was due to significantly lower de-icing salt sales volumes as a result of a historically mild winter, project costs associated with the divestment, and negative currency effects.

**KEY INDICATORS EARNINGS FROM DISCONTINUED OPERATIONS<sup>1</sup>**

in million €	2019	Q1/2020	Q2/2020	Q3/2020	Q4/2020	2020	%
Revenues	1,532.2	443.5	251.4	257.7	313.7	1,266.3	-17.4
EBITDA	230.0	101.9	37.8	24.4	13.8	177.9	-22.7

<sup>1</sup> The quarterly figures constitute unaudited, voluntary content not subject to the audit of the financial statements.

**RECONCILIATION OF ADJUSTED GROUP EARNINGS  
AFTER TAX FROM CONTINUING AND DISCONTINUED  
OPERATIONS** **B.25**

in million €	2019	2020
<b>Earnings after tax from continuing and discontinued operations</b>	<b>88.9</b>	<b>-1,714.8</b>
Income (-)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	6.1	-116.3
Elimination of prior-period changes in the fair value of operating anticipatory hedges	-22.0	-9.5
Realized gains (-)/ losses (+) from currency hedging for capital expenditure	-	0.3
Elimination of resulting deferred taxes and cash taxes	4.8	37.8
<b>Group earnings after tax from continuing and discontinued operations, adjusted</b>	<b>77.8</b>	<b>-1,802.5</b>

**VARIANCE COMPARED WITH PREVIOUS YEAR** **B.26**

in %	2020
<b>Change in revenues</b>	<b>-16.9</b>
- volume-/structure-related	-19.4
- price-/pricing-related	+4.3
- currency-related	-1.8
- consolidation-related	-

**KEY INDICATORS ON THE EARNINGS POSITION****MARGIN KEY INDICATORS OF CONTINUING OPERATIONS**

The key margin indicators developed as follows in the reporting year: Our EBITDA of €266.9 million resulted in an EBITDA margin (EBITDA/sales) of 11.0%, compared with 16.1% in the prior-year period. Return on revenue (Group earnings after tax, adjusted/revenues) was negative due to the non-cash, one-off impairment loss on assets and amounted to -79.0% (2019: 0.6%).

**MARGIN KEY INDICATORS OF CONTINUING AND DISCONTINUED OPERATIONS**

Including discontinued operations, the EBITDA margin amounted to 12.0% compared with 15.7% in the prior-year period, and the return on revenues amounted to -48.7% (2019: 1.9%). **B.28**

**DERIVATION OF COST OF CAPITAL**

The weighted average cost of capital of the K+S GROUP (including continuing operations) 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 considered from an after-tax perspective, the average interest on debt is reduced by the corporate tax rate.

The returns expected by equity providers 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 was assumed as the risk-free interest rate according to the Svensson method. As of December 31, 2020, this was -0.2% (2019: 0.34%). The risk premium was calculated on the basis of a market risk premium of 7.75% (2019: 7.00%) and the beta factor derived from the peer group of 1.15 compared with the MSCI WORLD benchmark index. This results in an arithmetical return claim of 8.7% (2019: 8.3%) for the equity investors.

The average interest rate on debt before taxes was 2.3% (2019: 2.2%) and results 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 29%, this results in an average cost of debt after taxes of 1.65% (2019: 1.5%).

As of December 31, 2020, the ratio of indebtedness determined according to the peer group method was 40.8% (2019: 51.8%).

In total, this resulted in a weighted average cost of capital for the K+S GROUP, as well as for the individual operating units, of 6.7%

**MULTIPLE PERIOD OVERVIEW OF MARGIN AND PROFITABILITY RATIOS<sup>1</sup>****B.28**

Ratios in %	2016	2017	2018	2019	2020
Gross margin <sup>2</sup>	36.3	33.4	15.6	17.1	-37.9
EBITDA margin	15.0	15.9	15.0	15.7	12.0
Return on revenues <sup>3</sup>	3.8	4.0	2.1	1.9	-48.7
Return on equity after tax <sup>3</sup>	2.9	3.3	2.1	1.8	-54.3
Return on total investments <sup>3</sup>	2.7	3.1	2.4	2.6	-20.1
Working capital	894.6	968.1	1,126.7	1,037.9	747.4
Operating assets (million €)	6,639.0	7,377.6	7,464.0	8,140.6	6,090.6
Return on capital employed (ROCE)	3.0	3.2	2.6	2.3	-22.8
Weighted average cost of capital before taxes	8.2	8.5	8.4	8.6	9.4
<b>Value added (million €)</b>	<b>-391.7</b>	<b>-438.1</b>	<b>-500.8</b>	<b>-575.5</b>	<b>-2,200.0</b>

<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group.

<sup>2</sup> The presentation in the income statement was changed in line with the internal management structure and to improve industry benchmarking from the 2018 financial year onwards. Gross profit from discontinued operations amounted to €325.6 million.

<sup>3</sup> The adjusted key indicators include the results from operating anticipatory hedges in the relevant reporting period, which eliminate the effects of changes in the fair value of the hedges. In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2020: 30.1% (2019: 30.0%).

(2019: 6.0%) after tax. Based on an average operationally tied-up capital of €7,941.1 million, this resulted in a cost of capital of €532.1 million for 2020 (2019: €560.8 million). The corresponding cost of capital before tax amounted to 9.4% (2019: 8.6%).

#### PROFITABILITY RATIOS OF CONTINUING AND DISCONTINUED OPERATIONS

In the year under review, return on equity after taxes was –54.3% (2019: 1.8%) and return on total investment was –20.1% (2019: 2.6%). The return on capital employed (ROCE) of the K+S GROUP declined to –22.8% in the year under review, compared with 2.3% in the prior-year period **B.31**. Against the background of the non-cash, one-off impairment loss in 2020 described on page 45, ROCE was far below our cost of capital of 9.4% before tax. Consequently, the K+S GROUP had to report a negative value added of €–2,200.0 million in the past financial year (2019: €–575.5 million).

The calculation of return on equity and return on total investments is presented in tables **B.29** and **B.30**.

#### CALCULATION OF RETURN ON EQUITY<sup>1</sup> **B.29**

in million €	2019	2020
Equity	4,495.1	2,222.6
Effects of fair value changes from operating anticipatory hedges	5.8	–82.6
Equity, adjusted as at Dec 31	4,500.9	2,140.0
Adjusted equity (LTM <sup>2</sup> )	4,330.9	3,320.5
Adjusted group earnings after tax	77.8	–1,802.5
<b>Return on equity</b>	<b>1.8%</b>	<b>–54.3%</b>

<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group.

<sup>2</sup> LTM = Average value of opening and closing value of the last twelve months.

#### CALCULATION OF RETURN ON TOTAL INVESTMENTS<sup>1</sup> **B.30**

in million €	2019	2020
Balance sheet total	10,592.2	8,387.4
Effects from fair value fluctuations	7.9	–114.8
Effects from deferred tax	–269.4	–359.2
Reimbursement claims and corresponding obligations	–23.2	–2.7
Total assets, adjusted as at Dec 31	10,307.5	7,910.7
Adjusted total assets (LTM <sup>2</sup> )	9,978.7	9,101.0
Adjusted earnings before interest and tax	255.3	–1,827.6
<b>Return on total investment</b>	<b>2.6%</b>	<b>–20.1%</b>

<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group.

<sup>2</sup> LTM = Average value of opening and closing value of the last twelve months.

#### CALCULATION OF ROCE<sup>1</sup>

**B.31**

in million €	2019	2020
<b>ROCE = earnings before operating hedges / capital employed (annual average)</b>	<b>2.3%</b>	<b>–22.8%</b>
– thereof continuing operations	0.9%	–33.5%
<b>Earnings before operating hedges</b>	<b>208.4</b>	<b>–1,823.7</b>
– thereof continuing operations	63.3	–1,936.4
Intangible assets	824.6	771.6
– thereof continuing operations	72.9	83.2
Property, plant and equipment	7,210.0	5,243.8
– thereof continuing operations	6,041.2	4,109.9
Investments in affiliated companies and other equity interests	106.0	47.3
– thereof continuing operations	15.6	41.7
Financial assets accounted at equity	–	27.9
– thereof continuing operations	–	27.9
<b>Operating assets</b>	<b>8,140.6</b>	<b>6,090.6</b>
– thereof continuing operations	6,210.8	4,262.7
Inventories	789.3	832.5
– thereof continuing operations	455.1	483.5
Trade receivables	724.7	475.8
– thereof continuing operations	488.8	272.7
Other assets	294.4	384.9
– thereof continuing operations	241.0	358.2
Trade payables	–241.3	–305.6
– thereof continuing operations	–145.2	–187.3
Other liabilities	–560.7	–554.1
– thereof continuing operations	–430.1	–439.6
Current provisions	–329.0	–337.9
– thereof continuing operations	–224.1	–248.5
Working capital, adjusted <sup>2</sup>	360.5	251.8
– thereof continuing operations	284.5	163.7
<b>Working capital</b>	<b>1,037.9</b>	<b>747.4</b>
– thereof continuing operations	670.0	402.8
<b>Capital employed (LTM<sup>3</sup>)</b>	<b>8,944.8</b>	<b>8,008.2</b>
– thereof continuing operations	6,742.5	5,773.2

<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group.

<sup>2</sup> Adjusted for CTA plan asset surpluses, receivables and liabilities from cash deposits, fair values of operating anticipatory hedges, reimbursement claims and corresponding obligations, as well as liabilities from finance leases.

<sup>3</sup> LTM = Average value of opening and closing value of the last twelve months.

## FINANCIAL POSITION

The description of the financial position relates to the **continuing operations** of the K+S GROUP, unless stated otherwise. The former Americas operating unit is reported as “discontinued operations” in accordance with IFRS 5 pursuant to the sales agreement of October 5, 2020. The income statement and cash flow statement for the previous year have been adjusted accordingly, while the balance sheet has not been restated.

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

#### FINANCIAL MANAGEMENT IS CONTROLLED CENTRALLY

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

- + Securing liquidity and controlling it efficiently across the Group,
- + maintaining and optimizing the financial capability, and
- + reducing financial risks, also by using financial instruments.

Central cash management enables us to control liquidity and optimize cash flows within the K+S GROUP. We aim to achieve a capital structure in the medium term that is aligned to the criteria and ratios for a stable cross over rating, in order to maintain our financing capability and to achieve a favorable cost of capital for debt and equity. Primarily due to high financial liabilities as a result of the construction of our new Bethune potash plant in Canada as well as comparatively low EBITDA levels attributable to weak prices for potassium chloride in recent years, we currently

have a non-investment grade rating (outlook “negative”). Our capital structure is controlled on the basis of the key performance indicators listed in table **B.32**.

☞ K+S on the capital market, page 20

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

#### FOREIGN CURRENCY HEDGING SYSTEM

Exchange rate fluctuations can lead to the value of the goods or services supplied not matching the value of the consideration received because income and expenditure arise at different times in different currencies (transaction risks). These fluctuations, particularly in the exchange rate of the euro against the U.S. dollar, impact the amount of our revenues and the equivalent value of our receivables. Key net positions (net revenues in U.S. dollars less freight and other costs denominated in U.S. dollars) are therefore hedged using derivatives, normally options, and futures.

We use options and forward transactions to hedge a worst-case scenario, while at the same time having the opportunity to participate in a favorable exchange rate development. In 2020, the realized exchange rate of the euro against the U.S. dollar averaged 1.15 EUR/USD including hedging costs (2019: 1.16 EUR/USD). **B.33**

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

#### KEY INDICATORS OF THE CAPITAL STRUCTURE<sup>1</sup>

**B.32**

	2016	2017	2018	2019	2020
Net financial liabilities/EBITDA	4.6	5.2	5.3	4.9	7.2
Net financial liabilities (including all lease liabilities)/EBITDA	4.6	5.2	5.3	5.4	7.8
Net debt/equity (%)	78.7	99.5	107.2	101.3	209.5
Equity ratio (%)	47.2	42.7	41.6	42.4	26.5

<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group.

#### CURRENCY HEDGING<sup>1</sup>

**B.33**

	2019	Q1/2020	Q2/2020	Q3/2020	Q4/2020	2020
EUR/USD exchange rate after premiums	1.16	1.14	1.14	1.17	1.18	1.15
Average EUR/USD spot rate	1.12	1.10	1.10	1.17	1.19	1.14

<sup>1</sup> The quarterly figures constitute unaudited, voluntary content not subject to the audit of the financial statements.

**CAPITAL EXPENDITURE BY QUARTER<sup>1,2,3</sup>****B.34**

in million €	2019	Q1/2020	Q2/2020	Q3/2020	Q4/2020	2020	%
<b>K+S Group</b>	411.6	72.4	101.6	113.7	139.9	427.6	+3.9
Share of capital expenditure (%)	–	16.9	23.8	26.6	32.7	100.0	–

<sup>1</sup> 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 (reconciliation see **B.35**).

<sup>2</sup> The quarterly figures constitute unaudited, voluntary content not subject to the audit of the financial statements.

<sup>3</sup> The figures relate to continuing operations of the K+S Group.

rates with an effect on earnings and, on the other hand, their net assets are translated into euros at closing rates. The latter can result in currency-related fluctuations in the equity of the K+S GROUP. These translation risks arising from the translation of the U.S. dollar are not hedged.

**CAPITAL EXPENDITURE ANALYSIS OF CONTINUING OPERATIONS**

We calculate capital expenditure as follows: **B.35**

In 2020, K+S invested a total of €427.6 million (2019: €411.6 million). A large part of this capital expenditure is attributable to maintenance. The year-on-year increase, as planned, is mainly due to expenditures for tailings pile expansions and environmental

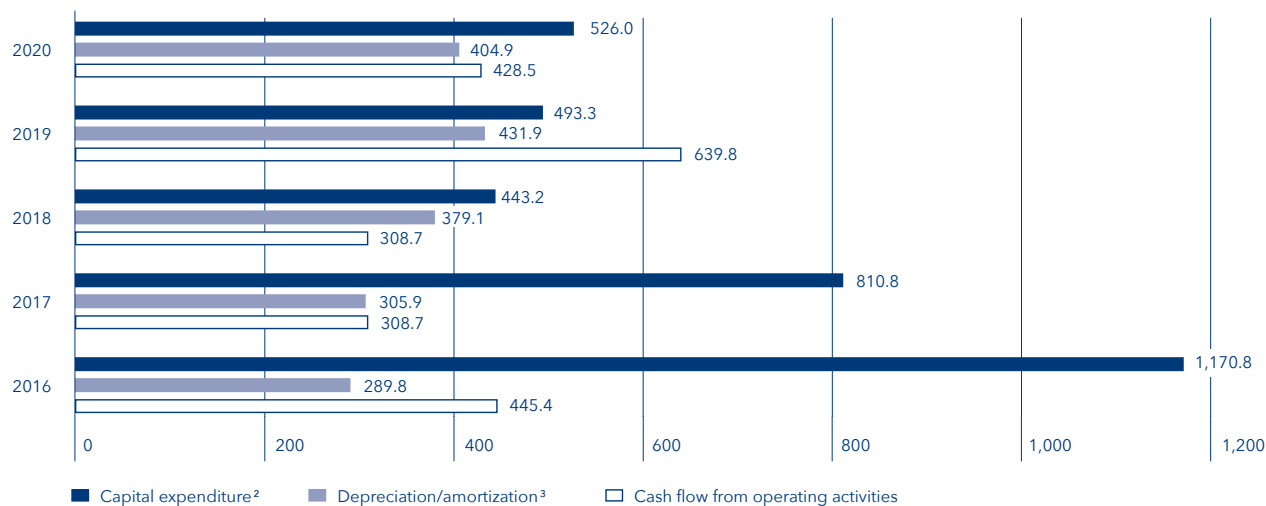
**RECONCILIATION CAPITAL EXPENDITURES<sup>1</sup>****B.35**

in million €	2019	2020
<b>Additions of other intangible assets and property, plant and equipment</b>	<b>598.9</b>	<b>559.7</b>
– Emission rights	–	27.0
– Leases	50.8	19.7
– Interest cost	10.9	11.2
– Capitalization of depreciation	6.1	6.1
– Recultivation	118.9	68.1
– Other	0.6	–
<b>Capital expenditures</b>	<b>411.6</b>	<b>427.6</b>

<sup>1</sup> The figures relate to the continuing operations of the K+S Group.

**CAPITAL EXPENDITURE COMPARED TO DEPRECIATION, AMORTIZATION, AND CASH FLOWS FROM OPERATING ACTIVITIES<sup>1</sup>****B.36**

in %



<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group.

<sup>2</sup> Relates to cash payments for investments in property, plant and equipment, and intangible assets, taking claims for reimbursement from claim management into account (for reconciliation, see **B.35** + capital expenditure of discontinued operations amounting to €98.4 million).

<sup>3</sup> Relates to scheduled amortization of intangible assets and depreciation of property, plant, and equipment, adjusted for depreciation and amortization of own work capitalized recognized directly in equity.

investments in wastewater management at the Werra plant as well as the solution mining operations performed on a new cavern in the Netherlands. Furthermore, K+S invested significant amounts in order to meet regulatory requirements. The compliance with occupational exposure limits in underground mining operations, for example, requires the acquisition of mobile machines with state-of-the-art exhaust gas purification and, in part, with electric drives, which replace older vehicles with higher emissions. Capital expenditures are also being made in low-emission emulsion explosives and improvements to the underground ventilation system. **B.34, B.36**

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- 🔗 Combined non-financial statement, Health, page 71

At the end of the year, there were capital expenditure obligations amounting to €119.9 million for ongoing investment projects.

#### CAPITAL EXPENDITURE ANALYSIS OF DISCONTINUED OPERATIONS

In 2020, capital expenditures in the former Americas operating unit increased year on year to €98.4 million (2019: €81.7 million); this was also due to higher replacement capital expenditures to secure production capacity. The development of the next mining horizon at the Ojibway site and the replacement of a head frame in Weeks Island, Louisiana, USA, were among the most significant multi-year projects in the reporting year.

#### LIQUIDITY ANALYSIS OF CONTINUING OPERATIONS

Cash flow from continuing operations amounted to €271.4 million in the reporting year and was therefore significantly lower than in the previous year (2019: €456.3 million). The lower operating earnings, which could not be offset by lower income tax payments and active working capital management, was one of the contributing factors.

Cash flow from capital expenditures from continuing operations (adjusted for acquisitions/disposals of securities and other financial investments) amounted to €–381.3 million in 2020 (2019: €–423.6 million). Planned higher expenditures for property, plant, and equipment were more than offset by cash inflows from the sale of K+S REAL ESTATE GMBH & CO. KG.

Adjusted free cash flow from continuing operations (excluding acquisitions/disposals of securities and other financial investments) was down significantly year on year at €–109.9 million (2019: €32.7 million).

Cash flow from financing activities of continuing operations increased to €79.9 million in the reporting year (2019: €43.6 million). This was mainly attributable to a lower dividend payment. **B.37**

As of December 31, 2020, net cash and cash equivalents amounted to €197.4 million (December 31, 2019: €316.3 million).

#### OVERVIEW OF CASH FLOWS<sup>1</sup>

**B.37**

in million €	2019	2020	%
<b>Cash flows from operating activities</b>	<b>639.8</b>	<b>428.5</b>	–33.0
– thereof from continuing operations	456.3	271.4	–40.5
– thereof from discontinued operations	183.5	157.1	–14.4
<b>Cash flow from investing activities</b>	<b>–500.0</b>	<b>–465.7</b>	+6.9
– thereof from continuing operations	–423.5	–376.3	+11.1
– thereof from discontinued operations	–76.5	–89.4	–16.8
<b>Free cash flow</b>	<b>139.8</b>	<b>–37.2</b>	–
– thereof from continuing operations	32.8	–104.9	–
– thereof from discontinued operations	107.0	67.7	–36.7
Adjustment for acquisitions/disposals of securities and other financial investments (relates only to continuing operations)	–0.1	–5.0	–
<b>Adjusted free cash flow</b>	<b>139.7</b>	<b>–42.2</b>	–
– thereof from continuing operations	32.7	–109.9	–
– thereof from discontinued operations	107.0	67.7	–36.7

<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group.

**NET DEBT<sup>1</sup>****B.38**

in million €	Dec 31, 2019	Dec 31, 2020
Cash and cash equivalents	321.8	205.2
Non-current securities and other financial investments	7.0	6.0
Current securities and other financial investments	11.4	7.0
Financial liabilities	-3,398.9	-3,369.2
Lease liabilities from finance lease contracts <sup>2</sup>	-78.2	-66.3
Reimbursement claim Morton Salt bond	20.3	0.0
<b>Net financial liabilities</b>	<b>-3,116.6</b>	<b>-3,217.4</b>
Leasing obligations excluding liabilities from finance lease contracts	-306.3	-267.6
<b>Net financial liabilities (including all lease liabilities)<sup>2</sup></b>	<b>-3,422.9</b>	<b>-3,485.0</b>
Provisions for pensions and similar obligations	-232.2	-224.9
Long-term provisions for mining obligations	-910.6	-946.9
<b>Net debt</b>	<b>-4,565.7</b>	<b>-4,656.8</b>

<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group.

<sup>2</sup> Lease liabilities from discontinued operations totaled €92.7 million.

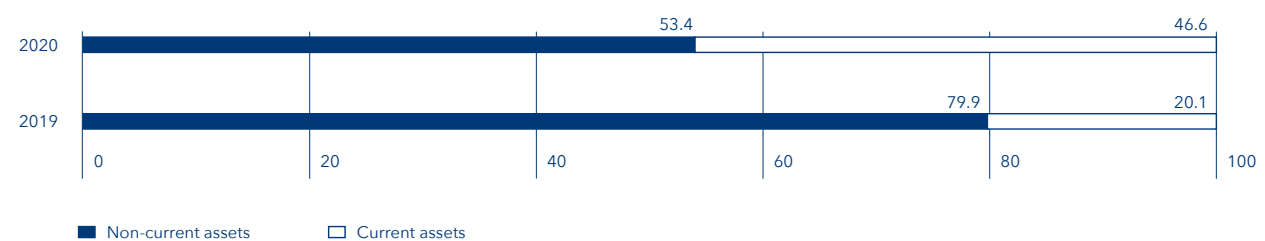
**LIQUIDITY ANALYSIS OF DISCONTINUED OPERATIONS**

Cash flow from discontinued operations amounted to €157.1 million in the reporting year (2019: €183.5 million). This was attributable to the lower earnings from operations, which could not be offset by lower income tax payments and active working capital management.

Cash flows from financing activities of discontinued operations (adjusted for acquisitions/disposals of securities and other financial investments) amounted to €-89.4 million in 2020 (2019: €-76.5 million).

**ASSETS<sup>1</sup>****B.39**

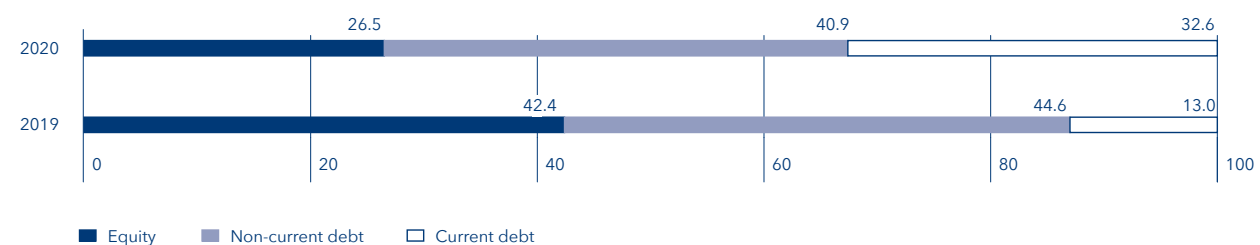
in %



<sup>1</sup> The assets of the former Americas operating unit are reported as "Assets held for sale" under current assets. The prior-year figures have not been adjusted.

**EQUITY AND LIABILITIES<sup>1</sup>****B.40**

in %



<sup>1</sup> The liabilities of the former Americas operating unit are reported as "Liabilities associated with assets held for sale" under current liabilities. The prior-year figures have not been adjusted.



Adjusted free cash flow from discontinued operations (excluding acquisitions/disposals of securities and other financial investments) reached €67.7 million (2019: €107.0 million).

Cash flow from financing activities from discontinued operations decreased to €–157.0 million in the reporting year (2019: €–32.6 million) due to the repayment of a intercompany loan.

### FINANCING ANALYSIS OF CONTINUING AND DISCONTINUING OPERATIONS

As of December 31, 2020, 72% of financing was provided by equity and non-current liabilities, which in turn consisted primarily of bond liabilities (December 31, 2019: 87%). Provisions also account for a large proportion of debt.

### IMPAIRMENT LOSS ON ASSETS SIGNIFICANTLY REDUCES SHAREHOLDERS' EQUITY

As of the balance sheet date, equity decreased to €2,222.6 million compared to €4,495.1 million in the previous year. Against the background of the non-cash, one-off impairment loss on assets, the equity ratio also decreased to 26.5% (December 31, 2019: 42.4%).

### DEBT RATIO DOWN SLIGHTLY

Non-current debt including non-current provisions decreased to €3,834.7 million as of December 31, 2020 (December 31, 2019: €4,721.1 million). As a result, the ratio of non-current debt to total assets was 45.7% (December 31, 2019: 44.6%). This was due to a change in the reporting of "Liabilities associated with assets held for sale" associated with the sale of the former Americas operating unit in the reporting year, which are now completely allocated to current debt. **B.40**

Against this background, current debt amounted to €2,330.1 million as of the balance sheet date (December 31, 2019: €1,376.0 million). This increased the share of total assets to 27.8% as of December 31, 2020 (December 31, 2019: 13.0%).

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### FINANCIAL LIABILITIES

As of December 31, 2020, financial liabilities amounted to €3,369.2 million (December 31, 2019: €3,398.9 million). Most recently, a corporate bond with a total volume of €600 million was issued in July 2018. Further large parts of our non-current debt capital are accounted for by the corporate bonds issued in June 2012, December 2013 and March 2017, as well as the promissory note loans issued in summer 2016.

### MULTIPLE PERIOD OVERVIEW OF THE FINANCIAL POSITION<sup>1</sup>

**B.41**

in million €	2016	2017	2018	2019	2020
Equity	4,552.2	4,160.7	4,144.1	4,495.1	2,222.6
Equity ratio (%)	47.2	42.7	41.6	42.4	26.5
Non-current liabilities	3,930.4	4,240.2	4,528.4	4,721.1	3,834.7
– thereof provisions for pensions and similar obligations	186.7	166.4	187.0	232.2	224.9
– thereof provisions for mining obligations	996.0	1,000.0	1,015.1	910.6	946.9
Non-current provisions as share of total equity and liabilities (%)	12.3	12.0	12.1	12.4	16.1
Current liabilities	1,162.9	1,353.5	1,293.7	1,376.0	2,330.1
– thereof trade payables	343.8	288.4	239.7	241.3	305.6
Financial liabilities	2,534.5	3,021.7	3,283.3	3,398.9	3,369.2
Net financial liabilities	2,401.1	2,974.1	3,241.5	3,116.6	3,217.4
Net debt	3,583.8	4,140.5	4,443.6	4,565.7	4,656.8
Debt-equity ratio (%) <sup>2</sup>	55.7	72.6	79.2	75.6	151.6
Debt-equity ratio II (%) <sup>3</sup>	78.7	99.5	107.2	101.6	209.5
Working capital	894.6	968.1	1,126.7	1,037.9	747.4
Net cash flows from operating activities	445.4	306.8	308.7	639.8	428.5
Adjusted free cash flow	–756.0	–356.7	–204.0	139.7	–42.2
Net cash flows from/(used in) financing activities	769.1	411.5	187.3	11.0	–79.9

<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group.

<sup>2</sup> Financial liabilities/equity.

<sup>3</sup> Net debt/equity.

## PROVISIONS

The non-current provisions of the continuing operations of the K+S GROUP are mainly provisions for mining obligations as well as for pensions and similar obligations.

Provisions for long-term mining obligations increased to €926.0 million as of the balance sheet date (December 31, 2019: €910.6 million including discontinued operations), particularly attributable to interest rate adjustment effects. The deconsolidation of discontinued operations had the opposite effect.

Non-current provisions for pensions and similar obligations decreased to €110.3 million (2019: €232.2 million including discontinued operations) due to the reclassification of the pension obligations of the former Americas operating unit to "Liabilities associated with assets held for sale." The weighted average discount rate for pensions and similar obligations amounted to 0.6% as of December 31, 2020 (December 31, 2019: 2.2% including discontinued operations). The actuarial valuation of pension provisions is based on the projected unit credit method in accordance with IAS 19.

👁 Notes, page 190

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

In accordance with IFRS 16, all leases are recognized in the balance sheet. Exceptions apply only to short-term, low-value, and variable leases. These have no material impact on the economic position of the K+S GROUP.

## NET ASSETS

The description of net assets relates to the **continuing operations** of the K+S GROUP. The individual items of the previous year's bal-

ance sheet have not been adjusted and include the assets and liabilities held for sale of the former Americas operating unit.

## ANALYSIS OF ASSET STRUCTURE

The total assets of the K+S GROUP amounted to €8,387.4 million as of December 31, 2020 (December 31, 2019: €10,592.2 million). Property, plant, and equipment decreased to €4,109.9 million (December 31, 2019: €7,210.0 million) due to the non-cash, one-off impairment loss on assets described on page 45 and the reclassification of property, plant, and equipment of discontinued operations to "assets held for sale." Trade receivables decreased to €272.7 million (December 31, 2019: €724.7 million) due to our active working capital management (e.g. through factoring) and against the background of the sale of the former Americas operating unit. Cash and cash equivalents, current and non-current securities, and other financial investments amounted to €155.3 million as of the reporting date (December 31, 2019: €340.2 million). The ratio of non-current to current assets was 53:47 (2019: 80:20) due to the assets held for sale of the former Americas operating unit, which are now fully recognized in current assets. **B.39**

As of December 31, 2020, the net debt of the K+S GROUP amounted to €4,656.8 million (December 31, 2019: €4,565.7 million). Net financial liabilities, excluding non-current provisions, amounted to €3,217.4 million as of the reporting date (December 31, 2019: €3,116.6 million). The indebtedness ratio (net financial debt/EBITDA from continuing and discontinued operations) was 7.2 times (December 31, 2019: 4.9 times). This ratio will improve significantly against the background of the cash inflow following the sale of the former Americas operating unit, which is expected in summer 2021 at the latest.

👁 Corporate strategy, page 37

## MULTIPLE PERIOD OVERVIEW OF ASSETS<sup>1</sup>

**B.42**

in million €	2016	2017	2018	2019	2020
Property, plant and equipment and intangible assets	7,540.4	7,655.4	7,670.2	8,208.5	6,155.5
Financial assets, non-current securities, and other financial investments	34.4	28.0	96.1	113.2	47.9
Inventories	710.4	690.9	691.5	789.3	832.5
Trade receivables	656.5	714.9	836.7	724.7	475.8
Cash and cash equivalents, current securities, and other financial investments	154.5	194.0	178.8	333.2	212.2

<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group.

## RESTRICTED ASSETS

In 2005, we began funding the pension obligations of the domestic companies through a contractual trust arrangement (CTA model). Such allocation of funds requires that financial resources are earmarked. The same applies to plan assets that serve to fund pension obligations in Canada. Moreover, reinsurance arrangements are in place that are also to be classified as plan assets in accordance with IFRS. These types of obligations are presented on the balance sheet on a net basis in accordance with IFRS. In 2020, restricted assets in connection with pension obligations amounted to €244.2 million compared to €448.1 million in the previous year. In addition, as at the balance sheet date, plan assets for obligations from working lifetime accounts amounted to €46.2 million (2019: €44.3 million), which was also netted on the balance sheet.

🔗 Notes, note (22), page 187

## ASSETS NOT RECOGNIZED ON THE BALANCE SHEET

As of December 31, 2020, other financial obligations amounted to €119.9 million (December 31, 2019: €210.3 million) and relate to obligations arising from uncompleted capital expenditure projects.

## ASSESSMENT OF THE CURRENT ECONOMIC SITUATION BY THE BOARD OF EXECUTIVE DIRECTORS<sup>1</sup>

At €266.9 million, EBITDA from continuing operations in the reporting year was significantly below the previous year's level (2019: €410.4 million). This was mainly attributable to price declines for potassium chloride as a consequence of the import ban in China continuing until April 2020, as well as a weak de-icing salt business due to a historically mild winter. Other factors were one-off effects from restructuring measures, project costs for the extensive package of measures to reduce debt, and efficiency losses in connection with the COVID-19 pandemic. Higher sales volumes in the Agriculture customer segment and non-cash, one-off contribution gain from the deconsolidation of K+S BAUSTOFFRECYCLING GMBH had a positive impact. The conclusion of the contract with Chinese customers at the end of April 2020 led to the expected bottoming out and subsequent recovery in prices for potassium chloride, but not to the expected extent. The partly significant increase in prices for agricultural raw materials and the improved yield prospects in agriculture resulting from lower prices for various input materials prompt us to assume very good demand in 2021. Particularly in the first quarter, when both the spring season in the northern hemisphere and the start of the fertilizer season in Brazil and Southeast Asia converge, we anticipate a further price recovery

for potassium chloride. Normalization in the de-icing salt business, our measures to significantly streamline administration, and a positive one-off gain of around €200 million on the closing of the REKS joint venture should also lead to an improvement in EBITDA from continuing operations between €440 million and €540 million in 2021 (2020: €266.9 million). Adjusted free cash flow from continuing operations was negative at €-109.9 million in 2020 due to ongoing high environmental expenditures. These expenditures will continue in 2021, and therefore excluding the cash inflows from the sale of the Americas operating unit and the REKS joint venture, free cash flow is still expected to be significantly negative in 2021. The leveraging in synergies in the low triple-digit million range per year from our Group-wide Shaping 2030 strategy was successfully completed at the end of 2020. We also intend to continue to make progress in realizing synergies and reducing costs in production, logistics, purchasing, sales, and marketing. We want to generate a positive free cash flow at all production sites even in the event of a low price level for potassium-containing standard fertilizers as well as weak demand for de-icing salt due to weather conditions. For this purpose, the cost and capital expenditure structure of all production sites will be consistently further optimized. With the sale of our American salt business, we have reached an important milestone in the reduction of debt. We are therefore creating a solid financial basis for the sustainable development of the Company.

At the beginning of November last year, K+S announced to the public that the Board of Executive Directors had adjusted its long-term assumptions for the potash business. Essentially, this related to the long-term development of potash prices. Furthermore, an adjustment of the weighted average cost of capital (WACC) became mandatory. The resulting impairment loss on assets, described on page 45, had a corresponding negative impact on adjusted group earnings after tax and ROCE, but did not lead to a liquidity outflow.

K+S has a wide product range and is the only potash producer with production sites on two continents. This is a good basis for supplying essential products to numerous industries in the future as well and contributing decisively to securing the world's food supply. Moreover, K+S has also demonstrated during the COVID-19 pandemic that its business model can cope with external, negative impacts well. The megatrends that will carry this business model into the future, such as the constantly growing world population, remain intact.

<sup>1</sup> As of: March 9, 2021

## RESEARCH AND DEVELOPMENT

This chapter relates to the continuing operations of the K+S GROUP unless otherwise indicated. We continuously develop our raw material extraction and refining processes with internal experts and the support of external cooperation partners and research institutes. Our aim here is to make processes more efficient and improve the quality of existing products. At the same time, we are striving for even more sustainable processing methods. One major focus of R&D activities is the development of new products in response to the changing needs of the market and customers.

### RESEARCH KEY INDICATORS

Research and development costs totaled €11.1 million in the reporting period and were therefore slightly below the previous year's level (2019: €13.8 million). At 0.5%, the research intensity was at the level of the previous year. At €0.8 million (2019: €0.4 million), capitalized development-related capital expenditures in the year under review were significantly above the level of the previous year and mainly related to a development project for sorting underground. **B.43**

☞ Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

RESEARCH AND DEVELOPMENT ACTIVITIES	B.43	
in € million	2019	2020
<b>Research and development costs</b>	<b>13.8</b>	<b>11.1</b>
Research intensity (Research and development costs/ revenues)	0.5%	0.5%
Capitalized development-related capital expenditure	0.4	0.8

### RESEARCH INSTITUTIONS AND COOPERATION AGREEMENTS

Most of our research and development is performed in our own research center in exchange with the production plants. We also work in public-private partnerships, cooperate with industrial partners, and initiate research projects with universities or other research institutes.

### K+S ANALYSIS AND RESEARCH CENTER

A total of 101 employees work for K+S in the Analysis and Research Center (ARC) in Unterbreizbach in the Thuringian/Hessian potash district. In laboratories and test facilities, they carry out research to develop new knowledge, so that it can be used in practice or be brought to market maturity. This work produces new products, processes, and specially adapted analysis methods. In 2020, around 27,300 samples were processed and almost 350,000 analytical parameters determined in the ARC's central laboratory, which has DIN EN ISO/IEC 17025 accreditation.

### INNOLABS

Our Innolabs AGTECH & NUTRITION and INDUSTRIAL SCIENCE INNOVATION complement research and development in the search for new markets and business models. We are promoting further innovation projects at [Sigmondshall Innopark](#) and [ROOTCAMP](#) in Hanover.

### PUBLIC/PRIVATE PARTNERSHIPS

The [Institute of Applied Plant Nutrition \(IAPN\)](#) is run as a public-private partnership between K+S and the Georg-August-University of Göttingen. This institute engages in scientific research on plant nutrition and combines this with plant and yield physiology to capture the effects of nutritional status in detail and enhance expertise in the field of fertilization. Last year, the institute's research focused on crop nutrition with potassium and magnesium, and included abiotic stress factors, such as salt and drought stress, in the scientific studies. Specific interests included research on topics related to photosynthesis, plant-water relationships, and water use efficiency.

The INTERNATIONAL MAGNESIUM INSTITUTE (IMI), located in Fuzhou in China, is a cooperation between K+S and FUJIAN AGRICULTURE AND FORESTRY UNIVERSITY. The cooperation aims to establish a more profound knowledge of potassium and magnesium as plant nutrients.

## SELECTED RESEARCH AND DEVELOPMENT PROJECTS

- + In 2020, a central topic of research activities with a high commitment of resources were the R&D projects for quality optimization and productivity improvement at our Canadian potash plant Bethune.
- + The "Optimization and Control of Resources" research project is pursuing the goal of obtaining further important findings on the CO<sub>2</sub> gas event through the temporal classification of the magmatites occurring in our deposits at the Werra plant and through their geochemical differentiation. In addition, further data are gathered by laser scanning methods, radar measurements, and online measurements. This information will be used to improve the forecasting of future mining activities in the Werra-Fulda potash district. The aim here is to achieve an increase in the resources contained in the extraction. A pilot district has been established and the optimization approach is currently being validated.
- + The development of a process analysis method for the underground storage of solutions.
- + Numerous R&D projects for optimization in flotation and electrostatic separation (ESTA®) to increase process efficiency were carried out at the ARC and subsequently successfully established at various sites.
- + Responding to market requirements, the manganese content of EPSO PROFITOP was increased from 3% to 5% while maintaining the EU eco certification, and investigations were made to improve the quality of the product. Results from field studies will support the market launch in 2021.
- + Storage tests were carried out with solucMS as a desiccant/additive to support the anti-caking effect with NOP (potassium nitrate) and on the suitability of solucMS in direct application. The results are used to support marketing activities (preparation of application recommendations).

- + In cooperation with GHH Fahrzeuge, we are developing a new generation of electric loaders, which is part of the occupational exposure limits (OELs) project to reduce pollutant emissions at underground workplaces. The aim is to increase the share of emission-free electric loaders in underground crude salt extraction.
- + For the purpose of expanding the product portfolio, trace nutrient-enriched foliar fertilizers are being developed, which are geared in particular to the nutrient requirements of crops grown in the subtropics and other arid regions, as well as to the requirements of the markets there.
- + For the soil fertilizer segment, new products are being developed in combination with micronutrients. A particular focus here is on the continuous availability of nutrients throughout the plant's entire growth phase.
- + An improvement in the physical properties of the granulated products in the fertilizer portfolio is being pursued through the continuous development of additives.

## PATENT PORTFOLIO

The K+S GROUP holds 64 patent families worldwide (2019: 58), which are protected by 261 national rights. These patents are applied in the granulate production and flotation processes, among others.

The number of national or regional trademark rights in the K+S GROUP amounts to 1,974 at the end of 2020, resulting from 324 basic trademarks (2019: 2,266 trademark rights and 350 basic brands).

- 🔗 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

## EMPLOYEES

This chapter relates to the continuing operations of the K+S GROUP unless otherwise indicated. With the Group-wide implementation of an integrated HR management system, we are modernizing, standardizing, and digitalizing important business processes. The restructuring project of the administration functions and the COVID-19 pandemic particularly confronted our workforce with challenges in the year under review.

### A SPECIAL YEAR

Due to the COVID-19 pandemic, 2020 was a special year for all Group companies, on all sites and for all employees. Both at the production sites and the administration offices, the special challenges in the organization of work had to be addressed and successfully mastered. Collaborating virtually or in compliance with specific social distancing rules became suddenly common practice to an extent that no one could have anticipated.

Over a period of months, the teams involved in the HR-related issues were closely involved in the preparations for the intended sale of the Americas operating unit.

The restructuring project of the administrative functions resulted in a comprehensive streamlining and downsizing of the organization at the administrative site in Kassel and a reduction in the workforce of around 300 employees, which was realized almost entirely with a volunteer program set up for this purpose.

In 2020, we implemented the first elements of a modern, integrated HR management system throughout the Group, with which we intend to significantly improve key processes. The introduction of further elements will continue in 2021 and, according to plan, contribute to a further increase in efficiency.

### OUR WORKFORCE

As of December 31, 2020, the K+S GROUP employed a total of 11,273 employees or 11,135 FTE (2019: 11,289 employees or 11,153 FTE). **B.44**

Our workforce consists of 83.6% (2019: 83.6%) employees covered

#### EMPLOYEES OF THE K+S GROUP

**B.44**

in FTE <sup>1</sup> as at Dec. 31	2019	2020
K+S Group	11,153	11,135

<sup>1</sup> FTE: Full-time equivalents; part-time jobs are weighted according to their respective share of working time.

by collective wage agreements, 10.9% (2019: 10.8%) employees not covered by collective wage agreements, and 5.5% (2019: 5.5%) trainees. On average, our employees are 42 years old and have been working for us for 15 years. The turnover rate, i.e., the ratio of persons who leave the Company to the average workforce size, is 6.0% (2019: 7.9%).

K+S respects the freedom of association and the right to collective bargaining. About 73% of the employees covered by collective wage agreements of the Group companies in Germany are members of trade unions. In our view, the relationship with the works councils as well as with the Bergbau, Chemie, Energie union (IG BCE) is characterized by a long-standing partnership based on trust. In Germany, agreement was reached with the works

council on a procedural agreement, a reconciliation of interests, a voluntary program, and a social plan to implement the measures under the restructuring project for administrative functions. In France, a harmonization of local social benefits was agreed with the trade unions in connection with restructuring measures under corporate law.

☞ Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

### REMUNERATION SYSTEM

In the K+S GROUP, we pursue the goal of remunerating our employees in such manner as to be fair to the market, comparable, and performance-related. The Federal Anti-Discrimination Agency has confirmed that our German collective wage agreement provides for equal pay.

The performance assessment component included in the collective wage agreement has been applied across all German sites for the first time since May 2017, concluding the introduction of the collective wage agreement. As part of the regulations governing our non-tariff remuneration system, non-tariff functions are assessed based on uniform Group-wide criteria. Regular market comparisons ensure fairness and market conformity.

### REMUNERATION

Total personnel expenses amounted to €895.2 million in the year under review and were therefore 4% higher than in the previous year (2019: €859.7 million). Thereof, €36.3 million related to a one-time addition to provisions as part of the project to restructure the administrative functions. Personnel expenses per employee (FTE) amounted to €77,064 in the year under review (2019: €77,741) and are therefore lower than in the previous year; for the calculation, the one-off restructuring expenses, stated above, were excluded. 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 €21.7 million or around 2% in 2020 (2019: €27.6 million or around 3%).

☞ Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

### 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 are of the opinion that well-trained and committed professionals are indispensable. As of December 31, 2020, a total of 596 women and men were in qualified vocational training or in cooperative study programs at the German companies of the K+S GROUP (2019: 595). With 167 new trainee hires in 2020, we are slightly below the previous year's level (2019: 173). At the end of the year, the trainee ratio based on employees in Germany was 5.9%, approximately the same as the previous year (2019: 5.8%). We offered jobs to around 84% of our trainees (2019: around 80%).

☞ Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

### 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.

Within the scope of our talent management process, annual talent rounds take place in the management teams on local, regional, and, since 2018, also on global levels. The main aim of the talent management process is to identify employees with high potential and to promote them specifically in their continued development. We have set ourselves the goal of developing 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 offers the possibility for the discussion partners to share their wishes and expectations with regard to the professional and personal development of the employees on an equal footing and to agree on specific measures. Employees and supervisors exchange information on the respective status within the course of the year.

☞ Combined non-financial statement, page 69



### CONTINUING EDUCATION AND FURTHER TRAINING

K+S offers skilled employees and managers numerous training opportunities to impart general and company-specific knowledge. Depending on company requirements, we award grants to our employees for full-time bachelor's or master's degrees. In Canada, we support employees who continue their education in line with their career profile at a university recognized by the Company by reimbursing all or part of their tuition fees. At €5.9 million, investments in training and development in 2020 were significantly below the level of the previous year (2019: €10.6 million). This was due in particular to lower seminar attendance in the wake of the COVID-19 pandemic.

- 🔗 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

### KNOWLEDGE MANAGEMENT/CONTINUOUS IMPROVEMENT PROCESS

In the knowledge management/continuous improvement process (CIP) we provide employees with the opportunity to take an active role in operating processes and structures and to be involved in their shaping. At present, knowledge management/CIP is effective in large sections of Germany and North America. In 2020, a total of 11,396 ideas were submitted (2019: 12,619). The benefit over a period of 2.5<sup>1</sup> years, in other words the economic effect generated minus the costs for idea management, remains at a very high level of €12.6 million (2019: €14.2 million).

### COMPANY PENSION SCHEMES

K+S helps its employees secure their standard of living in old age. K+S supports all employees in the participating German companies who take advantage of one of the three models for Company pensions. K+S subsidizes the pension benefits with an additional 13% of the sum of money that employees pay into the company pensions scheme from their wages that are subject to social insurance contributions. The majority of our pension schemes for the employees of our companies abroad are defined contribution plans, which are predominantly financed by the employees themselves and subsidized by the employer. In 2020, we spent a total of €4.9 million (2019: €4.5 million) on the defined contribution pension plans.

- 🔗 Notes: Note (22) Provisions for pensions and similar obligations, page 187

<sup>1</sup> We measure the economic efficiency effect on the basis of an average value from a 3-year consideration, in which we determine for quantifiable ideas, which savings were achieved by these ideas. Since these savings are usually generated annually, this value was multiplied by a factor of 2.5 years minus all allocated costs from idea management. The factor 2.5 was determined by K+S.

## COMBINED NON-FINANCIAL STATEMENT<sup>1</sup>

This combined non-financial statement (NFS) has been prepared in accordance with the provisions of Sections 289c–289e HGB and Section 315c HGB and according to the Standards of the Global Reporting Initiative (GRI), “core” option, as an international framework. Unless specified otherwise, all statements and key indicators in this statement relate to the K+S GROUP including K+S AKTIENGESELLSCHAFT. Following the sale of the Americas operating unit, an overview is also provided in which the key performance indicators are separately disclosed at operating unit level. The following overview serves to ensure that the information required by law can be found. It assigns them to the strategic action areas of the K+S GROUP including the relevant Sustainable Development Goals (SDGs).

🔗 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

### INDEX FOR THE NON-FINANCIAL STATEMENT

**B.45**

NFS component	Included in section	SDG-relevant informationen	Reference
Business model	Business Model	–	p. 28
	Corporate Strategy		p. 37–39
	Sustainability Management		p. 94–95
Risks	Report on Risks and Opportunities	–	p. 106
Aspect	Action area		Reference
Environmental Matters	Water	SDG 12.2, 15.1	p. 76–78
	Waste (solid residue)	SDG 12.5	p. 78–80
	Energy & Climate	SDG 12.2, 13.1	p. 80–81
Employee Matters	Health & Safety	SDG 8.8	p. 70–72
	Diversity & Inclusion	SDG 5.1, 5.5, 8.5	p. 72–74
Social Matters	Stakeholder Dialogue	SDG 16.7	p. 40–42
Respect for Human Rights	Human Rights	SDG 8.7	p. 74
Anti-Corruption and Bribery Matters	Compliance & Anti-Corruption	SDG 16.5	p. 83–84
Supply Chain (self-determined)	Supply Chain	SDG 8.7	p. 83

<sup>1</sup> This section is part of the combined non-financial statement, which contains the information pursuant to Sections 289c–289e HGB and 315c HGB and is not within the scope of the audit of content in accordance with Section 317 (2) Sentence 4 HGB.

We strive for sustainability and we are committed to our responsibility towards people, the environment, communities, and the economy in the regions in which we operate. Our mission is the sustainable extraction and refinement of minerals to provide essential products for agriculture, industry, consumers, and communities. Accordingly, the K+S Sustainability program is an integral part of the corporate strategy. We have set ourselves goals in the areas of people, the environment, and business ethics, and have developed corresponding concepts, which we intend to implement by 2030 at the latest. For this purpose, we have made the goals verifiable with non-financial indicators and incorporated them as part of the remuneration system at executive level. Following the sale of the Americas operating unit, our goals relating to people, the environment, and business ethics will be adjusted to the new corporate structure from 2021 onwards.

A spreadsheet presentation of our action areas, with the associated sustainability goals and non-financial indicators, is contained in the Corporate Strategy chapter. The order of aspects corresponds to the strategic logic of the action areas in the K+S Sustainability program.

In the context of its strategic corporate activities, the K+S GROUP also considers the Sustainable Development Goals (SDGs). Our products in the Agriculture customer segment contribute to feeding the world's growing population (SDG 2) and to the efficient use of natural resources (SDG 12). In the Industry segment, our products and services contribute to resilient infrastructure and industry (SDG 9), healthcare (SDG 3), and nutrient-rich food (SDG 2); with our products for Consumers, we also provide a contribution to the latter (SDG 2). References to the SDGs on the level of its sub-targets that are relevant to the business activities of K+S can be found in the table above. In addition to the strategic activities of the Company, we appreciate the commitment of K+S employees. Also in the future, we encourage them to act responsibly.

🔗 Corporate Strategy, page 37

## PEOPLE

We work daily for the satisfaction of our customers. We want to live up to their expectations and those of our important stakeholders with selected sustainability activities and make our contribution towards the Sustainable Development Goals (SDGs). In the "Health & Safety" field of action, we offer safe working

environments for our employees (SDG 8.8). Our activities in the "Diversity & Inclusion" field work against discrimination (SDG 5.1) enable full and effective participation of women and their equal opportunity (SDG 5.5) and decent work (SDG 8.5). In the "Human Rights" field of action, we are opposed to forced labor and child labor (SDG 8.7).

🔗 Employees, page 66

🔗 Sustainability Management, page 94

🔗 [www.kpluss.com/people](http://www.kpluss.com/people)

## HEALTH & SAFETY SDG 8.8

The health and safety of our employees is the highest priority for K+S. We have the slogan: "Nothing is more important than health and safety – not production, not revenues, not profit," and we work constantly to provide a healthy, safe working environment for effective protection of our employees. Our "golden rules" include the fundamental duties for occupational safety and apply to the conduct of all employees and business partners at the sites of the K+S GROUP. Based on the K+S policy for health, safety, environment, energy, and quality, we continuously develop and improve our processes to protect health and to ensure occupational safety. For example, every meeting of the Board of Executive Directors begins with the topic of health and safety.

Wherever we discover hazards and work-related stress and health risks, we actively carry out measures to protect health and safety. We preventively brief our staff by means of training courses and campaigns. The K+S GROUP is introducing a management system in accordance with the "Sicher mit System" (BG RCI) seal of quality based on DIN EN ISO 45001 at all production sites by the end of 2021. Committees providing information support the coordination of the implementation and the integration of other management standards.

🔗 Environment, page 74


🔗 Employees, page 66

The development of occupational health and safety in the K+S GROUP is discussed and monitored in committees, competence centers, and specialist working groups at global and regional level. In Germany, for example, the Joint Committee on Health, Safety, and the Environment (HSE Committee), which also includes works council representatives, regularly advises on overarching HSE issues.

Since the beginning of the COVID-19 pandemic, a specially appointed task force has been working intensively on measures to protect our employees and has implemented them effectively. We have therefore been able to largely protect our employees against infection and safeguard operations.

In 2020, we continued to provide occupational health and safety training for managers and employees. Regarding our 2021 strategy, the introduction of globally uniform awareness training for managers planned for 2020 will be pursued further. By 2025, our safety culture will be further improved through the implementation of numerous individual measures. Managers will be more closely involved in the topics of safety and health, for example by pursuing topic-specific target agreements. We are also developing campaigns to raise employee awareness of health and safety issues. In addition, we have integrated measures to improve safety culture as a new assessment criterion in our "Saint Barbara" occupational health and safety award for 2021.

#### 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 (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 a safety culture by 2025.

In 2020, 710 occupational accidents occurred at our sites worldwide (2019: 822), of these 174 were incidents involving lost time (2019: 261<sup>1</sup>). The LTI rate for the K+S GROUP in 2020 decreased to 6.9 (2019: 10.4<sup>1</sup>) compared to 8.6 in the base year of 2017. The decrease in lost-time incidents and the LTI rate is due to a decrease in accidents in Germany. During the same period, the number of working days lost due to accidents and the average severity of accidents decreased worldwide. This is the result of the improvement in safety culture through the new prevention strategy and root cause analysis in operations.

The total injuries rate (number of workplace accidents divided by the number of hours worked, multiplied by one million) decreased to 28.3 (2019: 32.9<sup>1</sup>). In 2020 we did not have a fatal accident.

🔗 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

Our risk assessment processes are designed to ensure that work-related health and safety risks are identified at an early stage and appropriate countermeasures are initiated. For the prevention of psychological distress in the workplace, we carry out corresponding risk assessments at our sites in Germany and Chile. By the end of 2021, we will assess all operational sites regarding psychological risks.

In the past financial year, we also implemented various measures and campaigns aimed at promoting individual decision-making skills and 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 2021, we plan to further develop the concept for analyzing accident black spots and recording near misses, for instance.

#### HEALTH

Our workplace 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 detection measures and counselling services. The programs and measures are planned specifically at each site. They are based on needs and on the local circumstances of the respective site.

Health care and advice in Germany is provided by company doctors. They also assist with the further development of operational health management and are involved in carrying out risk assessment and working conditions. In the COVID-19 pandemic, company doctors have also been supporting us in defining the contents of the various hygiene concepts and in identifying as well as breaking through chains of infection by the targeted use of antigen tests, among others.

<sup>1</sup> The previous year's figures were slightly adjusted to take account of late reports.

Professor Horst Christoph Broding has held the professorship for occupational medicine and occupational health management sponsored by K+S at the University of Witten/Herdecke since 2018. He has many years of experience in mining and supports K+S in analyzing occupational health processes and developing projects at the sites in Germany.

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 introduction of lower-emission explosives, and the optimization of underground ventilation. Although we are consistently driving forward the implementation of the relevant measures, the implementation of the technical developments has proved to be an unmanageable task to be able to fully comply with the new limits from the end of 2021 without production cutbacks. An application for an extension of the deadline was therefore submitted in the fourth quarter of the past financial year. The project can now be successfully completed with the approval of the approximately two-year extension of the transition period to comply with the new occupational exposure limits from August 2023.

- 👁️ Capital expenditure analysis of continued operations' in Report on economic position, page 58

In order to investigate the health effects of the above-mentioned substances, a large-scale scientific health study was also carried out by RAMBOLL DEUTSCHLAND GMBH in cooperation with the INSTITUTE FOR PREVENTION AND OCCUPATIONAL MEDICINE of the GERMAN SOCIAL ACCIDENT INSURANCE (IPA) for the Employer's Liability Insurance Association for Raw Materials and the Chemical Industry (BG RCI) at two sites. The aim of the study was to determine whether exposures to emission substances to which workers in potash mining are exposed lead to health effects (both acute and chronic). Exposures include nitrogen monoxide (NO), nitrogen dioxide (NO<sub>2</sub>) and carbon monoxide (CO).

A total of 1,303 employees took part in the health survey at the Zielitz and Werra sites. These included 1,040 employees working underground and 263 above ground. The evaluation of the medical data collected by doctors did not reveal any relevant

differences between the factory and mine comparison groups, nor any indications of health impairments overall. These results were made available to the Committee for Hazardous Substances in writing and explained in detail at a meeting. In 2020, we have consequently complied with the requirement of the Committee for Hazardous Substances of the BMAS.

- 👁️ Report on risks and opportunities, page 106
- 👁️ Research and development, page 64

## DIVERSITY AND INCLUSION<sup>1</sup> 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 in our cooperation. Bringing together different skills, perspectives, and experiences is of central importance for our success and in the search for 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 appreciation of all employees. At K+S, all employees must experience this appreciation, regardless of, for example, gender, nationality, ethnicity, religion or ideology, physical or mental impairments, age, sexual orientation, or identity. Diversity defines the makeup of our workforce, inclusion describes the active use of this diversity in our everyday work. We do not tolerate any discrimination. To reinforce this, the general company agreement entitled "Partnership-based behavior in the workplace" was established in 2020. The agreement is a clear commitment to tolerance and respect in the workplace.

We have defined the acknowledgement and promotion of diversity and inclusion in our ONE K+S 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.

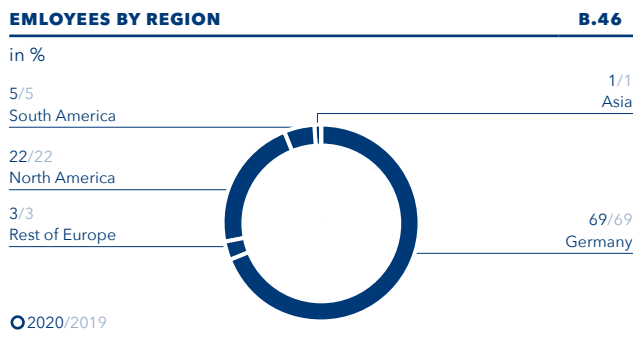
- 📄 [www.unglobalcompact.org](http://www.unglobalcompact.org)
- 📄 [www.charta-der-vielfalt.de](http://www.charta-der-vielfalt.de)

👉 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 and results. This goal will be achieved if, by 2030 at the latest, more than 90% of our employees perceive the working environment as inclusive.

<sup>1</sup> The term employee applies equally to women and men and is therefore to be considered as gender-neutral.

Within the Company, sentiment is evaluated by pulse surveys on specific topics. Diversity and inclusion are part of our corporate culture and underpin a holistic approach that concerns all employees and especially managers. The questionnaire is aimed more specifically at perceptions of diversity and inclusion in the K+S GROUP and includes twelve questions (eleven of which are quantitative and building the index and one qualitative question) about interaction, trust, inclusion, idea generation, and collaboration. The index on diversity and inclusion of the K+S GROUP in 2019 calculated based on participating employees is 54% and builds the basis for the KPI on diversity and inclusion. The index represents a solid starting point for K+S and offers the opportunity to continuously develop the topic of diversity and inclusion through suitable measures. Surveys on this topic are repeated every 3–5 years.

The measures to promote diversity and inclusion are cross-sectional tasks and will be adjusted to the requirements of the respective sites. Some 69% of our 14,881 employees work in Germany and about a quarter in North and South America. **B.46**



Traditionally, more men than women work in mining. As of December 31, 2020, 87% of our workforce based on the number of employees was male and 13% female for the companies of the K+S GROUP. The average age of our workforce is 42 years. The share of severely disabled employees in the K+S GROUP in Germany is 5% (2019: 6%).

- 🔍 Target figure women, page 92
- 🔍 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

When recruiting, we want to ensure that we get the best talents in all areas of the Company. K+S has intensified its efforts worldwide to increase the number of applicants free of discrimination and

ensuring equal opportunity. For example, a cooperation was initiated with Saskatchewan University to promote women in engineering professions. In Germany, K+S supports GIRLS' DAY and BOYS' DAY, which offer young people the opportunity of getting to know various professions, and the INITIATIVE KLISCHEEFREI (Cliché Free Initiative), which campaigns for a career and study choice free of gender stereotypes.

Among other things, K+S raises awareness for diversity and inclusion by taking part in the GERMAN DIVERSITY DAY and in the specific expansion of its social media activities. We are committed to an unprejudiced working environment and working conditions without discrimination. We specifically invite our employees to share their personal experiences and perspectives regarding our open corporate culture.

As part of our efforts to encourage loyalty among our employees and to ensure their continued development, we organize annual talent rounds within the management teams on local, regional, and global levels.

The aim of these is to identify employees with high potential and help them develop. The focus is on learning with and from each other. The international K+S talent pool resulting from this presents a diverse mixture regarding nationality, age, length of time with the Company, and gender. Diversity and inclusion are also an integral part of leadership development at K+S, such as in the LEADERSHIP ACADEMY. In this development program, participants transfer the ONE K+S Values to their own leadership role. They interact in various leadership situations and, in doing so, develop an awareness of how to create a working environment that is appreciative as well as free of prejudice and discrimination.


At the end of 2019, the One K+S Values "One vision, diverse perspectives" were introduced. During the entire year 2020, the One K+S Values Challenge was conducted. This challenge is a global employee development and team-building initiative providing all employees with the opportunity to familiarize themselves with the One K+S Values and recognize colleagues for exemplifying the behaviors associated with our values. We invited all employees to participate. Especially the large number of nominations from all regions of the world proves that diversity and inclusion are integral parts of K+S' daily work. Further details on the Values Challenge as well as all nominations and winners can be found on the ONE K+S Values website.

📄 [www.oneksvalues.com](http://www.oneksvalues.com)

The internal social network Yammer gives our employees worldwide the opportunity to network in mentoring programs. Every potential participant – mentors and mentees – announces their interest in (international) discussions about skills, competences, and professional and personal development. The self-organized matching of mentors and mentees can begin based on these entries.

## 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 DECLARATION ON FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK. Respect for human rights is an integral part of our Code of Conduct.

 **Goal:** Our Group-wide goal is the observance of internationally recognized human rights at all sites and to ensure that this fundamental principle is applied globally. The “site coverage through a human rights due diligence process” KPI measures this goal with a target value of 100% by 2030. Due to the realignment of the company and the sale of the Americas operating unit, as well as the more difficult conditions associated with the COVID-19 pandemic, we were only able to pursue the goal to a limited extent in 2020. No further human rights impact analysis was implemented, so coverage remains at 8% (2019: 8%). The future corporate structure, streamlined and with a clear focus on Europe, requires a realignment of the target definition as well as a corresponding adjustment of the KPI. We will address this aspect in 2021 based on the results of an updated materiality analysis for the K+S GROUP. In this respect, we strive towards implementing our commitment through a due diligence process consistent with the UN GUIDING PRINCIPLES and incorporate 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 Action and Reviewing Effectiveness; Reporting; and Establishing Grievance Mechanisms.

 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

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

 Speak Up! in “Compliance”, page 84

## ENVIRONMENT

The K+S GROUP continuously pursues efforts to reduce the inevitable impact on nature associated with the extraction and processing of raw materials as far 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 and setting standards for the state of the art. As part of the K+S SUSTAINABILITY GOALS 2030, we have also set ourselves goals in the “Water,” “Mining Waste,” and “Energy & Climate” fields of action.

 [www.kpluss.com/environment](http://www.kpluss.com/environment)

We regularly track the progress of our environmental goals and contribute to achieving the Sustainable Development Goals (SDGs) in a measurable way. In the “Water,” “Waste (solid residue),” and “Energy & Climate” fields of action, we promote the efficient use of natural resources and the avoidance of mining-related waste (SDG 12.2, SDG 12.5) as well as the sustainable use of terrestrial and inland freshwater ecosystems (SDG 15.1). We are strengthening our adaptive capacity to climate-related hazards and natural disasters operationally and strategically (SDG 13.1), for example, by analyzing our product portfolio for the first time regarding megatrends. Our environmental management supports us in achieving our goals. It is coordinated Group-wide and across all topics. The Group companies specify requirements. The sites are also assisted in the implementation process to continuously improve our HSE performance. This is achieved through the ongoing introduction of management systems based on DIN EN ISO 14001:2015 for environmental management and DIN EN ISO 50001:2015 for energy management for key sites. National and international expert committees have been set up to increase efficiency and to exchange experience.

We gather the reported environmental indicators for all the main consolidated potash and salt production sites. For the non-financial indicators defined as part of the sustainability goals, we present the recording method and the reporting limits separately.

 About this report, page 24



### CAPITAL EXPENDITURE AND OPERATING COSTS FOR ENVIRONMENTAL PROTECTION

In 2020, capital expenditures on environmental protection increased by €34.3 million to €131.9 million (2019: €97.6 million). The significantly higher level is attributable to increased expenditures in major projects concerning water protection. Key factors included project progress on the ongoing tailings pile expansions at the Wintershall and Zielitz potash sites as well as increased capital expenditure for the planned off-site disposal of saline wastewater from the Werra plant at the disused Sigmundshall mine. In the previous year, capital expenditure focused, in particular, on the tailings pile expansion at the Hattorf site, which began in 2018, and improvements in local wastewater management at the Werra site. In addition to the new temporary storage facility set up in 2019 for up to 400,000 m<sup>3</sup> of production water, the project also started for the storage of process waters in the old mining area of the Springen mine from 2022 onwards.

The planning approval resolutions issued in 2020 for the expansion of the tailings piles at the Wintershall and Zielitz sites provide

security for the future disposal of residues and the associated continuous production operations. In 2020, high capital expenditures for initial site preparation, including the installation of the base seal, were implemented at both sites for the planned filling of the approved expansion areas. At the Zielitz site, major subprojects also involved infrastructure measures, the construction of new tailings water basins, and the installation of a pipeline system for collecting and discharging tailings water. Preparations for the flooding of the Sigmundshall mine planned for mid-2021 constituted another focus in water protection. In particular, these included expenditures in the construction of facilities for loading and accepting saline water from the Werra site, as well as the acquisition of rail cars specially designed for transporting wastewater. In 2020, we continued the implementation of infrastructure measures for the planned storage of process water in Springen. Expenditures focused on the first pipelines for the underground transportation as well as the basins for the storage of the process water above ground. The realization of the project is intended to permanently replace the injection into the plate dolomite from 2022, relieve the environment, make production at the Werra

#### CAPITAL EXPENDITURE ON ENVIRONMENTAL PROTECTION<sup>1</sup>

**B.47**

in € million	2019	2020	Deviation	%
Water protection	90.9	128.4	37.5	41.3
Prevention of air pollution and climate protection	0.1	0.4	0.3	300.0
Waste management	3.3	1.3	-2.0	-60.6
Nature conservation <sup>2</sup> and soil decontamination	2.9	1.5	-1.4	-48.3
Other	0.4	0.1	-0.3	-75.0
<b>Total</b>	<b>97.6</b>	<b>131.9</b>	<b>34.3</b>	<b>35.1</b>

<sup>1</sup> The reporting of environmental investments is based on the German Environmental Statistics Act (*Umweltstatistikgesetz*, UStatG), but also includes the items relating to our global operations. The key figures 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 sums given.

<sup>2</sup> Including landscape conservation.

#### OPERATING COSTS FOR ENVIRONMENTAL PROTECTION<sup>1</sup>

**B.48**

in € million	2019	2020	Deviation	%
Water protection	158.7	175.2	16.5	10.4
Prevention of air pollution and climate protection	29.2	39.9	10.7	36.6
Waste management	15.4	14.5	-0.9	-5.8
Nature conservation <sup>2</sup> and soil decontamination	1.9	1.6	-0.3	-15.8
Other	5.1	5.2	0.1	2.0
<b>Total</b>	<b>210.3</b>	<b>236.4</b>	<b>26.1</b>	<b>12.4</b>

<sup>1</sup> The reporting of environmental investments is based on the German Environmental Statistics Act (*Umweltstatistikgesetz*, UStatG), but also includes the items relating to our global operations. The key figures 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 sums given.

<sup>2</sup> Including landscape conservation.

plant future-proof, and contribute to the remediation of a contaminated mining site. As a first step, the aim is to dispose of around 1.5 million m<sup>3</sup> per year of saline solution in suitable caverns at the Werra plant. Capital expenditure on water protection at the Bethune potash site in Canada has also increased. This was mainly attributable to the continued construction of a partition wall to seal off the tailings area. The decline in expenditures in nature conservation and soil remediation compared with the previous year is accounted for by the higher compensation and replacement measures implemented in 2019 as part of the Hattorf tailings pile expansion. The deviations in the areas of air pollution control and climate protection or waste management can be explained by smaller projects that were completed or newly initiated. **B.47**

In addition to the environmental investments described, there are also investment projects to meet regulatory requirements to maintain workplace limits.

🔗 Health, page 71

🔗 Capital expenditure analysis of continued operations' in "Report on economic position," page 58

Operating expenditures for environmental protection increased tangibly by €26.1 million to €236.4 million in the 2020 reporting year (2019: €210.3 million) due to higher costs for water protection as well as air pollution control and climate protection.

Increased costs in water protection are attributable to higher expenditures for the current and future disposal of production residues below and above ground. At the Unterbreizbach site, this related to the costs of operating wet backfilling operations for the disposal of factory residues in the mine caverns. The plant, which has been in use since the fourth quarter of 2019, was in operation for almost the entire year in 2020, with correspondingly higher costs. Cost increases associated with the expansions of the tailings piles at the potash sites were also attributable to the disposal of solid residues. The expansion of the Hattorf tailings pile (Phase I), which has been ongoing since 2018, resulted in higher scheduled depreciation on the base sealing as well as machinery and equipment. At the Wintershall and Zielitz sites, this was due to additional costs incurred for the positive conclusion of the approval procedures, preparation of the sites, and additional personnel requirements. Further significant cost increases in water protection were attributable to ongoing projects for the underground disposal of saline wastewater from the Werra plant. These include the use of the salt solutions for the planned flooding of the disused Sigmundshall mine. The start of flooding

in Sigmundshall, scheduled for mid-2021, required higher personnel and machine expenditure for the dismantling of underground facilities and necessary mining preparations. Another cost factor in wastewater management was the storage of process water planned from 2022 in the old mining area of the Springen mine in Thuringia. In the course of further project implementation, higher costs were incurred in 2020 for preliminary mining work in the mining areas in Hesse and Thuringia.

🔗 Performance indicators at the level of the Americas and Europe+ operating units and K+S AG, page 226

The increase in costs for air pollution control and climate protection is mainly attributable to the consumption of CO<sub>2</sub> certificates subject to a charge, which were acquired within the framework of European emissions rights trading for the regular operation of German potash sites. A maintenance measure on a filter system and a production-related increase in the need for conditioning agents to prevent the formation of dust during the handling and discharge of finished products accounted for further increases.

Operating expenditures mainly comprise supplementary measures for environmental protection. These measures relate in particular to water protection, air pollution control, climate protection, and waste management, as well as nature conservation and soil remediation, and concern facilities separate from the rest of the production process. 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 manufactured. **B.48**

## WATER SDG 12.2, 15.1

Water is also a very important resource for K+S. We use different qualities of water in many processes. We need water for extraction and production at certain deposits, in production, and when using certain products, such as in agriculture. We extract high-quality salt products from seawater and other saline waters through solar evaporation. On the other hand, certain production processes and tailings piles generate saline wastewater that we need to dispose of. Across the Group we want to reduce water-related impacts to an absolute minimum. For this purpose, we have set ourselves specific goals.

**WATER WITHDRAWAL****B.49**

in million m <sup>3</sup>	2019	2020
Seawater and other saline water	232.1	252.5
River water	133.9	134.9
Groundwater	7.8	7.9
Drinking water and water from municipal water utilities	1.5	1.4
<b>Total volume of water withdrawn</b>	<b>375.3</b>	<b>396.7</b>

We assess environmentally relevant business risks as part of our Group-wide risk and opportunity management. In 2017, we carried out a Group-wide water risk analysis and identified site-specific water stress. The selection and prioritization of water-related measures is the responsibility of the sites, taking into account site-specific conditions.

🔗 Report on risks and opportunities, page 106

**WATER WITHDRAWAL**

In 2020, the K+S GROUP withdrew a total of 396.7 million m<sup>3</sup> (2019: 375.3 million m<sup>3</sup>) of water from various sources for extraction and production. At 134.9 million m<sup>3</sup> (2019: 133.9 million m<sup>3</sup>), river water withdrawals in 2020 are at about the same level as in the previous year. Withdrawal of saline water from seas and other saline sources increased to 252.5 million m<sup>3</sup> (2019: 232.1 million m<sup>3</sup>) compared to the previous year. The majority (88% (2019: 89%)) of our water is withdrawn at sites without high water stress.

🔗 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

**WASTEWATER**

The extraction and processing of our raw materials as well as the tailings piles proceedings for solid residues give lead to saline wastewater. K+S continues to work intensively on reducing the volume of saline wastewater from production and tailings disposal in a sustainable manner. The volume and composition of process wastewater as well as tailings pile water depend on many factors, such as the local crude salt quality, the treatment processes used, the products manufactured and the required product quality. Therefore, the saline wastewaters differ in their total salt content and in their composition.

**WASTEWATER****B.50**

in million m <sup>3</sup>	2019	2020
<b>Wastewater</b>		
Wastewater discharged into municipal sewage treatment plants	0.5	0.6
Process water in river water	111.5	113.7
<b>Saline wastewater<sup>1</sup></b>		
Injection	9.0	8.7
Saline wastewater in mine workings	1.1	0.9
Saline wastewater discharged into seawater and other saline waters	48.6	47.6
Saline wastewater discharged into surface water	10.7	9.8
Saline wastewater in potash production	4.8	4.5
Saline wastewater in salt production	5.8	5.3

<sup>1</sup> Total dissolved solids (TDS) > 1 g/l.

In 2020, the Group-wide volume of saline wastewater discharged into surface waters amounted to 4.5 million m<sup>3</sup> (2019: 4.8 million m<sup>3</sup>) for potash production and 5.3 million m<sup>3</sup> (2019: 5.8 million m<sup>3</sup>) for salt production. A further 8.7 million m<sup>3</sup> (2019: 9.0 million m<sup>3</sup>) of saline wastewater was injected underground. Injection in Germany remained at a low level of 1.3 million m<sup>3</sup> (2019: 1.1 million m<sup>3</sup>).

🔗 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

Due to repeated drought and the associated low water level of the Werra river, the volume of saline wastewater discharged from the potash industry into surface waters in Germany was again below the normal level in 2020.

For the disposal of saline wastewater from the potash industry, in addition to the method of discharge into surface waters and injection, discharge into suitable mines or caverns is also available. In 2020, we transported 0.9 million m<sup>3</sup> (2019: 1.1 million m<sup>3</sup>) of saline wastewater to suitable mines or caverns for disposal or storage purposes. We have set ourselves the following ambitious goals for saline wastewater to be achieved by the end of 2021 and 2030, respectively:

📌 Goal: From the end of 2021, K+S will discontinue the underground injection of saline water in Germany. We are therefore also fulfilling a key requirement of the Weser river basin management (FGG). In 2020, the K+S GROUP injected 1.3 million m<sup>3</sup> (2019: 1.1 million m<sup>3</sup>) of saline process wastewater into the underground

at the Hattorf site. In accordance with the agreement reached with FRIENDS OF THE EARTH GERMANY E.V. (BUND FÜR UMWELT UND NATURSCHUTZ DEUTSCHLAND, BUND), we intend to inject up to 1 million m<sup>3</sup> less process wastewater underground compared to the approved volume by 2021. We have already achieved more than 100% of this goal in 2020 (2019: 80%).

The method of storing process water in old underground mining areas is currently being further developed for disposal after 2021. In a first step, our goal is to dispose of 1.5 million m<sup>3</sup> per year in suitable cavities near the Werra site. In 2020, we proceeded with the implementation of infrastructure measures above and underground, while we continue to be in the permitting process for the approval of this project.

📄 [www.fgg-weser.de](http://www.fgg-weser.de)

🎯 Goal: By 2030, we also intend to reduce the amount of saline process water from potash production to be disposed of in Germany by a further 500,000 m<sup>3</sup> per year compared with 2017 levels. This reduction will be in addition to the volumes saved by the KCF facility at the Werra site and does not include the reduction generated by the end of production at our site in Sigmundshall in 2018. It is therefore expected that from 2030 onwards, only 2.2 million m<sup>3</sup> of process water from potash production will be disposed of. The planned savings of 500,000 m<sup>3</sup> of saline process water include our established potash sites in Germany. The K+S site Bethune in Canada was in the ramp-up phase in 2018 and is built according to the state of the art. The environmental impact of Bethune had already been assessed and comprehensively considered prior to its commissioning in 2017.

In 2020, 2.9 million m<sup>3</sup> (2019: 3.5 million m<sup>3</sup>) of process wastewater was generated in absolute terms from potash production in Germany. Compared to the adjusted base year 2017, which takes into account the full effect of the KCF plant (−1.5 million m<sup>3</sup>) as well as the end of production at the Sigmundshall site (−0.3 million m<sup>3</sup>), the process wastewater in 2020 was 0.2 million m<sup>3</sup> higher (2019: +0.8 million m<sup>3</sup>). This is due to a weather-related reduction in production in the base year 2017.

🔍 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

In order to achieve our goal by 2030 and safeguard German potash production, K+S is engaged in extensive research and development projects in Germany to further optimize extraction and treatment processes as well as in projects to reduce the volume of process water to be disposed of.

🔍 Report on risks and opportunities, page 106

🔍 Research and development, page 64

## WASTE (SOLID RESIDUES) SDG 12.5

Solid residues regularly occur in potash mining during the extraction and processing of crude potash salts. These volumes comprise most of our solid waste. Disposal of the residue on tailings piles depends on the conditions at the individual sites and the permits granted aiming to minimize the impact on the environment through state-of-the-art development. As part of our extensive approval procedures, which last several years, environmental impacts are analyzed, and avoidance options optimized. Compliance with official requirements, and the relevant legislation, as well as the professional exchange of ideas and information in various committees, ensure continuous monitoring and improvement of standards.

### TAILINGS PILE MANAGEMENT

In 2020, we disposed of 29.3 million t (2019: 27.1 million t) of solid residues on tailings piles at our potash sites. Extensive monitoring programs include, for instance, groundwater, deformation and dust measurements and monitor any impact of the tailings piles. The data generated from these measurements are always available to the permitting 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. Expansions to the existing tailings piles are necessary to secure potash production in the long term.

The expansion of the Hattorf tailings pile (Phase I) was approved in 2018 and is currently being implemented. The permit granted relates to an area of around 27 hectares adjoining the existing tailings pile to the northwest. It provides capacity for approximately five years. In addition, Phase II of the tailings pile expansion is currently being planned. The application documents for this will be submitted before the end of 2021. The total capacity is expected to last until the end of the 2030s. The tailings pile capacity depends on the amount of crude salt mined and the crude salt composition.

- + For the tailings pile expansion project at the Zielitz site, which began in 2017 with the submission of the application documents to the responsible authority, the Zielitz site received the positive planning approval decision on December 16, 2020. Disposal of residues is now guaranteed into the 2050s.
- + K+S submitted the application documents for the required tailings pile expansion at the Wintershall site in April 2018. Following the declaration of completeness of the application documents by the Kassel Regional Council, the public hearing took place in November 2019. The approval of an early start meant that site preparation could begin as early as 2020. On September 10, 2020, the Wintershall tailings pile expansion was granted positive planning approval. As a result, tailings pile capacities will be available for approx. 9 years. Continuous production operations are therefore assured.

The tailings pile expansions entail comprehensive compensatory and replacement measures. The compensatory measures include long-term, large-scale projects with the aim of creating new habitats for flora and fauna and upgrading existing habitats. Reforestation will also be carried out primarily in areas deemed to be of poor quality from a nature conservation perspective, to conserve usable agricultural areas. Before work begins, we will carry out species conservation measures to ensure ecological-functional continuity with no interruption.

📌 Goal: Our Group-wide goal is to further reduce the environmental impacts and conserve natural resources with a renewed review of the utilization and marketing potential of residues that are stored on tailings piles. From 2030, we want to use 3 million tonnes of residue each year for other purposes rather than disposing of them on tailings piles. We are planning to achieve this goal by an alternative use of the tailings pile material and avoiding residue through increased raw material yield. We record this indicator on a project basis depending on the form of residue recycling or avoidance and relates to the sites where solid residues occur. These are the plants Werra, Zielitz, and Neuhof-Ellers.

In 2020, we were able to save 1.2 million tonnes (2019: 1.5 million tonnes) of residue by implementing technical measures for increasing raw material exploitation or by recovering them. We continued to implement the measures initiated in 2018 to reduce residues, such as improved recyclable material exploration, immediate backfilling, prior separation of rock salt underground,

and the process step of optical sorting. In addition, the raw material exploitation at the Werra site was improved in 2020 using an alternative processing additive in the ESTA process.

📌 Goal: By 2030, we aim to cover another 155 ha of tailings pile surface area, further reducing or preventing tailings pile waters. This involves covering large and medium-sized tailings piles that will be implemented in addition to the existing covering in the base year 2017 (approx. 70 ha). These include the large and medium-sized tailings piles at the active sites Wintershall, Hattorf, Neuhof-Ellers, Zielitz, and Sigmundshall, and also the large and medium-sized tailings piles at the inactive sites Lower Saxony, Friedrichshall, Hugo, and Siegfried-Giesen. By 2030, we will therefore have covered a total of 225 ha of tailings pile surface area. The covered tailings pile area relates to the reduction of the tailings pile waters relevant surface area of the tailings pile. For this purpose, the area covered will be projected to the surface area of the tailings pile. We will review the progress by taking measurements annually. Where measurements are delayed compared with the reporting period, the annual figures will be based on extrapolations.

In 2020, an additional 0.2 ha (2019: 2.8 ha) of tailings pile area could be covered. Since 2017, we have therefore covered a total area of 8.9 ha.

- + At the Hattorf site, a change in method from thin-layer covering to a multifunctional site-adapted surface covering (MSO) has been implemented in 2020. Accordingly, an infiltration slurry layer is planned on the sides and a soil-building rubble cover on the top of the tailings pile. The existing polder, like the entire top of the tailings pile, is to be converted as quickly as possible into a soil-building rubble cover that will be effective in the long term. The technical planning and preparation of the necessary application documents have begun.
- + At the Neuhof-Ellers plant, the method was changed from erosion protection to a thick-layer covering in 2020 for increased effectiveness of the tailings pile covering. Current market studies indicate sufficient long-term material availability. This covering method will almost completely avoid tailings pile water and therefore prevent perpetual burdens. Preliminary engineering has been started.

📄 [www.kpluss.com/REKS](http://www.kpluss.com/REKS)

- + Since 2013, a pilot project has been running at the Zielitz site for the development of a site-adapted covering method, the so-called infiltration inhibition layer. For this purpose, various pouring tests have already been successfully carried out, which are continuously monitored by investigations. The results of these tests document the usability of the covering method. Implementation of the infiltration inhibition layer is expected to begin in 2025.

Covering of the Friedrichshall tailings pile will be continued as planned and the remaining area will be completed shortly. The completion of the tailings pile covering, including all remaining works, is expected by the end of 2021. K+S has also applied for approval to cover the Lower Saxony tailings pile near Wathlingen. As part of the approval process, the hearing was held in 2019 and an early start was given to the construction of the site. A positive planning approval decision is expected in 2021.

At the Sigmundshall site we are continuing to cover the tailings pile and are covering more areas of the top and sides of the pile. The tried-and-tested site-specific covering process will be continued in the coming years.

👁 Report on risks and opportunities, page 106

## 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 sites using primary energy sources. We purchase any additional energy required on the market. We are continuously working on the most energy-efficient raw material extraction and factory production.

## ENERGY INPUT BY ENERGY SOURCE AND GREENHOUSE GAS EMISSIONS SCOPE 1, 2, AND 3 B.51

		2019	2020
<b>Direct energy sources</b>	GWh	<b>11,546.2</b>	<b>11,665.6</b>
<b>(Scope 1)</b>	million t CO <sub>2</sub> e	<b>2.4</b>	<b>2.4</b>
Natural gas	GWh	10,827.0	<b>10,980.8</b>
Coal	GWh	318.8	298.9
Diesel	GWh	384.2	364.5
Fuel oil	GWh	1.3	1
LPG	GWh	10.2	9.7
Petrol	GWh	4.7	10.8
<b>Indirect energy sources</b>	GWh	<b>2,138.5</b>	<b>2,191.8</b>
<b>(Scope 2)</b>	million t CO <sub>2</sub> e	<b>0.2</b>	<b>0.2</b>
Electricity purchased externally	GWh	657.5	727.2
Steam purchased externally	GWh	1,477.9	1,461.7
Heat purchased externally	GWh	3.1	2.8
<b>Total energy consumption</b>	GWh	<b>13,684.7</b>	<b>13,857.4</b>
<b>(Scope 1 &amp; 2)</b>	million t CO <sub>2</sub> e	<b>2.6</b>	<b>2.6</b>
<b>Purchased electricity</b>	GWh	<b>65.1</b>	<b>42.1</b>
<b>(Scope 3)</b>	million t CO <sub>2</sub> e	<b>0.9</b>	<b>0.9</b>
<b>Emissions from outgoing transport (logistics emissions)</b>			

🎯 Goal: We want to reduce our specific carbon footprint for total electricity consumption at our production sites by 20% by 2030 (base year 2017: 302.51 kg CO<sub>2</sub>e/MWh). This will entail making our energy conversion even more efficient, exploiting our potential from combined heat and power (CHP) generation to a greater extent as well as considering renewable sources of energy. The target concerns our Scope 1 and 2 emissions from own-use electricity, which are generated from direct energy conversion, on the one hand, and indirectly sourced electricity, on the other.



In the 2020 financial year, our carbon footprint for electricity used was 297.8 kg CO<sub>2</sub>/MWh (2019: 297.4 kg CO<sub>2</sub>/MWh), a change of -1.6% compared to the 2017 base year. The further reduction is due to a production-related higher share of CHP own electricity generation in total electricity consumption.

☞ Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

We are currently conducting a study on CO<sub>2</sub> reduction paths (so-called climate study) for the K+S GROUP. The aim is to examine scenarios for four greenhouse gas paths for the period up to 2050 (from status quo to climate neutrality in 2050), to review the existing climate protection goals for 2030 and to derive recommendations for adjusting the K+S sustainability goals. In addition, fields of action for further climate strategy topics were identified within the scope of the study.

Taking into consideration the upcoming realignment of the company, the sale of the Americas operating unit and following the evaluation of the climate study results, our specific carbon footprint will be reviewed and possibly adjusted from 2021.

### Energy consumption

We operate a DIN EN ISO 50001-certified energy management system at all German Group companies with production sites. In all other German companies, we conduct energy audits in accordance with DIN EN ISO 16247 on a regular basis. A Group-wide concept for energy management has been developed and the introduction of DIN EN ISO 50001 at our sites outside Germany with energy requirements >10 GWh has been continued. Up until 2020, we covered around 75% of global energy requirements in accordance with DIN EN ISO 50001.

Following the establishment of an ENERGY EFFICIENCY NETWORK (KEEN) at global level in 2019, addressing important individual topics on energy efficiency and the use of renewable energies for selected sites, we have included the activities from KEEN in the climate study. Due to the sale of the Americas operating unit, the expert group will be reduced to an operational competence team that oversees the implementation of energy efficiency and climate protection measures and initiates measures to achieve the "Energy & Climate" sustainability goal by 2030.

☐ [www.effizienznetzwerke.org/initiative/unsere-netzwerke/netzwerkkarte](http://www.effizienznetzwerke.org/initiative/unsere-netzwerke/netzwerkkarte)

Total energy consumption in 2020 at 13,857.2 GWh remained at about the same level as the previous year (2019: 13,684.7 GWh).

☞ Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

### Energy sources

The energy sources used differ depending on the location of the mines and production facilities. K+S's steam and electricity generation in Germany is based to 86% on the primary energy source natural gas and 14% on energy procurement from a waste incineration plant. In 2020, six of our seven German potash-producing sites had their own power plants, which are operated on the principle of combined heat and power (CHP). Their efficiency level is 90%. We also operate two of seven drying plants according to the CHP principle.

In 2020, we implemented major measures to increase energy efficiency by replacing a gas turbine and a gas boiler. Both projects are eligible for funding under the public energy efficiency subsidy programs and contribute to avoiding CO<sub>2</sub> emissions by optimizing our own energy generation.

We continue to investigate the possibility of using renewable energy sources – solar and/or wind – at several production sites in North America. Our sites in Chile have been supplied with electricity from 100% renewable sources since April 2020. As a result, we avoid around 4,200 tonnes of CO<sub>2</sub> emissions per year compared to conventional power generation.

Due to the method of solution mining for extraction at our new mine in Bethune, Canada, as well as the continuing expansion of the other underground raw material mining areas and the higher energy costs this entails, we anticipate increasing specific demand for primary energy.

### Emissions

As part of the Paris Climate Agreement signed in 2016, the international community set itself the goal of limiting global warming to 1.5°C compared with pre-industrial levels as far as possible. How this was to be implemented was detailed conclusively at the 2019 UN Climate Change Conference in Madrid, Spain.



As part of the European Green Deal, the EU Climate Act was passed to anchor the goal of climate neutrality by 2050. The expectation is to initially reduce greenhouse gas emissions by at least 55% by 2030 compared to the base year 1990. Against this background, the German government has set a reduction of 30% in primary energy consumption by 2030 (compared with 2008) as a national energy efficiency goal.

The EUROPEAN EMISSIONS TRADING SYSTEM (EU ETS) for reducing greenhouse gas emissions in energy-intensive industries entered into force back in 2005. Emissions trading aims to reduce emissions in those places where the reduction is the most efficient. The K+S GROUP is currently operating twelve power plants and drying facilities in Germany obliged to trade emission certificates. They record their emissions based on applicable EU monitoring guidelines, and these are verified by external auditor organizations. In 2019, the law on a national certificates trading system for fuel emissions (Fuel Emissions Law *Brennstoffemissionshandelsgesetz*, BEHG) was passed in Germany and will come into effect from 2021. This will not affect our facilities in the EU ETS. Only part of the primary energy requirements (20%) of K+S in Germany will be impacted by BEHG. For trading and emissions-intensive companies such as K+S, which are protected from a significant risk of carbon leakage, financial compensation for BEHG costs incurred is envisaged. We take into account the pricing of fuel emissions of our logistics service providers in Germany (Scope 3 emissions) in our mid-term planning. With end of 2020, the third trading period in the European emissions trading system is completed. In 2021, the fourth trading period will begin, which will last until 2030. K+S expects the free allocation of emission certificates to continue on the basis of our energy-intensive and trade-intensive situation. However, due to the planned cuts, a lower allocation of free certificates is expected compared to the last trading period. This will result in higher costs for K+S, which have also already been considered in mid-term planning.

A Canadian greenhouse gas emissions evaluation system has been implemented by the government. Our Bethune plant is covered by the provincial system and is expected to be affected from 2021. The requirement is a 5% reduction in emissions intensity from 2020 levels by 2030. Due to the increasing proportion 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 based on current knowledge.

We report our emissions completely within the Scope 1 and Scope 2 areas under consideration and Scope 3 for our logistics emissions for outgoing transportation in CO<sub>2</sub> equivalents (CO<sub>2</sub>e). These indicate the specific global warming potential of greenhouse gases compared with that for CO<sub>2</sub>. The CO<sub>2</sub>e emissions from the consumption of all direct and indirect energy carriers in 2020 (Scopes 1 and 2) amounted to 2.6 million t CO<sub>2</sub>e (2019: 2.6 million t CO<sub>2</sub>e). The basis for calculating the amount of CO<sub>2</sub>e are the emission factors from the GREENHOUSE GAS PROTOCOL.

☞ Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

### LOGISTICS EMISSIONS

Our international logistics network ensures a smooth flow in the supply chain and transportation our products to our customers all over the world on schedule and with the lowest possible environmental impact. Our global transportation chains are managed holistically and regularly optimized to guarantee a high level of efficiency. By way of local and national initiatives, K+S is contributing to the optimization of value chain emissions. K+S participates in the sustainability initiative "BUSINESS MITIGATES CLIMATE CHANGE" promoted by the GERMAN FEDERAL MINISTRY FOR THE ENVIRONMENT, NATURE CONSERVATION AND NUCLEAR SAFETY and, together with other companies, develops concrete climate protection measures.

🍀 Goal: Our goal is to continue to reduce the environmental impact associated with the transportation of our products in the form of greenhouse gas emissions. By 2030, the K+S GROUP aims at reducing specific greenhouse gas emissions in logistics operations by 10% compared to the year 2017. This applies to the emissions of our outgoing shipments measured in kilograms of CO<sub>2</sub> equivalents per tonne (tank-to-wheel).

Logistics emissions account for a significant part of our value chain emissions and the largest share of our Scope 3 emissions. At 0.9 million t CO<sub>2</sub>e (2019: 0.9 million t CO<sub>2</sub>e), the emissions we calculated from outbound shipments correspond to about a third of our Scope 1 and 2 emissions. The specific value per transported tonne was 17.8 kg CO<sub>2</sub>e/t in 2020 (2019: 16.3 kg CO<sub>2</sub>e/t). Compared to the base year 2017, this corresponds to a change of -2.9%.

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. Further

transportation network optimizations contributed to the positive development of emissions in our Americas operating unit. In the Europe+ operating unit, we achieved positive effects by using lower-emission means of transportation, e.g., rail instead of truck, in conjunction with adjustments to the distribution structure. By constantly optimizing our European logistics network and transportation capacity utilization, we aim to further reduce logistics emissions. Emissions are currently calculated based on DIN EN 16258. In the future, we aim to substitute standard values with real consumption data from our service providers to reflect the effects of our supplier commitment and new technologies, for example through the procurement of low-emission logistics services. In 2020, we continued our involvement in the U.S. Environmental Protection Agency's (US EPA) SmartWay program, for instance. The program helps companies drive supply chain sustainability through measurement, benchmarking, and efficiency improvements in freight transportation.

- 🔗 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

## BUSINESS ETHICS

K+S is a reliable partner for customers, suppliers, and the wider community. For us, it is a matter of course that our employees act with integrity and a sense of responsibility. We expect the same from our business partners. With our strategic goals and activities, we also contribute towards the SUSTAINABLE DEVELOPMENT GOALS (SDGs). In the action area "Compliance & Anti-Corruption" we help reduce corruption and bribery (SDG 16.5). In the field of "Sustainable Supply Chains" we do not tolerate forced labor or child labor (SDG 8.7).

- 🔗 Diversity and Inclusion, page 72
- 🔗 Compliance management, page 93
- 📄 [www.kpluss.com/businessethics](http://www.kpluss.com/businessethics)

## 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](http://www.kpluss.com/codeofconduct)

🎯 Goal: By 2025, the Code is expected to cover more than 90% of our purchasing volume. Another goal is that all our "critical" suppliers, in other words suppliers with a high sustainability risk, commit to the Code by 2025.

In 2020, we have further extended the global introduction of the Code. It already covers 72% (2019: 45%) of our purchasing volume. Some 68% (2019: 23%) of our "critical" suppliers have committed to the Supplier Code of Conduct. The "critical" suppliers are identified annually. For this purpose, the Corruption Perceptions Index (CPI) and the environmental compatibility of the main products and services delivered by the suppliers are taken into consideration, among other things. Clear processes and responsibilities are defined if a breach of the Supplier Code of Conduct becomes apparent.

- 🔗 Key indicators at the level of the Americas and Europe+ operating units as well as K+S AG, page 226

In 2021, coverage by the Code is to be expanded. Compliance and the consideration of sustainability aspects continue to be important to us in the selection of all our business partners. We prepared a monitoring concept for customers in 2020. In the first half of 2021, we will also extend this concept to suppliers. Subsequently, we will set up and introduce a supplier development concept.

## COMPLIANCE & ANTI-CORRUPTION SDG 16.5

Compliance is an integral element of the corporate culture at K+S based on our ONE K+S Values. It is important to us that "good corporate governance" is experienced on all levels. We understand this to be more than just compliance with statutory regulations, official approvals, regulatory standards acknowledged by the Company, such as our acknowledgement of 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, appropriate sanctions are imposed.

All employees are familiarized with our ONE K+S Values and internal regulations. Employees receive target group-specific training for special topics (e.g., antitrust law, anti-corruption, money laundering and funding terrorism, handling social media, data security, environmental protection, workplace safety, anti-discrimination, and sexual harassment).

🔗 Compliance management, page 93

📌 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.

After achieving our goal of training all employees in compliance topics in 2019, we proceeded to the conception of a new goal in 2020. 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. These measures derived from the results of the analysis form the basis of the specific compliance program of the respective Group company. They provide for goal-oriented compliance and risk management at all our K+S companies. In 2020, we started developing the compliance risk analysis in addition to the conceptual design.

Since compliance is very important to our Company, we want to maintain the high level of training and communicate continuously on compliance topics. Our second part of the "Business Ethics & Compliance" basic training course with further compliance topics such as conflicts of interest, use of company resources, anti-discrimination, data protection, and anti-corruption was launched in fall 2020 and remains mandatory for all employees. In addition, target group-specific training will be intensified. In addition, we have been working on a uniform business partner compliance process to harmonize existing processes and on the integration of sustainability aspects in upstream and downstream supply chains. We will finalize and implement this process in the course of 2021.

The global "SPEAK UP!" compliance hotline was relaunched at the end of 2019. Employees and third parties can use the whistleblower system to report potential or actual violations of laws or regulations – also anonymously – and raise questions about compliance issues. The contact details can be found on the K+S website and portal (intranet) or on notice boards. In 2020, a total of 134 reports (of which K+S AKTIENGESELLSCHAFT 5, Europe+ operating unit 32 and Americas operating unit 97) were submitted in various categories. All reports were handled with due diligence, investigated, and action taken where necessary. Of course, anyone who reports a suspicion will not suffer any disadvantage as a result (non-retaliation).

👁 Business model, page 28

📄 [www.kpluss.com/compliance-hotline](http://www.kpluss.com/compliance-hotline), phone +49 (0)561 9301-1177

📧 E-mail: [compliance@k-plus-s.com](mailto:compliance@k-plus-s.com)

For continuous development and comparison of our compliance management system with other companies, we joined DICO (DEUTSCHES INSTITUT FÜR COMPLIANCE E.V.) in 2020. We particularly see the added value in the use of topic-specific compliance standards and the exchange with network members on the design of compliance in the Company.

## DECLARATION ON CORPORATE GOVERNANCE<sup>1</sup>

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<sup>1</sup>

#### DECLARATION OF COMPLIANCE

In December 2020, 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):

"We declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the Federal Gazette were fully complied with in 2020 and will be complied with in 2021.

During the period **from January 1, 2020, through March 20, 2020**, as amended on February 7, 2017, in full

and

**from March 20, 2020**, as amended on December 16, 2019, with the exception of recommendations G.10 sentences 1 and 2 (granting of long-term variable remuneration components predominantly in shares and disposal of the grant amounts), G.12 (payment of open variable remuneration components), and G.13 sentence 2 (crediting of a severance payment against the waiting allowance).

As of January 1, 2018, the Supervisory Board introduced a new remuneration system for the Board of Executive Directors, combined with a change in the long-term incentive program. As we consider long-term incentive programs to require a certain duration and stability, there are no plans to fundamentally change the long-term incentive program in force since January 1, 2018 again on the occasion of the entry into force of the Code's new recommendations of December 16, 2019.

<sup>1</sup> In accordance with Section 317 (2) sentence 6 HGB, the information contained in the declaration on corporate governance pursuant to Section 289f and Section 315d HGB is not within the scope of the audit.

Considering the topicality and importance of this issue, we have nevertheless increasingly focused on sustainability goals in variable compensation as of January 1, 2020: The achievement of defined sustainability goals now forms the basis for calculating 50% of the total long-term incentive (LTI I). Furthermore, in the event of termination of a Board of Executive Directors agreement, a decision should be made on a case-by-case basis on the modalities for payment of outstanding variable compensation 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. 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.

Kassel, December 2020"

We pursue the goal of responsible corporate management and governance aimed at sustainable value creation. This principle forms the basis for our internal decision-making and governance 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 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 also publish details of attendance and the results of the voting online.

☐ [www.kpluss.com/aggm](http://www.kpluss.com/aggm)

### SUPERVISORY BOARD

In accordance with Article 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. As a rule, each member is elected for a term of around five years.

☐ [www.kpluss.com/corporategovernance](http://www.kpluss.com/corporategovernance)

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, and about specific corporate opportunities and risks. The Supervisory Board regularly receives written reports from the Board of Executive Directors in order 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, page 10

The Supervisory Board has adopted bylaws and formed five committees from among its members:

+ 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 a 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-yearly 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 comprehensive knowledge and experience in applying accounting principles and internal control procedures. He gathered this knowledge from his experience as CFO of Südzucker AG. The Audit Committee has six members; three are shareholder representatives, and three are 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 is also the chairman of 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 is also the chairman of this committee. The committee has four members, all of whom represent the shareholders.

☐ [www.kpluss.com/corporategovernance](http://www.kpluss.com/corporategovernance)

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 three female employee representatives have a seat on the Supervisory Board. The minimum percentage was also achieved at all times during the reference period.

#### **APPOINTMENT TO 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 requirements profile includes the following aspects:

- + An appropriate number of members should have knowledge of the industry, product segments, production, and relevant technologies.
- + Knowledge of international markets and markets relevant for K+S should be available.
- + Experience in the strategic management of a company is an essential requirement.
- + A reasonable number of members should have financial literacy, in particular in the areas of accounting and auditing.
- + At least one independent financial expert must have a seat on the Supervisory Board.
- + Knowledge in the areas of law, compliance, HR including co-determination as well as restructuring and crisis management should be available to the appropriate extent.

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 Supervisory Board believes that the aforementioned goals, which were developed in a competence analysis of the Supervisory Board conducted under the professional guidance of a compensation expert in 2017, as well as a survey of the shareholders regarding the target and actual profile, are fulfilled with its current composition.

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

#### **SELF-ASSESSMENT OF THE SUPERVISORY BOARD**

Every two years, the Supervisory Board carries out 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 full Supervisory Board and the committees. At the beginning of the financial year, the members of the Supervisory Board and Board of Executive Directors intensively assessed the efficiency of their work and their performance in consultation with external advisers. The Supervisory Board dealt intensively with the results, which confirmed constructive, open, and always professional cooperation, at its meeting on August 26, 2020. No significant deficits were identified. Suggestions for further professionalization of the work were adopted and already implemented, e.g., the introduction of an Executive Session at each Supervisory Board meeting in the absence of the members of the Executive Board of Directors. The next review is planned for 2022.



## MEMBERS OF THE SUPERVISORY BOARD IN THE 2020 FINANCIAL YEAR

(Status of information on other Supervisory Board mandates and control bodies, unless otherwise stated: December 31, 2020)

### **Dr. rer. nat. Andreas Kreimeyer (born in 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 at BASF SE, Ludwigshafen)

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

Other supervisory board appointments:

- + C.H. Boehringer Sohn AG & Co. KG, Ingelheim  
(Member of the Advisory Council) (until July 31, 2020)
- + DAL Deutsche Afrika-Linien GmbH & Co. KG, Hamburg  
(Member of the Advisory Board) (since June 1, 2020)

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

State District Manager North of IG Bergbau, Chemie, Energie  
(Mining, Chemical, and Energy Union), Hanover

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

Other supervisory board appointments:

- + Continental Reifen Deutschland GmbH, Hanover  
(Deputy Chairman)
- + Deutsche Shell Holding GmbH, Hamburg
- + Deutsche Shell GmbH, Hamburg
- + Shell Deutschland Oil GmbH, Hamburg

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

Head of the Berlin Office of IG Bergbau, Chemie, Energie (Mining,  
Chemical, and Energy Union)

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

Other supervisory board appointments:

- + CEWE Stiftung & Co. KGaA, Oldenburg

### **André Bahn (born in 1968), Electrician Employee representative**

1st Deputy 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

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

### **Jella Benner-Heinacher (born in 1960), Lawyer Shareholder representative**

Deputy General Manager of Deutsche Schutzvereinigung für  
Wertpapierbesitz e.V. (German association for private investors),  
Düsseldorf

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

Other supervisory bodies:

- + A.S. Création Tapeten AG, Gummersbach (Deputy  
Chairwoman)

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

Entrepreneur/Agriculturist

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

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)

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

Member of the Board of Executive Directors of  
TUI Aktiengesellschaft, Hanover



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

Other supervisory board appointments:  
Group companies of the TUI Group  
+ TUI Deutschland GmbH, Hanover  
+ Tuifly GmbH, Langenhagen

Other supervisory bodies:  
Group companies of the TUI Group  
+ TUI Belgium N.V., Ostend/Belgium  
+ TUI Nederland N.V., Rijswijk/Netherlands

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

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Retiree (former Member of the Board of Executive Directors of  
K+S AKTIENGESELLSCHAFT, Kassel)

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

Other supervisory bodies:  
+ K+S MINERALS AND AGRICULTURE GMBH, Kassel  
(from January 1, 2021)

**Axel Hartmann (born 1958), Trained Retail Salesman**  
**Employee representative**

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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

In office until the end of the  
2023 Annual General Meeting  
First appointed: May 14, 2013

**Michael Knackmuß (born in 1975), Mechanic**  
**Employee representative**

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2nd 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

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

**Thomas Kölbl (born in 1962), Degree in Business**  
**Administration**  
**Shareholder representative (independent member)**

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Chief Financial Officer of Südzucker AG, Mannheim

In office until the end of the  
2022 Annual General Meeting  
First appointed: May 10, 2017

Other supervisory board appointments:  
Group companies of Südzucker Group  
+ CropEnergies AG, Mannheim (Deputy Chairman)

Other supervisory bodies:  
Group companies of Südzucker Group  
+ AGRANA Stärke GmbH, Vienna/Austria  
(Member of the Supervisory Board)  
+ AGRANA Zucker GmbH, Vienna/Austria  
(Member of the Supervisory Board)  
+ ED&F MAN Holdings Limited, London/United Kingdom  
(Member of the Board of Directors (non-executive),  
(until September 14, 2020)  
+ Freiburger Holding GmbH, Berlin (Member of the Super-  
visory Board)  
+ PortionPack Europe Holding B. V., Oud-Beijerland/  
Netherlands (Chairman of the Supervisory Board until  
April 22, 2020, member since April 23, 2020)  
+ Raffinerie Tirlemontoise S. A., Brussels/Belgium (Member  
of Conseil d'Administration) (until February 25, 2020)  
+ Südzucker Polska S. A., Wrocław/Poland  
(Member of the Supervisory Board) (until January 29, 2020)  
+ Südzucker Versicherungs-Vermittlungs-GmbH,  
Mannheim (Chairman of the Advisory Board)

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

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Head of Mining, K+S AKTIENGESELLSCHAFT, Kassel

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

**Nevin McDougall (born in 1967), Master of Agriculture  
(Agriculture Economics & Business)****Shareholder representative (independent member)**

President & Chief Commercial Officer, A&L Canada  
Laboratories Inc., London, Canada

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

Other supervisory bodies:

- + BioEnterprise Corporation (non-profit Canadian company)  
(Board member)

**Anke Roehr (born in 1964), Industrial Clerk****Employee representative**

Chairwoman of the Works Council of the Hanover site,  
K+S MINERALS AND AGRICULTURE GMBH, Kassel  
Employee in the customer segment Communities, K+S MINERALS  
AND AGRICULTURE GMBH, Kassel

In office until the end of the  
2023 Annual General Meeting  
First appointed: April 1, 2016

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

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

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

**Brigitte Weitz (born in 1964), Personnel Specialist****Employee Representative**

Chairwoman of the Works Council ZT\_South, K+S MINERALS AND  
AGRICULTURE GMBH, Kassel

In office until the end of the  
2023 Annual General Meeting  
First appointed: August 26, 2020  
[www.kpluss.com/supervisoryboard](http://www.kpluss.com/supervisoryboard)

**MEMBERS WHO LEFT APPOINTMENT IN 2020:****Peter Bleckmann (born in 1962), Mechanic****Employee representative**

Former Deputy Chairman of the General Works Council  
of the K+S GROUP  
Former Chairman of the Works Council of the Borth plant,  
K+S MINERALS AND AGRICULTURE GMBH, Kassel

Appointment ended on June 30, 2020

First appointed: May 15, 2018

**George Cardona (born 1951), Economist****Shareholder representative (former independent member)**

Economist

Appointment ended at the end of the 2020  
Annual General Meeting  
First appointed: October 9, 2009

Other supervisory bodies:

- + Board of Banque Havilland (Monaco) S.A.M., Monaco (Chairman)

**SUPERVISORY BOARD COMMITTEES AND THEIR MEMBERS****MEDIATION COMMITTEE**

- + Dr. Andreas Kreimeyer (Chairman)
- + Ralf Becker
- + Axel Hartmann
- + Thomas Kölbl

**STRATEGY COMMITTEE**

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

**AUDIT COMMITTEE**

- + Thomas Kölbl (Chairman)
- + Petra Adolph
- + Ralf Becker
- + Jella Benner-Heinacher
- + Axel Hartmann
- + Dr. Andreas Kreimeyer

**PERSONNEL COMMITTEE**

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

**NOMINATION COMMITTEE**

- + Dr. Andreas Kreimeyer (Chairman)
- + Jella Benner-Heinacher
- + Philip Freiherr von dem Bussche
- + George Cardona (until June 10, 2020)
- + Gerd Grimmig (since June 10, 2020)

**THE 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, taking into account 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](http://www.kpluss.com/statutes)

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

In accordance with Article 5 (1) of the Articles of Association, the Board of Executive Directors has at least two members. The exact number of members is determined by the Supervisory Board. From January 1 until December 31, 2020, the Board of Executive Directors consisted of three 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. In addition, the Supervisory Board is of the opinion that diversity is also important for the Board of Executive Directors. Thus, the Board 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. Furthermore, at least one member of the Board of Executive Directors should have pronounced international experience. The current composition of the Board of Executive Directors, with the exception of the targeted proportion of women, meets the criteria defined by the Supervisory Board.

With consideration of equal participation of women and men in management positions, at its meeting on May 14, 2019, the Supervisory Board determined a new target of 25%. This is to be achieved by December 31, 2023.

Following the recommendation of the Personnel Committee, the Supervisory Board, together with the Board of Executive Directors, ensures long-term succession planning for appointments to the Board of Executive Directors. Taking into account specific competence 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, the Supervisory Board or the Personnel Committee are supported by external consultants in developing the requirement profiles and selecting the candidates.

**MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS**

(Status of information on appointments, unless otherwise stated: December 31, 2020)

**Dr. Burkhard Lohr (born in 1963), Degree in Business Administration, Chairman, Labor Relations Director**

In office until May 31, 2025

First appointed: June 1, 2012

Supervisory board appointments:

- + K+S MINERALS AND AGRICULTURE GMBH (Chairman), Kassel<sup>1</sup>

**Thorsten Boeckers (born in 1975), Banker Chief Financial Officer**

In office until May 11, 2025

First appointed: May 12, 2017

Supervisory board appointments:

- + K+S MINERALS AND AGRICULTURE GMBH, Kassel<sup>1</sup>

<sup>1</sup> Group mandate.

### Mark Roberts (born in 1963), Bachelor of Science (Marketing)

In office until September 30, 2023

First appointed: October 1, 2012

Please refer to our 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](http://www.kpluss.com/executivedirectors)

☐ [www.kpluss.com/corporategovernance](http://www.kpluss.com/corporategovernance)

### REMUNERATION FOR THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

Remuneration for the Board of Executive Directors and the Supervisory Board is reported in the remuneration report as a part of the management report and can be viewed on the Company website.

🔗 Remuneration Report, page 131

☐ [www.kpluss.com/corporategovernance](http://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 as a whole and that concern corporate strategy, planning, the course of business and the earnings, financial and asset position, 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 with regard to 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](http://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 (D&O) INSURANCE

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 managers.

### SHARE TRANSACTIONS BY MEMBERS OF THE SUPERVISORY BOARD AND THE BOARD OF EXECUTIVE DIRECTORS

In accordance with Article 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.

For the Supervisory Board and the Board of Executive Directors, the directors' dealings in 2020 were disclosed as follows: **B.52**

☐ [www.kpluss.com/directorsdealings](http://www.kpluss.com/directorsdealings)

### TARGET FIGURES 1ST AND 2ND LEVEL BELOW THE BOARD OF EXECUTIVE DIRECTORS

With regard to the Act on 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% has not yet been reached as of December 31, 2020. As of the reporting date, the proportion of women was about 9% (2019: 9%). Encouragingly, at the second level below the Board of Management, the target figure of 11% was exceeded as of the reporting date with a proportion of women of just over 20% (2019: 15%). The increase compared to the previous year is due to a decrease in the total number of management positions with a simultaneous increase in the absolute number of women at this level.

🔗 Combined non-financial statement, page 69

### DIRECTORS' DEALINGS OF THE MEMBERS OF THE SUPERVISORY BOARD AND THE BOARD OF EXECUTIVE DIRECTORS

**B.52**

	Date	Transaction	ISIN	Volume
Thorsten Boeckers	December 18, 2020	Share purchase	DE000KSAG888	€19,535.90

## 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.

## ONE K+S VALUES

As a Group-wide set of values, the ONE K+S Values contribute to aligning the corporate culture and behavior worldwide on the job. This is an important step towards "One Company" – ONE K+S. In the year under review, we conducted a Values Challenge, which was intended to help employees familiarize themselves with the new ONE K+S Values. 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](http://www.kpluss.com/values)

## CODE OF CONDUCT

The K+S GROUP has defined a code of conduct for itself based on the Global Organization Handbook for the K+S GROUP and the ONE K+S Values.

This provides orientation so that everyone can make good decisions in their everyday work. As ONE K+S, it is important that we treat each other with respect all over the world and that we align

our actions to the ONE K+S Values. Collaboration is important so that, together, we can set a high ethical standard for the way in which we manage our businesses in and outside K+S.

☐ [www.kpluss.com/codeofconduct](http://www.kpluss.com/codeofconduct)

The subsystems that are relevant for the governance and monitoring components of the system, i.e., governance, compliance management, risk and opportunity management, and sustainability management, are described below. These complement one another and overlap in part. Finally, governance and internal monitoring are explained.

## 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 inflicted.

🔗 [Combined non-financial statement, page 69](#)

☐ [www.kpluss.com/compliance](http://www.kpluss.com/compliance)

At K+S, the risk of compliance breaches, including corruption risks, are taken into account as part of the risk management process. Various countermeasures, such as training, are intended to reduce the probability of occurrence. Compliance risks can also be identified through regular reviews of compliance issues by the Internal Auditing department.

The Board of Executive Directors has appointed the head of the "Compliance, Risk & Internal Auditing" unit with the function of Chief Compliance Officer (CCO) and the responsibility for 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 and Compliance Committee (GRC Committee), which comprises the compliance and risk management officers of the operating units as well as the heads of compliance-relevant 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 reviewing the

general suitability of the compliance management system and, if a need for action is identified, making recommendations to the 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. In 2020, we again had no incidents of corruption.

🔗 Combined non-financial statement, page 69

## MANAGEMENT OF RISKS AND OPPORTUNITIES

The aim of the risk and opportunity management system is to promptly identify risks and opportunities across the whole K+S GROUP and evaluate the impact on the asset, financial, or earnings position as well as the non-financial impact of the risks and opportunities. Steps are then taken to prevent/reduce the risks or use the opportunities; by doing so, the system supports the Company's success on a sustainable basis. Moreover, structured internal and external reporting of the risks and opportunities should be ensured. The following principles apply in this respect:

- + 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 in itself, which can foreseeably lead to a risk in terms of the Company's continued existence.

The Management of Risk and Opportunities 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 risk and opportunity report from page 106.

🔗 Report on risks and opportunities, page 106

## SUSTAINABILITY MANAGEMENT<sup>1</sup>

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 taken into account appropriately; therefore, they are an integral part of our strategy.

🔗 Corporate strategy, page 37

Sustainability goals	Responsible member of the Board of Executive Directors (sponsor)
Health & Safety	Mark Roberts, Member of the Board <sup>2</sup>
Diversity & Inclusion	Mark Roberts, Member of the Board <sup>2</sup>
Human Rights	Mark Roberts, Member of the Board <sup>2</sup>
Water	Dr. Burkhard Lohr, CEO
Waste	Dr. Burkhard Lohr, CEO
Energy & Climate	Mark Roberts, Member of the Board <sup>2</sup>
Sustainable Supply Chains	Thorsten Boeckers, CFO
Compliance & Anti-Corruption	Thorsten Boeckers, CFO

<sup>1</sup> This section is part of the combined non-financial statement, which contains the information pursuant to Sections 289b–289e HGB and 315b and 315c HGB and is not within the scope of the audit in accordance with Section 317 (2) Sentence 4 HGB.

<sup>2</sup> Mark Roberts was appointed as COO until December 2019.

The Board of Executive Directors is responsible for setting the strategic sustainability goals of the K+S GROUP. Each of the sustainability goals set by the Board of Executive Directors is sponsored by a member of the Board. The Board of Executive Directors is provided with regular updates on the development of the key non-financial indicators. Any non-financial risks are identified and assessed as part of risk management.

Sustainability management at the K+S GROUP is the responsibility of the "Health, Safety, Sustainability, Quality and Management Systems" department. The head of the unit reports directly to the Board of Executive Directors and chairs the Sustainability Committee. The responsibility of the unit is to create effective structures for identifying and addressing sustainability issues in the K+S GROUP and to conceptualize and coordinate their implementation at the production sites. Furthermore, the unit determines, analyzes and prioritizes sustainability requirements of or for the K+S GROUP. The implementation and management of corresponding processes is a decisive factor in this regard. The unit develops proposals of a strategic sustainability orientation and reports corresponding proposals to the Board of Executive Directors. Additionally, performance indicators are reported to the Board of Executive Directors by the Controlling department.

The Sustainability Committee has the task of advising on sustainability issues and coordinating these across the Group. It regularly analyzes the general suitability of the sustainability management system and, if a need for adjustment is identified, issues recommendations for action to the management responsible in each case. In 2020, the committee convened twice to monitor the implementation of the K+S Sustainability Program 2030 as well as to discuss concrete measures and programs. For the purpose of employee engagement, a campaign on sustainability topics was implemented in 2020 in cooperation with Ideas Management through various communication channels. Gathering non-financial key performance indicators as part of the sustainability goals was implemented as a mandatory process in our business process software in 2020. We established and implemented a product value impacting process to reflect the value of K+S products for the society. In this context, the global Sustainable Development Goals (SDGs) were also considered. Results will be communicated through various channels in 2021.

The managers of the central specialist units are closely involved in the strategy process on sustainability topics and, in cooperation with the operating units, develop measures to implement the targets. They report the progress of target achievement through Sustainability Management to the Board of Executive Directors on a quarterly basis. LTI-relevant targets are also reported to the Board of Executive Directors on a monthly basis.

👁 Corporate governance and monitoring, page 96



## 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 and 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 coordinating the Group-wide development and maintenance of an equally effective and legally compliant corporate governance and monitoring system.

The Governance, Risk, Compliance (GRC) Committee is responsible for analyzing the general suitability of the governance and monitoring system on a regular basis and issuing recommendations for action to the responsible management if weaknesses are identified.

### GOVERNANCE

Following the complete implementation of the package of measures, K+S will have streamlined significantly. Consequently, we are currently adapting our corporate strategy, including the goals as well as the ambitions defined for the year 2030, the vision, and the mission.

👁 Corporate strategy, page 37

In principle, the framework and general objectives for the governance of the K+S GROUP are derived from the mission and vision.

The GROUP strategy as the basis for the accomplishment of our mission is defined by the Board of Executive Directors. Processes and measures are defined for its implementation in regular dialogue between the Board of Executive Directors and the management of the functions directly reporting to it, and these are subsequently cascaded down to the respective subordinate organizational levels. The relevant content of these processes and measures is communicated to the employees concerned by their managers.

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, annual planning, as well as the monthly forecasts are important control tools. At the K+S GROUP, mid-term planning comprises a planning period of three years and consists of the annual planning for the coming financial year as well as the planning for the two subsequent years. In this process, key figures are planned by the units of K+S AKTIENGESELLSCHAFT in numerous subprocesses and in accordance with the central specification of the most important planning assumptions. Controlling collates the mid-term planning for the consolidated operational planning as well as for the personnel, capital expenditure, and financial planning of the K+S GROUP and provides explanations thereof to the Board of Executive Directors. Once this has been approved, the Board of Executive Directors submits the annual planning to the Supervisory Board for approval and provides explanations on

the planning for the next two years. Following the preparation of the consolidated financial statements, the Board of Executive Directors and the Supervisory Board receive an overview of the major deviations from the annual planning for the past financial year of the K+S GROUP in a comparison of planned and actual figures.

The monthly forecast is based on the approved annual planning. All key figures, such as revenues, earnings, financial position, and capital expenditures for the current financial year, are generally projected by the units included in the consolidated financial statements and consolidated by Controlling. In this process, the available actual values and new findings on business development are successively incorporated into the forecast. Key assumptions are regularly reviewed and updated if necessary. Deviations are analyzed and evaluated as part of the forecasts and are subsequently incorporated into the management of the operating business. The consolidated forecasts of the K+S GROUP are explained to the Board of Executive Directors and the Supervisory Board in written and verbal form.

In the 2020 financial year, the planning and forecasting processes newly designed as part of the SHAPING 2030 strategy were implemented. While the focus in mid-term planning is on closer integration with strategic planning and a shorter time frame for preparing the plan, the updated forecast of key financial figures during the year is now carried out in a more streamlined process.

#### 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 Standard (DRS) 20:

- + EBITDA<sup>1</sup>
- + GROUP earnings after tax, adjusted
- + Capital expenditures
- + Adjusted free cash flow<sup>2</sup>
- + Return on capital employed (ROCE)<sup>3</sup>
- + Net financial liabilities (including all lease liabilities)/EBITDA<sup>1</sup>

Since the 2018 financial year, we have been controlling the company in particular by the earnings indicator EBITDA<sup>1</sup>. A derivation can be found in the economic report on page 52. 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 employees has also been based on a comparison of the planned EBITDA<sup>1</sup> of the K+S GROUP with the actual EBITDA<sup>1</sup> achieved.

Following the successful completion of the construction of our Canadian production site in Bethune as the largest capital expenditure project in the history of K+S, we are now also focusing on the key financial performance indicator parameter of adjusted free cash flow, including the cash effective capital expenditure. A derivation of the two figures can be found in the economic report on pages 58 and 59. We are therefore further pursuing our goal of reducing the debt ratio (net financial liabilities/EBITDA<sup>1</sup>). Derivation of net financial liabilities can be found on page 60 of the economic report. The performance indicators capital expenditure and net financial liabilities/EBITDA have been the key financial performance indicators since the 2019 financial year.

#### 👁 Remuneration report, page 131

We additionally use the key performance indicator "return on capital employed" (ROCE<sup>3</sup>) for monitoring the achievement of our financial targets. We derive value added from ROCE<sup>3</sup> using the weighted average cost of capital before taxes. Group earnings after taxes, adjusted, are also essential in controlling the Company. The relevant derivation can be found on page 56 of the economic report.

The comparison of actual and forecasted business performance from page 46 on includes the above-mentioned key performance indicators.

A presentation and description of the development of the key earnings figures over the last five years can be found in the "Earnings position" section on page 55 and of the cash flow in the "Financial position" section on page 59.

<sup>1</sup> EBITDA is defined as earnings before interest, taxes, depreciation, and amortization, adjusted by the depreciation and amortization amount not recognized in profit and loss in the context of own work capitalized, earnings arising from changes in the fair market value of outstanding operating anticipatory hedges and changes in the fair value of operating anticipatory hedges recognized in prior periods. A reconciliation can be found in the economic report on page 52.

<sup>2</sup> The calculation of the "Adjusted free cash flow" performance indicator can be found in the economic report on page 59.

<sup>3</sup> The calculation of the "ROCE" performance indicator can be found in the economic report on page 56.

## NON-FINANCIAL PERFORMANCE INDICATORS

As part of sustainability management, requirements of or for the K+S GROUP are identified, analyzed, and prioritized for the purpose of setting 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 following non-financial indicators. 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 (GAS) 20.

- + Lost time incident rate (LTI rate)
- + Saline process waters
- + Sustainable supply chains, specified by the "Critical suppliers aligned with the K+S GROUP Supplier Code of Conduct" and "Coverage of the purchasing volume by the K+S GROUP Supplier Code of Conduct" performance indicators.

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 arising in the mining treatment processes of potash production, which can neither be further used in the treatment processes, nor used elsewhere, or sold as a product. Therefore, it is necessary to dispose of this water. The "share of critical suppliers who have acknowledged the Code of Conduct for Suppliers of the K+S GROUP" in percent as well as the "rate of acknowledgement of the Code of Conduct for Suppliers of the K+S GROUP" in relation to the purchasing volume in percent are the sub-targets of the third performance parameter "sustainable supply chains." A detailed description can be found in the remuneration report on pages 132 and 133.

- 🔗 Sustainability program, page 38
- 🔗 Remuneration report, page 131

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 key performance indicators within the meaning of German Accounting Standard (DRS) 20.

## 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 monitoring defined, and the measures implemented must be documented.

**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 suitability and actual effectiveness of the governance and monitoring system. The effectiveness of the risk and opportunity management system and the compliance management system 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.

## **GROUP ACCOUNTING PROCESS (SECTION 289 (4) OR SECTION 315 (4) GERMAN COMMERCIAL CODE (HGB))/ FINAL AUDIT**

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 implemented 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.

To prepare 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 completely 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 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 with regard to the Group accounting process. The annual financial statements of those German 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 2020 audit was conducted by DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, Hanover. This company or its predecessor companies have conducted our audits since 1972. The auditor directly responsible was auditor/tax adviser Dr. Christian H. Meyer (auditor of K+S since the 2015 Annual Report). The entire mandate was supervised by auditor/tax adviser Professor Dr. Frank Beine as the responsible partner. DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT issued the statement of independence in accordance with Section 7.2.1 of the German Corporate Governance Code in the version of February 7, 2017. The elected auditor is appointed by the Supervisory Board, acting on a recommendation submitted by the Audit Committee. The Audit Committee supervises the audit activities. The Chairman of the Supervisory Board and the Chairman of the Audit Committee are advised by the auditor without delay of any reasons giving rise to exclusion or partiality that may arise during the audit if these cannot be eliminated immediately. Furthermore, the auditor should immediately advise of any findings and occurrences of relevance to the tasks of the Supervisory Board that may arise during the audit. In addition, the auditor is required to advise the Supervisory Board or make an appropriate note in the audit report if, during the audit, he identifies any facts suggesting incompatibility with the declaration on conformity issued by the Board of Executive Directors and the Supervisory Board in accordance with Section 161 AktG.

## **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**

### **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: RESTRICTION S ON VOTING RIGHTS OR ON 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 INTERESTS IN THE CAPITAL EXCEEDING 10%**

No direct or indirect interests in the share capital of more than 10% were reported to us.

### **ITEM 4: HOLDER S OF SHARES WITH SPECIAL RIGHTS CONFERRING CONTROL POWERS**

There are no shares with special rights conferring control powers.

### **ITEM 5: VOTING RIGHT CONTROL IN THE EVENT OF EMPLOYEE OWNERSHIP OF CAPITAL**

No voting right controls apply.

### **ITEM 6: STATUTORY REGULATIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS AND 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 Article 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 Article 17 (2) of the Articles of Association), unless mandatory statutory provisions require a larger majority.

### **ITEM 7: BOARD OF EXECUTIVE DIRECTORS' POWERS REGARDING THE OPTION TO ISSUE OR BUY 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 11, 2016, the Board of Executive Directors was authorized to increase the Company's share capital, with the consent of the Supervisory Board, by a total of €19,140,000.00, in one lump sum or several partial amounts at different times, by issuing a maximum of 19,140,000 new registered shares (authorized capital II) in return for cash and/or non-cash contributions during the period to May 10, 2021. Shareholders are generally offered the right to subscribe when increasing capital from the authorized capital or authorized capital II, respectively. The new shares can be acquired by a financial institution determined by the Board of Executive Directors with the obligation that they must be offered to the shareholders for subscription (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 of up to €19,140,000.00 of the share capital (corresponding to 19,140,000 no-par value shares), if the new shares are to be used by the Company as consideration in the acquisition of a company or an equity interest in a company – for authorized capital also in the acquisition of parts of a company.
- + In order to implement a scrip dividend where the shareholders are asked to offer their dividend claim, in full or in part, as a non-cash contribution in return for new shares in the Company.

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 10, 2021 (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 BONDS WITH WARRANTS WITH THE OPTION TO EXCLUDE SHAREHOLDERS' SUBSCRIPTION RIGHTS WHILE SIMULTANEOUSLY CREATING 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 the purpose of 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 as this 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 undertakings 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 provision 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 bearer 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 ACQUIRE AND USE OWN SHARES WITH THE OPTION TO EXCLUDE SHAREHOLDERS' RIGHT TO SUBSCRIBE**

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. In the event of a call to shareholders to submit offers for sale, 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 call to shareholders to submit offers for sale. 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 on the basis of 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 on the basis of 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 of 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 in order 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 in respect of all shares representing a 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: SIGNIFICANT AGREEMENTS APPLYING IN THE EVENT OF A CHANGE OF CONTROL RESULTING FROM A TAKEOVER BID**

In 2019, K+S concluded a syndicated credit line for €800 million and, as a precautionary measure, concluded an additional syndicated credit line under the KfW COVID-19 special program "Direct Participation for Syndicated Financing" in 2020 due to the COVID-19 pandemic. All loans drawn against this line of credit will become due and payable immediately and the entire credit line will become redeemable in accordance with the loan terms and conditions if one person acting alone or more persons acting jointly acquire control over K+S AKTIENGESELLSCHAFT. Also, in the case of the bonds issued by K+S AKTIENGESELLSCHAFT, as well as the promissory notes issued, the respective creditors have the right, in the event of a change of control, to terminate the bonds or promissory notes that have not yet been redeemed.

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 COMPENSATION 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 139. 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 international company, K+S regularly encounters a series of developments and events that may affect the achievement of 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 deviations and opportunities as positive deviations from possible future developments of a forecast or target value.

### MANAGEMENT PROCESS

#### IDENTIFICATION

Risks and opportunities are generally identified in the respective corporate functions through various tools. 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 revenue/cost elements and mining circumstances, and observe risk indicators and success factors from the macroeconomic, industry-specific, legal, and political environment.

👁 Declaration on Corporate Governance, page 85

#### ASSESSMENT OF THE 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 likelihood of occurrence and the loss potential are quantitatively assessed in terms of the financial impact. The next step involves developing suitable countermeasures, considering alternative risk scenarios. Our aim is to reduce the loss potential or the likelihood of occurrence. The decision as to whether to implement the measures also takes account of the actual costs required. In the process, risks can also be transferred to a third party. If the gross likelihood 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 likelihood of occurrence and the net loss potential affecting the operating result.

Regarding their likelihood of occurrence and loss potential, risks are assessed internally for a short-, mid-, and long-term observation period, i.e., for the coming 12, 36, and 120 months from the time of identification or review. 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 and effective; 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 NON-FINANCIAL IMPACT

Identified risks can also have negative effects on the non-financial aspects of environmental matters, social and employee-related matters, respect for human rights, anti-corruption, and bribery matters. If the risk materializes, these effects may give rise to reputational risks that are difficult or impossible to quantify.

The non-financial impact is identified and assessed based on our central sustainability analyses and using the loss potential and likelihood of occurrence.

Systems and concepts for managing developments or events that may affect the above-mentioned aspects are described in our sustainability strategy in the combined non-financial statement.

👁 Combined non-financial statement, page 69

## REPORTING

Internal reporting on risks and opportunities is based on a threshold concept. This involves continuous reporting on risks and opportunities by the corporate functions if defined thresholds for both the likelihood of occurrence and loss potential/benefit potential are exceeded. Information on whether a risk or an opportunity is included in the forecast or planning is also provided.

Risks and opportunities whose financial impact is considered in the mid-term planning or forecast through corresponding earnings discounts or premiums do not form part of risk and opportunity reporting. Risks related to non-financial aspects as defined by the CSR Directive Implementation Act must at least have a significant loss potential and are more likely than not to occur (> 50%). No such risks were identified in the past financial year. However, where the occurrence of identified risks could have a significant or serious non-financial impact on the aspects of environmental matters, social and employee-related matters, respect for human rights, anti-corruption, and bribery matters, we specify these in the description of the relevant risk.

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 briefed 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 UTILIZATION 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. In addition, we always manage our capital structure to safeguard the financing of business operations and investing activities and in the long term.

👁 Financial position, page 57

Our international business activities can give rise to currency-related revenue 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 purposes. Financial transactions are conducted only with suitable partners. The suitability of partners and compliance with position limits is continuously reviewed through regular monitoring. A balanced distribution of the financial derivatives used across various counterparties is implemented to further 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 into hedging transactions for future business that can be anticipated with a high level of probability based on empirically reliable findings (anticipatory hedges).

👁 Notes, page 180

## RISKS AND OPPORTUNITIES 2021–2023

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 likelihood 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.53** provides an overview of the assessment of opportunities and the change in assessment compared with the previous year.

Table **B.54** provides an overview of the assessment of risks and the change in assessment compared with the previous year.

We expect the signing of the sale of the American salt business to be completed in summer 2021 at the latest. Due to the change in disclosure in accordance with IFRS 5 requirements in the financial statements for the recognition of non-current assets held for sale, and in line with our planning and forecast, this report does not contain any operating risks and opportunities of the American salt activities being sold. In the case of individual opportunities and risks, a consideration of the American salt activities is added for the period up to closing if these are relevant to one of the forecast variables.

### OPPORTUNITIES 2021–2023<sup>1</sup>

**B.53**

	Likelihood of occurrence	Loss potential	
<b>External and industry-specific opportunities</b>			
Macroeconomic developments	Possible	Moderate	
Increase in demand/price increase	Possible	Significant	
Weather-related fluctuations in demand	Possible	Moderate	↓
<b>Operational opportunities</b>			
Market penetration, market development, expansion in capacity, 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	Moderate	
<b>Financial opportunities</b>			
Currency/exchange rate fluctuations	Possible	Significant	
Change in the general interest rate level	Possible	Moderate	
Upgrading of the Company rating	Possible	Moderate	

<sup>1</sup> Statements relate to the continuing operations of the K+S Group.

RISKS 2021–2023<sup>1</sup>

B.54

	Likelihood of occurrence	Loss potential	
<b>External and industry-specific risks</b>			
Macroeconomic developments	Possible	Significant	
Reduced demand/increased supply/drop in prices	Possible	Significant	
Weather-related fluctuations in demand	Possible	Significant	
Additional weather-related costs	Possible	Moderate	
Pandemics and natural disasters	Possible	Moderate	
<b>Risks arising from changes in the legal environment</b>			
Management planning in accordance with the Water Framework Directive or amendment, refusal or revocation by a court of official licenses for the disposal of liquid and solid production residues in Germany	Possible	Significant	
Collateral security under mining law	Possible	Moderate	
<b>Operational risks</b>			
Ramp-up phase at the Bethune site	Possible	Moderate	
Litigation risks and legal disputes	Possible	Moderate	
Energy costs and energy supply	Possible	Moderate	
Freight costs and availability of transportation capacity	Possible	Moderate	
Production equipment	Possible	Moderate	
Changes in the composition of crude salt	Possible	Moderate	
Carbon dioxide pockets in deposits	Possible	Moderate	
Damage due to rock bursts	Unlikely	Significant	
Water inflow	Unlikely	Significant	
Compliance	Unlikely	Significant	
Non-compliance with regulations on occupational exposure limits underground	Unlikely	Significant	
Loss of suppliers and supply bottlenecks	Unlikely	Moderate	
Personnel	Unlikely	Moderate	
IT security	Unlikely	Moderate	
Reputation	Unlikely	Moderate	
<b>Financial risks</b>			
Currency/exchange rate fluctuations	Possible	Moderate	↓
Change in the general interest rate level	Possible	Moderate	
Downgrading of the Company rating	Possible	Moderate	
Liquidity	Unlikely	Significant	
Default on receivables from customers	Unlikely	Moderate	
Default of partners in financial transactions	Unlikely	Moderate	

<sup>1</sup> Statements relate to the continuing operations of the K+S Group.



## EXTERNAL AND SECTOR-SPECIFIC RISKS AND OPPORTUNITIES

### MACROECONOMIC DEVELOPMENTS

Demand for the mineral fertilizers and fertilizer specialties is influenced significantly by economic growth and the associated rising standards of living in the regions relevant to us, trends in soft commodity prices, and, in part, also by political decisions in some consumer countries. Due to various factors, market conditions remain challenging. Overall, we believe that the level of agricultural prices in the medium term should provide an incentive for farmers to increase yields per hectare, also through increased use of plant nutrients. There is a risk that growth in the emerging economies will slow down contrary to expectations and/or that the sovereign debt crisis in the euro area will intensify again. If this should lead to agricultural prices falling to a level that triggers uncertainty among farmers about their future income situation, it could adversely affect their demand for plant nutrients. The impact on the Company depends on the duration and the intensity of the relevant scenario.

👁️ [Macroeconomic environment, page 43](#)

Should the global economy develop more favorably than expected and growth prove to be higher than generally forecast, especially in our main sales regions Europe, Brazil, and Southeast Asia, this could lead to positive deviations from planning.

The impact of the general economic situation on demand for de-icing salt and salt products for industrial applications as well as salt products for end consumers is of minor importance, since this business is largely independent of economic conditions.

We would respond to the effects described above with demand-oriented production management.

Environmental and industrial policies continue to change worldwide. The impact of the German climate package is included in our planning or within the respective risk. The consequences of the EU Green Deal, which aims to introduce climate neutrality and higher environmental standards are not yet fully foreseeable.

Since K+S's planning is based on the assumptions stated in the forecast report, the assessment of the future macroeconomic situation is incorporated directly in the forecast for 2021.

### REDUCED DEMAND/INCREASED SUPPLY/DROP IN PRICES

Products in the Agriculture customer segment could be particularly threatened by substantial falls in demand caused by external influences. These often lead to significant price declines.

In terms of demand, macroeconomic factors such as unfavorable exchange rate developments or liquidity reduction of farm businesses could affect demand in individual sales regions. The same is true for political market regulation, for example through regional subsidy cuts, the imposition of customs duties on fertilizers and/or agricultural products, or the introduction of more restrictive fertilizer regulations. For example, the import stop on potassium chloride in China, which was in place until April 2020, has led to buyer restraint and falling prices in other regions as well. Following the signing of contracts in China and India in the second quarter, the global supply-demand balance has been restored at a low price level. There was a slight recovery in potassium chloride prices in Q4 2020. Environmental factors such as diseases in certain crops, the occurrence of animal diseases, or unfavorable weather conditions could also lead to a decline in demand with a simultaneous drop in prices. Furthermore, deliberate purchasing restraint on the part of our customers could also have a negative impact on demand and prices.

Changes on the supply side could arise as a result of capacity expansion. Should the market not be ready 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 capacity and its utilization, increases in supply from individual producers within available capacity, as well as longer-term decreases in demand could substantially affect pricing and/or sales prospects. This could change the existing structure of the entire plant nutrient market. Consequently, a drop in potash prices and/or saleable volumes cannot be ruled out. The impact on the Company depends on the duration and intensity of these events. We consider the long-term drivers to be still valid: demand for agricultural products and therefore for plant nutrients depends on megatrends such as demographic change, population growth, and emerging economies. Plant nutrients, which increase yields and enhance quality, will therefore also play a key role in future agricultural production.

For increasing competitiveness, we continue to further improve our cost and organizational structures and expand our fertilizer specialties.

#### **INCREASE IN DEMAND/PRICE INCREASE**

Opportunities with significant positive effects essentially lie in demand for mineral fertilizers and fertilizer specialties.

Due to the Chinese import stop, the industry situation in the Agriculture customer segment was challenging until April 2020. Following the signing of contracts in China and India in the second quarter, the global supply-demand balance has been restored at a low price level. In the fourth quarter of 2020, a slight recovery in the price of potassium chloride was registered. If farmers utilize any additional available uncultivated land or increase the intensity of existing cultivation, this would require additional use of plant nutrients and in future could result in global demand for potash fertilizers rising faster than forecast. In addition, the trend towards balanced fertilization involving the use of the main nutrients nitrogen (N), phosphorus (P), and potassium (K) in key 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 depends to a large extent on the scale of the fertilizer price increase triggered as a result. Compared with the assumptions made in

our mid-term planning, we consider positive price effects with a significant impact as possible.

#### **WEATHER-RELATED FLUCTUATIONS IN DEMAND**

The weather in the de-icing salt regions of Europe is of particular relevance for us. Our planning is based on a rolling average for the past ten years. An exceptionally strong winter could have a clearly positive effect on sales volumes of de-icing salt caused by a weather-related increase in demand. This in turn could put pressure on inventory levels and subsequently result in increasing prices. Conversely, mild winters may lead to a weather-related decrease in demand and therefore considerably reduced sales volumes; this in turn could create large season-ending inventories of de-icing salt, putting pressure on tenders for the upcoming winter season. Both cases would have a moderate financial impact on the development of the Company's revenues and earnings with respect to one year. Should such positive or negative weather conditions occur repeatedly in the medium term, the impact would also remain within the range of moderate financial impact.

We are responding to such fluctuations with regional diversification, demand-oriented production management, and flexible working time models. Strategic inventories and flexible adjustment of production levels of de-icing salt enable us to meet spikes in demand even at short notice.

Prior to the sale of the American salt activities, weather conditions in the de-icing salt regions of North America still had such an influence that above-average strong or mild winters, if occurring repeatedly in the medium term, had a significant financial impact on the development of the Company's revenues and earnings. With the sale, both risks and opportunities from the de-icing salt business have been significantly reduced, so that only moderate financial influences are possible here. Until the closing, which we expect in summer 2021 at the latest, the North American de-icing salt business will still have an impact on adjusted Group earnings after taxes and free cash flow from continuing and discontinued operations.

In the Agriculture customer segment, a weather-related decline in demand could pose a sales risk and lead to falling prices. This

could result in material 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.

#### **ADDITIONAL WEATHER-RELATED COSTS**

At some German production sites, the framework conditions under water law are of particular importance for the unrestricted use of the available technical production capacities. K+S has therefore significantly increased the flexibility of wastewater management at the Werra plant. With the continuous above-ground expansion of storage basin capacities, the commissioning of the kainite crystallization and flotation plant (KCF facility) in January 2018, the approval of underground interim storage capacities in August 2019, and assuming uninterrupted operation of both the discharge and injection (until the end of 2021) or the permanent underground storage planned from 2022 onwards, we assume that production at the Werra plant is secured in a hydrological normal year within the framework of the existing approvals. In a dry year, however, larger quantities of saline wastewater would have to be disposed of off-site, resulting in additional costs for the transportation of these residues. In the event of extreme drought (comparable to the summer/fall of 2018) with exceptionally low water flow in the Werra river over a very long period, production could be interrupted if all available resources for off-site disposal are exhausted. In addition to the low water flow, the water temperature can also influence 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.

#### **PANDEMICS AND NATURAL DISASTERS**

The global outbreak of COVID-19 was declared a pandemic by the WHO on March 11, 2020. Pandemics, like natural disasters, can entail considerable production and sales risks that are difficult to calculate.

K+S has immediately appointed crisis committees to permanently monitor and assess the current situation associated with the COVID-19 pandemic as well as to coordinate any measures that may

be required. This approach enables all measures for employees and business partners to be coordinated. Protecting the health of employees and ensuring supplies to our customers are given top priority.

K+S has implemented extensive measures at all sites to minimize the risk of infection and protect our employees. Consequently, occupancy in elevators was reduced to a much smaller number of people to ensure a greater distance between the miners. Moreover, shifts have been shortened or staggered to prevent employees from coming together at the same time. Respiratory protection masks are used in relevant areas. As a result, it has been possible to ensure production at all sites. Since mid-March, some of the employees in administration at K+S have also been working from their home offices. Also, in this respect, we can see that cooperation is working well in all areas.

The efficiency losses associated with these measures as well as slightly negative effects on sales volumes had a total negative impact on earnings in the mid double-digit million range in 2020. However, as further developments are uncertain, significant charges cannot be ruled out in the future.

Due to the uncertainty on the capital and financial markets regarding the economic consequences of the COVID-19 pandemic, it cannot be ruled out that refinancing of current financing instruments may be considerably more difficult. Nor can it be ruled out that access to the financial market may not be possible at all for a limited period.

#### **RISKS ARISING FROM CHANGES IN THE LEGAL ENVIRONMENT**

Many licenses and permits under public law are required for the exercise of our business activities, particularly in the areas 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. 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.

#### **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 residues and liquid residues (saline wastewater) arise from both potash production and the tailings piles. The solid residues are either placed on our tailings piles or disposed of underground. Saline wastewater is discharged into rivers in accordance with existing permits and some is to be injected into the dolomite layer until the end of 2021. It is also used to flood abandoned mines to secure them for the long term.

#### **REFUSAL OF OFFICIAL PERMITS FOR THE DISPOSAL OF LIQUID PRODUCTION RESIDUES: DISCHARGE**

The management plans based on the European Water Framework Directive and German water legislation impose significant general conditions for the above-mentioned means of disposal of residues from the German sites. For the coming years, the management plans for the second management period from 2015 to 2021 and the third management period 2021 to 2027 of the individual river authorities (FGG) are relevant in this regard.

☞ Environment, page 74

The management plan currently in force forms the regulatory framework for the period from 2015 to 2021. The existing water law permit is initially limited until the end of 2021 and, despite the reduction of the limit value for chloride from 2,500 to 2,400 mg/l brought forward by one year to reduce the salt concentration, will not lead to any direct adverse effects on potash production during this period. Further measures and target values for the third management period 2021 to 2027 are currently being redefined. If the aspects included in the management plan of the Weser

FGG for the period from 2015 to 2021 (in particular the target values in bodies of water) also appear in the plan for the period from 2022 onwards without further realizable and proportionate measures being available, considerable risks relating to the granting and retention of operating licenses, planning decisions approving public works, and water permits for the Werra and Neuhofer plants cannot be ruled out. This could have a material adverse effect on employment and on the region's economic situation.

#### **REFUSAL OF OFFICIAL PERMITS FOR THE DISPOSAL OF LIQUID PRODUCTION RESIDUES: INJECTION/STORAGE**

The deep-well injection permit for saline wastewater from potash production at the Werra plant is valid until the end of 2021. The permit is for an annual injection volume of 1.5 million m<sup>3</sup> and it also limits the daily injection volume to 5,000 m<sup>3</sup> per day. K+S will not apply for a continuation of deep-well injection. If, contrary to expectations, circumstances arise that could have an adverse effect on usable groundwater resources, if ancillary clauses could not be complied with, or if appeals against the existing permit were successful, this could result in the restriction or revocation of existing permits.

This in turn could lead to production standstills and/or major cuts in production at the affected sites due to a lack of disposal options for saline wastewater (injection volumes) and/or give rise to additional costs for transport to remote alternative disposal sites. We believe that the decisions by the authorities will endure and that potash production at the Werra plant is secured under these circumstances. The results of a 3D groundwater model also confirm that adverse effects of deep-well injection on the groundwater can be ruled out. A revocation is still possible if compliance with the threshold values at two wells of a potable water supply facility is not ensured.

K+S continues to work hard on measures to reduce saline wastewater and on alternative disposal options. One key measure here is the underground storage of saline wastewater at the Springen mining field (Merkers mine) as of 2022. This measure is intended to permanently replace deep-well injection, which will cease at the end of 2021. Underground storage rules out the possibility of groundwater salinization. The amendment to the Hesse-Thuringia state treaty on the cross-border mining of potash salts, which is

required for storage, is developing positively. However, approval by the state parliaments does not replace the necessary approval by the authorities. The approval procedure is on schedule. The aim is to ensure the disposal of production water in the future by underground storage. Research and development as well as innovation activities are also being continued. The aim of these measures is to maintain added value and safeguard the associated jobs over the long term, as well as to reduce the impact on the Werra and Weser rivers, and therefore ensure the future viability of the potash plants in the Hesse-Thuringia potash district.

☞ Environment, page 74

#### REFUSAL OR REVOCATION BY A COURT OF OFFICIAL PERMITS FOR THE DISPOSAL OF SOLID PRODUCTION RESIDUES

If licenses and permits for the expansion of tailings piles are revoked or necessary projects for the expansion of tailings piles are not approved or are only approved subject to unreasonably high requirements, it would not be possible 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 licensing authorities approved the application for the expansion of the tailings pile at the Hattorf site. In a first step, the current approval status permits the tailings pile expansion until probably 2023, subject to a section-by-section land release. Furthermore, the authorities are currently reviewing

the application for the second phase of the expansion of tailings pile capacity, which is expected to last until the early 2040s.

On September 10, 2020, the licensing authorities approved the application to expand the tailings pile at the Wintershall site. The current approval status provides for the filling of the tailings pile until expectedly 2029, a section-by-section land release provided.

Approval for the “early start” of partial measures to expand the tailings pile capacity at the Zielitz site was granted on October 1, 2019. On December 16, 2020, the planning approval resolution for the approval of the required general operating plan was issued. This approval status enables filling for an expected further 35 years. Therefore, the tailings pile proceedings on the expansion area can be started in 2021.

Extensive investments in environmental protection will also be implemented in this context. These include covering the old tailings piles from 2025 and further technical measures to improve the environmental situation.

☞ Tailings pile management, page 78

#### COLLATERAL SECURITY UNDER MINING LAW

The determination of collateral security under mining law is subject to the professional judgement of the acting authorities; at present, existing collateral security is usually provided by recognizing corresponding provisions as well as through comfort letters or group guarantees. If additional security had to be furnished, this could narrow the Company’s financial scope, especially if such security were required to be provided through bank guarantees or a deposit of funds.

#### OPERATIONAL RISKS AND OPPORTUNITIES

##### MARKET PENETRATION, MARKET DEVELOPMENT, EXPANSION IN CAPACITY, COST OPTIMIZATION, ACQUISITION S AND/ OR STRATEGIC PARTNERSHIPS, INNOVATION

In all customer segments, we use our growth potential to increase our market share by generating higher sales volumes from our existing customer base and/or by acquiring new customers. Furthermore, we are reviewing whether it would be possible to enter new sales regions with our products. We also want to use our

market-related opportunities by investing in new products and business approaches. 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, page 37

#### **RAMP-UP PHASE AT THE BETHUNE SITE**

The new Bethune potash plant in Canada continues to ramp up as planned. When a site of this size is being built, negative effects in the transition to regular operation (ramp-up phase) cannot be ruled out completely. Conversely, planned qualitative and quantitative objectives may also be surpassed. Furthermore, technical and logistical challenges may lead to higher 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 might be involved in further lawsuits and arbitration proceedings with suppliers in connection with supplies and services procured in connection with the investment project for building the new Bethune potash mine. 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.

K+S signed an agreement on the sale of its US salt business on October 5, 2020. Closing of the transaction is expected in summer 2021 at the latest, following submission of all necessary approvals. A failure of the transaction is considered unlikely.

A subsequent claim based on warranties assumed cannot be identified at present but cannot be ruled out.

K+S and REMEX, a subsidiary of the REMONDIS GROUP, are bundling their waste management activities in a new joint venture called "REKS." A corresponding agreement was concluded in December 2020. The transaction is expected to be completed in the summer of 2021 after all necessary approvals have been submitted. We consider it unlikely that the transaction will fail.

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 State of Thuringia to bear the costs for the environmental damaged 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 allowed the appeal by the State of Thuringia against the ruling by the Meiningen administrative court. A decision by the court in the matter is still pending. We still firmly believe that the decision in the first instance was correct and therefore consider significant implications unlikely.

K+S AKTIENGESELLSCHAFT finances Group companies through subsidiaries in Malta and Belgium. As part of the tax audit for the years 2011 to 2013, a further review was performed in this context and, for the first time, an objection was filed that led to the tax add-back of foreign income. Corresponding additional tax payments were stipulated. In addition, additional tax payments may have to be made for subsequent years. Appeals were filed against existing tax assessment notices. Fulfillment of the tax assessment notices was suspended by the tax authorities in conformity with the judicial order. The appeal procedures have not yet been finalized. It is considered unlikely that the tax authorities will assert their opinion in a court case.

All other litigation risks are described in the context of the relevant risk.



### ENERGY COSTS AND ENERGY SUPPLY

The energy costs incurred by K+S are primarily determined based on our consumption of natural gas and power. Energy prices are often subject to strong fluctuations. Sharp market-related rises in energy prices compared with the projected price level constitute a price risk and cannot be ruled out in the future. Furthermore, an amendment to the Renewable Energy Sources Act (EEG) or a review of the criteria for the exemption from the EEG surcharge for energy-intensive companies could lead to cost increases. Effects of the Omnibus Energy Act (EnSaG), the Act on Fuel Emissions Trading (BEHG), and phase four of the European Emissions Trading System (EU ETS) have been reflected in the planning. A positive development of energy costs compared with projected costs provides an opportunity for K+S.

For the limitation of this risk, we have reduced the quantities of natural gas required for our potash and salt production in Europe by using steam from alternative fuel heating systems. Moreover, we are pursuing a hedging strategy worldwide that allows us to secure attractive prices for purchasing natural gas in the medium term by concluding fixed supply agreements.

☞ Energy/climate, page 80

☞ Environment, page 74

### 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 EQUIPMENT

The production facilities of the K+S GROUP are characterized by a high degree of complexity and efficiency. Because of increasing age and the operational and accident risks to which our facilities,

production plants, and storage and loading facilities are exposed, business interruptions may occur and substantial personal injury or damage to property or the environment may also be caused.

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 POCKETS IN DEPOSITS

Carbon dioxide pockets 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<sub>2</sub>.

### 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 location,



preservation 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, the region's 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.

👁 Declaration on corporate governance, page 85

#### **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 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 as well as the switch from conventional explosives to emulsion explosives.

On the one hand, there is the risk that the investments considered in the planning are not sufficient. On the other hand, the time available to fulfill the regulations might not be sufficient (e.g. lack of market availability of machinery, explosives).

Based on current knowledge, we assume that we will achieve the legally required technical specifications on a permanent basis. Although we are consistently pursuing the implementation of the relevant measures, the implementation of the technical developments proved to be an unsolvable challenge to be able to fully comply with the new limits without production restrictions as early as the end of 2021. The project can now be successfully brought to completion with the approved extension of the transition period of approximately two years enabling us to comply with the new occupational exposure limits from August 2023.

#### **LOSS OF SUPPLIERS AND SUPPLY BOTTLENECKS**

The number of suppliers for raw materials, consumables, and supplies, as well as technical equipment and spare parts specific to mining, is limited. Despite countermeasures in place, supply bottlenecks, non-delivery, or delivery boycotts, over which we only have very little influence or no influence at all, could result in limited availability of these materials and thus lead to a significant increase in costs or have adverse effects on production.

We will mitigate these procurement risks through market analyses, targeted supplier selection and evaluation, long-term supply agreements, clearly defined quality standards, and state-of-the-art 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 constitute a fundamental risk.

The K+S GROUP wants to be an attractive employer both for career starters and for qualified specialists and managers. Through practice-oriented promotion of young talents, target-oriented 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 and retain qualified specialists and managers. Furthermore, with our focus on personnel diversity (diversity in terms of race, religion, gender, age, sexual orientation, disabilities, and nationality), we aim to leverage the full potential of the labor market. With this strategy and increased cooperation with selected universities, we offer qualified specialists and managers promising career prospects.

👁 Employee, page 66

### IT 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. However, we consider a prolonged failure of the IT systems to be unlikely due to the precautions we take.

We want to limit such risk through independent experts reviewing the scope and effectiveness of our wide-ranging security measures on a regular basis. Insurance to cover claims from IT system failures has been taken out for cyberattacks with a loss amount of €50 million.

### REPUTATION

The occurrence of any risk may lead to reputational damage with consequences for the Company that are impossible or difficult to quantify financially. This includes, in particular, risks with material adverse effects on the non-financial aspects of environmental matters, social and employee-related matters, respect for human rights, anti-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 and pounds sterling). 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.

👁 Financial position, page 57

We use derivative financial instruments to counter exchange rate risks arising from transactions. Significant net positions are hedged using derivatives, normally options and futures, 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, page 180

### 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. Following the sale of the American salt business, these translation effects essentially relate only to K+S POTASH CANADA and are not hedged.

Prior to the sale of the American salt activities, it was possible that exchange rate fluctuations would have a significant financial impact on the development of the Company's sales and earnings over the medium term. Following the sale of the American salt activities, both risks and opportunities from currency fluctuations are reduced, so that only moderate financial influences are possible here. Until the closing, which we expect in summer 2021 at the latest, the North American de-icing salt business will still have an impact on adjusted Group earnings after taxes and free cash flow from continuing and discontinued operations.

### CHANGE IN THE GENERAL INTEREST RATE LEVELS

Both risks and opportunities arise as a result of changes in the general interest rate level.

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. However, due to the current financing structure, only a moderate impact is expected.

The K+S GROUP is required to report long-term provisions, in particular from mining obligations as well as pensions, at the present value of the expenditure anticipated in the future. The interest calculation method was modified for the 2019 annual financial statements. This was because no interest rates with matching maturities were available on the capital market, particularly for the very long-term mining obligations. Average government bond yields are now 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 therefore to an adjustment in the amount of non-current provisions. Both falling and rising interest rates may have a moderate impact on the balance sheet and earnings of the K+S GROUP.

Most of the pension obligations are covered by plan assets resulting from fixed-income securities, shares, and other investments. Decreasing income from these investments may have an unfavorable effect on the fair value of the plan assets. We mitigate the risk of fluctuations in the fair value of the plan assets through balanced asset allocation and continuous analysis of the investment risks.

👁 Notes, page 187

### UPGRADING / DOWNGRADING 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 financing costs. 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.

The planned sale of the American salt business will lead to a significant reduction in debt and to the realignment of the Company. The purchase price payment will be due upon completion of the transaction. This is expected in the summer of 2021 at the latest, following the submission of all necessary approvals and could have a positive impact on the rating of the K+S GROUP.

👁 Financial position, page 57

### 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.

For some of these committed credit lines, compliance with financial covenants customary in the market has also been agreed. In the event of non-compliance with the covenants, the lenders have a right of termination. The timely sale of the American salt business and the establishment of the REKS joint venture are decisive preconditions for preventing the resulting liquidity risks. As a rule, the other financial liabilities can also be terminated in this case via a cross-default clause. This would result in higher liquidity procurement costs.

Our planning for adjusted free cash flow includes measures to improve working capital. If these measures were to be discontinued or not to take effect, this would have a negative impact on the expected free cash flow. In the worst case, this could even result in a temporary liquidity bottleneck. We consider this risk to be part of the liquidity risk.

Liquidity is managed through cash pool systems by the central Treasury department. As of December 31, 2020, available liquidity amounted to €1,013.9 million and consisted of cash investments, cash, and cash equivalents as well as the still available portion of existing credit lines (including the KfW credit line). Available liquidity was therefore well above our target minimum reserve of €300 million. In the case of cash investments, we pursue the goal of optimizing income from cash and cash equivalents at low risk.

🔗 Notes (25) Further disclosures on financial instruments, page 199

#### **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 insurance. 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 WITH THE PRIOR PERIOD**

The assumptions regarding the likelihood of occurrence and/or the financial impact of the risks and opportunities already reported in previous periods are presented in tables **B.53** and **B.54** on pages 108 and 109.

The worldwide outbreak of COVID-19 has been declared a pandemic by the WHO. Pandemics, like natural disasters, can entail considerable production and sales risks that are difficult to calculate. Especially, the efficiency losses associated with the measures taken, but also slightly negative effects on sales volumes had a total negative impact on earnings for continuing and discontinued operations in the mid double-digit million range in 2020.

Reporting on a more restrictive interpretation of existing regulations on the disposal of underground mining waste can be omitted, since waste management for many sites is already carried out according to this restrictive interpretation and the expected loss potential is now well below the thresholds for reporting.

The loss potential associated with the ramp-up phase at the Bethune site has decreased significantly due to the achievement of sustained high product quality within the range of financial impacts.

Following the sale of the American salt business, the influence of the de-icing salt business in particular, as well as the influence of currency fluctuations on the earnings of the K+S GROUP, are significantly reduced. The risk of increased requirements for the open-air storage of de-icing salt in North America has ceased to exist.

The risk situation with regard to non-compliance with regulations on occupational exposure limits underground has stabilized as a result of the findings of our intensive investigations, the partial implementation of measures, and the approved extension of the transition period by around two years enabling us to comply with the new occupational exposure limits from August 2023. We expect to achieve the legally required technical standards on a permanent basis.

We successfully completed the leveraging of synergies from our Group-wide Shaping 2030 strategy at the end of 2020.

### **ASSESSMENT OF RISK AND OPPORTUNITY POSITION BY THE BOARD OF EXECUTIVE DIRECTORS: NO RISKS TO THE COMPANY'S CONTINUED EXISTENCE AS A GOING CONCERN**

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 monitoring systems in place.

Taking into account the likelihood of occurrence and the financial impact of each of the risks discussed, and based on the findings of our mid-term planning, at the present time, the Board of Executive Directors does not expect any future development where the 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 very significant. Should the risk mitigation measures being implemented be ineffective or the legal requirements for permits represent a technically or economically unsolvable task, continuation of the business would be considerably impaired.

The risk situation of K+S has not improved significantly (compared with the previous year's assessment), in particular because of the unchanged challenging development on the potash market.

The timely sale of the American salt business and the completion of the REKS joint venture are decisive preconditions for preventing liquidity risks.

The opportunities that could arise for K+S in the medium term provide 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 to take advantage of the opportunities are available.

Overall, the risk and opportunity situation remains largely unchanged compared with the previous year. It requires particular attention due to the general conditions.

### **EVENTS AFTER THE BALANCE SHEET DATE**

On February 17, 2021, the company announced in an ad hoc release that the consolidated financial statements of K+S AKTIENGESELLSCHAFT as of December 31, 2019, together with the related interim group management report and the abbreviated financial statements as of June 30, 2020 are being examined by the GERMAN AUDIT OFFICE FOR ACCOUNTING ("*Deutsche Prüfstelle für Rechnungslegung – DPR*") at the occasion-related request of the GERMAN FEDERAL FINANCIAL SUPERVISORY AUTHORITY ("*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*"). The result of this examination is pending.

## REPORT ON EXPECTED DEVELOPMENTS

We expect EBITDA from continuing operations of the K+S GROUP to range between €440 million and €540 million (2020: €266.9 million). This includes an expected one-off gain from the contribution of assets to the REKS joint venture of around €200 million, which we foresee at the closing of the transaction in the summer of 2021. Against the background of the sale of the former Americas operating unit, adjusted free cash flow from continuing and discontinued operations will exceed €2 billion (2020: €-42.2 million); without the cash inflow from the divestment of the Americas operating unit, adjusted free cash flow from continuing operations is expected to be significantly negative again in 2021 because of continuing high environmental capital expenditures as well as a higher funds tied up in working capital (2020: €-109.9 million).

Unless stated otherwise, the information in this report on expected developments refers to the **continuing operations** of the K+S GROUP. Based on a sales agreement dated October 5, 2020, the former Americas operating unit is reported as a “discontinued operation” in accordance with IFRS 5.

### FUTURE MACROECONOMIC SITUATION

The following details on the future macroeconomic situation are based on forecasts by the INTERNATIONAL MONETARY FUND (IMF) and the KIEL INSTITUTE FOR THE WORLD ECONOMY (IFW). **B.55**

The INTERNATIONAL MONETARY FUND as well as the experts at IFW in Kiel forecast strong growth of, respectively, 5.5% and 6.1% in global gross domestic product in 2021, after a downturn in 2020 (2020: -3.5% and -3.8%). This forecast is based on the assumption of a

recovery in economic activity over the course of the first half of the year as the incidence of infection subsides and the measures imposed to mitigate the pandemic are withdrawn. For the remainder of the year, we anticipate that increasing levels of vaccination will sustainably reduce the risk of infection and increasingly allow general conditions to return to normal, including in especially contact-intensive sectors of industry. Supported by low interest rates and income-supporting financial policy measures, private consumption should increase strongly as soon as deferred needs can be met. Providing the vaccination programs are implemented quickly and rolled out widely among the population, economic uncertainty will decline and investment activity will increase. The highest growth rates are expected in China and India, followed by emerging market countries in East Asia, the European Union, Latin America, and the us. Inflation could tangibly increase with the anticipated strong recovery of the economy.

### PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT

**B.55**

in %; in real terms	2017	2018	2019	2020e	2021e
Germany	+2.6	+1.3	+0.6	-5.4	+3.5
Euro area	+2.6	+1.8	+1.3	-7.2	+4.2
World	+3.8	+3.5	+2.8	-3.5	+5.5

Source: IMF

Uncertainty about the course of the pandemic will give rise to economic risks. If there are further waves of infection in the next months, accompanied by renewed widespread restrictions and slower vaccination coverage of the population, the recovery in the global economy would be weaker in the coming year. One opportunity is the high level of savings from lower spending combined with incomes, which in many cases fell only slightly – not least as a result of government subsidy programs. If the accumulated savings have a major positive impact on demand once the pandemic is overcome, this would presumably lead not only to a stronger increase in production but, because of limited capacities, also to stronger price increases. Especially in such a scenario, monetary policymakers would be well advised to scale back the speed of expansionary measures.

## FUTURE INDUSTRY SITUATION

### AGRICULTURE

Also in the future, it will only be possible to meet the increasing demand for soft commodities in light of a constantly growing global population, changing eating habits, and limited arable land by intensifying fertilizer application. A balanced use of mineral plant nutrients is crucial here. The – in some cases – significant rise in the prices of soft commodities and the improved yield prospects resulting from lower prices for various input substances in agriculture should provide an incentive to increase yields per hectare by means of a balanced or (in case of deficiency) even greater use of fertilizers.

Against this background, we are assuming very good demand in 2021. Overall, for 2021 as a whole, our competitors expect record global potash sales of around 73 million to 74 million tonnes (including just under 5 million tonnes of potassium sulfate and potash grades with lower mineral content; 2020: just over 72 million tonnes). We expect demand for the fertilizer specialty potassium sulfate to increase slightly.

Especially in the first quarter, when both the spring season in the northern hemisphere as well as the start of the fertilizing season in Brazil and Southeast Asia come together, this should lead to a further recovery in prices for potassium chloride. For the year on average, we expect overseas prices for potassium chloride to be tangibly higher. For fertilizer specialties, we anticipate stable average price levels for the year as a whole.

### 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 increase tangibly. Additionally, demand for pharmaceutical products should continue to support moderate growth rates in view of the increasingly aging population.

In 2021, demand for products in the Industry+ customer segment should follow a positive overall trend. Given the growth in gross domestic product, demand for industrial products is expected at a good level in all application areas.

A continuing trend for premium products is anticipated for table salt. For water-softening salt, we forecast a slight increase in demand. End consumer demand for packaged de-icing salt is expected to be significantly stronger for weather-related reasons.

Because of the winter weather at the beginning of the year, we anticipate above-average demand for de-icing salt in the first quarter as a whole, after weather-related factors had led to a very weak prior-year quarter. This should also have a positive impact on the early fills business; for the fourth quarter, we assume sales volumes based on the average of the past ten years.

## EXPECTED DEVELOPMENT OF REVENUES AND EARNINGS, FINANCIAL POSITION, AND PLANNED CAPITAL EXPENDITURE

A further recovery in prices for potassium chloride, a normalization in the de-icing salt business, our measures to significantly streamline administration, and the one-off gain when closing the REKS joint venture of around €200 million should lead to an improvement in EBITDA from continuing operations to between €440 million and €540 million (2020: €266.9 million).

Due to the book gain in the context with the sale of the former Americas operating unit, we expect that adjusted Group earnings after tax from continuing and discontinued operations will rise strongly to a figure in the mid three-digit million range (2020: €–1,802.5 million). But also adjusted Group earnings after tax from continuing operations are anticipated to increase strongly and return to a positive figure, after the impairment loss on assets recognized in 2020 (2020: €–1,920.9 million).



Following the sale of the former Americas operating unit, adjusted free cash flow from continuing and discontinued operations will exceed €2 billion (2020: €-42.2 million); adjusted for the cash inflow from the sale of the Americas operating unit, a significant negative free cash flow from continuing operations below the level of the year 2020 is also to be expected in 2021 (2020: €-109.9 million) due to the high environmental capital expenditures as well as a higher funds tied up in working capital. At the same time, the volume of capital expenditure of the K+S GROUP in 2021 should once again be on the level of the year 2020 (€427.6 million), in particular as a result of the ongoing expansion of our tailings pile capacities in Germany. The return on capital employed (ROCE) from continuing operations is expected to increase significantly to a positive figure again (2020: -33.5%) following the impairment loss in 2020.

Driven by the cash inflow from the sale of the former Americas operating unit, the ratio of net financial liabilities (including all lease liabilities) to EBITDA is expected to improve significantly (2020: 7.8 times in relation to continuing and discontinued operations).

Our forecast for the full year 2021 is largely based on the following assumptions:

- + Based on our assessment of market conditions in the Agriculture customer segment, we anticipate that average prices for potash and magnesium fertilizers in our portfolio will be slightly higher in 2021 as a whole than in 2020 (2020: €233). This will require the price development for the Agriculture customer segment described in the future industry situation.
- + Due in particular to the continuing ramp-up in Bethune, the sales volumes for all products in the Agriculture customer segment are expected to amount to more than 7.5 million tonnes (2020: 7.30 million tonnes).
- + As a result of the good start to the de-icing salt business overall due to weather conditions, we expect sales volumes of more than 2.5 million tonnes for the 2021 financial year following the historically mild winter in the previous year (2020: 0.9 million tonnes; normal year: 2.0 to 2.5 million tonnes).
- + An average spot rate of 1.20 EUR/USD (2020: 1.14 EUR/USD) has been assumed for the EUR/USD exchange rate.

- + The closing of the sale of the former Americas operating unit is expected to be completed in summer 2021 at the latest, following the completion of the review by the antitrust authorities.
- + The closing of the REKS joint venture is also expected for the summer of 2021 following completion of the review by the antitrust authorities. For the one-off gain realized in this context, we anticipate around €200 million in our EBITDA forecast, while the cash inflow is expected to be around €90 million before tax.

## DIVIDEND FOR THE 2020 FINANCIAL YEAR

Due to the strongly negative adjusted Group earnings after tax in 2020 as a result of the impairment loss, which would also have been negative in the absence of this impairment loss, the net loss of K+S AKTIENGESELLSCHAFT, an expected significantly negative free cash flow from the operating business in 2021, and the intended use of proceeds of the sale of the Americas operating unit to reduce debt and strengthen the balance sheet, no dividend will be paid out for the 2020 financial year (previous year: €0.04 per share minimum dividend due to positive adjusted Group earnings after tax).

## EXPECTED DEVELOPMENT OF NON-FINANCIAL PERFORMANCE INDICATORS

Sustainable corporate governance is a fundamental component of a company's success, and the Supervisory Board has therefore resolved to link a significant part of the Board of Executive Directors' remuneration to sustainability targets.

Following the sale of the Americas operating unit, we will adjust our sustainability targets to the new corporate structure from 2021 after the closing of the transaction. The forecasts for LTI rate and sustainable supply chains therefore still relate to **continuing and discontinued operations**.

👁 Remuneration report, page 131

👁 Combined non-financial statement, page 69

## LOST TIME INCIDENT RATE (LTI RATE)

The LTI rate measures lost time injuries per million hours worked. For 2021, we expect that the LTI rate will remain largely stable compared to 2020 (2020: 6.9).

### REDUCTION IN SALINE PROCESS WATER

The Company has set itself the target of reducing saline process water from potash production in Germany by 500,000 m<sup>3</sup> by 2030 compared with 2017. For 2021, we anticipate another slight reduction compared with 2020 (2.9 million m<sup>3</sup>).

### SUSTAINABLE SUPPLY CHAINS

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 (the Code).

By 2025, 100% of our "critical" suppliers, i.e. suppliers with a high sustainability risk, shall have recognized the Code. In 2020, we have already achieved an increase to 68.2% (2019: 23.2%). A further increase should also be possible in 2021.

Another equivalent sub-target is to achieve a commitment rate of the Code in relation to our purchasing volume by 2025 of more than 90%. The commitment rate of 71.7% already achieved in 2020 should remain stable in 2021.

### GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE K+S GROUP

The partially significant increase in prices for soft commodities and decreased prices for various input materials result in better earnings perspectives in agriculture leading to a very good demand on potash fertilizers in 2021. Especially in the first quarter, when both the spring season in the northern hemisphere as well as the start of the fertilizing season in Brazil and Southeast Asia come together, this should lead to a further recovery in prices for potassium chloride. Normalization in the de-icing salt business, our measures to significantly streamline administration, and the one-off gain associated with the closing of the REKS joint venture of around €200 million should also contribute to an improvement in EBITDA from continuing operations to between €440 million and €540 million in 2021 (2020: €266.9 million). Adjusted free cash flow from continuing and discontinued operations will be more than €2 billion due to the sale of the former Americas operating unit (2020: €-42.2 million); adjusted for the cash inflows from the

sale of the Americas operating unit, free cash flow from continuing operations is expected to be significantly negative and below the level of 2020 in 2021 as well (2020: €-109.9 million) due to continued high environmental capital expenditures and higher funds tied up in working capital.

The leveraging in synergies in the low triple-digit million range per year from our Group-wide SHAPING 2030 strategy was successfully completed at the end of 2020. We also intend to continue to make progress in realizing synergies and reducing costs in production, logistics, purchasing, sales, and marketing. Even in the event of a low price level for potassium-containing standard fertilizers as well as weak demand for de-icing salt due to weather conditions, we want to generate a positive free cash flow at all production sites. For this purpose, the cost and capital expenditure structure of all production sites will be consistently further optimized. With the sale of our American salt business, we are also achieving an important milestone in the reduction of debt. We are consequently creating a solid financial basis for the sustainable development of the Company.

K+S has a broad product range and is the only potash producer with production sites on two continents. This is a good starting point from which to continue to supply numerous industries with essential products and to make a significant contribution to securing the world's food supply. Moreover, K+S has proved during the COVID-19 pandemic that the business model can cope well with external, negative impacts. The mega trends that will carry this business model into the future, such as the constantly growing world population, for example, continue to be intact.

## 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 2020 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 in accordance with Section 289f of the German Commercial Code (HGB) can be found on page 85.

### INFORMATION IN ACCORDANCE WITH SECTION 289A (1) OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT OF THE BOARD OF EXECUTIVE DIRECTORS

Information in accordance with section 289a (1) of the German Commercial Code (HGB) and the explanatory report of the Board of Executive Directors can be found on page 100.

### REMUNERATION REPORT

The information to be disclosed in accordance with Section 289a (2) of the German Commercial Code (HGB) is provided on page 131.

### BUSINESS OPERATIONS, CORPORATE STRATEGY, CORPORATE MANAGEMENT AND MONITORING, OVERVIEW OF THE BUSINESS PERFORMANCE

Information on business operations, corporate strategy, corporate management and monitoring as well as an overview of business performance can be found on pages 28–50 and 96–105.

### RESULTS OF OPERATIONS

At €154.3 million, K+S AKTIENGESELLSCHAFT's revenues were higher than in the previous year (2019: €137.3 million). Revenues from animal hygiene products increased significantly (31.4%). Revenues from IT increased by 10.4%. The other revenues were close to the prior-year level.

#### INCOME STATEMENT OF K+S AKTIENGESELLSCHAFT<sup>1</sup>

**B.56**

in € million	2019	2020
<b>Revenues</b>	<b>137.3</b>	<b>154.3</b>
Cost of sales	147.1	181.1
<b>Gross profit/loss</b>	<b>-9.8</b>	<b>-26.8</b>
Selling expenses	2.0	2.7
General and administrative expenses	31.8	44.7
Research costs	2.9	1.7
Other operating income	442.4	119.3
Other operating expenses	94.3	174.9
Income from equity investments, net	147.2	541.6
Other interest and similar income	8.4	5.1
Write-downs of long-term financial assets and securities classified as current assets	0.0	0.3
Expenses from transfer of losses	0.0	895.4
Interest and similar expenses	143.8	122.4
Income tax expense	25.2	0.3
<b>Income after tax/ earnings for the period</b>	<b>288.2</b>	<b>-603.4</b>
<b>Allocation from earnings for the period to other revenue reserves</b>	<b>26.6</b>	<b>0.0</b>
<b>Profit transfer from income after tax</b>	<b>144.1</b>	<b>0.0</b>
<b>Accumulated profit/loss</b>	<b>170.7</b>	<b>-603.4</b>

<sup>1</sup> A detailed income statement is included in the 2020 Annual Financial Statements of K+S Aktiengesellschaft.

**BALANCE SHEET OF K+S AKTIENGESELLSCHAFT – ASSETS****B.57**

in € million	12/31/2019	12/31/2020
Intangible assets	11.4	13.0
Tangible fixed assets	57.0	60.8
Financial assets	6,206.6	6,246.7
<b>Fixed assets</b>	<b>6,274.9</b>	<b>6,320.5</b>
Inventories	7.7	2.4
Receivables and other assets	511.8	1,058.5
Securities	6.3	6.0
Cash on hand and bank balances	156.7	109.9
<b>Current assets</b>	<b>682.5</b>	<b>1,176.7</b>
<b>Prepaid expenses</b>	<b>5.7</b>	<b>4.2</b>
<b>Excess of plan assets over post-employment benefit liability</b>	<b>1.3</b>	<b>1.0</b>
<b>TOTAL ASSETS</b>	<b>6,964.5</b>	<b>7,502.5</b>

**BALANCE SHEET OF K+S AKTIENGESELLSCHAFT – EQUITY AND LIABILITIES****B.58**

in € million	12/31/2019	12/31/2020
Issued capital	191.4	191.4
Share premium	701.6	701.6
Retained earnings	1,150.5	1,313.5
Accumulated profit/ loss	170.7	-603.4
<b>Equity</b>	<b>2,214.2</b>	<b>1,603.2</b>
Provisions for pensions and similar obligations	29.6	38.1
Tax provisions	5.2	3.6
Other provisions	227.5	322.1
<b>Provisions</b>	<b>262.3</b>	<b>363.8</b>
<b>Liabilities</b>	<b>4,484.1</b>	<b>5,532.3</b>
<b>Deferred income</b>	<b>3.8</b>	<b>3.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,964.5</b>	<b>7,502.5</b>

In particular, higher costs for reorganization of the Company and a rise in IT costs increased the cost of sales from €147.1 million in 2019 to €181.1 million. There was also an increase in the cost of sales relating to animal hygiene products.

Other operating income fell significantly, by €323.1 million to €119.3 million (2019: €442.4 million). The reasons for this were lower income from costs charged to Group companies and the realization in the prior year of hidden reserves as a result of the reorganization of corporate structures. By contrast, income from currency translation was higher.

Other operating expenses increased from €94.3 million to €174.9 million. The main reason for this was the rise in expenses for currency hedging.

The net income from equity investments increased from €147.2 million in 2019 to €541.6 million in 2020. In 2020, this item contained €527.6 million from K+S FINANCE BELGIUM BVBA. The profit transfer from K+S MINERALS AND AGRICULTURE GMBH dropped from €146.3 million in 2019 to €12.2 million in 2020. Further income from equity investments comprised profit transfers of €1.1 million (2019: €0.8 million) from K+S VERSICHERUNGSVERMITTLUNGS GMBH, €0.4 million (2019: –) from MSW CHEMIE GMBH and €0.3 million (2019: –) from K+S REAL ESTATE REAL & ESTATE.

Other interest and similar income, declined from €8.4 million in 2019 to €5.1 million in 2020 due to lower interest income from financial institutes which decreased from €1.9 million to €0.3 and lower income on tax refunds which dropped from €0.9 to €0.1 million.

In particular, the loss absorption of K+S HOLDING GMBH in the amount of €895.3 million led to the significant increase in expenses from loss absorption.

Interest and similar expenses dropped from €143.8 million to €122.4 million, mainly as a result of lower interest payable to Group companies and lower interest expenses for pension provisions. This was countered by higher interest payable to banks, negative effects from the measurement of plan assets, and higher expenses for interest expense added to provisions.

Income after tax decreased by €891.6 million to €-603.4 million (2019: €288.2 million). **B.56**

## FINANCIAL POSITION

Fixed assets increased by €45.6 million to €6,320.5 million (2019: €6,274.9 million). This was principally due to the capital increase at affiliated companies. Fixed assets therefore accounted for 84% of total assets (2019: 90%). Overall, total assets increased by €538.0 million to €7,502.5 million in 2020. Current assets rose by €494.3 million to €1,176.7 million (2019: €682.5 million). As a result of higher receivables from profit transfers and cash pool receivables, receivables from affiliated companies increased from €419.6 million in 2019 to €964.0 million in 2020. **B.57**

Equity was below the prior-year level at €1,603.2 million (2019: €2,214.2 million). The equity ratio was 21% as of the reporting date (2019: 32%). The liabilities to affiliated companies of €2,093.2 million (2019: €1,067.8 million) primarily consisted of cash pooling liabilities.

In 2020, total liabilities increased by €1,048.2 million to €5,532.3 million (2019: €4,484.1 million), principally as a consequence of a rise in liabilities from the assumptions of losses from affiliated companies and in cash pooling liabilities. As of the

reporting date, the Company reported provisions of €363.8 million with a predominantly long-term character. The Company's financing came to a considerable extent from funds available in the long term. **B.58**

## EMPLOYEES

K+S AKTIENGESELLSCHAFT had an annual average of 985 employees (2019: 1,033 employees); 36% were women and 64% were men (2019: 35% women, 65% men). The headcount includes 30 trainees (2019: 25 trainees). The number of occupational accidents was 14 (2019: 15<sup>1</sup>). That gives an accident rate of 10.5 per million working hours (2019: 10.7<sup>1</sup>) and 0.7 accidents involving downtime per million working hours (2019: 1.4<sup>1</sup>). In 2020, the proportion of severely disabled employees was slightly above the previous year's level at 4.9% of (2019: 4.6%).

## DIVIDEND

K+S AKTIENGESELLSCHAFT reports accumulated losses of €-603.4 million for the 2020 financial year (accumulated profit 2019: €170.7 million). These are carried forward on own account. No dividend is intended to be paid out for the 2020 financial year. **B.59**.

### APPROPRIATION OF PROFITS

**B.59**

in € million	2019	2020
Dividend per share (€)	0.04	-
Total dividend payment based on 191,400,000 no-par value shares eligible for dividend	7.7	-
Transfer to retained earnings	163.1	-
Allocation to other reserves	-	-603.4
<b>Accumulated profit/loss</b>	<b>170.7</b>	<b>-603.4</b>

## RESEARCH AND DEVELOPMENT

Detailed information about the research and development activities of the K+S GROUP, which relate primarily to holding companies with operating activities, can be found on page 64.

<sup>1</sup> The previous year's figures have been adjusted slightly to take account of late reports and differences in allocation.

## **RISKS AND OPPORTUNITIES**

The business development of K+S AKTIENGESELLSCHAFT is essentially subject to the same risks and opportunities as the K+S GROUP. K+S AKTIENGESELLSCHAFT participates in the risks and opportunities of its equity investments and subsidiaries according to its respective interest. More information can be found in the 'Risk and opportunity report' on page 106.

The description of the internal control system with regard to the accounting process of K+S AKTIENGESELLSCHAFT (section 289 (4) of the German Commercial Code (HGB)) can be found on page 99.

## **REPORT ON POST-BALANCE SHEET DATE EVENTS**

The report on post-balance sheet date events for the K+S GROUP and K+S AKTIENGESELLSCHAFT can be found on page 121.

## **REPORT ON EXPECTED DEVELOPMENTS**

The earnings performance of K+S AKTIENGESELLSCHAFT depends to a large extent on the performance of its subsidiaries. The expected business development of the K+S GROUP can be found in the report on expected developments on page 122.

## RESPONSIBILITY STATEMENT FROM THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

To the best of our knowledge, and in accordance with the applicable principles for financial reporting, the consolidated financial statements and the annual financial statements of K+S AKTIENGESELLSCHAFT give a true and fair view of the assets, financial and earnings position of the Group and K+S AKTIENGESELLSCHAFT, and 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, together with a description of the principal opportunities and risks associated with the expected development of the Group and K+S AKTIENGESELLSCHAFT.

Kassel, March 9, 2021

**K+S AKTIENGESELLSCHAFT**  
**BOARD OF EXECUTIVE DIRECTORS**

### FORWARD-LOOKING STATEMENTS

This report contains facts and forecasts that relate to the future development of the K+S GROUP and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this time. Should the assumptions underlying these forecasts prove incorrect or should certain risks – such as those referred to in the risk report – materialize, actual developments and results may deviate from current expectations. The Company assumes no obligation to update the statements contained in this management report, save for the making of such disclosures as required by law.



## REMUNERATION REPORT

This report explains the main features of the remuneration systems for the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT, including the specific structure of the individual components.

### REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS

#### REMUNERATION STRUCTURE

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 worldwide and the total workforce, as well as the economic situation, the success, and future prospects of the Company, considering comparable remuneration of their peer group (MDAX).

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, and other benefits. The variable performance-related portion consists of two components: the bonus (STI)

as well as two variable remuneration components, based on key indicators, with a long-term incentive character (LTI I and LTI II). The members of the Board of Executive Directors also have pensions entitlements. Effective **January 1, 2020**, contracts with members of the Board of Executive Directors contain a **claw-back clause**.

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 a directors' and officers' liability insurance (D&O insurance) with the legally required deductible as well as accident insurance. The Chairman of the Board of Executive Directors receives 1.5 times the remuneration of an ordinary member of the Board of Executive Directors. The maximum remuneration in accordance with section 87a (1) sentence 2 no. 1 *Aktiengesetz* (AktG – German Stock Cooperation Act) is determined by the Supervisory Board.

#### ILLUSTRATIVE CALCULATION OF THE ANNUAL REMUNERATION OF AN ORDINARY MEMBER OF THE BOARD OF EXECUTIVE DIRECTORS

**B.60**

	Relative structure annual remuneration	Relative structure total remuneration	Target achievement 100%	Target achievement 0%	Maximum target achievement
in €					
Fixed remuneration	60%	37%	550.0	550.0	550.0
Bonus <sup>10</sup>	40%	25%	380.0 <sup>1</sup>	0.0 <sup>2</sup>	912.0 <sup>3</sup>
<b>Annual remuneration</b>	<b>100%</b>		<b>930.0</b>	<b>550.0</b>	<b>1,462.0</b>
LTI I <sup>10</sup>			285.0 <sup>4</sup>	0.0 <sup>5</sup>	570.0 <sup>6</sup>
– People			95.0	0.0	190.0
– Environment			95.0	0.0	190.0
– Business ethics		38%	47.5	0.0	95.0
			47.5	0.0	95.0
LTI II <sup>10</sup>			285.0 <sup>7</sup>	0.0 <sup>8</sup>	570.0 <sup>9</sup>
<b>Total remuneration</b>		<b>100%</b>	<b>1,500.0</b>	<b>550.0</b>	<b>2,602.0</b>

<sup>1</sup> Actual EBITDA ▲ planned EBITDA; performance factor ▲ 1.0.

<sup>2</sup> Actual EBITDA ▲ 0%.

<sup>3</sup> Actual EBITDA ▲ 200%; performance factor ▲ 1.2.

<sup>4</sup> 100% target achievement sustainability KPIs.

<sup>5</sup> 0% target achievement sustainability KPIs.

<sup>6</sup> 200% target achievement sustainability KPIs.

<sup>7</sup> K+S share price (average for performance period) ▲ performance of MDAX (average benchmark).

<sup>8</sup> K+S share price (average for performance period) ▲ 0%.

<sup>9</sup> K+S share price (average for performance period) ▲ 200%.

<sup>10</sup> If applicable, pro rata up to end of appointment.

## 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. At 60%, the long-term incentive (LTI) comprises the more significant part and consists of two equally weighted components. Since January 1, 2020, 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.

### Short-term incentive (STI)

The STI is measured by the achievement of EBITDA<sup>1</sup> of the K+S GROUP set in the annual planning. If the EBITDA value of the annual planning approved by the Supervisory Board is achieved, the STI base amount is 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.

After the end of the respective financial year, the Supervisory Board determines a **performance factor** for the entire Board of Executive Directors. This serves as a multiplier on the base amount of the STI and ranges from 0.8 to 1.2. The performance factor depends on the achievement of annual targets defined between the Supervisory Board and the entire Board of Executive Directors.

Example calculation for applying the performance factor:

STI achievement level, e.g., 100% x performance factor, e.g., 1.1 = 110% or 0.9 = 90%

### Long-term incentive I (LTI I)

Sustainable corporate governance has an increasingly significant influence on a company's performance. In 2019, the Supervisory Board therefore resolved to link a significant portion of the Board of Executive Directors' remuneration to sustainability targets. New rules have been set in this context for LTI I, which accounts for 50% of the long-term incentive.

<sup>1</sup> EBITDA is defined as earnings before interest, taxes, depreciation, and amortization, adjusted for the amortization amount directly recognized in equity relating to own work capitalized, the result from fluctuations in the fair value of operating anticipatory hedges still outstanding, and fluctuations in the fair value of realized operating anticipatory hedges recognized in prior periods. A reconciliation is provided on page 52.

As described in the Annual Report on page 39, the Company has defined sustainability targets in the three categories of "People," "Environment," and "Business Ethics." For the LTI I, which continues over three years, one target was selected from each category. Plan values were set as the benchmark for target achievement in each case.

For the "People" category, the **"health and safety"** target has been chosen, with a reduction in the lost time incident rate. The "Environment" category target is **"water"**, with an additional reduction in saline process water from potash production in Germany, while **"sustainable supply chains"** has been chosen for the "Business Ethics" category, with the sub-targets of:

1. Maximizing the "number of critical suppliers aligned with the K+S GROUP's Supplier Code of Conduct (SCoC)"
2. increasing the "coverage of the purchasing volume by the K+S GROUP SCoC."

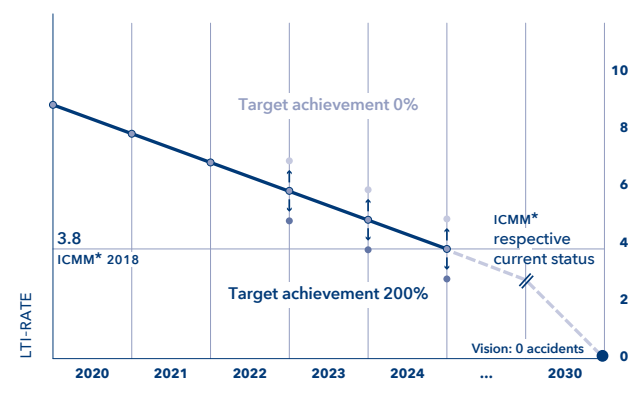
The three primary targets are ranked equally alongside each other.

#### I. People: Health & Safety – Lost Time Incident Rate (LTI Rate)

The LTI rate measures working hours lost per one million hours worked. This rate is to be reduced by three points over a three-year period 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. **B.61**

#### PEOPLE – LOST TIME INCIDENT RATE (UNTIL 2024)

**B.61**



Schematic illustration.

\* International Council on Mining and Metals.

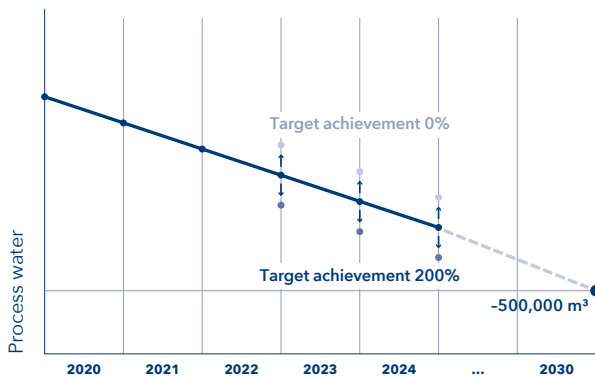
Example calculation LTI I program (2020–2022)

- LTI rate 5.8 = 100% target achievement
- LTI rate 7.3 = 0% target achievement
- LTI rate 4.3 = 200% target achievement

II. Environment: Water – Reduction of saline process water

In this category, the Company has set itself the target of generating 500,000 m<sup>3</sup> less saline process water from potash production in Germany per year from 2030 onwards than in 2017. Accordingly, a reduction of 115,385 m<sup>3</sup> 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 (plan value). If the target is exceeded or fallen short of (comparison of planned and actual value), the percentage increases or decreases to a maximum of 200% or a minimum of 0% on a straight-line basis. **B.62**

**ENVIRONMENT – PROCESS WATER (UNTIL 2024) B.62**



Schematic illustration.

Example calculation LTI I program (2020–2022)<sup>1</sup>:

- Process water reduction –115,385 m<sup>3</sup> = 100% target achievement
- Process water reduction –57,692 m<sup>3</sup> = 0% target achievement
- Process water reduction –173,078 m<sup>3</sup> = 200% target achievement

III. Business Ethics: Sustainable supply chains – Supplier Code of Conduct

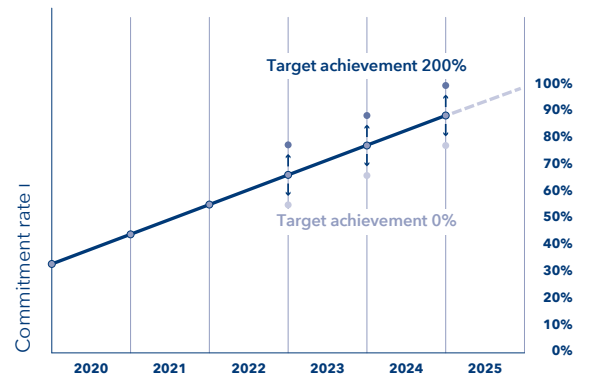
K+S calls for fair, sustainable business practices in supply chains and has established corresponding expectations and requirements

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 all 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.

In order to reach 100% target achievement for the commitment rate among critical suppliers, the commitment rate must be increased by 33.3 percentage points over a three-year period (plan value). If actual performance is below or above target (comparison of plan and actual value), the percentage increases or decreases to a maximum of 200% or a minimum of 0% on a straight-line basis. **B.63**

**BUSINESS ETHICS – SUSTAINABLE SUPPLY CHAINS (UNTIL 2024) CRITICAL SUPPLIERS B.63**



Schematic illustration.

Example calculation LTI I program (2020–2022)

- Commitment rate I 66.6% = 100% target achievement
- Commitment rate I 50.0% = 0% target achievement
- Commitment rate I 83.3% = 200% target achievement

In order to reach 100% target achievement for the spend coverage, the commitment rate must be raised over a three-year period according to the following diagram (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

<sup>1</sup> Assumption: production volume in 2017.

(comparison of plan and actual value), the percentage increases or decreases to a maximum of 200% or a minimum of 0%. **B.64**

**BUSINESS ETHICS – SUSTAINABLE SUPPLY CHAINS**

**(UNTIL 2024) SPEND COVERAGE**

**B.64**



Schematic illustration.

Example calculation LTI I program (2020–2022)

Commitment rate II 79.0% = 100% target achievement

Commitment rate II 62.0% = 0% target achievement

Commitment rate II 96.1% = 200% target achievement

**Long-term incentive II (LTI II)**

LTI II is based on the **K+S share price performance** (incl. dividends paid) compared to the performance of the **MDAX (performance index)**. 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%. **B.65.**

Since LTI II – and therefore 50% of long-term remuneration – is linked to the performance of K+S shares, there is no special “ownership guideline.”

The Chairman of the Board of Executive Directors receives 1.5 times the remuneration of an ordinary member of the Board of Executive Directors.

**LEGACY PROGRAMS**

**LTI I program until December 31, 2019**

The Board of Executive Directors has entitlements from current LTI programs from 2018 and 2019, and the system is described below:

To determine **LTI I** for 2018 and 2019, before the performance period began, the Supervisory Board used the mid-term planning to define the **value added** for each year of the performance period. The planned value added corresponds to the arithmetical mean of the three value contribution figures of the performance

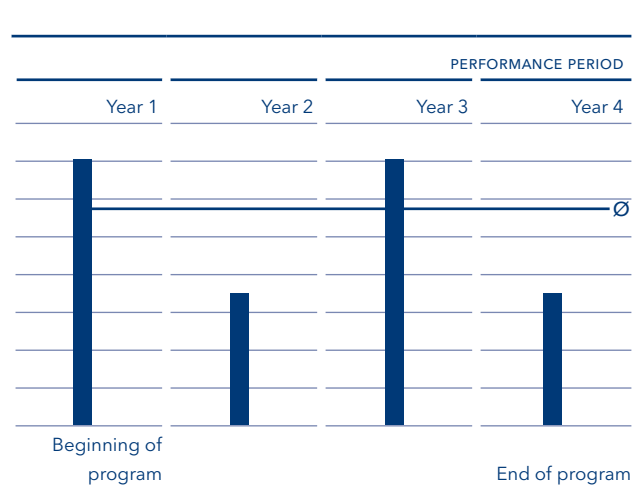
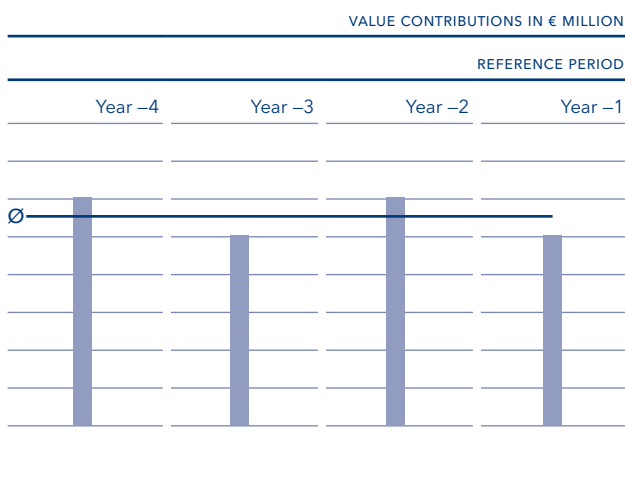
**LTI II PROGRAM**

**B.65**

Reference period		Performance period		
2019		2020	2021	2022
MDAX 2019 <sup>1</sup>		MDAX 2022 <sup>2</sup>		
K+S shares 2019 <sup>1</sup>		K+S shares 2022 <sup>2</sup>		
Beginning of program		End of program		

<sup>1</sup> Average for the stock market year; reference base.

<sup>2</sup> Average for the stock market year 2022; reference base for comparison of performance with 2019.

**LTI I PROGRAM (2018–2019)****B.66**

period. After the performance period has ended, the actual value contribution is compared to the planned value contribution. If the actual and planned value contribution are the same, the target achievement is 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% **B.66**.

The Chairman of the Board of Executive Directors receives 1.5 times the remuneration of an ordinary member of the Board of Executive Directors.

**LTI program until December 31, 2017**

The Board of Executive Directors has entitlements from an ongoing LTI program from 2017; the system is described below:

The system is based on a multi-year assessment in accordance with the value contributions (LTI until 2017) achieved. The value contribution (LTI until 2017) is derived as follows:

Earnings before operating hedges

+	interest income for the financial year
-	capital costs (before tax) for the financial year
=	value contribution (LTI until 2017)

The Company's success is thereby determined on the basis of two four-year periods. The value contribution (LTI until 2017) is capped at €±500 million per financial year.

Two four-year periods (a "reference period" and a "performance period") are compared to determine the result for an LTI tranche. The reference period covers the four years prior to commencement of the respective LTI, while the performance period covers the four years of the respective LTI term.

The average of the four value contributions (LTI until 2017) for the reference period is calculated at the beginning of an LTI period and the average of the four value contributions (LTI until 2017) for the performance period at the end of the program. The difference between these average value contributions (LTI until 2017) is reflected as a percentage on a scale from €-200 million to €+200 million. If the value contributions (LTI until 2017) in the reference and performance period are the same, 100% of the LTI is paid out. In the case of underperformance, the payment decreases on a straight-line basis to 0% in line with the percentage deviation. In the case of out-performance, the payment increases accordingly up to an upper limit of 200%. The Chairman of the Board of Executive Directors receives 1.5 times the remuneration of an ordinary member of the Board of Executive Directors.

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.

As shown in **B.67**, the value contributions generated in the four-year performance period were below those generated in the reference period.

**OLD SYSTEM OF LTI PROGRAM 2017****B.67**

in € million	2013	2014	2015	2016	2017	2018	2019	2020	Result
				Ø 39				Ø: -929	
									Difference = €-968 million
LTI 2017	222	102	226	-396	-437	-502	-576	-2,200	Disbursement <sup>1</sup> = €0.0 thousand

Reference period  
 Performance period

<sup>1</sup> For an ordinary member of the Board of Executive Directors, payment is made in April of the year following the end of the program.

**AMOUNTS OF REMUNERATION**

Details of the individual remuneration of the Board of Executive Directors in the 2020 financial year are shown in the tables below **B.68, B.69**. The difference between the "Benefits granted" and "Benefits received" tables merely relates to the variable remuneration elements. The "Benefits granted" table shows amounts that have been envisaged in the event of 100% target achievement. An exception to this is the share-based payment of LTI II. The "Benefits granted" table shows the amounts committed to the members of the Board of Executive Directors for the entire remaining contract period. The "Benefits received" table, on the other hand, shows amounts that will be paid in the following year based on the targets that have actually been achieved.

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. It amounts to €3,500,000 for an ordinary member of the Board of Executive Directors and €5,250,000 for a Chairman of the Board of Executive Directors.

Mark Roberts receives his remuneration in euros. In order to limit exchange rate risks, a clause has been agreed according to which compensation is paid for exchange rate movements at the end of each year, in the event that the actual rate of the respective transfers differs from the rate upon signing the contract (EUR 1.00 = USD 1.30) by more than 10% in individual cases or by more than 5% on average for the whole year.

As a precautionary measure, K+S AKTIENGESELLSCHAFT has applied for the granting of an additional revolving syndicated loan facility as part of the "Direct Participation for Syndicated Financing" special program of KfW due to the COVID-19 pandemic. In this context, the Board of Executive Directors has complied with KfW's request and has agreed to waive the part of its entitlement to the bonus (STI) for the 2020 financial year that exceeds 50% of the target achievement.

The average salary of the Board of Executive Directors in the past financial year was 6.7 times (2019: 6.0 times) that of senior executives worldwide and 27.2 times (2019: 27.0 times) that of the total workforce. The calculation was based on the continuing and discontinued operations of the K+S GROUP.

The total remuneration of the Board of Executive Directors related to three members, all of whom were in office for the whole year. In the previous year, the Board of Executive Directors also had three members, all of whom were in office for the whole year.

## REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS (BENEFITS GRANTED)

B.68

in € thousand	Dr. Burkhard Lohr Chairman Board member since June 2012				Thorsten Boeckers Chief Financial Officer Board member since May 2017				Mark Roberts <sup>2</sup> Board member since October 2012			
	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Fixed remuneration	825.0	825.0	825.0	825.0	550.0	550.0	550.0	550.0	550.0	641.7 <sup>5</sup>	641.7 <sup>5</sup>	641.7 <sup>5</sup>
Fringe benefit <sup>1</sup>	42.8	46.1	46.1	46.1	20.8	18.2	18.2	18.2	60.0	65.3	65.3	65.3
<b>Total</b>	<b>867.8</b>	<b>871.1</b>	<b>871.1</b>	<b>871.1</b>	<b>570.8</b>	<b>568.2</b>	<b>568.2</b>	<b>568.2</b>	<b>610.0</b>	<b>707.0</b>	<b>707.0</b>	<b>707.0</b>
One-year variable remuneration <sup>3</sup>	570.0	570.0	0.0	1,368.0	380.0	380.0	0.0	912.0	380.0	380.0	0.0	912.0
Multi-year variable remuneration <sup>3</sup>	2,565.0	427.5	0.0	855.0	1,710.0	285.0	0.0	570.0	1,140.0	285.0	0.0	570.0
– LTI I (from 2018 onward)	427.5	427.5	0.0	855.0	285.0	285.0	0.0	570.0	285.0	285.0	0.0	570.0
– LTI II (2018–2020)	83.1	0.0	0.0	0.0	60.4	0.0	0.0	0.0	23.7	0.0	0.0	0.0
– LTI II (2019–2021)	225.6	0.0	0.0	0.0	155.4	0.0	0.0	0.0	118.7	0.0	0.0	0.0
– LTI II (2020–2022)	368.1	0.0	0.0	0.0	250.4	0.0	0.0	0.0	213.7	0.0	0.0	0.0
– LTI II (2021–2023)	427.5	0.0	0.0	0.0	285.0	0.0	0.0	0.0	261.3	0.0	0.0	0.0
– LTI II (2022–2024)	427.5	0.0	0.0	0.0	285.0	0.0	0.0	0.0	166.3	0.0	0.0	0.0
– LTI II (2023–2025)	344.4	0.0	0.0	0.0	224.6	0.0	0.0	0.0	71.3	0.0	0.0	0.0
– LTI II (2024–2026)	201.9	0.0	0.0	0.0	129.6	0.0	0.0	0.0	0.0 <sup>4</sup>	0.0 <sup>4</sup>	0.0 <sup>4</sup>	0.0 <sup>4</sup>
– LTI II (2025–2027)	59.4	0.0	0.0	0.0	34.6	0.0	0.0	0.0	0.0 <sup>4</sup>	0.0 <sup>4</sup>	0.0 <sup>4</sup>	0.0 <sup>4</sup>
Other <sup>6</sup>	–	–	–	–	–	–	–	–	–	500.0	500.0	500.0
<b>Total</b>	<b>4,002.8</b>	<b>1,868.6</b>	<b>871.1</b>	<b>3,094.1</b>	<b>2,660.8</b>	<b>1,233.2</b>	<b>568.2</b>	<b>2,050.2</b>	<b>2,130.0</b>	<b>1,872.0</b>	<b>1,207.0</b>	<b>2,689.0</b>
– Service costs	957.1	1,124.9	1,124.9	1,124.9	936.6	1,255.9	1,255.9	1,255.9	717.1	870.9	870.9	870.9
<b>Total remuneration</b>	<b>4,959.9</b>	<b>2,993.5</b>	<b>1,996.0</b>	<b>4,219.0</b>	<b>3,597.4</b>	<b>2,489.1</b>	<b>1,824.1</b>	<b>3,306.1</b>	<b>2,847.1</b>	<b>2,742.9</b>	<b>2,077.9</b>	<b>3,559.9</b>

<sup>1</sup> Fringe benefits are capped at €75,000.<sup>2</sup> Before compensation for exchange rates: a US dollar rate is stipulated for the translation of remuneration. Since payments are initially converted using current rates, any difference may have to be compensated for after the end of the year.<sup>3</sup> If applicable, pro rata up to end of appointment.<sup>4</sup> Appointment ends September 30, 2023.<sup>5</sup> Since March 1, 2020, additional compensation (€110,000 p.a.) due to the additional function as CEO of Morton Salt, Inc. and the associated dual responsibility.<sup>6</sup> Special compensation for the sale of the Americas operating unit.

## REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS (BENEFITS RECEIVED)

B.69

in € thousand	Dr. Burkhard Lohr Chairman Board member since June 2012		Thorsten Boeckers Chief Financial Officer Board member since May 2017		Mark Roberts <sup>1</sup> Board member since October 2012	
	2020	2019	2020 <sup>2</sup>	2019 <sup>2</sup>	2020	2019
Fixed remuneration	825.0	825.0	550.0	550.0	732.4 <sup>5</sup>	649.4
Fringe benefits	46.1	42.8	18.2	20.8	65.3	60.0
<b>Total</b>	<b>871.1</b>	<b>867.8</b>	<b>568.2</b>	<b>570.8</b>	<b>797.7</b>	<b>709.4</b>
One-year variable remuneration	285.0 <sup>6</sup>	383.7	190.0 <sup>6</sup>	255.9	216.9 <sup>6</sup>	302.3
Multi-year variable remuneration	133.4	0.0	88.9	0.0	101.5	0.0
– LTI until 2017	0.0 <sup>3</sup>	0.0 <sup>4</sup>	0.0 <sup>3</sup>	0.0 <sup>4</sup>	0.0 <sup>3</sup>	0.0 <sup>4</sup>
– LTI I from 2018 onward	133.4	–	88.9	–	101.5	–
Other	–	–	–	–	–	–
<b>Total</b>	<b>1,289.5</b>	<b>1,251.5</b>	<b>847.1</b>	<b>826.7</b>	<b>1,116.1</b>	<b>1,011.7</b>
– Pension cost	1,124.9	957.1	1,255.9	936.6	870.9	717.1
<b>Total remuneration</b>	<b>2,414.4</b>	<b>2,208.6</b>	<b>2,103.0</b>	<b>1,763.3</b>	<b>1,987.0</b>	<b>1,728.8</b>

<sup>1</sup> Including exchange rate compensation.<sup>2</sup> Transfer of the remaining periods of the LTI entitlements that Mr. Boeckers received as the Head of Investor Relations of K+S Aktiengesellschaft.<sup>3</sup> 2017–2020 term.<sup>4</sup> 2016–2019 term.<sup>5</sup> Since March 1, 2020, additional compensation (€110,000 p.a.) due to the additional function as CEO of Morton Salt, Inc. and the associated dual responsibility.<sup>6</sup> In 2020, the Board of Executive Directors waived the portion of its entitlement to the bonus (STI) under the KfW loan that exceeds 50% of the target achievement.



## DISCLOSURES IN ACCORDANCE WITH SECTION 314 (1) NO. 6A) HGB

B.70

	Fixed remuneration <sup>1</sup>	STI	LTI until 2017	LTI I from 2018 onward	LTI II from 2018 onward	Total
Dr. Burkhard Lohr	871.1	285.0	0.0	133.4	0.0	1,289.5
Thorsten Boeckers	568.2	190.0	0.0	88.9	0.0	847.1
Mark Roberts	797.7 <sup>2</sup>	216.9 <sup>2</sup>	0.0	101.5 <sup>2</sup>	0.0	1,116.1

<sup>1</sup> Including fringe benefits.<sup>2</sup> Including exchange rate compensation.

## DISCLOSURES IN ACCORDANCE WITH IFRS 2

B.71

	Expenses for LTI II	Provisions for LTI II
Dr. Burkhard Lohr	165.1	740.3
Thorsten Boeckers	107.4	487.5
Mark Roberts	81.6	374.6
<b>Total</b>	<b>354.1</b>	<b>1,602.4</b>

## 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.

The pension modules are calculated on the basis of 20% of the fixed annual remuneration of the respective member of the Board of Executive Directors. For the current members of the Board of Executive Directors in office, they are calculated on the basis of 40% of fixed annual remuneration. The amount is calculated in accordance with actuarial principles and set aside for retirement; the factors for the creation of the 2020 modules for the members of the Board of Executive Directors are between 10.0% and 17.0%, 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). The upper limit for the Chairman of the Board of Executive Directors is €340,000 following a regular review in 2019, and for an ordinary member of the Board of Executive Directors it is €255,000. These amounts are reviewed every three years and adjusted if necessary – the next review is scheduled for 2022. 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 on the vesting of pension entitlements. Accordingly, pension entitlements do not vest until after five years of service. A fixed conversion rate between the euro and the us dollar was agreed for the Board of Executive Directors member Mark Roberts.

For pension entitlements not covered by the Pension Protection Association, the Company maintains reinsurance policies in favor of the member of the Board of Executive Directors concerned, which are pledged to them for their protection.

If the term of office of a member of the Board of Executive Directors ends, 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 a serving 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 2020, the amounts shown in **B.72** 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 2020 gives rise to pension expenses, which are calculated in accordance with actuarial principles. The increase in present values compared to the prior-year value is due to the fact that the period until the assumed start of the pension is one year shorter.

PENSIONS OF THE MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS<sup>1</sup>

B.72

in € thousand		Age	Fair value as of Jan. 1	Pension expense <sup>2</sup>	Fair value as of Dec. 31
Dr. Burkhard Lohr	2020	57	6,799.0	1,192.9	8,666.6
	2019		4,515.9	1,047.4	6,799.0
Thorsten Boeckers <sup>3</sup>	2020	45	3,494.3	1,290.8	5,373.4
	2019		1,621.2	969.0	3,494.3
Mark Roberts	2020	57	5,940.1	930.3	7,060.0
	2019		3,907.8	795.2	5,940.1
<b>Total</b>	<b>2020</b>		<b>16,233.4</b>	<b>3,414.0</b>	<b>21,100.0</b>
	<b>2019</b>		<b>10,044.9</b>	<b>2,811.6</b>	<b>16,233.4</b>

<sup>1</sup> Information provided in accordance with IFRS.

<sup>2</sup> Including interest expense.

<sup>3</sup> Includes pension entitlements from his time as the Head of Investor Relations of K+S Aktiengesellschaft.

### TERMINATION OF CONTRACTS WITH THE BOARD OF EXECUTIVE DIRECTORS

If the appointment as a Board member is revoked, the member of the Board of Executive Directors 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 contract.

In the event of early termination of a contract with a member of the Board of Executive Directors as the 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 contract without giving notice. The bonus is calculated on the basis of the average of the preceding two years. 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 contracts may not exceed the value of the combined annual remuneration for three years. This arrangement was amended for new service contracts to be entered into, by setting the upper limit at the value of the combined annual remuneration for two years. In the event of a change of control, members of the Board of Executive Directors enjoy no extraordinary right to terminate their contract.

For the term of the service contract and the subsequent two years after its termination, the member of the Board of Executive Directors undertakes, without the consent of K+S, not to work in any way for a competitor company of K+S or a company affiliated with K+S or to participate directly or indirectly in such a company or to conduct business for his 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-competition clause shall be remunerated; income from self-employed, employed, or other gainful employment shall be offset. K+S may waive the non-competition clause prior to the expiry of the contract with a notice period of six months.

### CLAW-BACK CLAUSE

The service contracts of all members of the Board of Executive Directors contain claw-back 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 contract 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 claw-back option was not used in the 2020 financial year.

### OTHER

The Supervisory Board has introduced an age limit of 65 years for members of the Board of Executive Directors.

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 contracts 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.

The total remuneration of previous members of the Board of Executive Directors and their surviving dependents amounted to €2.3 million in the year under review (2019: €2.4 million).

## REMUNERATION OF THE SUPERVISORY BOARD

### REMUNERATION STRUCTURE

The remuneration of the Supervisory Board is governed by Article 12 of the Articles of Association. A member of the Supervisory Board receives fixed annual remuneration of €100,000. The Chairman of the Supervisory Board receives twice this amount and the Deputy Chairman 1.5 times this amount.

The members of the Audit Committee each receive annual remuneration of €15,000 and the members of the Personnel Committee €7,500. Each member of the Nomination Committee receives annual remuneration of €7,500 if at least two meetings have taken place during the respective year. The members of the Strategy Committee each receive annual remuneration of €10,000. Each committee chair receives twice this amount and a deputy chair 1.5 times this amount. Finally, each member of the Supervisory Board receives a fee of €750 for attending a meeting of the Supervisory Board or one of its committees; however, if more than one meeting is held on the same day, members will receive a maximum of €1,500 per day. 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 the reimbursement of any value added tax (VAT) to be paid as a consequence of their activities in their capacity as Supervisory Board members.

The Supervisory Board will propose to the ordinary Annual General Meeting to be held in May 2021 the introduction of an amended remuneration system for the Supervisory Board, which will be based on the new dimensioning of K+S, as follows:

An ordinary member of the Supervisory Board will receive fixed annual remuneration of €65,000. No additional attendance fees will be paid. A chair will receive twice this amount and a deputy chair 1.5 times this amount. The members of the Audit Committee will receive additional annual remuneration of €20,000. Remuneration for membership of the Personnel Committee will be €5,000. The members of the Nomination Committee will receive additional annual remuneration of €2,500. Remuneration for membership of the Strategy Committee will be €15,000. Each committee chair will receive twice this amount and a deputy chair 1.5 times this amount.

This remuneration structure is intended to apply as early as January 1, 2021. The remuneration of the Supervisory Board is paid at the end of the first month following the close of the financial year.

### AMOUNTS OF REMUNERATION

Details of the individual remuneration of the Supervisory Board for the 2020 financial year are shown in the table below. **B.73**

Members of the Supervisory Board were reimbursed expenses totaling €31.8 thousand for 2020 (2019: €48.9 thousand). In 2020, no 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. 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.

### AGE LIMIT AND MAXIMUM TERMS OF OFFICE

Candidates for the Supervisory Board may not be older than 70 when elected. 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.

### ATTENDANCE TO MEETINGS

The following table **B.74** provides an individualized overview of members' attendance of meetings of the Supervisory Board and its committees in 2020.

REMUNERATION OF THE SUPERVISORY BOARD<sup>1</sup>

B.73

in €		Fixed remuneration	Audit Committee	Personnel Committee	Nomination Committee**	Strategy Committee <sup>2</sup>	Attendance fees <sup>3</sup>	Total
Dr. Andreas Kreimeyer	2020	200,000	15,000	15,000	0	20,000	23,250	273,250
	2019	160,000*	15,000	15,000	15,000	0	16,500	221,500
Ralf Becker	2020	150,000	15,000	7,500	–	10,000	22,500	205,000
	2019	120,000*	15,000	7,500	–	0	15,000	157,500
Petra Adolph	2020	100,000	15,000	–	–	–	13,500	128,500
	2019	80,000*	15,000	–	–	–	8,250	103,250
André Bahn	2020	100,000	–	–	–	10,000	15,000	125,000
	2019	80,000*	–	–	–	0	3,750	83,750
Jella S. Benner-Heinacher	2020	100,000	15,000	–	0	–	15,750	130,750
	2019	80,000*	15,000	–	7,500	–	11,250	113,750
Peter Bleckmann (until June 30, 2020)	2020	50,000	–	–	–	–	5,250	55,250
	2019	80,000*	–	–	–	–	3,750	83,750
George Cardona (until June 10, 2020)	2020	50,000	–	–	0	–	3,750	53,750
	2019	80,000*	–	–	7,500	–	6,000	93,500
Dr. Elke Eller	2020	100,000	–	7,500	–	–	12,750	120,250
	2019	80,000*	–	7,500	–	–	9,000	96,500
Gerd Grimmig	2020	100,000	–	–	–	–	9,750	109,750
	2019	80,000*	–	–	–	–	3,750	83,750
Axel Hartmann	2020	100,000	15,000	–	–	–	14,250	129,250
	2019	80,000*	15,000	–	–	–	7,500	102,500
Michael Knackmuß	2020	100,000	–	7,500	–	–	14,250	121,750
	2019	80,000*	–	7,500	–	–	8,250	95,750
Thomas Kölbl	2020	100,000	30,000	–	–	–	14,250	144,250
	2019	80,000*	30,000	–	–	–	8,250	118,250
Gerd Kübler	2020	100,000	–	–	–	–	9,750	109,750
	2019	100,000	–	–	–	–	3,750	103,750
Nevin McDougall	2020	100,000	–	–	–	–	9,000	109,000
	2019	80,000*	–	–	–	–	3,750	83,750
Anke Roehr	2020	100,000	–	–	–	–	9,000	109,000
	2019	80,000*	–	–	–	–	3,000	83,000
Dr. Rainier van Roessel (since June 10, 2020)	2020	58,333	–	–	–	–	5,250	63,583
	2019	–	–	–	–	–	–	–
Philip Freiherr von dem Bussche	2020	100,000	–	–	0	10,000	15,750	125,750
	2019	80,000*	–	–	7,500	0	7,500	95,000
Brigitte Weitz (since August 26, 2020)	2020	41,667	–	–	–	–	3,750	45,417
	2019	–	–	–	–	–	–	–
<b>Total</b>	<b>2020</b>	<b>1,750,000</b>	<b>105,000</b>	<b>37,500</b>	<b>0</b>	<b>50,000</b>	<b>216,750</b>	<b>2,159,250</b>
	<b>2019</b>	<b>1,420,000*</b>	<b>105,000</b>	<b>37,500</b>	<b>37,500</b>	<b>0</b>	<b>119,250</b>	<b>1,719,250</b>

\* Waiver of 20% of fixed remuneration for 2019 to benefit charitable purposes.

\*\* No remuneration paid in 2020 since only one meeting was held.

<sup>1</sup> Figures exclude compensation for value added tax payable by Supervisory Board members for their work.

<sup>2</sup> Remuneration introduced after 2019.

<sup>3</sup> On February 28, 2019 and June 30, 2020, joint meetings of the Audit Committee and Strategy Committee were held, but only one attendance fee was paid to members of both committees. On August 21, 2020 and October 15, 2020, meetings of the Personnel Committee extended to include the Strategy Committee were held, but only one attendance fee was paid to members of both committees. In addition, the members of the Personnel Committee waived their attendance fee because of the short duration of the meeting on December 14, 2020.

**ATTENDANCE OF MEETINGS BY MEMBERS OF THE SUPERVISORY BOARD  
OF K+S AKTIENGESELLSCHAFT IN THE 2020 FINANCIAL YEAR****B.74**

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	35	13	13	22	22	100%
Ralf Becker	34	13	13	21	21	100%
Petra Adolph	20	13	12	7	6	90%
André Bahn	20	13	13	7	7	100%
Jella S. Benner-Heinacher	21	13	13	8	8	100%
Peter Bleckmann (until June 30)	7	7	7	–	–	100%
George Cardona (until June 10)	5	5	5	0	0	100%
Dr. Elke Eller	20	13	12	7	6	90%
Gerd Grimmig	14	13	12	1	1	93%
Axel Hartmann	20	13	12	7	7	95%
Michael Knackmuß	20	13	13	7	7	100%
Thomas Kölbl	20	13	12	7	7	95%
Gerd Kübler	13	13	13	–	–	100%
Nevin McDougall	13	13	12	–	–	92%
Anke Roehr	13	13	12	–	–	92%
Rainier van Roessel (since June 10)	8	8	7	–	–	88%
Philip Freiherr von dem Bussche	21	13	13	8	8	100%
Brigitte Weitz (since August 26)	5	5	5	–	–	100%
<b>Total</b>	<b>309</b>	<b>207</b>	<b>96%</b>	<b>102</b>	<b>98%</b>	<b>96%</b>

# CONSOLIDATED FINANCIAL STATEMENTS

## C

### **143 CONSOLIDATED FINANCIAL STATEMENTS**

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INCOME STATEMENT<sup>1,3</sup>

C.1

in € million	Note	2019	2020
<b>Revenues</b>	(1)	<b>2,549.7</b>	<b>2,432.1</b>
Cost of goods sold	(2)	2,210.2	4,158.9
<b>Gross profit</b>		<b>339.5</b>	<b>-1,726.8</b>
Selling, general, and administrative expenses	(2)	172.0	197.1
Other operating income	(3)	104.7	176.3
Other operating expenses	(4)	181.9	191.4
Income from equity investments, net	(5)	3.2	3.2
Gains/(losses) on operating anticipatory hedges	(6)	-12.8	42.4
<b>Earnings after operating hedges<sup>2</sup></b>		<b>80.7</b>	<b>-1,893.4</b>
Interest income	(7)	-	-
Interest expense	(7)	71.2	100.0
Other financial result	(8)	36.9	-5.7
<b>Financial result</b>		<b>-34.3</b>	<b>-105.7</b>
<b>Earnings before tax</b>		<b>46.4</b>	<b>-1,999.1</b>
Income tax expense	(9)	19.1	-108.2
– of which deferred taxes		-31.4	-113.2
<b>Earnings after tax from continuing operations</b>		<b>27.3</b>	<b>-1,890.8</b>
Earnings after tax from discontinued operations	(20)	61.6	176.1
Earnings for the year		88.9	-1,714.7
Non-controlling interests		-	0.1
Earnings after tax and non-controlling interests		88.9	-1,714.8
– of which from continuing operations		27.3	-1,890.8
– of which from discontinued operations		61.6	176.0
<b>Earnings per share in € (undiluted Δ diluted)</b>	<b>(11)</b>	<b>0.46</b>	<b>-8.96</b>
– of which from continuing operations		0.14	-9.88
– of which from discontinued operations		0.32	0.92

<sup>1</sup> Rounding differences may arise in percentages and numbers.

<sup>2</sup> Key indicators not defined in IFRS.

<sup>3</sup> 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." The comparative periods have been restated in accordance with IFRS 5 (see section entitled "Discontinued operations and disposal groups").



**STATEMENT OF COMPREHENSIVE INCOME<sup>1</sup>****C.2**

in € million	Note	2019	2020
<b>Earnings for the year</b>		<b>88.9</b>	<b>-1,714.7</b>
Exchange differences on translation of foreign operations		317.4	-460.1
<b>Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>		<b>317.4</b>	<b>-460.1</b>
Remeasurement gains/(losses) on net liabilities/assets under defined benefit plans		-17.1	-45.6
Gains/(losses) on equity instruments measured at fair value		9.7	-12.9
<b>Items of other comprehensive income not to be reclassified to profit or loss</b>		<b>-7.4</b>	<b>-58.5</b>
<b>Other comprehensive income after tax</b>	(21)	<b>310.0</b>	<b>-518.6</b>
<b>Total comprehensive income for the period</b>		<b>398.9</b>	<b>-2,233.3</b>
Non-controlling interests		-	0.1
<b>Total comprehensive income for the period, net of tax and non-controlling interests</b>		<b>398.9</b>	<b>-2,233.4</b>

<sup>1</sup> Rounding differences may arise in percentages and numbers.

**BALANCE SHEET – ASSETS<sup>1</sup>****C.3**

in € million	Note	Dec. 31, 2019	Dec. 31, 2020
Intangible assets	(12)	998.5	83.2
– of which goodwill from acquisitions of companies	(12)	712.4	13.7
Property, plant, and equipment	(12)	7,210.0	4,109.9
Investment properties	(13)	6.3	4.6
Financial assets	(14)	106.2	41.9
Investments accounted for using the equity method	(15, 5)	–	27.8
Other financial assets	(18, 19)	6.0	6.1
Other non-financial assets		30.2	19.9
Securities and other financial assets		7.0	6.0
Deferred taxes	(16)	95.5	176.0
<b>Non-current assets</b>		<b>8,459.6</b>	<b>4,475.5</b>
Inventories	(17)	789.3	483.5
Trade receivables	(18)	724.7	272.7
Other financial assets	(18, 19)	141.6	203.7
Other non-financial assets		116.6	128.5
Income tax refund claims		27.4	10.8
Securities and other financial assets		11.4	7.0
Cash and cash equivalents	(31)	321.8	142.3
Assets held for sale	(20)	–	2,663.3
<b>Current assets</b>		<b>2,132.6</b>	<b>3,911.9</b>
<b>ASSETS</b>		<b>10,592.2</b>	<b>8,387.4</b>

<sup>1</sup> Rounding differences may arise in percentages and numbers.

**BALANCE SHEET – EQUITY AND LIABILITIES<sup>1</sup>****C.4**

in € million	Note	Dec. 31, 2019	Dec. 31, 2020
Issued capital	(21)	191.4	191.4
Capital reserve	(21)	645.7	645.7
Other reserves and net retained earnings	(21)	3,656.4	1,383.8
Total equity attributable to shareholders of K+S Aktiengesellschaft		4,493.5	2,220.9
Non-controlling interests		1.6	1.7
<b>Equity</b>		<b>4,495.1</b>	<b>2,222.6</b>
Financial liabilities	(26)	2,873.0	2,031.5
Other financial liabilities	(19, 26)	296.1	139.3
Other non-financial liabilities		17.5	16.5
Income tax liabilities		22.8	–
Provisions for pensions and similar obligations	(22)	232.2	110.3
Provisions for mining obligations	(23)	910.6	926.0
Other provisions	(23, 24)	166.4	140.3
Deferred taxes	(16)	202.4	63.9
<b>Non-current liabilities</b>		<b>4,721.1</b>	<b>3,427.8</b>
Financial liabilities	(26)	525.9	1,337.7
Trade payables	(26)	241.3	187.3
Other financial liabilities	(19, 26)	175.8	206.6
Other non-financial liabilities		71.3	77.2
Income tax liabilities		32.7	22.7
Provisions	(23, 25)	329.0	248.5
Liabilities relating to assets held for sale	(20)	–	657.0
<b>Current liabilities</b>		<b>1,376.0</b>	<b>2,737.0</b>
<b>EQUITY AND LIABILITIES</b>		<b>10,592.2</b>	<b>8,387.4</b>

<sup>1</sup> Rounding differences may arise in percentages and numbers.

STATEMENT OF CASH FLOWS<sup>1</sup>

C.5

in € million	Note	2019	2020
Earnings after operating hedges (from continuing operations)	(31)	80.7	-1,893.4
Earnings after operating hedges (from discontinued operations)		143.6	195.2
Income (-)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges		6.1	-116.3
Elimination of prior-period changes in the fair value of operating anticipatory hedges		-22.0	-9.5
Depreciation, amortization, impairment losses (+)/reversals of impairment losses (-)		431.9	2,268.6
Increase (+)/decrease (-) in non-current provisions (excluding interest rate effects)		-14.1	-11.8
Interest received and similar income		13.4	3.4
Realized gains (+)/losses (-) on financial assets/liabilities		35.3	-23.6
Interest paid and similar expense (-)		-113.6	-119.0
Income tax paid (-)		-45.9	-19.4
Other non-cash expenses (+)/income (-)		1.5	5.4
Gain (-)/loss (+) on sale of assets and securities		-19.9	-47.2
Increase (-)/decrease (+) in inventories		-82.7	-77.7
Increase (-)/decrease (+) in receivables and other operating assets		205.3	156.8
Increase (+)/decrease (-) in current operating liabilities		32.3	89.7
Increase (+)/decrease (-) in current provisions		14.8	30.5
Allocations to plan assets		-26.9	-3.2
<b>Net cash flows from operating activities</b>		<b>639.8</b>	<b>428.5</b>
Proceeds from sale of assets		11.8	21.5
Purchases of intangible assets		-12.6	-35.9
Purchases of property, plant, and equipment		-493.3	-500.5
Purchases of financial assets		-4.9	-0.1
Proceeds from the sale of consolidated companies		-	44.3
Cash and cash equivalents of companies deconsolidated in the year under review		-1.1	-
Proceeds from sale of securities and other financial assets		15.2	5.0
Purchases of securities and other financial assets		-15.1	-
<b>Net cash used in investing activities</b>		<b>-500.0</b>	<b>-465.7</b>
Dividends paid		-47.9	-7.7
Repayment (-) of borrowings		-1,416.2	-1,917.0
Proceeds (+) from borrowings		1,475.0	1,844.8
<b>Net cash from/(used in) financing activities</b>		<b>11.0</b>	<b>-79.9</b>
<b>Cash change in cash and cash equivalents</b>		<b>150.8</b>	<b>-117.1</b>
Exchange rate-related change in cash and cash equivalents		3.3	-6.8
Consolidation-related changes in cash and cash equivalents		-	5.0
Net change in cash and cash equivalents		154.1	-118.9
<b>Net cash and cash equivalents as of January 1</b>		<b>162.2</b>	<b>316.3</b>
<b>Net cash and cash equivalents as of December 31</b>		<b>316.3</b>	<b>197.4</b>
- of which cash and cash equivalents <sup>2</sup>		321.8	205.2
- of which overdrafts		-0.7	-
- of which cash received from affiliated companies		-4.8	-7.8

<sup>1</sup> Rounding differences may arise in percentages and numbers.

<sup>2</sup> In 2020, the cash and cash equivalents reported in the cash flow statement differ from those in the balance sheet, where cash and cash equivalents attributable to discontinued operations (€54.6 million) and disposal groups (€8.3 million) were reclassified to "Assets held for sale" in 2020.

STATEMENT OF CHANGES IN EQUITY<sup>1</sup>

C.6

Note (21)

in € million	Issued capital	Capital reserve	Net retained profits/ revenue reserves	Currency translation differences	Remeasure- ment gains/ (losses) on defined benefit plans	Gains/(losses) on equity instruments measured at fair value	Total equity attributable to share- holders of K+S AG	Non- controlling interests	Equity
As of January 1, 2020	191.4	645.7	3,365.2	329.9	-110.7	72.0	4,493.5	1.6	4,495.1
Earnings for the year	-	-	-1,714.8	-	-	-	-1,714.8	0.1	-1,714.7
Other comprehensive income (after tax)	-	-	-	-460.1	-45.6	-12.9	-518.6	-	-518.6
<b>Total comprehen- sive income for the period</b>	<b>-</b>	<b>-</b>	<b>-1,714.8</b>	<b>-460.1</b>	<b>-45.6</b>	<b>-12.9</b>	<b>-2,233.4</b>	<b>0.1</b>	<b>-2,233.3</b>
Dividend for the previous year	-	-	-7.7	-	-	-	-7.7	-	-7.7
Changes in the scope of consoli- dation and other changes in equity	-	-	4.3	-	-	-35.8	-31.5	-	-31.5
<b>As of December 31, 2020</b>	<b>191.4</b>	<b>645.7</b>	<b>1,647.0</b>	<b>-130.2</b>	<b>-156.3</b>	<b>23.3</b>	<b>2,220.9</b>	<b>1.7</b>	<b>2,222.6</b>
As of January 1, 2019	191.4	645.7	3,324.2	12.5	-93.6	62.3	4,142.5	1.6	4,144.1
Earnings for the year	-	-	88.9	-	-	-	88.9	-	88.9
Other comprehensive income (after tax)	-	-	-	317.4	-17.1	9.7	310.0	-	310.0
Total comprehensive income for the period	-	-	88.9	317.4	-17.1	9.7	398.9	-	398.9
Dividend for the previous year	-	-	-47.9	-	-	-	-47.9	-	-47.9
<b>As of December 31, 2019</b>	<b>191.4</b>	<b>645.7</b>	<b>3,365.2</b>	<b>329.9</b>	<b>-110.7</b>	<b>72.0</b>	<b>4,493.5</b>	<b>1.6</b>	<b>4,495.1</b>

<sup>1</sup> Rounding differences may arise in percentages and numbers.

## NOTES

### SEGMENT REPORTING

#### SEGMENT REPORTING<sup>1,2</sup>

**C.7**

	Note	Total revenues		of which revenues with third parties (35)		of which intersegment revenues		EBITDA <sup>4</sup>	
		2019	2020	2019	2020	2019	2020	2019	2020
in € million									
Operating unit Europe+		2,560.5	2,442.1	2,547.0	2,428.1	13.5	13.9	437.0	344.2
Reconciliation <sup>3</sup>	(36)	-10.8	-10.0	2.7	4.0	-13.5	-13.9	-26.6	-77.3
<b>K+S total</b>	<b>(32-38)</b>	<b>2,549.7</b>	<b>2,432.1</b>	<b>2,549.7</b>	<b>2,432.1</b>	<b>-</b>	<b>-</b>	<b>410.4</b>	<b>266.9</b>

<sup>1</sup> Rounding differences may arise in percentages and numbers.

<sup>2</sup> The Americas operating unit had previously been reported as a separate segment within the meaning of IFRS 8. Following the classification of the Americas operating unit as a discontinued operation, only the Europe+ operating unit is presented in segment reporting.

<sup>3</sup> Expenses and income that cannot be allocated to the operating unit are recorded separately and aggregated under "Reconciliation."

<sup>4</sup> EBITDA is defined as earnings before interest, taxes, 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. A reconciliation can be found on page 167.

## STATEMENT OF CHANGES IN NON-CURRENT ASSETS

STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2020<sup>1</sup>

C.8

in € million	Note	Gross carrying amounts							Depreciation, amortization, and impairment losses							Net carrying amounts				
		As of Jan. 1, 2020	Changes in the scope of consolidation	Reclassifications in accordance with IFRS 5	Additions	Disposals	Reclassifications	Exchange differences	As of Dec. 31, 2020	As of Jan. 1, 2020	Changes in the scope of consolidation	Reclassifications in accordance with IFRS 5	Depreciation, amortization, and impairment losses	Impairment losses <sup>2</sup>	Reversals of impairment losses	Disposals	Reclassifications	Exchange differences	As of Dec. 31, 2020	As of Dec. 31, 2020
Other acquired concessions, industrial property rights, similar rights and assets, and licenses in such rights and assets		84.3	–	–30.9	5.6	3.1	2.1	–0.8	57.1	54.2	–	–30.9	6.2	8.5	–	3.1	–	–0.5	34.4	22.6
Customer relations		245.3	–	–245.3	–	–	0.2	–	0.2	167.2	–	–167.2	–	–	–	–	–	–	–	0.2
Brands		126.6	–	–116.7	–	–	–	–	9.9	12.3	–	–2.4	–	–	–	–	–	–	9.9	–
Port concessions		36.4	–	–36.4	–	–	–	–	–	1.8	–	–1.8	–	–	–	–	–	–	–	–
Goodwill from acquisitions of companies		712.4	–	–681.9	–	15.7	–	–1.2	13.7	–	–	–	–	15.7	–	15.7	–	–	–	13.7
Internally generated intangible assets		32.6	–	–	0.2	–	–	–	32.8	30.0	–	–	1.4	0.4	–	–	–	–	31.8	1.0
Emission rights		19.6	–	–	27.0	6.6	–	–	40.1	–	–	–	–	–	–	–	–	–	–	40.1
Intangible assets in progress		6.8	–	–	3.1	0.2	–3.3	–	6.4	–	–	–	–	0.7	–	–	–	–	0.7	5.7
<b>Intangible assets</b>	<b>(12)</b>	<b>1,264.0</b>	<b>–</b>	<b>–1,111.2</b>	<b>35.9</b>	<b>25.6</b>	<b>–1.0</b>	<b>–2.0</b>	<b>160.1</b>	<b>265.5</b>	<b>–</b>	<b>–202.3</b>	<b>7.6</b>	<b>25.3</b>	<b>–</b>	<b>18.8</b>	<b>–</b>	<b>–0.5</b>	<b>76.8</b>	<b>83.2</b>
Land, land rights, and buildings, including buildings on third-party land		2,226.6	–0.3	–293.9	79.3	1.1	22.1	–67.7	1,965.0	639.9	–0.3	–96.4	44.6	425.2	–	0.4	0.5	–7.0	1,006.0	958.9
Leases for land, land rights, and buildings, including buildings on third-party land		128.2	0.2	–55.0	1.5	5.8	–	–0.6	68.5	17.3	–	–7.3	12.6	1.5	–	1.3	–	–0.2	22.5	46.0
Raw material deposits		735.6	–	–376.8	–	–	–	–22.5	336.3	66.9	–	–43.0	5.8	112.1	–	–	–	–1.8	139.8	196.5
Technical equipment and machinery <sup>3</sup>		6,602.4	–0.5	–721.0	157.9	67.8	189.4	–185.5	5,974.9	2,711.3	–0.5	–362.0	228.4	1,164.4	–	63.3	–	–32.1	3,646.2	2,328.7
Leases for technical equipment and machinery		325.1	–0.1	–18.3	8.2	1.2	–	–17.4	296.2	44.7	–0.1	–6.1	19.4	51.3	–	0.1	–	–2.8	106.3	189.9
Ships		55.6	–	–55.6	–	–	–	–	–	16.7	–	–16.7	–	–	–	–	–	–	–	–
Leases for ships		42.4	–	–42.4	–	–	–	–	–	8.9	–	–8.9	–	–	–	–	–	–	–	–
Other equipment, operating and office equipment		431.3	–0.1	–60.7	27.0	20.7	4.5	–3.0	378.4	308.7	–0.1	–37.3	17.3	9.6	–	19.9	–	–1.3	277.1	101.3
Leases for other equipment, operating, and office equipment		18.8	–	–8.6	10.0	–	–	–	20.2	6.7	–	–3.4	4.1	2.4	–	–	–	–	9.8	10.4
Prepayments and assets under construction		465.2	–3.9	–117.8	240.0	2.9	–214.1	–10.8	355.7	–	–	–	–	78.3	–	0.4	–	–0.3	77.6	278.1
<b>Property, plant, and equipment</b>		<b>11,031.1</b>	<b>–4.8</b>	<b>–1,749.9</b>	<b>523.8</b>	<b>99.5</b>	<b>1.9</b>	<b>–307.5</b>	<b>9,395.2</b>	<b>3,821.1</b>	<b>–1.0</b>	<b>–581.1</b>	<b>332.0</b>	<b>1,844.8</b>	<b>–</b>	<b>85.4</b>	<b>0.5</b>	<b>–45.5</b>	<b>5,285.3</b>	<b>4,109.9</b>
– of which leases		514.5	0.1	–124.3	19.7	7.0	–	–18.0	384.9	77.6	–0.1	–25.7	36.1	55.2	–	1.4	–	–3.0	138.6	246.3
<b>Investment properties</b>	<b>(13)</b>	<b>10.9</b>	<b>–1.2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–0.9</b>	<b>–</b>	<b>8.7</b>	<b>4.6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–0.5</b>	<b>–</b>	<b>4.1</b>	<b>4.6</b>

<sup>1</sup> Rounding differences may arise in percentages and numbers.<sup>2</sup> In addition to the impairment loss of €1,863.0 million recognized on the Potash and, Magnesium Products CGU as a result of an impairment test, this figure includes other impairment losses of €7.1 million (of which €6.9 million in: Other acquired concessions, industrial property rights, similar rights and assets, and licenses in such rights and assets).<sup>3</sup> Of which property, plant, and equipment not legally owned amounting to €40.4 million.



STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2019<sup>1</sup>

C.9

in € million	Note	Gross carrying amounts								Depreciation, amortization, and impairment losses							Net carrying amounts			
		As of Jan. 1, 2019	Initial application of IFRS 16	As of Jan. 1, 2019 (adjusted)	Changes in the scope of consolidation	Additions	Disposals	Reclassifications	Exchange differences	As of Dec. 31, 2019	As of Jan. 1, 2019	Changes in the scope of consolidation	Depreciation, amortization, and impairment losses	Impairment losses	Reversals of impairment losses	Disposals	Reclassifications	Exchange differences	As of Dec. 31, 2019	As of Dec. 31, 2019
Other acquired concessions, industrial property rights, similar rights and assets, and licenses in such rights and assets		85.1	–	85.1	–	4.8	8.4	1.6	1.3	84.3	53.6	–	8.0	–	–	8.3	–	0.9	54.2	30.1
Customer relations		238.8	–	238.8	–	–	–	–	6.5	245.3	153.5	–	8.9	–	–	–	–	4.8	167.2	78.1
Brands		123.8	–	123.8	–	–	–	–	2.8	126.6	12.0	–	0.2	–	–	–	–	–	12.3	114.3
Port concessions		35.7	–	35.7	–	–	–	–	0.7	36.4	1.6	–	0.1	–	–	–	–	–	1.8	34.6
Goodwill from acquisitions of companies		693.2	–	693.2	–	–	–	–	19.2	712.4	–	–	–	–	–	–	–	–	–	712.4
Internally generated intangible assets		31.1	–	31.1	–	0.2	–	1.4	–	32.6	27.8	–	2.3	–	–	–	–	–	30.0	2.6
Emission rights		15.2	–	15.2	–	4.6	0.1	–	–	19.6	–	–	–	–	–	–	–	–	–	19.6
Intangible assets in progress		7.9	–	7.9	–	3.0	0.5	–3.6	–	6.8	–	–	–	–	–	–	–	–	–	6.8
<b>Intangible assets</b>	<b>(12)</b>	<b>1,230.8</b>	<b>–</b>	<b>1,230.8</b>	<b>–</b>	<b>12.6</b>	<b>9.2</b>	<b>–0.7</b>	<b>30.5</b>	<b>1,264.0</b>	<b>248.5</b>	<b>–</b>	<b>19.5</b>	<b>–</b>	<b>–</b>	<b>8.3</b>	<b>–</b>	<b>5.8</b>	<b>265.5</b>	<b>998.5</b>
Land, land rights, and buildings, including buildings on third-party land		2,239.8	–	2,239.8	–42.5	151.1	222.6	28.7	72.1	2,226.6	595.8	–18.7	61.2	1.1	–	5.2	–	5.7	639.9	1,586.7
Leases for land, land rights, and buildings, including buildings on third-party land		1.1	98.0	99.1	–	29.3	1.0	–	0.8	128.2	1.0	–	17.3	–	–	1.0	–	0.0	17.3	110.9
Raw material deposits		704.9	–	704.9	–	–	–	–	30.7	735.6	54.3	–	10.4	–	–	–	–	2.1	66.9	668.8
Technical equipment and machinery <sup>2</sup>		5,968.9	–	5,968.9	–	169.3	80.4	357.2	187.4	6,602.4	2,491.0	–	259.5	6.5	–	72.4	–	26.8	2,711.3	3,891.0 <sup>2</sup>
Leases for technical equipment and machinery		239.3	57.4	296.7	–	18.5	7.2	–	17.1	325.1	22.4	–	24.8	–	–	4.2	–	1.7	44.7	280.4
Ships		54.6	–	54.6	–	–	–	–	1.0	55.6	14.0	–	2.4	–	–	–	–	0.2	16.7	38.9
Leases for ships		1.8	38.9	40.7	–	–	1.2	–	2.8	42.4	1.2	–	8.7	–	–	1.2	–	0.2	8.9	33.5
Other equipment, operating and office equipment		407.0	–	407.0	–0.5	23.8	16.4	13.2	4.3	431.3	303.1	–0.5	19.7	–	–	15.7	–	2.1	308.7	122.6
Leases for other equipment, operating, and office equipment		–	12.0	12.0	–	7.0	0.3	0.1	0.1	18.8	–	–	7.0	–	–	0.3	–	–	6.7	12.2
Prepayments and assets under construction		553.4	–	553.4	–	293.4	3.1	–398.5	19.9	465.2	–	–	–	–	–	–	–	–	–	465.2
<b>Property, plant, and equipment</b>	<b>(13)</b>	<b>10,170.9</b>	<b>206.3</b>	<b>10,377.2</b>	<b>–43.0</b>	<b>692.4</b>	<b>332.2</b>	<b>0.7</b>	<b>336.1</b>	<b>11,031.1</b>	<b>3,483.0</b>	<b>–19.2</b>	<b>411.0</b>	<b>7.6</b>	<b>–</b>	<b>100.0</b>	<b>–</b>	<b>38.7</b>	<b>3,821.1</b>	<b>7,210.0</b>
– of which leases		242.2	206.3	448.5	–	54.8	9.7	0.1	20.8	514.5	24.6	–	57.8	–	–	6.7	–	1.9	77.6	437.0
<b>Investment properties</b>		<b>11.0</b>	<b>–</b>	<b>11.0</b>	<b>–</b>	<b>0.1</b>	<b>0.2</b>	<b>–</b>	<b>–</b>	<b>10.9</b>	<b>4.6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4.6</b>	<b>6.3</b>

<sup>1</sup> Rounding differences may arise in percentages and numbers.<sup>2</sup> Of which property, plant and equipment not legally owned amounting to €42.7 million.

## STATEMENT OF CHANGES IN PROVISIONS

STATEMENT OF CHANGES IN PROVISIONS<sup>1</sup>

C.10

in € million	Note	As of Jan. 1, 2020	Exchange differences	Changes in the scope of consolidation	Reclassifi- cations in accordance with IFRS 5	Additions	Interest component	Utilization	Reversals	Reclassification	As of Dec. 31, 2020
Backfilling of vacant mines and shafts		456.2	-1.3	-	-26.4	14.8	1.3	17.3	4.5	-	422.8
Maintenance of tailings piles		365.6	-0.2	-	-	37.1	10.9	3.9	-	-	409.5
Risk of mining damage		27.6	-	-	-	-	1.3	1.4	-	-	27.5
Other mining obligations		61.2	-	-	-	10.3	-0.8	3.6	0.9	-	66.2
<b>Provisions for mining obligations</b>	<b>(23)</b>	<b>910.6</b>	<b>-1.5</b>	<b>-</b>	<b>-26.4</b>	<b>62.2</b>	<b>12.7</b>	<b>26.2</b>	<b>5.4</b>	<b>-</b>	<b>926.0</b>
Service anniversaries		36.5	-	-0.1	-	1.1	1.9	2.0	0.1	-	37.3
Other personnel obligations		16.2	-	0.1	-10.0	6.1	-	0.1	1.3	-0.9	10.1
<b>Personnel obligations</b>	<b>(24)</b>	<b>52.7</b>	<b>-</b>	<b>-</b>	<b>-10.0</b>	<b>7.2</b>	<b>1.9</b>	<b>2.1</b>	<b>1.4</b>	<b>-0.9</b>	<b>47.4</b>
<b>Other provisions</b>	<b>(23)</b>	<b>113.7</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-26.5</b>	<b>7.5</b>	<b>-0.3</b>	<b>0.9</b>	<b>0.3</b>	<b>0.1</b>	<b>92.9</b>
<b>Provisions (non-current liabilities)</b>		<b>1,077.0</b>	<b>-1.7</b>	<b>-0.2</b>	<b>-62.9</b>	<b>76.9</b>	<b>14.3</b>	<b>29.2</b>	<b>7.1</b>	<b>-0.8</b>	<b>1,066.3</b>
Provisions for mining obligations	(23)	6.1	-	-	-	1.0	-	1.2	-	-	5.9
Personnel obligations	(25)	113.4	-0.3	-	-49.3	83.1	-	56.5	1.5	0.9	89.8
Provisions for obligations from sales transactions	(25)	69.1	-0.1	-	-13.4	31.2	-	36.9	17.5	-	32.4
Provisions for obligations from purchase contracts	(25)	81.3	-0.9	-0.1	-24.3	68.2	-	49.4	3.9	-	70.9
Other provisions		59.1	-0.3	-0.5	-17.9	27.9	-	17.6	1.2	-	49.5
<b>Provisions (current liabilities)</b>		<b>329.0</b>	<b>-1.6</b>	<b>-0.6</b>	<b>-104.9</b>	<b>211.4</b>	<b>-</b>	<b>161.6</b>	<b>24.1</b>	<b>0.9</b>	<b>248.5</b>
<b>Provisions</b>		<b>1,406.0</b>	<b>-3.3</b>	<b>-0.8</b>	<b>-167.8</b>	<b>288.3</b>	<b>14.3</b>	<b>190.8</b>	<b>31.2</b>	<b>0.1</b>	<b>1,314.8</b>

<sup>1</sup> Rounding differences may arise in percentages and numbers.

## BASIS OF PREPARATION

The consolidated financial statements of the K+S GROUP prepared by K+S AKTIENGESELLSCHAFT as of December 31, 2020 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 (Aktien-gesellschaft) 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 (€). To ensure a clear presentation, the individual items of the consolidated financial statements are presented in millions of euros (€ million). Rounding differences may arise in percentages and numbers.

The consolidated financial statements were prepared by the Board of Executive Directors on March 9, 2021 and presented to the Supervisory Board for approval on the same day.

## SCOPE OF CONSOLIDATION

The following companies were added to the scope of consolidation in 2020:

- + K PLUS S MIDDLE EAST FZE
- + SHENZHEN K+S TRADING CO. LTD.
- + REKS GMBH & CO. KG
- + WINDSOR SALT LTD.

Due to the transfer of 50% of the shares, the following company is no longer consolidated in the financial year under review and instead accounted for using the equity method in the consolidated financial statements.

- + K+S BAUSTOFFRECYCLING GMBH

As part of the "ONE K+S France" project, the following companies were merged with esco France S.A.S.:

- + SALINES CEREBOS S.A.S.
- + K+S KALI WITTENHEIM S.A.S.
- + K+S KALI FRANCE S.A.S.
- + K+S FRANCE S.A.S.

The remaining esco France S.A.S. was renamed K+S France S.A.S.

A total of 11 (2019: 11) domestic and 41 (2019: 42) foreign companies were included in the consolidated financial statements. A total of 21 (2019: 23) 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.

In financial year 2020, K+S transferred 50% of its share of the capital and voting rights of K+S BAUSTOFFRECYCLING GMBH, which was a wholly owned subsidiary up to that point, to K+S VERMÖGENS-TREUHANDLER E. V. as part of an allocation. K+S BAUSTOFFRECYCLING GMBH specializes in accepting non-hazardous soil and building materials used to cover and recultivate former tailings piles of pot-ash residue. Following the transfer of shares and the resulting loss of control, K+S BAUSTOFFRECYCLING GMBH was deconsolidated. The remaining shares of the company were classified as a joint venture, which is accounted for using the equity method. The fair value of the shares retained in an amount of €27.8 million was recognized as the cost of the joint venture. Fair value was determined on the basis of an income-based approach using the discounted cashflow method with non-observable inputs (Level 3). The assumptions and estimates made as of the measurement date are based on the relevant information about the future trends in the operating business. Material assumptions were the future sales volumes and prices for soil and building rubble as well as the cost of capital of 6.1% used for discounting.

The deconsolidation of K+S BAUSTOFFRECYCLING GMBH resulted in the following contribution gain, which was recognized in other operating income: **C.11**

<b>GAIN ON CONTRIBUTION</b>	<b>C.11</b>
in € million	2020
Value of shares contributed (50%)	27.8
Fair value of shares retained (50%)	27.8
Assets/liabilities derecognized	0.1
– of which non-current assets (mainly property, plant, and equipment)	4.1
– of which current assets	0.8
– of which non-current liabilities	0.3
– of which current liabilities	4.5
<b>Gain on contribution</b>	<b>55.6</b>

The initial recognition of the retained shares at fair value of €27.8 million led to the realization of hidden reserves and liabilities. According to the purchase price allocation, the hidden reserves and liabilities related mostly to the right to use the Wathlingen tailings pile as well as customer relations.

A complete summary of equity investments of K+S AKTIENGESELLSCHAFT can be found in the list of shareholdings on page 212.

## CONSOLIDATION METHODS

### SUBSIDIARIES

Subsidiaries are companies controlled by K+S AKTIENGESELLSCHAFT. Control is presumed to exist in cases where K+S AKTIENGESELLSCHAFT has pre-existing rights that give it the current ability to direct the relevant activities. The relevant activities are those that have a significant effect on the company's returns. 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 on the date when K+S AKTIENGESELLSCHAFT gains control of the investee.

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 intercompany profits resulting from goods and services supplied between consolidated subsidiaries are eliminated, unless they are immaterial.

In acquisition accounting, the cost of the investee is offset against the share of the remeasured equity attributable to it at the date 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.

Multiple element arrangements occur in the form of goods supplies and transport services provided subsequently. The transaction price is determined taking any variable elements into account and is allocated to the respective performance obligations on the basis of stand-alone selling prices. No directly observable stand-alone selling prices are available for either the goods supplied or transport services provided. The stand-alone selling prices of the transport 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.

Revenues are recognized from the sale of goods as of the date when control of the goods is transferred to the customer (revenue recognition at a point in time). In normal circumstances, the date of transfer of control is the date at which the risks and rewards associated with ownership are transferred.

Revenues from services and customer-specific construction contracts are recognized over the period during which the performance obligation is satisfied. Revenue from services is recognized on a straight-line basis over the period in which the services are provided. Revenues from customer-specific construction contracts are recognized according to the ratio of costs incurred to expected total costs (input method). Because of the nature of the services provided and customer-specific construction contracts, this is the most suitable method for presenting a true and fair view of the transfer of control to the customer. If the stage of completion

cannot be estimated reliably, revenues are recognized only to the extent of the expenses incurred that the Company is expected to recover.

Deferred revenues arising from performance obligations that have not been (fully) satisfied (contract liabilities) are recognized in the balance sheet as "other non-financial liabilities" under current liabilities.

Receivables from customer-specific construction contracts are receivables that represent a conditional right to payment from the customer for K+S (contract assets within the meaning of IFRS 15). These types of receivables are recognized in the balance sheet as "other non-financial assets" in the short term.

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 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.

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 contains net income (dividend distributions, profit or loss transfers) from non-consolidated subsidiaries and from joint ventures, associates, and other equity investments that are not accounted for using the equity method for reasons of materiality.

#### INTANGIBLE ASSETS

Intangible assets are recognized at cost if it is probable that economic benefits associated with the intangible assets will flow to the Company and cost can be reliably determined. 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. The following useful lives are applied to these assets as standard across the Group: **C.12**

#### USEFUL LIVES OF INTANGIBLE ASSETS WITH FINITE USEFUL LIVES<sup>1</sup>

**C.12**

Years	
Customer relations	5–20
Brands	20
Port concessions	250
Other intangible assets	2–62

<sup>1</sup> This information relates to continuing and discontinued operations of the K+S Group.

The amortization 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 sales
- + 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. 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 to which the corresponding goodwill amounts have been allocated. 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.

CO<sub>2</sub> emission rights are initially measured at cost. Accordingly, rights granted free of charge are recognized at a value of zero, and those acquired for a consideration are recognized at cost. 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 rights is compared with the value in use of that unit.

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.

#### 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. 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.

Property, plant and equipment is generally depreciated using the straight-line method based on normal useful lives.

For property, plant and equipment depreciated using the straight-line method, the following useful lives are applied as standard across the Group: **C.13**

#### USEFUL LIVES OF PROPERTY, PLANT, AND EQUIPMENT<sup>1</sup>

**C.13**

Years	
Buildings	15–50
Commodity volumes	17–250
Technical equipment and machinery (tunnels and excavations)	12–122
Technical equipment and machinery (other)	8–39
Ships	25
Other equipment, operating and office equipment	7–11

<sup>1</sup> This information relates to continuing and discontinued operations of the K+S Group.

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 sales
- + 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 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 functional area 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.

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.

In the value in use approach, the valuation object is measured in its previous use. Value in use is determined based on the discounted expected future cash flows from the cash-generating units to which

the corresponding goodwill amounts have been allocated. 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 threshold is allocated to the other assets of the CGU in question on a proportionate basis while again observing the minimum values.

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.

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. If the qualifying asset can be shown not to be financed with borrowings, no borrowing costs are recognized. 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. 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 installments 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 trans-

ferred 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 proportional performance 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. Performance-related grants are offset against the corresponding expenses in the current year.

**INVESTMENT PROPERTIES**

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 normal 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 properties 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 for the most part be realized through a sale transaction rather than continued 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.

Intercompany receivables, liabilities, expenses, and income between the companies of the discontinued operation and the other group companies are eliminated in full. For intercompany 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 disclosed 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 obligations, 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 for shares in non-consolidated 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 non-consolidated 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.

#### 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-grade corporate bonds available at the reporting date. High-grade corporate bonds are bonds with an AA rating. To this end, corporate bonds that match the expected

maturity and currency of the pension obligations must be used. Since appropriate long-term corporate bonds were not always available at the balance sheet date, the interest rate with matching maturities was in such cases determined by means of extrapolation. Aspects such as future expected salary and pension increases, cost increases for healthcare benefit commitments as well as 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 liabilities from the defined benefit pension plans (asset) by the discount factor specified above. Both factors are determined at the beginning of the reporting period after taking into account expected allocations/disbursements.

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 attributable to the net liabilities from defined benefit pension plans (asset), and
- + changes in the effects of the asset ceiling, excluding amounts contained in the net interest attributable to the net liabilities from defined benefit pension plans (asset).

#### **MINING AND OTHER PROVISIONS**

Provisions are recognized in an amount corresponding to the extent to which they are expected to be used for discharging current obligations to third parties arising from a past event. Such utilization must be more probable than not and it must be possible to reliably estimate the amount of the obligations. Non-current provisions with a remaining maturity of more than one year are discounted using a capital market interest rate of suitable duration to take account of future cost increases if the interest rate effect is material.

#### **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).

#### **DEFERRED TAXES**

Deferred taxes are determined in accordance with IAS 12 using the accounting-based 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.

#### **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 exercised,
- + determination of whether it is reasonably certain that a purchase option in a lease within the meaning of IFRS 16 will be exercised, and
- + determination whether the material opportunities and risks are transferred to the factor under the factoring arrangement.

### 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 of the fair value for the valuation of the provisions for share-based payment in accordance with IFRS 2,
- + determining amounts, settlement dates, and discount rates for the measurement of provisions for mining obligations,
- + 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 balance sheet 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), and
- + 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 the fair value in the measurement of shares in affiliated companies and equity investments, and
- + 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 entity 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.

15 companies use the U.S. dollar, rather than their local currency, as the functional currency, because these companies generate

most of their cash flows in this currency. The companies using the U.S. dollar are: COMPANIA MINERA PUNTA DE LOBOS LTDA., EMPRESA DE SERVICIOS LTDA., EMPRESA MARITIMA S.A., INAGUA GENERAL STORE, LTD., INVERSIONES COLUMBUS LTDA., INVERSIONES EMPREMAR LTDA., K+S ASIA PACIFIC PTE. LTD., K+S BELGIUM HOLDING B.V., K+S CHILE S.A., K+S FINANCE BELGIUM B.V., K PLUS S MIDDLE EAST FZE, K+S PERÚ S.A.C., MORTON BAHAMAS LTD., SERVICIOS MARITIMOS PATILLOS S.A. und SERVICIOS PORTUARIOS PATILLOS S.A.

The translation of significant currencies in the Group was based on the following exchange rates per one euro: **C.14, C.15**

In the year under review, net translation differences of €20.5 million (2019: €5.0 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.

### EXCHANGE RATES

**C.14**

2020					
per €1	Spot rate as of Dec. 31	Quarterly average rate, Q1	Quarterly average rate, Q2	Quarterly average rate, Q3	Quarterly average rate, Q4
U.S. dollar (USD)	1.227	1.103	1.101	1.169	1.193
Canadian dollar (CAD)	1.563	1.482	1.525	1.557	1.554
Czech koruna (CZK)	26.242	25.631	27.058	26.479	26.667
Brazilian real (BRL)	6.374	4.917	5.920	6.282	6.438
Chilean peso (CLP)	871.855	886.844	905.038	912.385	906.192
Pound sterling (GBP)	0.899	0.862	0.887	0.905	0.903

### EXCHANGE RATES

**C.15**

2019					
per €1	Spot rate as of Dec. 31	Quarterly average rate, Q1	Quarterly average rate, Q2	Quarterly average rate, Q3	Quarterly average rate, Q4
U.S. dollar (USD)	1.123	1.136	1.124	1.112	1.107
Canadian dollar (CAD)	1.460	1.510	1.504	1.468	1.462
Czech koruna (CZK)	25.408	25.683	25.686	25.734	25.577
Brazilian real (BRL)	4.516	4.278	4.407	4.408	4.559
Chilean peso (CLP)	845.774	757.768	768.031	785.082	836.012
Pound sterling (GBP)	0.851	0.873	0.875	0.902	0.861

## 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. **C.16**

## 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 balance sheet date, although application by the K+S GROUP is only required at a subsequent date. **C.17**

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

**C.16**

Standard/ interpretation			Date of mandatory application in the K+S Group <sup>1</sup>
Amendment	IAS 1, IAS 8	Definition of "material"	Jan. 1, 2020
Amendment	IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform	Jan. 1, 2020
Amendment	IFRS 3	Definition of a "Business"	Jan. 1, 2020
Amendment	Various	Amendments to References to the Conceptual Framework in IFRS Standards	Jan. 1, 2020
Amendment	IFRS 16	COVID-19 Related Rent Concessions – Amendment to IFRS 16	June 1, 2020

<sup>1</sup> 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

**C.17**

Standard/ interpretation			Date of mandatory application in the K+S Group <sup>1</sup>
Amendment	IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	Amendments to IFRS 9, IAS 39, and other IFRS standards relating to the effects of IBOR reform (phase 2)	Jan. 1, 2021
Amendment	IFRS 4	Amendment to Insurance Contracts – IFRS 9 Effective Date Deferred	Jan. 1, 2021
Amendment	Collective standard to amend several IFRSs (IFRS 3, IAS 16, IAS 37, Annual Improvements 2018–2020)	Narrow-scope amendments to IFRS 3, IAS 16, and IAS 37 as well as Annual improvements to IFRS Standards, 2018–2020 cycle	Jan. 1, 2022
New	IFRS 17	Insurance Contracts, including amendments	Jan. 1, 2023
Amendment	IAS 1	Amendments relating to the classification of liabilities as current or non-current	Jan. 1, 2023
Amendment	IAS 1	Disclosure of Accounting Policies	Jan. 1, 2023
Amendment	IAS 8	Definition of Accounting Estimates	Jan. 1, 2023

<sup>1</sup> 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.



## NOTES TO THE INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

The income statement and statement of comprehensive income are presented on pages 144 through 145. 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 (hereinafter referred to as 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 balance sheet 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., interest rate derivatives).

Internal control of the K+S GROUP is among others 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 fluctuations arising from operating anticipatory hedges are not taken into account if they result from fair value measurement 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.

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. **C.18**

If expected capital expenditures in foreign currencies are hedged, the calculation of EBITDA takes account not only the above items, but all gains or losses. This is because the gains or losses on the

**RECONCILIATION TO EBITDA<sup>1</sup>****C.18**

in € million	2019			2020		
	Continuing operations	Discontinued operations	Continuing and discontinued operations	Continuing operations	Discontinued operations	Continuing and discontinued operations
<b>Earnings after operating hedges</b>	<b>80.7</b>	<b>143.6</b>	<b>224.3</b>	<b>-1,893.4</b>	<b>195.2</b>	<b>-1,698.2</b>
Income (-)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	2.7	3.4	6.1	-37.2	-79.1	-116.3
Elimination of prior-period changes in the fair value of operating anticipatory hedges	-20.1	-1.9	-22.0	-5.7	-3.8	-9.5
Realized gains (-)/losses (+) on capital expenditure hedges	-	-	-	-	0.3	0.3
Depreciation and amortization (+)/impairment losses (+)/reversals of impairment losses (-) on non-current assets	353.2	84.9	438.1	2,209.6	65.3	2,274.9
Capitalized depreciation(-) <sup>2</sup>	-6.1	-	-6.1	-6.3	-	-6.3
<b>EBITDA<sup>2</sup></b>	<b>410.4</b>	<b>230.0</b>	<b>640.3</b>	<b>266.9</b>	<b>177.9</b>	<b>444.8</b>

<sup>1</sup> EBITDA is defined as earnings before interest, taxes, 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.

<sup>2</sup> 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 €2,432.1 million (2019: €2,549.7 million) and can be broken down as follows: **C.19, C.20**

Revenues are broken down on the basis of market-related customer segments (Agriculture, Industry, Consumer, and Communities), which pool joint customer interests, on the one hand, and on the basis of product groups, on the other. They are not segments within the meaning of IFRS 8.

**BREAKDOWN OF REVENUES BY SEGMENT/ CUSTOMER SEGMENT****C.19**

in € million	2019	2020
<b>Operating unit Europe+</b>	<b>2,547.0</b>	<b>2,428.1</b>
– Customer segment Agriculture	1,715.6	1,701.5
– Customer segment Industry	647.0	614.1
– Customer segment Consumer	64.2	62.2
– Customer segment Communities	120.2	50.3
<b>Reconciliation</b>	<b>2.7</b>	<b>4.0</b>
<b>Total</b>	<b>2,549.7</b>	<b>2,432.1</b>

**BREAKDOWN OF REVENUES BY SEGMENT/ PRODUCT GROUP****C.20**

in € million	2019	2020
<b>Operating unit Europe+</b>	<b>2,547.0</b>	<b>2,428.1</b>
– Potassium chloride	995.8	956.7
– Fertilizer specialties	719.7	744.5
– Chemical	159.4	134.3
– De-icing	125.8	51.0
– Complementary	113.8	172.8
– Food	86.7	83.3
– Animal Nutrition	55.2	57.3
– Water softening	46.3	47.9
– Salt for Water and Pool	30.4	32.1
– Culinary	27.4	28.3
– Pharma	29.1	26.1
– Oil and gas	15.5	9.2
– Other	141.8	84.6
<b>Reconciliation</b>	<b>2.7</b>	<b>4.0</b>
<b>Total</b>	<b>2,549.7</b>	<b>2,432.1</b>

**OPENING AND CLOSING CARRYING AMOUNTS****C.21**

in € million	Opening carrying amount as of Jan. 1, 2019	Closing carrying amount as of Dec. 31, 2019
Trade receivables	836.7	724.7
Receivables from customer-specific construction contracts	3.0	2.1
Contract liabilities	5.5	5.9

**OPENING AND CLOSING CARRYING AMOUNTS****C.22**

in € million	Opening carrying amount as of Jan. 1, 2020	Reclassi- fications in accordance with IFRS 5	Closing carrying amount as of Dec. 31, 2020
Trade receivables	724.7	-235.9	272.7
Receivables from customer-specific construction contracts	2.1	-	1.5
Contract liabilities	5.9	-0.4	3.9

The chosen breakdowns of revenues reflect the influence of economic factors on the nature, amount, timing, and uncertainty of revenues and cash flows.

The regional breakdown of revenues is shown in the segment reporting disclosures under Note (37).

Tables **C.21** and **C.22** show the opening and closing carrying amounts of trade receivables, receivables from customer-specific construction contracts, and contract liabilities. **C.21, C.22**

The accumulated transaction price of all performance obligations still to be satisfied was €3.9 million (2019: €5.5 million) as of December 31, 2020. It is expected that the resulting revenues will be realized in full within the next reporting period.

In addition, revenues include prior-period revenues of €17.5 million (2019: €10.4 million), which result primarily from the reversal of provisions for sales transactions through profit or loss.

**(2) COST OF SALES AND SELLING, GENERAL,  
AND ADMINISTRATIVE EXPENSES**

Cost of sales in the year under review amounted to €4,158.9 million (2019: €2,210.2 million) and selling, general, and administrative expenses stood at €197.1 million (2019: €172.0 million). An amount of €1,854.4 million of the increase in cost of sales in the year under review is attributable to impairment losses on property, plant and equipment and intangible assets (excluding goodwill). In the statement of changes in non-current assets, this is shown in the column headed "Impairment losses." Further details on the impairment test can be found in the section entitled "Intangible assets, property, plant, and equipment, and impairment tests." Cost of sales includes freight costs of €404.8 million (2019: €417.6 million). **C.23**

**COST OF MATERIALS****C.23**

in € million	2019	2020
Expenses for raw materials and supplies and for purchased goods	389.0	387.1
Cost of purchased services	442.5	414.8
Energy costs	229.2	236.6
<b>Cost of materials</b>	<b>1,060.7</b>	<b>1,038.5</b>

**(3) OTHER OPERATING INCOME**

Other operating income includes the following material items: **C.24**

Information refers to the continuing operations of the K+S GROUP.

Income from the deconsolidation of subsidiaries is attributable to the sale of 50% of the capital and voting rights of K+S BAUSTOFFRECYCLING GMBH to K+S VERMÖGENSTREUHÄNDER E.V. and the measurement of the retained shares at fair value (see section entitled "Scope of consolidation"). In the previous year, this item was due to the sale of K+S REAL ESTATE GMBH & CO. KG to K+S VERMÖGENSTREUHÄNDER E.V..

Income from the reversal of provisions is reported in the corresponding cost accounts according to the costs-by-cause principle.

**(4) OTHER OPERATING EXPENSES**

Other operating expenses include the following material items: **C.25**

Information refers to the continuing operations of the K+S GROUP.

**OTHER OPERATING INCOME****C.24**

in € million	2019	2020
Gains on exchange rate differences/currency hedging transactions	31.0	62.2
Income from the disposal of property, plant and equipment and intangible assets	5.5	0.7
Income from the deconsolidation of subsidiaries	24.3	55.6
Reversals of provisions	6.8	6.9
Compensation and refunds received	6.2	5.4
Rental and leasing income	3.4	4.0
– of which from investment properties	0.9	1.0
Reversals of allowances for receivables	–	0.2
Other income	27.5	41.3
<b>Other operating income</b>	<b>104.7</b>	<b>176.3</b>

**OTHER OPERATING EXPENSES****C.25**

in € million	2019	2020
Losses on exchange rate differences/currency hedging transactions	40.2	70.8
Prior-period expenses	29.8	19.3
Expenses for consultancy, assessments, and attorney's fees	20.7	9.1
Ancillary capital expenditure costs	17.9	20.3
Losses on the disposal of non-current assets	6.0	6.6
Research and development costs	13.8	11.1
Depreciation, amortization, and impairment losses	13.0	20.9
– of which impairment losses	7.1	15.7
Other expenses	40.5	33.3
<b>Other operating expenses</b>	<b>181.9</b>	<b>191.4</b>

**(5) NET INCOME FROM EQUITY INVESTMENTS**

In the financial year under review, investment income of €3.8 million (2019: €3.2 million) was generated, mainly from dividends paid by non-consolidated companies. Expenses from losses assumed amounted to €0.6 million (2019: €0.0 million). The share of profit or loss of equity-accounted investments rounded to zero in the financial year under review (2019: €0.0 million). In the previous year, K+S BAUSTOFFRECYCLING GMBH had still been a consolidated subsidiary.

**(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 166. **C.26**

**(7) NET INTEREST**

In determining the borrowing costs to be capitalized, a weighted cost of capital of 2.9% was applied (2019: 2.7%). **C.27**

**GAINS/(LOSSES) ON OPERATING ANTICIPATORY HEDGES****C.26**

in € million	2019	2020
<b>Gain/loss on the realization of currency hedging transactions</b>	<b>-10.1</b>	<b>5.1</b>
– of which positive contributions to profit or loss	17.7	30.2
– of which negative contributions to profit or loss	-27.8	-25.1
<b>Changes in the fair value of hedging transactions not yet due</b>	<b>-2.7</b>	<b>37.3</b>
– of which positive fair value changes	9.9	37.8
– of which negative fair value changes	-12.6	-0.5
<b>Gains/(losses) on operating anticipatory hedges</b>	<b>-12.8</b>	<b>42.4</b>

**NET INTEREST****C.27**

in € million	2019	2020
Other interest and similar income	1.5	5.4
Negative balance from elimination of interest against discontinued operation	-1.5	-5.4
<b>Interest income</b>	<b>-</b>	<b>-</b>
Interest expense on bonds/promissory note loans	-79.8	-78.8
Interest component from measurement of provisions for mining obligations	-32.9	-12.7
Interest expense on pension provisions	-1.5	-1.1
Capitalization of borrowing costs	10.9	11.2
Interest expense from leasing	-8.4	-8.7
Other interest and similar expenses	-21.7	-24.6
Elimination of interest against discontinued operation	62.1	14.7
<b>Interest expense</b>	<b>-71.2</b>	<b>-100.0</b>
<b>Net interest</b>	<b>-71.2</b>	<b>-100.0</b>

**INTEREST COMPONENT OF PROVISIONS FOR MINING OBLIGATIONS****C.28**

in € million	2019	2020
Interest rate effect from the change in the discount rate for provisions for mining obligations	-23.6	-11.3
Increase in provisions for mining obligations due to passage of time (interest cost)	-10.8	-7.4
Interest rate effect from the reversal of provisions for mining obligations	1.5	6.0
<b>Interest component from measurement of provisions for mining obligations</b>	<b>-32.9</b>	<b>-12.7</b>

The "Interest component from measurement of provisions for mining obligations" consists of the net balance of the following items: **C.28**

The elimination of interest income/expense from loan and inhouse cash receivables and liabilities between the continuing operations and the discontinued operation, the Americas operating unit, was fully allocated to continuing operations, because these arrangements will cease after the closing of the sale. The negative balance of interest income of €5.4 million (2019: €1.5 million) resulting from the elimination of interest expenses against the discontinued operation, the Americas operating unit, was reclassified to interest expense. The "Settlement of interest with discontinued operation" item under interest expense contains this balance and, as an offsetting item, the interest income eliminated against the discontinued operation, the Americas operating unit, in an amount of €20.1 million (2019: €63.6 million).

**(8) OTHER FINANCIAL RESULT****C.29**

<b>OTHER FINANCIAL RESULT</b>	<b>C.29</b>	
in € million	2019	2020
Gain/loss on the realization of financial assets/liabilities	35.4	-20.1
Income from the measurement of financial assets/liabilities	1.5	14.4
<b>Other financial result</b>	<b>36.9</b>	<b>-5.7</b>

**(9) INCOME TAX EXPENSE**

Deferred taxes in Germany were calculated using a tax rate of 30.1% (2019: 30.0%). 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 14.3% (2019: 14.2%) was taken into account. Deferred taxes in other countries are calculated applying the respective national income tax rates for profit retention. **C.30**

**INCOME TAX EXPENSE****C.30**

in € million	2019	2020
Current taxes	50.5	5.0
– in Germany	26.3	0.8
– other countries	24.2	4.2
Deferred taxes	-31.4	-113.2
– in Germany	4.8	13.9
– other countries	-36.2	-127.1
– of which from loss carryforwards and tax credits	-3.8	-26.5
– of which attributable to temporary differences	-27.6	-86.7
<b>Income tax expense</b>	<b>19.1</b>	<b>-108.2</b>

The following table reconciles expected to actual tax expense. The expected income tax expense was calculated based on a domestic Group income tax rate of 30.1% (2019: 30.0%). **C.31**



**RECONCILIATION OF TAXES ON INCOME****C.31**

in € million	2019	2020
Earnings before tax	46.4	-1,999.1
<b>Expected income tax expense (Group tax rate: 30.1%; previous year: 30.0%)</b>	<b>13.9</b>	<b>-601.7</b>
Changes in expected tax expense:		
Reduction in tax resulting from tax-free income and other items	-6.5	-4.3
Trade tax additions/deductions	5.0	3.5
Increases in tax resulting from non-deductible expenses and other items	0.9	9.8
Permanent differences	-0.1	-0.3
Increases/reductions in tax resulting from the measurement of deferred tax assets	-0.2	351.0
Reclassifications in connection with discontinued operations	8.7	88.1
Effects of tax rate differences	2.0	43.0
Effects of tax rate changes	-0.5	1.0
Taxes for prior years	-3.0	-0.1
Other effects	-1.1	1.8
<b>Actual tax expense</b>	<b>19.1</b>	<b>-108.2</b>
<b>Tax rate<sup>1</sup></b>	<b>41.2%</b>	<b>5.4%</b>

<sup>1</sup> Based on consolidated profit before tax.**(10) PERSONNEL EXPENSES/EMPLOYEES****C.32, C.33**

- Employees, page 66
- Remuneration report, page 131

Information refers to the continuing operations of the K+S GROUP.

<b>PERSONNEL EXPENSES</b>	<b>C.32</b>	
in € million	2019	2020
Wages and salaries	689.1	720.5
Social security costs	153.6	160.8
Pension	17.0	13.9
<b>Personnel expenses</b>	<b>859.7</b>	<b>895.2</b>

<b>EMPLOYEES INCLUDING TEMPORARY EMPLOYEES</b>	<b>C.33</b>	
	2019	2020
Annual average (FTE)		
Germany	10,097	10,123
Other countries	4,596	4,635
<b>Total</b>	<b>14,693</b>	<b>14,758</b>
– of which trainees	557	561
– of which discontinued operation	3,634	3,613

**(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. **C.34**

If the authorized capital is utilized or a conditional capital increase is implemented (see Note (21), page 185), earnings per share could be diluted in the future.

<b>EARNINGS PER SHARE<sup>1</sup></b>	<b>C.34</b>	
in € million	2019	2020
<b>Earnings after tax and non-controlling interests</b>	<b>88.9</b>	<b>-1,714.8</b>
– of which from continuing operations	27.3	-1,890.8
– of which from discontinued operations	61.6	176.0
Average number of shares (in millions)	191.4	191.4
<b>Earnings per share in € (undiluted Δ diluted)</b>	<b>0.46</b>	<b>-8.96</b>
– of which from continuing operations	0.14	-9.88
– of which from discontinued operations	0.32	0.92

<sup>1</sup> Adjusted earnings per share as well as its calculation are described on page 53.

## NOTES TO THE BALANCE SHEET

The balance sheet is presented on pages 146 through 147. The balance sheet is classified 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 151 through 152.

### (12) INTANGIBLE ASSETS, PROPERTY, PLANT, AND EQUIPMENT, AND IMPAIRMENT TESTS

In the consolidated balance sheet, goodwill from business combinations is allocated to the following cash-generating units (CGUs):

#### C.35

#### ALLOCATION OF GOODWILL BY CASH-GENERATING UNIT

C.35

in € million	2019	2020
CGU Salt America	681.9	–
CGU Potash and Magnesium Products	16.8	–
CGU Salt Europe	13.7	13.7
<b>Total goodwill</b>	<b>712.4</b>	<b>13.7</b>

The Salt America cash-generating unit corresponds to the Americas operating unit. Due to its classification as a discontinued operation in the year under review, the Salt America CGU is now subject to the rules of IFRS 5. For this reason, the goodwill attributable to the CGU has been reclassified to “assets held for sale.”

The Europe+ operating unit consists primarily of the Potash and Magnesium Products and Salt Europe cash-generating units. 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 Europe CGU covers the European salt activities.

In order to test goodwill for impairment, the carrying amounts of the respective cash-generating units are compared with their recoverable amounts. 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. The periods applied to the CGUs Salt Europe and Potash and Magnesium Products are determined by the reserves of raw materials and annual production.

The cash flow forecast is based on the latest mid-term planning of the K+S GROUP or the respective operating units on the basis of plans of the company 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 estimates may be adjusted for expectations of market participants for the purpose of determining fair value less costs of disposal.

Against a backdrop of slower price recoveries expected in the medium term and lower potash prices anticipated in the long term, the K+S GROUP had to adjust its long-term assumptions about trends in potash prices as of the end of the third quarter of 2020. The changed assumptions were an indication of possible impairment, and an intra-year impairment test was performed on the Potash and Magnesium Products CGU as of September 30, 2020. This test assumed lower potash prices than had previously been used. The impairment test also had to be based on an increased cost of capital. These changes in estimates were the main factors leading to an impairment loss of €1,791.7 million being recognized, which was determined by comparing the carrying amount of the CGU of €5,071.3 million with fair value less costs of disposal of €3,279.6 million. An amount of €15.7 million of the impairment loss was attributable to impairment of goodwill, which was written down in full, and recognized in other operating expenses. The remaining amount of €1,776.0 million related to impairment losses on property, plant, and equipment (€1,773.5 million) and intangible assets (€2.5 million).

As of the end of the 2020 financial year, changes in exchange rates triggered another impairment test on the Potash and Magnesium Products CGU. The comparison of fair value less costs of disposal of €3,314.1 million with the carrying amount of the CGU of €3,385.4 million resulted in another impairment loss totaling €71.3 million on property, plant and equipment (€71.2 million) and intangible assets (€0.1 million), which was recognized in cost of goods sold in the same way as the impairment loss recognized as of September 30. This additional impairment loss is primarily attributable to changes in exchange rates. The allocation to asset classes of total impairment losses of €1,863.0 million incurred in the year under review can be found in the statement of changes in non-current assets on pp. 151 through 152.

The fair value less costs of disposal of the Potash and Magnesium Products CGU was determined on the basis of the mid-term planning for the years 2021 through 2023 and the longer-term horizon for the years up to 2042 as of the measurement dates on September 30, 2020 and December 31, 2020. This takes account of the gradual ramp-up of production capacity at the Bethune production facility in Canada to around 4 million tonnes per year in line with the expansion of secondary mining associated with positive effects on average production costs, which is accompanied by an increase in planned sales volumes. Based on an average price of €233/tonne for 2020, an average price increase of around 3% per year is expected in the mid-term planning (2021-2023). For the period after the mid-term planning through 2035, reference is made to trends in real potassium chloride prices (average of 0.7% per year) from an external study (Argus) (plus an inflation expectation of 1.3% per year). The expected inflation rate is based on published price indices for capital goods producers and gross employee pay. From 2036 onward, price increases have been assumed to remain unchanged at 1.3% per year. Revenues relating to the remainder of the product portfolio have been adjusted by an expected inflation rate of 1.3% per year from the year 2024 onward. Based on expected inflation increases, costs have been extrapolated by 1.3% per year for the entire product portfolio from the year 2024 onward. In the previous year, the cash flows for the Potash and Magnesium Products CGU had been planned until 2030. For years after this planning period, a growth rate of 1.5% per year was assumed for prices and costs in the previous year.

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 average potash price over the entire planning period would result in the recoverable amount of the Potash and Magnesium Products CGU decreasing (increasing) by €1.9 billion.

- + An increase (decrease) in the discount rate by 0.5 percentage points would result in the recoverable amount decreasing by €0.6 billion (increasing by €0.7 billion).
- + A decrease (increase) in the growth rate by 0.5 percentage points over the entire planning period would result in the recoverable amount decreasing by €0.6 billion (increasing by €0.7 billion).

Corresponding to the change in the recoverable amount, this would result in a further impairment loss or a reversal of impairment losses (taking the relevant lower and upper limits into account).

For the Salt Europe CGU, the annual impairment test was conducted as of December 31, 2020. For this, the mid-term planning was based on the detailed forecast period from 2021 to 2023. For years beyond the detailed forecast period, a growth rate of 1.3% (2019: 1.5%) has been assumed for costs and revenues and, as a consequence, also for cash flows. For the short and medium term, forecasts of prices and sales volumes for the Salt Europe CGU indicate a slight increase in sales volumes and slightly higher prices. While the assumed volume development is based on an anticipated normalization of winter weather and on our strategy, the expected price trends primarily reflect our participation in the anticipated market performance. The impairment tests conducted on the basis of value in use at the end of the 2020 financial year confirm that the goodwill allocated to the Salt Europe CGU is not impaired. According to our assessment, realistic changes in the fundamental assumptions on which the process of determining the recoverable amount is based would not result in the carrying amount of the Salt Europe CGU exceeding its recoverable amount.

Table **C.36** shows the discount rates applied as of the end of the financial year. For the Potash and Magnesium Products CGU, an interest rate of 6.7% (after tax) was determined for both the impairment test as of September 30 and the impairment test as of the end of the financial year. **C.36**

#### DISCOUNT RATES USED IN THE IMPAIRMENT TEST

**C.36**

	2019		2020	
	Before tax	After tax	Before tax	After tax
Interest rates in %				
CGU Salt America	8.6	6.0	–	–
CGU Potash and Magnesium Products	8.6	6.0	–	6.7
CGU Salt Europe	8.6	6.0	9.4	6.7

The rates of interest for the cash-generating units correspond to the weighted cost of capital for the K+S GROUP before and after taxes.

• Calculation of cost of capital, page 55

The prior-year figure included brand rights of €113.0 million that, given their level of awareness in the relevant sales markets and their strategic relevance, were classified as assets with indefinite useful lives. These brand rights were allocated to the Salt America CGU and tested for impairment as part of the goodwill impairment test.

The prior-year figure for the Salt Americas CGU included customer relationships, obtained as a result of the acquisition of the MORTON Group, as a significant intangible asset. Their carrying amount as of December 31, 2019 was €77.8 million, and they had remaining useful lives of 7 years as of that date.

### (13) INVESTMENT PROPERTIES

Investment properties are primarily leased properties. As of December 31, 2020, the fair values of investment properties amounted to €12.4 million (2019: €15.4 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 reports. 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 decline is mainly attributable to the change in the scope of consolidation because of the first-time inclusion of SHENZHEN K+S TRADING CO. LTD. and K PLUS S MIDDLE East FZE in the scope of consolidation of the K+S GROUP.

### (15) SHARES IN EQUITY-ACCOUNTED INVESTMENTS

In the consolidated financial statements as of December 31, 2020, K+S BAUSTOFFRECYCLING GMBH was accounted for as a joint venture 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.

The tables below summarize the financial information of K+S BAUSTOFFRECYCLING GMBH, as disclosed in its own financial statements, modified for adjustments to fair value at the acquisition date and differences in accounting policies. They also show a reconciliation of the summarized financial information to the carrying amount of the Group's interest in K+S BAUSTOFFRECYCLING GMBH. **C.37, C.38**

#### FINANCIAL INFORMATION OF K+S BAUSTOFFRECYCLING GMBH – BALANCE SHEET

**C.37**

in € million	2020
<b>Ownership share</b>	<b>50%</b>
Non-current assets	64.5
– of which goodwill from fair value adjustments	20.1
Current assets	1.1
– of which cash and cash equivalents	–
<b>Assets</b>	<b>65.6</b>
Equity	55.7
Non-current liabilities	4.9
– of which trade liabilities, other liabilities, and provisions	0.7
Current liabilities	5.0
– of which trade liabilities, other liabilities, and provisions	5.0
<b>Capital</b>	<b>65.6</b>

#### FINANCIAL INFORMATION OF K+S BAUSTOFFRECYCLING GMBH – INCOME STATEMENT

**C.38**

in € million	2020
<b>Income statement for period from Oct. 1, 2020 to Dec. 31, 2020</b>	
Revenues	1.1
Depreciation, amortization, and impairment losses	–0.4
Income tax expense	0.3
Earnings for the year	–
<b>Comprehensive income</b>	<b>–</b>
<b>Carrying amount of investments accounted for using the equity method as of Sept. 30, 2020 (initial recognition at fair value)</b>	<b>27.8</b>
Share of comprehensive income	–
Carrying amount of equity-accounted investment as of Dec. 31, 2020	27.8

Since the share of profit or loss of the equity-accounted investment was a rounded amount of zero in the financial year under review, and K+S BAUSTOFFRECYCLING GMBH was still a consolidated subsidiary in the previous year, it will not be reported in a separate line item in the income statement.

### (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: **C.39**

No deferred tax assets were recognized for deductible temporary differences of €392.5 million (2019: €2.4 million) and tax loss carryforwards of €6.7 million (2019: €35.4 million), because it is not considered sufficiently probable that positive taxable income will be realized in future. The underlying loss carryforwards amount to €28.8 million (2019: €262.7 million). Most of them can be carried 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. **C.40**

### DEFERRED TAXES

**C.39**

in € million	Deferred tax assets		Deferred tax liabilities	
	2019	2020	2019	2020
Intangible assets	2.6	4.1	61.4	2.0
Property, plant, and equipment	31.0	287.2	360.8	–
Shares in subsidiaries (outside basis differences)	–	–	–	45.1
Inventories	5.7	1.7	0.4	0.3
Trade receivables	0.6	1.8	2.2	1.6
Other assets	4.2	6.2	10.6	43.5
– of which derivative financial instruments	–	–	4.6	38.9
Provisions	244.3	232.7	7.4	5.8
Trade payables	–	0.1	2.9	5.5
Other liabilities	3.8	33.4	20.0	14.1
– of which derivative financial instruments	2.6	12.7	–	–
<b>Gross amount</b>	<b>292.2</b>	<b>567.2</b>	<b>465.7</b>	<b>117.9</b>
– of which non-current	262.5	523.9	438.2	14.5
Amount not recognized as realizability not sufficiently probable	–0.9	–392.5	–	–
Tax loss carryforwards	51.8	47.9	–	–
Consolidations	12.7	5.7	–3.0	–1.7
Netting	–260.3	–52.3	–260.3	–52.3
<b>Carrying amount (net)</b>	<b>95.5</b>	<b>176.0</b>	<b>202.4</b>	<b>63.9</b>

### EXPIRY OF UNRECOGNIZED LOSS CARRYFORWARDS

**C.40**

in € million	2019	2020
<b>Unrecognized loss carryforwards</b>	<b>262.7</b>	<b>28.8</b>
– of which loss carryforwards expiring within one year	–	–
– of which loss carryforwards expiring between two and five years	–	–
– of which loss carryforwards expiring after five years	207.0	0.2
– of which loss carryforwards that do not expire	55.7	28.6

For companies with a tax loss in the current year or in the previous year, deferred tax assets exceeded deferred tax liabilities by €13.1 million (2019: €43.8 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 €–20.1 million (2019: €8.6 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, 2020 changed by €219.1 million (2019: €–30.5 million); this change is made up of an increase in deferred tax assets of €80.6 million (2019: €2.9 million) and a decrease in deferred tax liabilities of €–138.5 million (2019: €–27.6 million).

Taking into account deferred taxes of €–20.1 million (2019: €8.6 million), currency translation effects of €6.9 million (2019: €–7.5 million) recognized in other comprehensive income, and deferred taxes of €119.0 million allocated to discontinued operations in the year under review, this results in deferred tax income of €113.2 million disclosed in the income statement (2019: €31.4 million).

Temporary differences of €66.7 million (2019: €38.5 million) are related to shares in subsidiaries for which no deferred tax liabilities are recognized in accordance with IAS 12.39.

### (17) INVENTORIES

Since inventories are carried at net realizable value, allowances of €28.7 million (2019: €27.0 million) were recognized in the period under review. **C.41**

### INVENTORIES

**C.41**

in € million	2019	2020
Raw materials, consumables, and supplies	319.4	250.0
Work in progress	63.1	27.7
Finished goods and merchandise	406.8	205.8
<b>Inventories</b>	<b>789.3</b>	<b>483.5</b>

### (18) TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Other financial assets include receivables recognized in connection with accounting for customer-specific construction contracts; they have the following components: **C.42**

As in the previous year, there were no customer-specific construction contracts with negative balances as of December 31, 2020.

In financial year 2020, K+S entered into factoring agreements with factors for the sale of trade receivables. The receivables that were eligible to be offered for sale at the time these agreements were entered into were initially reclassified from the IFRS 9 “hold” business model to the “hold and sell” business model. For this reason, an amount of €190.8 million of trade receivables was reclassified on April 1, 2020 and an amount of €144.8 million on October 1, 2020. 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. This led to a decline in trade receivables of €191.2 million in the financial year (2019: €0.0 million).

### TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

**C.42**

in € million	2019	of which due in more than 1 year	2020	of which due in more than 1 year
Trade receivables	724.7	–	272.7	–
Other financial assets	147.6	6.0	209.8	6.1
– of which derivative financial instruments	18.5	3.2	129.4	–
– of which purchase price receivable from K+S Vermögenstreuhänder e.V.	44.3	–	–	–
– of which claim for reimbursement for Morton Salt bond	20.4	–	–	–
– of which receivables from affiliated companies	18.6	–	8.3	–
<b>Trade receivables and other financial assets</b>	<b>872.3</b>	<b>6.0</b>	<b>482.5</b>	<b>6.1</b>

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 €24.7 million (2019: €0.0 million). Cash collateral was firstly deposited with banks for the issuance of sureties and guarantees to suppliers (2020: €19.3 million; 2019: €0.0 million). Secondly it results from security obtained by withholding the purchase price under factoring agreements (2020: €5.4 million; 2019: €0.0 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, €331.9 million, or 89%, (2019: €584.1 million, or 93%) 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. Most of the trade receivables that cannot be secured were receivables from public-sector customers. Based on past default

rates, no material defaults are expected for these receivables and the unsecured portion of trade receivables of €40.0 million, or 11%, (2019: €46.7 million, or 7%) 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. This information relates to continuing and discontinued operations of the K+S GROUP. **C.43**

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, 2020, the maximum amount in default in the highly unlikely event of a simultaneous default on all unsecured receivables was €153.4 million (2019: €151.9 million). This information relates to continuing and discontinued operations of the K+S GROUP.

The table on the right shows the reconciliation of valuation allowances recognized on the basis of objective evidence at the beginning of the year to the figure 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

#### BREAKDOWN OF CARRYING AMOUNTS OF TRADE RECEIVABLES

**C.43**

in € million	2019	2020		2020
		Continuing operations	Discontinued operations	Continuing and discontinued operations
Secured	584.1	220.1	111.8	331.9
Securable but unsecured	46.7	23.6	16.4	40.0
<b>Total securable receivables</b>	<b>630.8</b>	<b>243.7</b>	<b>128.2</b>	<b>371.9</b>
Not securable	105.2	36.8	76.6	113.4
<b>Total gross carrying amounts</b>	<b>736.0</b>	<b>280.5</b>	<b>204.8</b>	<b>485.3</b>
Valuation allowances	11.3	7.8	1.7	9.5
<b>Net carrying amounts</b>	<b>724.7</b>	<b>272.7</b>	<b>203.1</b>	<b>475.8</b>



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. **C.44**

VALUATION ALLOWANCES ON TRADE RECEIVABLES		C.44
in € million	2019	2020
As of January 1	11.0	11.3
Reclassifications in accordance with IFRS 5	–	–1.9
Additions	1.2	0.1
Reversals	0.3	0.2
Utilization	0.6	1.5
<b>As of December 31</b>	<b>11.3</b>	<b>7.8</b>

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. The allowances recognized as of the balance sheet date amounted to €0.0 million (2019: €0.1 million).

In addition, the “other financial assets” item includes assets already impaired on acquisition with a carrying amount of €3.3 million (2019: €3.3 million) and a nominal repayment amount of €5.8 million (2019: €5.7 million). As in the previous year, no impairment losses were recognized on receivables from customer-specific construction contracts.

#### RISK OF DEFAULT

**C.45**

in € million	Carrying amount	of which neither overdue nor impaired as of the reporting date	of which not impaired but overdue as of the reporting date for			
			≤ 30 days	> 31 and ≤ 90 days	> 91 and ≤ 180 days	> 180 days
<b>2020</b>						
Trade receivables	272.7	252.6	2.5	1.2	0.7	0.1
<b>2019</b>						
Trade receivables	724.7	666.9	19.7	7.7	1.5	2.7

If receivables have a residual term of more than one year, they are discounted applying interest rates as of the balance sheet date.

As of December 31, 2020, no non-interest-bearing and low-interest receivables were discounted (2019: €0.0 million).

Table **C.45** provides information about the extent of the risk of default contained in “Trade receivables.” **C.45**

As of the balance sheet date, an amount of €1.5 million (2019: €2.6 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.

#### (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. Since some of the promissory notes outstanding have floating interest rates, interest rate caps were acquired in order to eliminate the risk of higher interest charges. 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 u.s. dollar and the Canadian dollar, and, to a lesser extent, pounds sterling and the Chilean peso. 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 in the Europe+ operating unit for u.s. dollar positions as well as for Canadian dollar positions for production in Canada. Hedges of invoiced receivables are entered into in the Europe+ operating unit.

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.

Future 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.

To hedge the foreign currency risk due to the expected purchase price payment from the sale of the Americas operating unit, a number of deal-contingent EUR/USD forwards were entered into in October 2020. If the underlying sale transaction is not closed, these hedges will be terminated with no settlement between the parties. The fair value of the transactions increased between the dates on which they were entered into (fair value: zero) and the reporting date to €77.5 million. The measurement gain generated in this amount was allocated to discontinued operations (see Note (20) Discontinued operations and disposal groups), since the hedges were in substance entered into to hedge the foreign currency risk from the expected sale 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:

- + the spot exchange and forward exchange rates of the currencies concerned,
- + the interest rate level,
- + the agreed hedging level and exercise prices,
- + the traded volatilities,
- + the counterparty risk, and
- + the probability that the planned sale of the Americas operating unit will materialize (deal contingent forward).

The following foreign exchange derivative financial instruments existed as of December 31, 2020 (including discontinued operations): **C.46**

**DERIVATIVE FINANCIAL INSTRUMENTS<sup>1</sup>****C.46**

in € million	2019		2020	
	Nominal amount <sup>2</sup>	Fair value	Nominal amount <sup>2</sup>	Fair value
GBP/EUR forward exchange contracts				
– of which maturing in 2020	6.4	0.1	–	–
– of which maturing in 2021	–	–	5.8	–0.1
CAD/EUR forward exchange contracts				
– of which maturing in 2020	145.9	4.2	–	–
– of which maturing in 2021	–	–	47.6	–0.3
USD/EUR forward exchange contracts				
– of which maturing in 2020	688.0	1.1	–	–
– of which maturing in 2021	35.3	0.6	1,079.3	–16.0
Deal-contingent USD/EUR forwards				
– of which maturing in 2021	–	–	2,503.1	77.5
USD/CAD forward exchange contracts				
– of which maturing in 2020	107.6	2.0	–	–
– of which maturing in 2021	–	–	119.0	8.9
USD/CLP forward exchange contracts				
– of which maturing in 2020	134.9	–5.1	–	–
– of which maturing in 2021	20.5	0.6	27.5	3.1
Plain vanilla currency options purchased (USD/EUR)				
– of which maturing in 2020	438.1	1.5	–	–
– of which maturing in 2021	69.0	1.6	368.8	15.3
Plain vanilla currency options sold (USD/EUR)				
– of which maturing in 2020	464.5	–4.4	–	–
– of which maturing in 2021	72.1	–0.8	377.0	–2.8
Plain vanilla currency options purchased (CAD/USD)				
– of which maturing in 2020	136.7	2.1	–	–
– of which maturing in 2021	–	–	97.8	4.9
Plain vanilla currency options sold (CAD/USD)				
– of which maturing in 2020	130.9	–0.2	–	–
– of which maturing in 2021	–	–	94.1	–0.1
Interest caps purchased				
– of which maturing in 2021	118.0	–	118.0	–
<b>Total derivative financial instruments</b>	<b>2,568.0</b>	<b>3.4</b>	<b>4,838.2</b>	<b>90.4</b>

<sup>1</sup> This information relates to continuing and discontinued operations of the K+S Group.

<sup>2</sup> In euros, 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 AFFILIATES. The selling price amounts to USD 3.2 billion (before purchase price adjustment). The transaction is expected to close no later than in summer 2021, subject to customary approvals, including antitrust approvals. The purchase price will be paid at that point.

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 and accounted for as a discontinued operation. The Americas operating unit had previously been reported as a separate segment within the meaning of IFRS 8. Both at the time of reclassification as a discontinued operation and at the end of the reporting period, the fair value less costs of disposal was higher than the carrying amount of the Americas operating unit. Consequently, no impairment losses were recognized on the discontinued operation in accordance with IFRS 5.

At the time of classification in accordance with IFRS 5, the assets and liabilities of the Americas operating unit were reclassified to separate balance sheet items: "assets held for sale" and "liabilities relating to assets held for sale." The prior-period balance sheet has not been restated in accordance with IFRS 5.

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." The comparative periods have been restated in accordance with IFRS 5.

In addition to operating income and expenses of the discontinued operation, expenses and income directly related to the sale are also reported under "earnings after tax from discontinued operations." They relate to the following items allocated to the discontinued operation: disposal costs of €29.2 million (other operating income/expenses), gains on purchase price hedging transactions of €72.1 million (other operating income/expenses), and deferred tax income totaling €43.5 million (income tax expense). Deferred tax income comprises the capitalization of loss carryforwards, deferred taxes on the purchase price hedging transactions, disposal costs in connection with the discontinued operation, and deferred taxes from temporary differences in connection with shares in affiliates.

The above gains on purchase price hedging transactions result primarily from deal contingent forwards with a principal volume of USD 3.0 billion entered into with a number of banks to hedge the foreign currency risk in connection with the purchase price. As of the balance sheet date, they had a positive fair value of €77.5 million. The change in fair values is included in "Earnings after tax from discontinued operations" in the same amount.

The cash flows of the discontinued operation are as follows: **C.47**.

<b>CASH FLOWS OF DISCONTINUED OPERATIONS</b>		<b>C.47</b>
in € million	2019	2020
Net cash flows from operating activities	183.5	157.1
Net cash used in investing activities	-76.5	-89.4
Net cash used in financing activities	-32.6	-157.0
<b>Total</b>	<b>74.4</b>	<b>-89.3</b>

The earnings of the discontinued operation are as follows: **C.48**

<b>EARNINGS FROM DISCONTINUED OPERATIONS (AMERICAS OPERATING UNIT)</b>			<b>C.48</b>
in € million	2019	2020	
Revenues	1,521.1	1,266.3	
Other operating income/expenses	-1,377.5	-1,071.1	
Earnings after operating hedges	143.6	195.2	
Financial result	-63.0	-28.3	
Earnings before tax	80.6	166.9	
– of which from ordinary activities	80.6	124.0	
Income tax expense	-19.0	9.2	
– of which from ordinary activities	-19.0	-34.4	
Earnings after tax from discontinued operations	61.6	176.1	

As of December 31, 2020, the following assets and liabilities relating to the discontinued operation were classified as “held for sale”: **C.49, C.50**

<b>ASSETS HELD FOR SALE (AMERICAS OPERATING UNIT)</b>		<b>C.49</b>
in € million	Dec. 31, 2020	
Intangible assets	828.5	
– of which goodwill from acquisitions of companies	626.5	
Property, plant, and equipment	1,133.9	
Financial assets	5.6	
Other financial assets	0.6	
Other non-financial assets	8.8	
Deferred taxes	43.0	
<b>Non-current assets</b>	<b>2,020.4</b>	
Inventories	348.9	
Trade receivables	195.2	
Other financial assets	10.2	
Other non-financial assets	7.0	
Income tax refund claims	10.6	
Cash and cash equivalents	54.6	
<b>Current assets</b>	<b>626.5</b>	
<b>Assets held for sale</b>	<b>2,646.9</b>	

#### **LIABILITIES RELATING TO ASSETS HELD FOR SALE (AMERICAS OPERATING UNIT)**

in € million	Dec. 31, 2020
Other financial liabilities	73.6
Other non-financial liabilities	2.9
Income tax liabilities	23.6
Provisions for pensions and similar obligations	114.5
Provisions for mining obligations	20.9
Other provisions	40.1
Deferred taxes	131.0
<b>Non-current liabilities</b>	<b>406.6</b>
Trade payables	117.7
Other financial liabilities	28.3
Other non-financial liabilities	9.5
Income tax liabilities	4.2
Provisions	88.9
<b>Current liabilities</b>	<b>248.6</b>
<b>Liabilities relating to assets held for sale</b>	<b>655.2</b>

Accumulated expenses and income attributable to discontinued operations and recognized in other comprehensive income amounted to €175.8 million in the financial year under review.

#### **GROUPS OF ASSETS AND LIABILITIES HELD FOR SALE**

On December 18, 2020, K+S entered into an agreement with REMEX GMBH, a wholly owned subsidiary of REMONDIS SE & CO. KG. The agreement specifies the transfer of 50% of the shares of REKS GMBH & CO. KG (REKS) against a cash payment and payments in kind. The purpose of the company, which is allocated to the Europe+ operating unit, comprises in particular the underground waste management activities. In addition, the agreement will allow the best possible access to the materials that will be required in future to cover large tailings piles at the German potash sites. The transaction, which requires approval by the antitrust authorities, is expected to close in the summer of 2021. K+S will realize a significant book profit on the transfer of shares.

When the deal is closed, REKS GMBH & CO. KG will have to be de-consolidated as a subsidiary and from then on accounted for as a joint venture using the equity method. For this reason, since

the agreement was signed, the company has been classified as a disposal group in accordance with IFRS 5, and the carrying amounts have been reclassified to separate balance sheet items: "assets held for sale" and "liabilities relating to assets held for sale." The prior-period balance sheet has not been restated. Items in the income statement and cash flow statement have not been reclassified.

The carrying amounts of the assets and liabilities held for sale as of December 31, 2020 are presented in the tables below. **C.51, C.52**

#### ASSETS HELD FOR SALE (REKS) **C.51**

in € million	Dec. 31, 2020
Deferred taxes	0.1
<b>Non-current assets</b>	<b>0.1</b>
Trade receivables	7.9
Cash and cash equivalents	8.4
<b>Current assets</b>	<b>16.3</b>
<b>Assets held for sale</b>	<b>16.4</b>

#### LIABILITIES RELATING TO ASSETS HELD FOR SALE (REKS) **C.52**

in € million	Dec. 31, 2020
Provisions for pensions and similar obligations	0.2
Other provisions	0.2
<b>Non-current liabilities</b>	<b>0.4</b>
Trade payables	0.6
Income tax liabilities	0.3
Provisions	0.6
<b>Current liabilities</b>	<b>1.5</b>
<b>Liabilities relating to assets held for sale</b>	<b>1.9</b>

The amount of accumulated expenses and income recognized in other comprehensive income has been rounded to zero.

#### (21) EQUITY

The changes in individual equity items are shown separately on page 149.

#### 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. **C.53**

- Disclosures in accordance with Section 289a(1) and Section 315a(1) of the HGB as well as the Explanatory Report of the Board of Executive Directors in accordance with Section 176(1) Sentence 1 of the AktG, page 113

#### ISSUED CAPITAL **C.53**

in € million	Outstanding shares on issue	Issued capital
Dec. 31, 2018	191.4	191.4
Dec. 31, 2019	191.4	191.4
<b>Dec. 31, 2020</b>	<b>191.4</b>	<b>191.4</b>

#### 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 2020 financial year.

#### AUTHORIZED CAPITAL

The Board of Executive Directors was authorized on May 11, 2016 to increase the Company's share capital, with the consent of the Supervisory Board, by a total of up to €19,140,000.00, on one or several occasions, by issuing up to 19,140,000 new no-par-value registered shares (Authorized Capital II) until May 10, 2021.

In addition, the Board of Executive Directors was authorized on June 10, 2020 to increase the Company's share capital, with the consent of the Supervisory Board, by a total of up to €38,280,000.00, on one or several occasions, by issuing up to 38,280,000 new no-par-value registered shares (Authorized Capital) until June 9, 2025.

K+S AKTIENGESELLSCHAFT did not make use of the authorizations in the 2020 financial year.

**CONDITIONAL CAPITAL**

The share capital is increased by up to €19,140,000.00 by issuing up to 19,140,000 bearer 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 2020 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). **C.54**

**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). The dividend proposed for the 2019 financial year was adjusted to the statutory minimum dividend of €0.04 per share on the basis of a resolution of the Board of Executive Directors and the Supervisory Board on May 8, 2020 in order to meet one of the requirements for agreeing the KfW syndicated credit line in the 2020 financial year. The intention is not to distribute a dividend for the 2020 financial year. Net accumulated losses of €603.4 million will be carried forward to new account.

**OTHER COMPREHENSIVE INCOME****C.54**

in € million	2019			2020		
	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	317.8	-0.4	317.4	-467.6	7.5	-460.1
Exchange differences on translation of foreign operations	317.8	-0.4	317.4	-467.6	7.5	-460.1
– of which change in unrealized gains/losses	317.8	-0.4	317.4	-467.6	7.5	-460.1
Items of other comprehensive income not to be reclassified to profit or loss	-15.8	8.4	-7.4	-30.9	-27.6	-58.5
Gains/(losses) on equity instruments measured at fair value	9.7	-	9.7	-12.9	-	-12.9
Remeasurement gains/(losses) on defined benefit plans	-25.5	8.4	-17.1	-18.0	-27.6	-45.6
<b>Other comprehensive income</b>	<b>302.0</b>	<b>8.0</b>	<b>310.0</b>	<b>-498.5</b>	<b>-20.1</b>	<b>-518.6</b>



As of the balance sheet date, the following net accumulated losses were reported in the annual financial statements of K+S AKTIENGESELLSCHAFT: **C.55**

## (22) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The K+S GROUP has made a number of defined benefit pension commitments. Most of the commitments relate to Germany and Canada.

### GERMANY

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 to total 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). The vehicle used for this is the K+S VERMÖGENSTREUHÄNDER E.V., which manages as a trustee the assets dedicated to the servicing of pension obligations. 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.

### CANADA

In Canada, in addition to defined benefit pension commitments, there are pension-related plans that entail commitments, for example, to provide medical benefits to eligible beneficiaries after retirement.

The pension plans in principle provide for benefits that are calculated as a percentage of the average five highest annual salaries, while taking into account length of service. In this context, certain ceilings have to be observed. Since January 1, 2016, active plan members can no longer earn new entitlements, but in return they participate in a defined contribution scheme. The commitment was switched prospectively, which means that benefits vested up to this date will remain unchanged. Pension plans in Canada are regulated by law, for example, by the "Financial Services Regulatory Authority" in Ontario and the "Canada Revenue Agency." There are minimum funding requirements under the "Pension Benefits Act (Ontario)." To satisfy them, an independent actuarial valuation is generally performed every three years as a minimum. The aim is

## NET RETAINED PROFITS / NET ACCUMULATED LOSSES REPORTED IN THE SINGLE-ENTITY FINANCIAL STATEMENTS OF K+S AKTIENGESELLSCHAFT (HGB)

**C.55**

in € million	2019	2020
Net retained profits of K+S Aktiengesellschaft as of January 1	74.5	170.7
Dividend distributed for previous year	-47.9	-7.7
Appropriation to other revenue reserves (resolution of Annual General Meeting)	-	-163.0
Profit carried forward	26.6	-
Earnings/loss for the year of K+S Aktiengesellschaft	288.2	-603.4
Appropriation to other revenue reserves from earnings for the year	-144.1	-
Net retained profits/net accumulated losses of K+S Aktiengesellschaft as of December 31	170.7	-603.4

to determine the funded status of the pension plan in accordance with legal requirements. If the plan is underfunded, the shortfall must be made up within a period of five to ten years, based on the type of shortfall. The valuation differs from an IFRS valuation in that, for example, a different discount factor is applied.

The Canadian plan assets are held by an external company on a trust basis. It is responsible for the payment of pensions to pensioners as well as the management of plan assets. The trustee is selected by the "MORTON SALT, INC. Benefits and Investment Committee," which comprises company representatives and external advisors. It is also responsible for determining the investment strategy.

The pension-related benefit commitments cover payments for life, dental and medical insurance. The level of payments for the dental and medical insurance depends on the average claims ratio of the pensioners, whereas life assurance in principle involves a fixed-sum commitment. No plan assets were established for the pension-related benefit commitments and there are no minimum funding requirements.

#### OTHER COUNTRIES

The other pension commitments largely relate to pension-related plans in the United States and the Bahamas, which provide for payments towards medical and life assurance policies. No plan assets were established for these commitments and there are no minimum funding requirements. In addition, there are pension commitments of minor significance in other countries.

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. Pension commitments in Canada are adjusted annually at a rate of 50% of the "consumer price index (CPI)." As a rule, an increase in the respective 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 is only partially offset by a corresponding change in the value of plan assets.
- + Healthcare cost trend (North America, in particular Canada and the Bahamas): since payments for medical benefit commitments are adjusted in line with cost trends in healthcare, an increase in medicine prices, hospital costs, etc., in the respective country will lead to an increase in obligations.
- + 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. In North America, too, benefit commitments have been either settled or frozen and transferred to a defined contribution system.

Due to the classification of the Americas operating unit as a discontinued operation in accordance with IFRS 5, the provisions for pensions and similar obligations were reclassified to "liabilities relating to assets held for sale" in the balance sheet. This concerns all pension-related plans in Canada, the Bahamas, and the USA, and the vast majority of pension commitments abroad (in particular Canada). As of December 31, 2020, the provision for the above plans amounted to €114.5 million; the figure includes the projected benefit obligation of €343.1 million and plan assets of €228.6 million. The foreign measurement assumptions as of the balance sheet date listed below relate to this provision.

The following assumptions have been made in calculating provisions for pensions and similar obligations as of the balance sheet date: **C.56**

To determine the pension expenses for 2020, the actuarial assumptions in table **C.57** – defined at the end of financial year 2019 – were used.

As of December 31, 2020, the following mortality tables were applied:

- + Germany: Heubeck mortality tables 2018 G (2019: Heubeck mortality tables 2018 G)
- + Canada: CPM 2014 Private Scale B with adjustment factor (2019: CPM 2014 Private Scale B with adjustment factor)
- + USA: PRI 2012 Scale MP-2020 (2019: PRI 2012 Scale MP-2019)
- + Bahamas: PRI 2012 Scale MP-2019 (2019: PRI 2012 Scale MP-2019)

In the case of pension-related commitments for healthcare benefits, the following annual cost increases were assumed:

- + Canada (medicines): 5.9%, declining to 4.0% from 2040 (2019: 5.9%, declining to 4.0% from 2040)
- + Bahamas: 5.5% (2019: 5.5%)

#### ACTUARIAL ASSUMPTIONS – MEASUREMENT OF PENSION COMMITMENTS

**C.56**

	2019		2020	
	Germany	Other countries	Germany	Other countries
In % (weighted average)				
<b>Pension commitments</b>				
Discount rate	1.0	3.1	0.6	2.5
Expected annual rise in income	1.8	2.8	1.8	2.8
Expected annual rise in pensions	1.6	1.0	1.6	1.0
<b>Other pension-related benefit commitments</b>				
Discount rate	–	3.9	–	3.6

#### ACTUARIAL ASSUMPTIONS – PENSION COMMITMENT EXPENSES

**C.57**

	2019		2020	
	Germany	Other countries	Germany	Other countries
In % (weighted average)				
<b>Pension commitments</b>				
Discount rate	2.0	3.8	1.0	3.1
Expected annual rise in income	1.8	3.0	1.8	2.8
Expected annual rise in pensions	1.6	1.0	1.6	1.0
<b>Other pension-related benefit commitments</b>				
Discount rate	–	4.6	–	3.9

The following tables show the changes in the projected benefit obligation and plan assets: The prior-year figures include plans relating to the discontinued operation. **C.58, C.59**

**CHANGES IN PROJECTED BENEFIT OBLIGATION****C.58**

in € million	2019				2020			
	Total	Germany	Other countries	Other countries	Total	Germany	Other countries	Other countries
		Pensions	Pensions	Pension-related obligations		Pensions	Pensions	Pension-related obligations
Projected benefit obligation on Jan. 1	582.0	278.3	206.9	96.8	677.2	329.9	238.7	108.6
Changes in the scope of consolidation	–	–	–	–	–0.2	–0.2	–	–
Reclassifications in accordance with IFRS 5	–	–	–	–	–342.9	–0.1	–234.2	–108.6
Service costs	11.3	7.9	0.6	2.8	9.4	9.2	0.2	–
Interest expense	17.9	5.4	7.9	4.6	3.2	3.2	–	–
Remeasurement	70.5	47.5	20.5	2.5	19.9	19.9	–	–
– of which actuarial gains (–)/losses (+) from changes in demographic assumptions	–5.1	–	–3.7	–1.4	–	–	–	–
– of which actuarial gains (–)/losses (+) from changes in financial assumptions	84.3	51.8	19.3	13.2	26.4	26.4	–	–
– of which actuarial gains (–)/losses (+) based on experience-based adjustments	–8.7	–4.3	4.9	–9.3	–6.5	–6.5	–	–
Pension payments	–27.0	–13.6	–11.0	–2.4	–14.2	–13.9	–0.3	–
Plan amendments/settlements	4.4	4.4	0.0	–	–0.4	–	–0.4	–
Changes in exchange rates	18.1	–	13.8	4.3	–	–	–	–
<b>Projected benefit obligation on Dec. 31</b>	<b>677.2</b>	<b>329.9</b>	<b>238.7</b>	<b>108.6</b>	<b>352.0</b>	<b>348.0</b>	<b>4.0</b>	<b>–</b>

**CHANGES IN PLAN ASSETS****C.59**

in € million	2019			2020		
	Total	Germany	Other countries	Total	Germany	Other countries
		Pensions	Pensions		Pensions	Pensions
Plan assets on Jan. 1	399.0	207.3	191.7	448.1	221.3	226.8
Changes in the scope of consolidation	–	–	–	–0.2	–0.2	–
Reclassifications in accordance with IFRS 5	–	–	–	–226.8	–	–226.8
Interest income	11.5	4.0	7.5	2.2	2.2	–
Employer contributions	3.7	3.6	0.1	31.0	31.0	–
Gains (+)/losses (–) from remeasurement of plan assets (excluding amounts recognized in interest income)	45.0	20.0	25.0	3.7	3.7	–
Pension payments	–24.2	–13.6	–10.6	–13.8	–13.8	–
Changes in exchange rates	13.1	–	13.1	–	–	–
<b>Plan assets on Dec. 31</b>	<b>448.1</b>	<b>221.3</b>	<b>226.8</b>	<b>244.2</b>	<b>244.2</b>	<b>–</b>

For reconciliation to the carrying amounts, the projected benefit obligation must be offset against plan assets: **C.60**

The amounts in Table **C.61** were recognized in the statement of comprehensive income. Gains and losses on the plans of the of the discontinued operation are not included, the prior-year figures have been restated accordingly. **C.61**

#### RECONCILIATION TO CARRYING AMOUNTS OF PENSIONS AND SIMILAR OBLIGATIONS

**C.60**

in € million	2019				2020			
	Total	Germany	Other countries	Other countries	Total	Germany	Other countries	Other countries
		Pensions	Pensions	Pension-related obligations		Pensions	Pensions	Pension-related obligations
Projected benefit obligation on Dec. 31	677.2	329.9	238.7	108.6	352.0	348.0	4.0	–
Plan assets on Dec. 31	448.1	221.3	226.8	–	244.2	244.2	–	–
<b>Carrying amounts on Dec. 31</b>	<b>229.1</b>	<b>108.6</b>	<b>11.9</b>	<b>108.6</b>	<b>107.8</b>	<b>103.8</b>	<b>4.0</b>	<b>–</b>
– of which provisions for pensions and similar obligations (+)	232.2	111.7	11.9	108.6	110.3	106.3	4.0	–
– of which assets (–)	–3.1	–3.1	–	–	–2.5	–2.5	–	–

#### EFFECTS ON THE STATEMENT OF COMPREHENSIVE INCOME

**C.61**

in € million	2019			2020		
	Total	Germany	Other countries	Total	Germany	Other countries
		Pensions	Pensions		Pensions	Pensions
Service costs	8.1	7.9	0.2	9.4	9.2	0.2
Past service costs	–	–	–	–	–	–
Net interest cost (+)/income (–)	1.4	1.4	–	1.0	1.0	–
Expenses (+)/income (–) from plan amendments/settlements	4.4	4.4	–	–0.4	–	–0.4
<b>Amounts recognized in the income statement</b>	<b>13.9</b>	<b>13.7</b>	<b>0.2</b>	<b>10.0</b>	<b>10.2</b>	<b>–0.2</b>
Gains (–)/losses (+) on remeasurement of plan assets (excluding amounts recognized in interest income)	–20.0	–20.0	–	–3.7	–3.7	–
Actuarial gains (–)/losses (+) from changes in demographic assumptions	–	–	–	–	–	–
Actuarial gains (–)/losses (+) from changes in financial assumptions	51.8	51.8	–	26.4	26.4	–
Actuarial gains (–)/losses (+) based on experience-based adjustments	–3.9	–4.3	0.4	–6.5	–6.5	–
<b>Amounts recognized in other comprehensive income</b>	<b>27.9</b>	<b>27.5</b>	<b>0.4</b>	<b>16.2</b>	<b>16.2</b>	<b>–</b>
<b>Total (amounts recognized in statement of comprehensive income)</b>	<b>41.8</b>	<b>41.2</b>	<b>0.6</b>	<b>26.2</b>	<b>26.4</b>	<b>–0.2</b>

## BREAKDOWN OF PLAN ASSETS BY ASSET CLASS

C.62

in € million	2019			2020		
	Total	Germany	Other countries	Total	Germany	Other countries
		Pensions	Pensions		Pensions	Pensions
Other equity investments	44.3	44.3	–	72.4	72.4	–
Shares	146.6	78.3	68.3	62.5	62.5	–
Bonds	230.2	73.6	156.6	60.9	60.9	–
– Government bonds	130.5	0.7	129.8	–	–	–
– Corporate bonds	99.7	72.9	26.8	60.9	60.9	–
Reinsurance arrangements	38.9	38.9	–	43.3	43.3	–
Cash and cash equivalents	26.2	24.3	1.9	6.7	6.7	–
Liabilities	–44.3	–44.3	–	–8.3	–8.3	–
Other	6.2	6.2	–	6.7	6.7	–
<b>Plan assets on Dec. 31</b>	<b>448.1</b>	<b>221.3</b>	<b>226.8</b>	<b>244.2</b>	<b>244.2</b>	<b>–</b>

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.

The fair value of plan assets is distributed across the following investment classes (previous year: including discontinued operations): **C.62**

Investments held through investment funds were allocated to the individual investment classes in the list above. 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 €24.2 million (2019: €21.0 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 BAUSTOFFRECYCLING GMBH, measured at €27.8 million, were contributed to K+S VERMÖGENSTREUHÄNDER E.V. in the financial year under review (allocation). The shares in K+S REAL ESTATE GMBH & CO. KG had been acquired by K+S VERMÖGENSTREUHÄNDER E.V. from K+S AKTIENGESELLSCHAFT at a price of €44.3 million in the previous year. 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. The purchase price liability of €44.3 million reduced the value of plan assets accordingly in the previous year.

In the financial year under review, own financial instruments were also held in an amount of €5.0 million (previous year: €0.0 million).

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. **C.63**

The figures for the previous year (including discontinued operations) were as follows: **C.64**

**SENSITIVITY ANALYSIS AS OF DEC. 31, 2020****C.63**

in € million	Change in assumption	Change in present value of obligations			
		Total	Germany	Other countries	Other countries
			Pensions	Pensions	Pension-related obligations
Discount rate	+100 basis points	-52.3	-51.7	-0.6	-
Discount rate	-100 basis points	69.9	69.2	0.7	-
Expected annual rise in income	+50 basis points	0.8	0.8	-	-
Expected annual rise in income	-50 basis points	-0.1	-0.1	-	-
Expected annual rise in pensions	+50 basis points	22.4	22.1	0.3	-
Expected annual rise in pensions	-50 basis points	-19.5	-19.3	-0.2	-
Medical cost trend	+50 basis points	0.0	-	-	-
Medical cost trend	-50 basis points	0.0	-	-	-
Life expectancy	+1 year	16.1	15.9	0.2	-
Life expectancy	-1 year	-15.0	-14.8	-0.2	-

**SENSITIVITY ANALYSIS AS OF DEC. 31, 2019****C.64**

in € million	Change in assumption	Change in present value of obligations			
		Total	Germany	Other countries	Other countries
			Pensions	Pensions	Pension-related obligations
Discount rate	+100 basis points	-94.3	-47.5	-29.2	-17.6
Discount rate	-100 basis points	120.9	62.4	36.4	22.1
Expected annual rise in income	+50 basis points	1.7	0.5	1.2	-
Expected annual rise in income	-50 basis points	-1.8	-0.5	-1.3	-
Expected annual rise in pensions	+50 basis points	33.6	19.9	13.7	-
Expected annual rise in pensions	-50 basis points	-29.7	-18.0	-11.7	-
Medical cost trend	+50 basis points	9.1	-	-	9.1
Medical cost trend	-50 basis points	-8.1	-	-	-8.1
Life expectancy	+1 year	26.6	14.3	7.3	5.0
Life expectancy	-1 year	-26.3	-14.0	-7.3	-5.0



Table **C.65** shows the maturities of undiscounted payments of pensions and similar obligations that are expected in subsequent years (previous year: including discontinued operations): **C.65**

**EXPECTED PAYMENTS OF PENSIONS AND  
SIMILAR OBLIGATIONS**

**C.65**

in € million	Dec. 31, 2019	Dec. 31, 2020
Up to 1 year	29.3	14.8
Between 1 and 5 years	117.7	55.3
Between 5 and 10 years	149.9	63.9
More than 10 years	884.1	292.0
<b>Total</b>	<b>1,181.0</b>	<b>426.0</b>

As of December 31, 2020, the weighted average duration of obligations was 16 years (continuing operations only). In the previous year, it had stood at 16 years in Germany, 14 years for pension obligations outside Germany, and 19 years for pension-related obligations outside Germany. The duration and maturity profile of the obligations differ between individual companies, significantly so in some cases. The asset allocation generally takes this circumstance into account, especially in Germany. The aim is to service the pension payments from current plan asset income.

In the 2021 financial year, no cash outflows are expected from pension and similar commitments (continuing operations only; 2020: €2.8 million). This outflow comprises 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 company 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 multiemployer 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 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.

No contribution payments are expected to be made to the BASF pension fund in 2021.

**PENSION EXPENSE****C.66**

in € million	2019			2020		
	Total	Germany	Other countries	Total	Germany	Other countries
Defined contribution expenses	4.5	2.0	2.5	4.9	2.7	2.2
Defined benefit expenses	12.5	12.3	0.2	9.0	9.2	-0.2
<b>Pension expense (recognized in earnings after operating hedges)</b>	<b>17.0</b>	<b>14.3</b>	<b>2.7</b>	<b>13.9</b>	<b>11.9</b>	<b>2.0</b>

In total, pension expenses are as follows for the period under review (continuing operations, previous year restated): **C.66**

In addition, contributions of €80.9 million (2019: €77.2 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. Mining damage can result from underground extraction and any resulting subsidence, or from damage in the production process in the form of dust or saltwater intrusion. Any obligations arising as a result are covered by provisions. **C.67**

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, or changes in legal requirements. These circumstances are taken into account by regularly recalculating the provisions required.

The vast majority of mining provisions relate to German sites. The provision amounts are based on the settlement amounts discounted to the balance sheet date. In this process, a future price increase of 1.5% is assumed (2019: 1.5%).

**PROVISIONS FOR MINING OBLIGATIONS****C.67**

in € million	2019		2020	
	Total	of which current	Total	of which current
Mine and shaft backfilling	456.7	0.5	423.8	1.0
Maintenance of tailings piles	365.6	–	409.5	–
Mining damage	32.9	5.3	32.4	4.9
Renaturation	53.1	–	52.3	–
Other	8.4	0.3	13.9	–
<b>Provisions for mining obligations</b>	<b>916.7</b>	<b>6.1</b>	<b>931.9</b>	<b>5.9</b>

In determining the discount rate for Europe, it must be taken into account that mining obligations are based on very long-term, sometimes perpetual obligations. No euro interest rates for matching maturities are available for these obligations on the capital market. Extrapolation from the interest rates available on the market – which, compared to the obligations in perpetuity, are very short-term euro interest rates – would result in an inappropriate real interest rate (discount rate less inflation rate) of close to 0%.

For this reason, since the previous year, the yields of German government bonds achievable on the capital market have been used for remaining maturities of up to 30 years. The long-term average of the yields of German government bonds are used for the very long-term portion of euro-denominated obligations without available capital market interest rates (remaining maturities of more than 30 years). The standard euro discount rate, which has been calculated retrospectively for all payment dates, is 3.4% (2019: 3.5%) for all remaining maturities of mining obligations in EU countries. The year-on-year decline in the discount rate is due to lower interest rates. An increase in the discount rate by 0.1 percentage points would reduce the present value of the provision by around €35 million, while a corresponding decrease would increase it by around €37 million.

## (24) NON-CURRENT PERSONNEL OBLIGATIONS

The carrying amount of provisions for anniversary bonuses is €37.3 million (2019: €36.4 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 0.4% (2019: 0.8%) with an anticipated annual increase in salaries and wages of 1.8% (2019: 1.8%). In addition, plan assets for obligations from working lifetime accounts amounted to €43.3 million (2019: €35.2 million), which are financed by plan assets amounting to €46.2 million (2019: €44.3 million).

## (25) CURRENT PROVISIONS

Obligations arising from sales transactions relate primarily to discounts and price concessions; provisions for outstanding invoices are recognized on the basis of purchase contracts. Current personnel obligations mostly consist of provisions for performance-related remuneration and provisions for untaken vacation leave and non-working shifts.

- 👁 Employees, page 66
- 👁 Remuneration report, page 131

## (26) FINANCIAL LIABILITIES

The following tables show the liquidity analysis of financial liabilities in the form of contractually agreed, undiscounted cash flows: **C.68, C.69**

### LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES IN 2020

**C.68**

in € million	Cash flows				
	2020 carrying amount	2020 Total	Due within ≤ 1 year	Due after > 1 year and ≤ 5 years	Due after > 5 years
Financial liabilities	3,369.2	3,526.1	1,413.3	2,112.8	–
– of which bonds	2,220.6	2,369.8	569.9	1,799.9	–
– of which promissory note loans	424.3	431.4	324.1	107.3	–
– of which commercial paper	154.0	154.0	154.0	–	–
– of which liabilities to banks	570.3	570.8	365.2	205.6	–
Trade payables	187.3	187.3	186.3	0.1	0.9
Lease liabilities	241.2	264.1	88.2	124.7	51.2
Other non-derivative financial liabilities	62.5	62.5	62.5	–	–
<b>Non-derivative financial liabilities</b>	<b>3,860.2</b>	<b>4,040.0</b>	<b>1,750.3</b>	<b>2,237.6</b>	<b>52.1</b>

## LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES IN 2019

C.69

in € million	Cash flows				
	2019 carrying amount	2019 Total	Due within ≤ 1 year	Due after > 1 year and ≤ 5 years	Due after > 5 years
Financial liabilities	3,399.0	3,636.4	603.5	3,032.9	–
– of which bonds	2,241.7	2,465.9	92.2	2,373.7	–
– of which promissory note loans	439.2	451.5	5.1	446.4	–
– of which commercial paper	434.9	435.0	435.0	–	–
– of which liabilities to banks	269.7	270.5	57.7	212.8	–
– other liabilities	13.5	13.5	13.5	–	–
Trade payables	241.4	241.4	239.8	1.0	0.6
Lease liabilities	386.6	446.5	98.6	217.4	130.5
Other non-derivative financial liabilities	70.2	70.2	70.2	–	–
<b>Non-derivative financial liabilities</b>	<b>4,097.2</b>	<b>4,394.5</b>	<b>1,012.1</b>	<b>3,251.3</b>	<b>131.1</b>

The bonds and promissory note loans issued break down as follows: **C.70**

ISSUED BONDS<sup>1</sup> AND PROMISSORY NOTE LOANS

C.70

	2019		2020	
	Principal amount	Nominal interest rate	Principal amount	Nominal interest rate
	in € million	p.a.	in € million	p.a.
2012/22 bond	500	3.000%	500	3.000%
2013/21 bond	500	4.125%	500	4.125%
2017/23 bond	625	2.625%	623	2.625%
2018/24 bond	600	3.250%	600	3.250%
Promissory note loans (fixed, mature 2019–23)	327	Average approx. 1.2%	327	Average approx. 1.2%
Promissory note loans (floating, mature 2019–22)	113	Basis EURIBOR	98	Basis EURIBOR

<sup>1</sup> In addition, there was a USD bond acquired in 2009 as part of the acquisition of MORTON SALT with a principal amount of USD 22.6 million and a maturity date in 2020. Interest and principal payments resulting from this bond are to be paid by ROHM & HAAS and are covered by a contractual bank guarantee. Reimbursement claims for payments of interest and principal resulting from this legal construct were reported under "Other financial assets" in the previous year.

Tables **C.71** and **C.72** show the Group's liquidity analysis for derivative financial liabilities. The table is based on non-discounted gross cashflows which are settled on a gross basis. **C.71, C.72**

As a precautionary measure to secure the liquidity situation during the COVID-19 crisis, the K+S GROUP agreed an additional syndicated credit line with a volume of €350 million on arm's length terms under a special KfW program (KfW syndicated credit line). €280 million of this additional credit line is attributable to KfW and €70 million to the consortium banks. The line of credit has a maturity of 12 months, with two 6-month extension options. The credit line had not been drawn down by December 31, 2020. The agreement can be terminated prematurely by the K+S GROUP at any time.

For liabilities to banks in an amount of €160 million, the syndicated credit line of €800 million, the additional KfW syndicated credit line of €350 million, and a bilateral credit line of €335 million, compliance with a financial covenant, which is normal market practice, has been agreed, in addition to other requirements. These covenants specify a certain ratio of net liabilities (incl. all lease liabilities) to EBITDA as well as temporary compliance with a liquidity ratio. If both covenants are exceeded as of any of the agreed reporting dates, the lenders have the right to call the loans for repayment. Under normal circumstances, the other financial liabilities can also be called on the basis of a cross-default clause. Based on the financial performance indicators, the lenders did not have the right to call the loans for repayment in the year under review. The ability to avoid future liquidity risks arising from compliance with covenants depends critically on the sale of the American salt activities as scheduled and the implementation of the REKS joint venture.

#### LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL LIABILITIES IN 2020

**C.71**

in € million	Cash flows				
	2020 carrying amount	2020 Total	Due within ≤ 1 year	Due after > 1 year and ≤ 5 years	Due after > 5 years
Currency derivatives	-42.1	-36.1	-36.1	-	-
Payment obligation <sup>1</sup>		-903.1	-903.1	-	-
Payment claim <sup>1</sup>		867.0	867.0	-	-

<sup>1</sup> Translation of payment transactions in foreign currency at the spot rate.

#### LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL LIABILITIES IN 2019

**C.72**

in € million	Cash flows				
	2019 carrying amount	2019 Total	Due within ≤ 1 year	Due after > 1 year and ≤ 5 years	Due after > 5 years
Currency derivatives	-12.3	-11.1	-10.8	-0.3	-
Payment obligation <sup>1</sup>		-673.9	-668.4	-5.5	-
Payment claim <sup>1</sup>		662.8	657.6	5.3	-

<sup>1</sup> Translation of payment transactions in foreign currency at the spot rate.

**(27) FURTHER DISCLOSURES ON FINANCIAL INSTRUMENTS**

The further disclosures on financial instruments presented in Tables **C.73** through **C.78** in this section include financial instruments from continuing operations and from discontinued operations of the K+S GROUP in accordance with IFRS 5. In the balance sheet, financial instruments classified as held for sale and therefore allocated to discontinued operations are reported in separate line items. Further details on discontinued operations can be found in Note (20) – Discontinued operations and disposal groups. The following table shows the carrying amounts and fair values of the Group's financial instruments: **C.73**

The carrying amounts of the financial instruments, aggregated according to IFRS 9 measurement categories, are as follows: **C.74**

The fair values of the financial instruments are mostly based on the market information available on the balance sheet 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

**CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS****C.73**

in € million	Measurement category in accordance with IFRS 9	Dec. 31, 2019		Dec. 31, 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Shares in affiliated companies and other equity investments	Fair value through other comprehensive income	101.0	101.0	42.3	42.3
Equity investments	Fair value through profit or loss	5.0	5.0	5.0	5.0
Loans	Amortized cost	0.2	0.2	0.2	0.2
<b>Financial assets</b>		<b>106.2</b>	<b>106.2</b>	<b>47.5</b>	<b>47.5</b>
<b>Trade receivables</b>	<b>Amortized cost</b>	<b>724.7</b>	<b>724.7</b>	<b>420.1</b>	<b>420.1</b>
<b>Trade receivables</b>	<b>Fair value through other comprehensive income (with recycling)</b>	<b>–</b>	<b>–</b>	<b>55.7</b>	<b>55.7</b>
Derivatives with positive fair values	Fair value through profit or loss	18.5	18.5	132.5	132.5
Other non-derivative financial assets	Amortized cost	147.5	147.5	88.1	88.1
<b>Other financial assets</b>		<b>166.0</b>	<b>166.0</b>	<b>220.6</b>	<b>220.6</b>
<b>Securities and other financial assets</b>	<b>Amortized cost</b>	<b>11.4</b>	<b>11.4</b>	<b>6.0</b>	<b>6.0</b>
<b>Securities and other financial assets</b>	<b>Fair value through other comprehensive income</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>
<b>Cash and cash equivalents</b>	<b>Amortized cost</b>	<b>321.8</b>	<b>321.8</b>	<b>205.2</b>	<b>205.2</b>
<b>Financial liabilities</b>	<b>Amortized cost</b>	<b>3,398.9</b>	<b>3,535.6</b>	<b>3,369.2</b>	<b>3,357.1</b>
<b>Trade payables</b>	<b>Amortized cost</b>	<b>241.3</b>	<b>241.3</b>	<b>305.6</b>	<b>305.6</b>
Derivatives with negative fair values	Fair value through profit or loss	15.0	15.0	42.1	42.1
Other non-derivative financial liabilities	Amortized cost	70.2	70.2	70.6	70.6
Lease liabilities	Separate category (IFRS 7)	386.6	386.6	335.2	335.2
<b>Other financial liabilities</b>		<b>471.9</b>	<b>471.9</b>	<b>447.9</b>	<b>447.9</b>

**CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS  
AGGREGATED BY MEASUREMENT CATEGORY C.74**

in € million	2019	2020
<b>Measurement category in accordance with IFRS 9</b>		
Fair value through other comprehensive income	108.0	49.3
Fair value through other comprehensive income (with recycling)	–	55.7
Amortized cost (financial assets)	1,205.6	719.6
Fair value through profit or loss (financial assets)	23.5	137.5
Amortized cost (financial liabilities)	3,710.4	3,745.4
Fair value through profit or loss (financial liabilities)	15.0	42.1

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 **C.75** and **C.76** show the assets and liabilities measured at fair value attributable to continuing and discontinued operations 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

**ASSETS AND LIABILITIES MEASURED AT FAIR VALUE****C.75**

		Measurement category in accordance with IFRS 9			2020
in € million		Level 1	Level 2	Level 3	Total
<b>Assets</b>		–	<b>139.5</b>	<b>103.0</b>	<b>242.5</b>
Shares in affiliated companies and other equity investments	Fair value through other comprehensive income	–	–	42.3	42.3
Equity investments	Fair value through profit or loss	–	–	5.0	5.0
Trade receivables	Fair value through other comprehensive income (with recycling)	–	–	55.7	55.7
Derivative financial instruments	Fair value through profit or loss	–	55.0	77.5	132.5
Securities and other financial assets	Fair value through other comprehensive income	–	7.0	–	7.0
<b>Equity and liabilities</b>		–	<b>42.1</b>	–	<b>42.1</b>
Derivative financial instruments	Fair value through profit or loss	–	42.1	–	42.1

**ASSETS AND LIABILITIES MEASURED AT FAIR VALUE****C.76**

		Measurement category in accordance with IFRS 9			2019
in € million		Level 1	Level 2	Level 3	Total
<b>Assets</b>		–	<b>25.5</b>	<b>106.0</b>	<b>131.5</b>
Shares in affiliated companies and other equity investments	Fair value through other comprehensive income	–	–	101.0	101.0
Equity investments	Fair value through profit or loss	–	–	5.0	5.0
Derivative financial instruments	Fair value through profit or loss	–	18.5	–	18.5
Securities and other financial assets	Fair value through other comprehensive income	–	7.0	–	7.0
<b>Equity and liabilities</b>		–	<b>15.0</b>	–	<b>15.0</b>
Derivative financial instruments	Fair value through profit or loss	–	15.0	–	15.0



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 or the cost of capital will have a corresponding effect on the present value calculation. The table below shows the changes in fair values in the financial year under review: **C.77**

**RECONCILIATION OF SHARES IN NON-CONSOLIDATED AFFILIATED COMPANIES AND OTHER EQUITY INVESTMENTS (LEVEL 3)** **C.77**

in € million	2019	2020
As of Jan. 1	88.8	106.0
Changes in the scope of consolidation	–	–44.9
Additions	9.9	0.1
Disposals	2.4	1.0
Measurement gains/losses (other comprehensive income)	16.3	–13.2
Disposal gains/losses (other comprehensive income)	–6.6	0.3
Transfers (from/to Level 3)	–	–
<b>As of Dec. 31</b>	<b>106.0</b>	<b>47.3</b>

As of December 31, 2020, €41.9 million of the shares in non-consolidated affiliated companies and other equity investments is attributable to continuing operations and €5.4 million to discontinued operations of the K+S GROUP.

The fair values of shares in affiliated companies and other equity investments break down as follows: **C.78**

**BREAKDOWN OF NON-CONSOLIDATED SHARES IN AFFILIATED COMPANIES AND OTHER EQUITY INVESTMENTS** **C.78**

in € million	2019	2020
Subsidiaries in Germany	7.1	7.4
Subsidiaries in Europe (excluding Germany)	29.6	24.0
Subsidiaries in rest of world	53.7	9.0
Joint ventures, associates, and other equity investments	15.6	7.0
<b>Total</b>	<b>106.0</b>	<b>47.3</b>

The derivative financial instruments primarily consist of currency derivatives (forward exchange contracts, options). The fair value of forward exchange contracts is calculated by estimating future cash flows based on the quoted forward exchange rates as at the reporting date and the agreed forward exchange rates, which are subsequently discounted at an interest 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.

The calculation of fair values of the deal contingent forwards used to hedge foreign currency risk from the planned sale of the Americas operating unit has to take account of the probability that the transaction will be closed. For this reason, it is allocated to Level 3. The measurement is conducted by comparing the agreed hedging rates with the market-based forward rates as of the balance sheet date, taking account of the closing probability (estimated at 95%) and the resulting premiums on the forward rates. Changes in the closing probability lead to a corresponding change in 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.

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 **C.79** shows the net gains or losses on financial instruments from continuing operations of the K+S GROUP: **C.79**

<b>NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS</b>		<b>C.79</b>
Measurement category in accordance with IFRS 9		
in € million	2019	2020
Fair value through other comprehensive income	12.9	-9.7
Amortized cost (financial assets)	12.8	-39.6
Fair value through profit or loss	0.6	0.8
Amortized cost (financial liabilities)	-8.4	59.1

Net gains/losses on financial assets measured at fair value through other comprehensive income primarily comprise dividend distributions and measurement gains or losses on non-consolidated 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 continuing operations of the K+S GROUP: **C.80**

<b>NET INTEREST INCOME / EXPENSE FROM FINANCIAL INSTRUMENTS</b>			<b>C.80</b>
in € million	2019	2020	
Interest income	-	-	
Interest expenses before capitalization of borrowing costs	39.9	95.8	
Capitalized borrowing costs	10.9	11.2	
Interest expenses after capitalization of borrowing costs	29.0	84.6	

#### 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 €1,013.9 million as of December 31, 2020 (2019: €1,140.2 million); it consisted of short-term investments, cash and cash equivalents, the KfW credit line, as well as the undrawn portion of our syndicated credit line, which matures in 2024.

👁 Financial risks and opportunities, page 118

**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.

👁️ Financial risks and opportunities, page 118

Default risks also exist with regard to 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 RISKS**

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 on 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 balance sheet 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.

👁️ Financial risks and opportunities, page 118

There were floating-rate liabilities as of the reporting date.

An increase in the reference interest rate by one percentage point would have led to further interest charges of €0.8 million for floating-rate liabilities as of the balance sheet date (2019: €1.8 million). As in the previous year, a decrease in the reference interest rate by one percentage point would have had no impact on the interest expenses for floating-rate liabilities.

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 U.S. dollar), the carrying amount of the net position of foreign currency receivables and liabilities would have increased or decreased by €18.1 million (2019: €22.3 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.

👁️ Financial position, page 57

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.

**NET DEBT<sup>1</sup>****C.81**

in € million	Dec. 31, 2019	Dec. 31, 2020
Cash and cash equivalents	321.8	205.2
Non-current securities and other financial assets	7.0	6.0
Current securities and other financial assets	11.4	7.0
Financial liabilities	-3,398.9	-3,369.2
Lease liabilities from finance lease contracts	-78.2	-66.3
Reimbursement claim Morton Salt bond	20.3	-
Net financial liabilities	-3,116.6	-3,217.4
Lease liabilities excluding liabilities from finance lease contracts	-306.3	-267.6
Provisions for pensions and similar obligations	-232.2	-224.9
Non-current provisions for mining obligations	-910.6	-946.9
Net debt	-4,565.7	-4,656.8

<sup>1</sup> This information relates to continuing and discontinued operations of the K+S Group.

Capital management is guided by a number of key financial indicators, such as in particular net financial liabilities (including all lease liabilities), whose ratio to EBITDA is also relevant as a financial covenant (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). **C.81, C.82**

**CAPITAL MANAGEMENT INDICATORS<sup>1</sup>****C.82**

in € million	2019	2020
Net financial liabilities (incl. lease liabilities)/EBITDA ratio <sup>2,3</sup>	5.4	7.8
Net debt/equity (%)	101.6	209.5
Equity ratio (%)	42.4	26.5

<sup>1</sup> Continuing and discontinued operations of the K+S Group.

<sup>2</sup> The calculation of EBITDA is presented in the "Notes to the income statement and statement of comprehensive income" on page 167.

<sup>3</sup> EBITDA is defined as earnings before interest, taxes, 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.

The capital structure was as follows as of the reporting date: **C.83**

**CAPITAL STRUCTURE****C.83**

in € million	2019	2020
Equity	4,495.1	2,222.6
Non-current liabilities	4,721.1	3,427.8
Current liabilities	1,376.0	2,737.0
<b>Total equity and liabilities</b>	<b>10,592.2</b>	<b>8,387.4</b>

**(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, which are not recognized in the balance sheet, because it is less probable that they will be used. In 2020, contingent liabilities amounted to around €8.2 million (2019: around €17.3 million), resulting mainly from legal risks.

👁 Financial risks and opportunities, page 118

In 2020, liabilities from uncompleted capital expenditure projects totaled €119.9 million (2019: €210.3 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 –, ships, 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 151 through 152. Disclosures on lease expenses for the financial year under review and the previous year relate to continuing operations. Disclosures on leases in the balance sheet for the year under review relate to continuing operations. Prior-year disclosures are unchanged. The maturity breakdown of the corresponding lease liabilities is provided in Note (26).

In financial year 2020, the impairment test conducted on the Potash and Magnesium Products CGU gave rise to impairment losses of €55.2 million (2019: €0.0 million) on right-of-use assets arising from leases. In addition, the following amounts in connection with leases under which K+S is the lessee were recognized in the income statement: **C.84**

IMPACT OF LEASES ON THE INCOME STATEMENT		C.84
in € million	2019	2020
Depreciation of right-of-use assets	32.8	36.1
Interest expenses on lease liabilities	8.4	8.7
Expenses for short-term leases	6.1	7.8
Expenses for low-value leases	0.2	0.5
Variable lease expenses	1.5	3.0

In the 2020 financial year, cash outflows for leases totaled €57.9 million (2019: €48.8 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 6.35% 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 (2019: €22.7 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 cash flow statement is presented on page 148.

🔗 Financial position, page 57

**(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.

Interest paid in the reporting period amounted to €106.6 million (2019: €102.2 million).

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).

**RECONCILIATION OF NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES****C.85**

in € million	Carrying amount Jan. 1, 2020	Cash flows from financing activities (net)	Reclassifications in accordance with IFRS 5	Lease additions/disposals	Changes in exchange rates	Other effects	Carrying amount Dec. 31, 2020
Bonds	2,241.7	-1.3	-20.3	-	-	0.4	2,220.6
Promissory note loans	439.2	-14.9	-	-	-	-	424.3
Commercial paper	434.9	-281.0	-	-	-	0.1	154.0
Liabilities to banks	269.7	301.1	-	-	-0.7	0.2	570.3
Other financial liabilities	13.5	-13.5	-	-	-	-	-
Total financial liabilities (as recognized in balance sheet)	3,399.0	-9.5	-20.3	-	-0.7	0.7	3,369.2
Lease liabilities	386.6	-62.8	-109.6	29.2	-19.6	17.4	241.2
Reimbursement claim Morton Salt bond	-20.4	-	20.3	-	-	0.1	-
<b>Total</b>	<b>3,765.2</b>	<b>-72.2</b>	<b>-109.6</b>	<b>29.2</b>	<b>-20.3</b>	<b>18.2</b>	<b>3,610.4</b>

**RECONCILIATION OF NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES****C.86**

in € million	Carrying amount Jan. 1, 2019	Initial application of IFRS 16	Carrying amount as of Jan. 1, 2019 (adjusted)	Cash flows from financing activities (net)	Lease additions	Changes in exchange rates	Other effects	Carrying amount Dec. 31, 2019
Bonds	2,240.5	-	2,240.5	-	-	0.4	0.8	2,241.7
Promissory note loans	764.3	-	764.3	-325.5	-	-	0.4	439.2
Commercial paper	179.0	-	179.0	256.0	-	-	-0.1	434.9
Liabilities to banks	99.7	-	99.7	170.6	-	0.1	-0.6	269.7
Other financial liabilities	-	-	-	13.5	-	-	-	13.5
Total financial liabilities (as recognized in balance sheet)	3,283.5	-	3,283.5	114.6	-	0.5	0.5	3,399.0
Lease liabilities	164.2	216.1	380.3	-55.8	45.1	11.6	5.4	386.6
Reimbursement claim Morton Salt bond	-20.2	-	-20.2	-	-	-0.4	0.2	-20.4
<b>Total</b>	<b>3,427.5</b>	<b>216.1</b>	<b>3,643.6</b>	<b>58.8</b>	<b>45.1</b>	<b>11.7</b>	<b>6.1</b>	<b>3,765.2</b>

<b>NET CASH AND CASH EQUIVALENTS</b>		<b>C.87</b>
in € million	2019	2020
Cash and cash equivalents (as recognized in balance sheet)	321.8	142.3
Cash and cash equivalents attributable to discontinued operations and disposal groups	–	62.9
Overdrafts	–0.7	–
Cash deposits received from affiliated companies	–4.8	–7.8
<b>Net cash and cash equivalents</b>	<b>316.3</b>	<b>197.4</b>

Dividend payments and profit transfers from non-consolidated companies totaled €2.5 million in the reporting period (2019: €3.1 million).

As of the balance sheet date, there were liabilities from leases as well as trade payables and current provisions totaling €103.5 million (2019: €344.4 million) resulting from noncash additions to property, plant and equipment.

The sale of trade receivables under factoring arrangements in the financial year under review increased the operating cash flow by €184.2 million (2019: €0.0 million).

## SEGMENT REPORTING DISCLOSURES

Segment reporting is presented on page 150.

### (32) DEFINITION OF SEGMENTS

Since financial year 2019, the operating business has been managed in the two operating units, Europe+ and Americas. This means that these operating units represent the segments within the meaning of IFRS 8. Following the classification of the Americas operating unit as a discontinued operation, only the Europe+ operating unit is now presented in segment reporting.

The Europe+ operating unit comprises the former Potash and Magnesium Products business unit, including Bethune, the former ESCO, and the former Complementary Activities (waste management and recycling, animal hygiene products, the former K+S TRANSPORT, CHEMISCHE FABRIK KALK). The operating unit combines the produc-

tion and marketing of potash fertilizers and fertilizer specialties as well as potash and magnesium compounds for technical, industrial, and pharmaceutical applications. In addition, the Salt business unit encompasses the production and marketing of salt for consumer products and the food processing industries, industrial salt and salt for chemical use, de-icing salt, and sodium chloride brine. Other activities performed by the operating unit include recycling and waste disposal in mines, CATSAN and THOMAS granulation, trading in basic chemicals, and the provision of logistics services.

The accounting policies applied to determine the segment information are the same as those of the K+S GROUP.

### (33) PRINCIPLES OF SEGMENT PROFIT OR LOSS ALLOCATION

The data for determining segment profit or loss is based on income statements produced according to the internal reporting structure of the K+S GROUP. Income statements of the companies included in segment profit or loss are allocated to segments in accordance with profit center accounting.

EBITDA is used by the K+S GROUP as the most important internal profitability variable and performance indicator. EBITDA is defined as earnings before interest, taxes, 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, and changes in the fair value of operating anticipatory hedges recognized in prior periods (see "Notes to the income statement and statement of comprehensive income" on page 166).

Segment profit or loss is presented on a consolidated basis. Intra-segment supplies of goods and services are consolidated.

### (34) PRINCIPLES OF INTERSEGMENT TRANSFER PRICING

Transfer prices for supplies of goods and services between segments are set on an arm's length basis, as they would be payable by an unrelated third party. Transfer pricing methods are documented on a timely basis and retained continuously. The comparable uncontrolled price method, the resale price method, the cost plus method, or a combination of all three may be used when determining transfer prices for goods and services. We select the method that best reflects the way external prices are determined in comparable markets.

**(35) ADDITIONAL SEGMENT DISCLOSURES****OPERATING UNIT EUROPE+**

Provisions amounting to €31.7 million (2019: €45.0 million) were reversed in the reporting period for unused obligations. In addition, gains of €56.2 million resulted from the derecognition of property, plant, and equipment (2019: €1.1 million). In financial year 2020, impairment losses of €1,870.1 million were recognized on property, plant, and equipment and intangible assets and reported in cost of sales (€1,854.4 million) and other operating expenses (€15.7 million). In the previous year, impairment losses of €7.6 million were recognized on property, plant and equipment and reported in other operating expenses.

**(36) NOTES TO THE RECONCILIATION OF EBITDA**

The reconciliation to the figures in the financial statements of the K+S GROUP breaks down as follows: **C.88**

<b>RECONCILIATION OF EBITDA<sup>1</sup></b>		<b>C.88</b>
in € million	2019	2020
<b>Operating unit Europe+</b>	<b>437.0</b>	<b>344.2</b>
Holding company activities	102.7	469.1
Consolidation effects	-129.3	-546.4
<b>K+S total</b>	<b>410.4</b>	<b>266.9</b>

<sup>1</sup> EBITDA is defined as earnings before interest, taxes, 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.

**(37) REVENUES BY REGION**

The breakdown of the K+S GROUP's revenues by region is as follows:

**C.89**

<b>REVENUES BY REGION</b>		<b>C.89</b>
in € million	2019	2020
Europe	1,635.6	1,500.1
– of which Germany	586.7	528.7
North America	76.0	90.1
South America	390.1	305.6
Asia	346.5	413.0
Africa, Oceania	101.5	123.3
<b>Total revenues</b>	<b>2,549.7</b>	<b>2,432.1</b>

The allocation is based on the registered office of customers. No single customer accounted for more than 10% of total revenues in the 2020 and 2019 financial years.

**(38) NON-CURRENT ASSETS BY REGION**

The non-current assets of the K+S GROUP comprise intangible assets, property, plant and equipment and investment properties. The regional breakdown is as follows: **C.90**

<b>NON-CURRENT ASSETS BY REGION</b>		<b>C.90</b>
in € million	2019	2020
Europe	1,977.1	1,699.2
– of which Germany	1,903.1	1,588.8
North America	5,685.5	2,488.0
– of which USA	1,160.0	0.5
– of which Canada	4,482.4	2,487.5
South America	535.7	–
– of which Chile	518.8	–
Asia	10.0	1.7
Africa, Oceania	6.5	8.8
<b>Total assets</b>	<b>8,214.8</b>	<b>4,197.7</b>

The allocation is based on the location of the relevant assets.



## OTHER DISCLOSURES

### IMPACT OF COVID-19

As the COVID-19 pandemic spread, K+S set up crisis management teams (task forces) early on, which are continuing to monitor and assess the current situation and are coordinating any necessary measures. Comprehensive measures have been implemented at manufacturing locations to minimize the risk of infection. As a result, elevator trips by the workforce into our mines run with significantly fewer people to ensure greater social distancing. Shifts have also been shortened or staggered to different time slots to prevent too many employees from sharing the same space. In relevant areas, protective mouth and nose masks are used to minimize the risk of infection.

In the Industry customer segment, sales volumes were slightly negatively affected, although these effects were partially offset by positive factors benefiting the Consumers customer segment.

The described efficiency losses caused by COVID-19 and – with a lesser impact – the above effects on sales volumes had a combined effect on EBITDA in the mid-double-digit million range; they relate to both continuing and discontinued operations. The calculation of efficiency losses included the lost production volumes. The effect on sales volumes was determined by analyzing the causes of plan/actual variances. Overall, production was largely kept going and supply chains were stable.

### GOVERNMENT GRANTS

The investment grants/subsidies relate to amounts in the assistance area of the Federal Republic of Germany. **C.91**

<b>GOVERNMENT GRANTS</b>	<b>C.91</b>	
in € million	2019	2020
Investment grants/subsidies	0.3	1.1
Performance-related grants	0.1	0.1
Government grants	0.4	1.2

### SHARE-BASED PAYMENT PROGRAM (IFRS 2)

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 join the program are non-payscale managers and specialists who have an active contract of employment as of January 1 of the year concerned, as well as all members of the Board of Executive Directors.

👁 Remuneration report, page 131

The program has a three-year observation period. LTI II is based on the K+S share price performance (incl. dividends paid) compared to the performance of the MDAX (performance index). 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.

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 €6.1 million (2019: €7.0 million) were recognized as of December 31, 2020. Personnel expenses from additions to provisions in 2020 amounted to €2.4 million (2019: €3.4 million).

### RELATED PARTIES

#### RELATED COMPANIES

In addition to the subsidiaries included in the consolidated financial statements, the K+S GROUP has relations with other related companies; these include non-consolidated subsidiaries, joint ventures, and companies over which the K+S GROUP can exercise significant influence (associates). A complete summary of all related companies can be found in the list of shareholdings on page 212.

The following table shows K+S GROUP transactions with non-consolidated subsidiaries in the reporting period. The transactions were conducted at arm's length. **C.92**

<b>TRANSACTIONS WITH NON-CONSOLIDATED SUBSIDIARIES</b>		<b>C.92</b>	
in € million	2019	2020	
Trade revenues	47.1	13.7	
Goods and services received	22.1	17.9	
Income from dividend payments and profit transfers	3.2	3.8	
Other income	0.1	0.1	
Other expenses	3.3	11.4	

Trade revenues are mostly the result of goods sold by consolidated companies to foreign distribution companies. Goods and services received largely consist of supplies of explosives and chemical products by a German subsidiary as well as commissions invoiced by foreign distribution companies.

As of December 31, 2020, the outstanding balances with non-consolidated subsidiaries were as follows: **C.93**

<b>BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES</b>		<b>C.93</b>	
in € million	2019	2020	
Receivables from affiliated companies	18.6	5.0	
– of which banking receivables	–	–	
Liabilities to affiliated companies	10.9	8.6	
– of which banking receivables	4.8	7.8	

As in the previous year, there were no allowances on receivables from affiliated companies as at the balance sheet date. There are no contingency insurance policies for receivables from non-consolidated subsidiaries. Banking receivables are the result of centralized withdrawals and deposits of cash at K+S AKTIENGESELLSCHAFT (cash pooling). As at the balance sheet date, there were no loans to non-consolidated subsidiaries.

Long-term loans, including interest receivable, to joint ventures and associates with a total carrying amount of €3.3 million (2019: €3.3 million) and other financial receivables of €3.3 million (2019: €0.0 million) existed at the reporting date. In addition, transactions with joint ventures and associates generated income of €0.9 million (2019: €1.1 million) and expenses of €5.6 million (2019: €1.9 million). The expenses were mainly attributable to freight.

#### 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 of related persons is presented in the following section as well as in the remuneration report section in the combined management report. There were no other material transactions with related persons. **C.94**

<b>RELATED PARTY DISCLOSURES (IAS 24)</b>		<b>C.94</b>	
in € million	2019	2020	
Short-term benefits	3.1	2.9	
Post-employment benefits	2.6	3.3	
Other long-term benefits	–	0.3	
Termination benefits of the employment relationship	–	–	
Share-based payment	0.7	0.3	
Other transactions with related persons	2.0	2.2	

The remuneration system for the Board of Executive Directors has the following elements:

- + Regular monthly payments (fixed salary) to which noncash benefits are added
- + Performance-related one-off payment (STI incl. performance factor)
- + Long-term incentive (LTI) program

The total remuneration of the Board of Executive Directors related to three members in the year under review, all of whom were in office for the whole year. In the previous year, the Board of Executive Directors also had three members, all of whom were in office for the whole year.

The individual remuneration received by the members of the Board of Executive Directors in the 2020 financial year is disclosed in the remuneration report section of the combined management report on page 131.

The remuneration system for the Supervisory Board has the following elements:

- + Fixed remuneration
- + Additional fixed remuneration, depending on membership of one or more committees
- + Attendance fees

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.

The individual remuneration received by the members of the Supervisory Board in the 2020 financial year is disclosed in the remuneration report section of the combined management report on page 131.

#### MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

A list of members of the Board of Executive Directors and its responsibilities can be found in the management report on page 91; this list is also part of the Notes to the consolidated financial statements.

#### MEMBERS OF THE SUPERVISORY BOARD

A list of members of the Supervisory Board and its committees can be found in the management report on page 88; this list is also part of the Notes to the consolidated financial statements.

#### SHARES HELD IN K+S AKTIENGESELLSCHAFT

On January 19, 2021, DIMENSIONAL HOLDINGS INC., Austin (USA), notified us that its share of the voting rights had exceeded the threshold of 3% and that it now holds 3.37% of the Company. Until the end of February 2021, no other shareholder notified us of shareholdings above the legal reporting threshold of 3%.

#### DISCLOSURES ON REMUNERATION IN ACCORDANCE WITH SECTION 314 (1) NO. 6 A) HGB

C.95

in € million	2019	2020
<b>Total remuneration of the Supervisory Board<sup>1</sup></b>	<b>1.7</b>	<b>2.2</b>
– of which fixed	1.7	2.2
<b>Total remuneration of the Board of Executive Directors</b>	<b>7.5</b>	<b>3.3</b>
– of which fixed	2.2	2.3
– of which performance-related	0.9	0.7
– of which share-based payments	4.4	0.3
<b>Total remuneration of former members of the Board of Executive Directors and their surviving dependants</b>	<b>2.4</b>	<b>2.3</b>

<sup>1</sup> In May 2020, Supervisory Board members waived 20% of their fixed remuneration for 2019 in favor of charitable purposes.

## LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB

The figures in Table **C.96** also apply to the previous year. If there are any deviations, these are commented on in a footnote on the company concerned. **C.96**

### LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB

**C.96**

in %	Company's registered office		Interest held	Share of voting rights
<b>Fully consolidated German companies (11 companies)</b>				
K+S Aktiengesellschaft	Kassel	Germany	–	–
Chemische Fabrik Kalk GmbH	Cologne	Germany	100.00	100.00
Deutscher Straßen-Dienst GmbH <sup>2</sup>	Hanover	Germany	100.00	100.00
esco international GmbH <sup>1,2</sup>	Hanover	Germany	100.00	100.00
K+S Beteiligungs GmbH <sup>1,2</sup>	Kassel	Germany	100.00	100.00
K+S Holding GmbH <sup>1,2</sup>	Kassel	Germany	100.00	100.00
K+S Minerals and Agriculture GmbH <sup>1,2</sup>	Kassel	Germany	100.00	100.00
K+S North America Asset Management GmbH	Kassel	Germany	100.00	100.00
K+S Versicherungsvermittlungs GmbH <sup>2</sup>	Kassel	Germany	100.00	100.00
Kali-Union Verwaltungsgesellschaft mbH <sup>1,2</sup>	Kassel	Germany	100.00	100.00
REKS GmbH & Co. KG <sup>3</sup>	Kassel	Germany	100.00	100.00
<b>Consolidated foreign companies (41 companies)</b>				
Canadian Brine, Ltd.	Pointe-Claire	Canada	100.00	100.00
Compania Minera Punta de Lobos Ltda.	Santiago de Chile	Chile	100.00	100.00
Empresa de Servicios Ltda.	Santiago de Chile	Chile	100.00	100.00
Empresa Maritima S.A.	Santiago de Chile	Chile	99.59	99.59
esco Spain S.L.	Barcelona	Spain	100.00	100.00
Frisia Zout B.V.	Harlingen	Netherlands	100.00	100.00
Glendale Salt Development, LLC	Chicago	USA	100.00	100.00
Inagua General Store, Ltd.	Nassau	Bahamas	100.00	100.00
Inversiones Columbus Ltda.	Santiago de Chile	Chile	100.00	100.00
Inversiones Empremer Ltda.	Santiago de Chile	Chile	100.00	100.00
Inversiones K+S Sal de Chile SpA	Santiago de Chile	Chile	100.00	100.00
K plus S Middle East FZE	Jebel Ali, Dubai	United Arab Emirates	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 Belgium Holding B.V.	Diegem	Belgium	100.00	100.00
K+S Benelux NV/SA	Diegem	Belgium	100.00	100.00
K+S Canada Holdings Ltd.	Vancouver	Canada	100.00	100.00
K+S Chile S.A.	Santiago de Chile	Chile	99.64	99.64
K+S Czech Republic a.s.	Prague	Czech Republic	100.00	100.00

## LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB

C.96

in %	Company's registered office		Interest held	Share of voting rights
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.	Dombasle-sur-Meurthe	France	100.00	100.00
K+S (Huludao) Magnesium Products Co. Ltd.	Huludao	China	100.00	100.00
K+S Investments Ltd.	St. Julians	Malta	100.00	100.00
K+S Montana Holdings, LLC	Chicago	USA	100.00	100.00
K+S Netherlands Holding B.V.	Harlingen	Netherlands	100.00	100.00
K+S North America Corporation	Chicago	USA	100.00	100.00
K+S Perú S.A.C.	Lima	Peru	100.00	100.00
K+S Potash Canada General Partnership	Vancouver	Canada	100.00	100.00
K+S Salt LLC	Chicago	USA	100.00	100.00
K+S Windsor Salt Ltd.	Vancouver	Canada	100.00	100.00
Montana US Parent Inc.	Chicago	USA	100.00	100.00
Morton Bahamas Ltd.	Nassau	Bahamas	100.00	100.00
Morton Salt, Inc.	Chicago	USA	100.00	100.00
Salina Diamante Branco Ltda.	Rio de Janeiro	Brazil	100.00	100.00
Servicios Maritimos Patillos S.A.	Santiago de Chile	Chile	100.00	100.00
Servicios Portuarios Patillos S.A.	Santiago de Chile	Chile	99.89	99.89
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
Weeks Island Landowner, LLC	Chicago	USA	100.00	100.00
WINDSOR SALT LTD.	Vancouver	Canada	100.00	100.00
<b>Equity-accounted companies (1 company)</b>				
K+S Baustoffrecycling GmbH	Sehnde	Germany	50.00	50.00
<b>Non-consolidated German companies (7 companies)<sup>4</sup></b>				
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
MSW-Chemie GmbH	Langelsheim	Germany	100.00	100.00
REKS Verwaltungs GmbH	Hanover	Germany	100.00	100.00
Wohnbau Salzdetfurth GmbH	Bad Salzdetfurth	Germany	100.00	100.00

## LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB

C.96

in %	Company's registered office		Interest held	Share of voting rights
<b>Non-consolidated foreign companies (14 companies)<sup>4</sup></b>				
EzyAgric B.V.	Harlingen	Netherlands	51.00	51.00
Imperial Thermal Products, Inc.	Chicago	USA	100.00	100.00
K plus S Africa (Pty) Ltd.	Johannesburg	South Africa	100.00	100.00
K+S Brasileira Fertilizantes e Produtos Industriais Ltda.	São Paulo	Brazil	100.00	100.00
K+S Denmark Holding ApS	Hellerup	Denmark	100.00	100.00
K+S Fertilizers (India) Private Limited	New Delhi	India	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 Minerals and Agriculture (Panama) S.A.	Panama City	Panama	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 UK & Eire Ltd.	Hertford	United Kingdom	100.00	100.00
Kali AG in liquidation	Aeschi	Switzerland	100.00	100.00
OOO K+S Rus	Moscow	Russian Federation	100.00	100.00
<b>Associates and joint ventures (4 companies)<sup>5</sup></b>				
Al Biariq for Fertilizer Plant Co. Ltd.	Riyadh	Saudi Arabia	30.00	30.00
Grainpulse Limited	Kampala	Uganda	44.00	44.00
modal 3 Logistik GmbH	Hamburg	Germany	33.30	33.30
Morton China National Salt (Shanghai) Salt Co., Ltd.	Shanghai	China	45.00	45.00
<b>Other equity investments (7 companies)</b>				
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
Nieders. Gesellschaft zur Endablagerung von Sonderabfall mbH	Hanover	Germany	0.10	0.10
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

<sup>1</sup> Exemption of section 291 HGB applied.<sup>2</sup> Exemption of section 264 (3) HGB applied.<sup>3</sup> Exemption of section 264b HGB applied.<sup>4</sup> Not consolidated due to immateriality.<sup>5</sup> 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 companies (including €0.4 million relating to previous years). Other assurance services mainly relate to the audit of combined financial statements, energy law compliance audits, and audits in connection with comfort letters. The auditor provided tax advisory services amounting to €5 thousand in the previous year. **C.97**

<b>AUDITOR'S FEES</b>	<b>C.97</b>	
in € million	2019	2020
Audit services	0.8	1.6
Other assurance services	0.4	0.4
Auditor's fees	1.2	2.0

**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 2020/2021. It is available to shareholders on the K+S GROUP website ([www.kpluss.com](http://www.kpluss.com)) and also published in the declaration on corporate governance on page 85.

**EVENTS AFTER THE BALANCE SHEET DATE**

No significant changes have occurred in the general economic environment or in the situation of the industry since the end of the financial year under review.

Kassel, Germany, March 9, 2021

**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 THE COMBINED 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 balance sheet as of December 31, 2020, the consolidated income statement and statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the financial year from January 1, 2020 to December 31, 2020 as well as the 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, Kassel, which is combined with the parent company's management report, for the financial year from January 1, 2020 to December 31, 2020. In accordance with German legal requirements, we have not audited the content of the parts of the combined management report detailed in the Annex to the independent auditor's report.

In our opinion, based on the knowledge obtained in the audit,

- + the accompanying consolidated financial statements comply with IFRSs as endorsed by the EU and the supplementary German legal requirements to be applied in accordance with Section 315e(1) of the HGB (German Commercial Code) in all material respects and give a true and fair view of the Group's net assets and financial position as of December 31, 2020 as well as its results of operations for the financial year from January 1, 2020 to December 31, 2020 in accordance with these requirements and
- + the accompanying combined management report as a whole provides a true and fair view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the content of the parts of the combined management report detailed in the Annex to the independent auditor's report.

Pursuant to Section 322(3) Sentence 1 of the HGB, we declare that our audit has not led to any reservations relating to the compliance of the consolidated financial statements and the combined management report.

#### BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the combined management report in accordance with Section 317 of the HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred to as "EU Audit Regulation"), and the German Generally Accepted Standards on Auditing promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Our responsibilities under these requirements and principles are further described in the Section "Auditor's responsibility for the audit of the consolidated financial statements and the combined management report" of our report. We are independent of the Group companies in accordance with European and German commercial law and rules of professional conduct and we have fulfilled our other professional responsibilities applicable in Germany in accordance with these requirements. In addition, pursuant to Article 10(2) lit. f of the EU Audit Regulation, we declare that we have not provided any prohibited non-audit services pursuant to 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 combined 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 January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, but we do not provide a separate opinion on these issues.



Below, we present what we consider to be the key audit matters:

1. Provisions for mining obligations
2. Impairment losses on the non-current assets of the Potash and Magnesium Products cash-generating unit
3. Presentation of the contractually agreed sale of the AMERICAS OU in the 2020 consolidated financial statements and prior-year restatements

Our presentation of these key audit matters is structured as follows:

- a) Description (including reference to corresponding information in the consolidated financial statements)
- b) Audit approach

### 1. PROVISIONS FOR MINING OBLIGATIONS

- a) In the consolidated financial statements of K+S AKTIENGESELLSCHAFT as of December 31, 2020, mining provisions of €926.0 million (equivalent to 11.2% of total consolidated assets) are reported under non-current provisions; €5.9 million is reported under current provisions. Changes in interest rates can significantly impact the measurement of this major balance sheet item. Due to their long-term nature, furthermore, the provisions are heavily based on the estimates and assumptions of the legal representatives with regard to future cost developments and technological innovations. Since estimated values involve an increased risk of incorrect information in financial reporting and the legal representatives' measurement decisions have a direct and significant impact on the consolidated financial statements, we rated this matter as particularly significant.

The disclosures on mining provisions can be found in Note 21 of the Notes to the consolidated financial statements

- b) As part of our audit, we critically assessed the changes in provisions recognized in the previous year and analyzed the measures taken by the legal representatives to assess the completeness and measurement of the mining obligations. In this connection, we reviewed the structure and organization of the process for recognizing mining provisions with regard to their appropriateness, as well as the effectiveness of the controls relevant to our audit. We prepared our analysis based on our knowledge of the legal, contractual, and regulatory requirements, the currentness of the respective mine stabil-

ization concepts and cost rates, and our audit findings from the previous year, and examined the current level of the financial obligations resulting from regulatory requirements and mine sealing concepts based on evidence in the form of correspondence with the mining authorities and individual audit reports. Our review of the discount rate substantiated the parameters applied.

### 2. IMPAIRMENT LOSSES ON THE NON-CURRENT ASSETS OF THE POTASH AND MAGNESIUM PRODUCTS CASH-GENERATING UNIT

- a) In the third quarter of the 2020 financial year under review, the Board of Executive Directors of K+S AG conducted an overall assessment of the development of the critical measurement factors for the potash business, which are the medium-term price trend, the potash prices achievable in the long term, and the cost of capital, as an indicator of a potential impairment loss within the meaning of IAS 36.9 and recognized an impairment loss on the Potash and Magnesium Products cash-generating unit (CGU). The impairment loss recognized in the 2020 financial year amounted to approximately €1.9 billion. This impairment loss affects goodwill recognized under the "Goodwill from acquisitions of companies" balance sheet item in an amount of €16 million and in particular property, plant, and equipment (€1.8 billion). The amount of the impairment loss was determined by comparing the recoverable amount to the carrying amount of the CGU. The recoverable amount, which is the higher of fair value less costs of disposal and value in use, was determined using a measurement model based on the discounted cash flow method. The result of this impairment test is influenced to a large extent by uncertainties with regard to assumptions made about the future cash flows and the discount rate applied. In particular the assessment of future trends in the potash market and, in this context, the estimates of future volumes, prices, and costs as a basis for the planned future cash flows are subject to major uncertainty. This matter was therefore a special focus of our audit.
- b) To examine the appropriateness of the calculation on which the determination of the need to recognize an impairment loss was based, we reconciled the expected future cash flows included in this calculation to the planning adopted by the Board of Executive Directors and approved by the Supervisory Board. Furthermore, with the help of our valuation specialists, we reconciled the assumptions on which the planning was

based to the general and industry-specific market expectations, especially against the background of the current state of the potash market and current price trends. This included the planning of net cash flows to be taken into account for the gradual increase in production capacities of the Bethune plant up to a total capacity of 4.0 million tonnes per year. To ensure that the forecast potash price trends are objective, we also took particular account of market studies on future potash price trends conducted by third parties. Since even relatively small changes in the discount rate applied can have a material impact on the amount of the calculated value in use, we, in conjunction with our valuation specialists, also examined the parameters applied by K+S in determining the discount rate used and assessed the assumptions on which the model for determining the discount rate was based. Furthermore, we retraced the calculation schedules with regard to consistency and the calculation system. Due to the uncertainty associated with the Potash and Magnesium Products CGU and due to the fact that the valuation of the potash business also depends on general price trends and economic conditions, which cannot be influenced by the Group, we used our own sensitivity analyses to critically retrace the sensitivity analyses presented by K+S in the notes to the consolidated financial statements. In addition, we examined whether the amount of impairment loss was recognized in and allocated to the correct periods in the consolidated balance sheet and the consolidated income statement and whether the disclosures of this impairment loss required under IAS 36 are complete and correct.

### 3. PRESENTATION OF THE CONTRACTUALLY AGREED SALE OF THE AMERICAS OU IN THE 2020 CONSOLIDATED FINANCIAL STATEMENTS AND PRIOR-YEAR RESTATEMENTS

- a) By way of an agreement dated October 5, 2020, K+S sold the Americas operating unit (OU), in which the North and South American salt business is bundled, to STONE CANYON INDUSTRIES HOLDINGS, LLC, MARK DEMETREE AND PARTNERS. The transaction is expected to close no later than in summer 2021, once the outstanding antitrust approvals have been granted. Most of the companies sold in the AMERICAS OU comprise K+S companies in the USA, Canada, and Chile. Since the agreement was signed, the Americas OU has been accounted for as a discontinued operation within the meaning of IFRS 5. Accordingly, all income and expenses of this operating unit are reported under "Earnings after tax from discontinued operations"; an amount of

€176.1 million (previous year: €61.6 million) was reported. The associated assets and liabilities are classified as "assets held for sale" in an amount of €2,646.9 million and "liabilities relating to assets held for sale" in an amount of €655.2 million. These balance sheet items are measured in accordance with IFRS 5 at the lower of carrying amount and fair value less costs of disposal. An impairment test conducted by K+S at the time of reclassification did not identify any need to recognize an impairment loss. In accordance with IFRS 5.34, the prior-year amounts in the consolidated income statement and the consolidated statement of cash flows were restated.

Because of the significant effects of this transaction on the K+S GROUP's net assets, financial position, and results of operations and because of the complexity of the accounting treatment of the sale transaction, which has not yet been completed, and because of the extensive disclosures required in the notes in accordance with IFRS 5, we rated this matter as particularly significant.

- b) As part of our audit, we examined the accounting treatment of the sale transaction in the consolidated financial statements. To this end, we began by obtaining an overview of the foundations in company law and the contract design, and examined their effects on the consolidated financial statements of the K+S GROUP. Furthermore, we dealt with the examination of the timing of the requirements for classifying the North and South American salt business as a "discontinued operation" in accordance with IFRS 5. As part of considering a possible need to recognize an impairment loss, we assessed, on the basis of the underlying contractual arrangements, the determination of fair value less costs of disposal, in particular with regard to the calculation of the transaction price used in the determination. In addition, we examined the determination and classification of the assets and liabilities and of the earnings figure. Furthermore, we examined whether the disclosures required for the transaction in accordance with IFRS 5 in the notes to the consolidated financial statements and the restatement of prior-year amounts in the consolidated income statement and the consolidated statement of cash flows are complete and correct.

#### OTHER INFORMATION

The legal representatives and the Supervisory Board are responsible for the other information. Other information comprises:

- + the report of the Supervisory Board,
- + the unaudited sections of the combined management report mentioned in the Annex to the independent auditor's report,
- + the combined responsibility statement of the legal representatives regarding the annual financial statements, the consolidated financial statements, and the combined management report in accordance with Sections 264(2) Sentence 3 and 297(2) Sentence 4 of the HGB and Sections 289(1) Sentence 5 and 315(1) Sentence 5 of the HGB,
- + all other parts of the Annual Report,
- + but excludes the consolidated financial statements and the audited disclosures of the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The declaration of conformity with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (Aktengesetz, AktG), which is part of the combined declaration on corporate governance included in the combined management report, is the responsibility of the legal representatives and the Supervisory Board. In all other respects, the legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and the combined management report do not extend to the other information. Consequently, we do not issue 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, the combined management report or the knowledge obtained in the audit, or
- + otherwise appears to be materially misstated.

#### **RESPONSIBILITIES OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT**

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with IFRSs as adopted by the EU and the supplementary German legal requirements pursuant to Section 315e(1) of the HGB in all material respects,

so that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. In addition, the legal representatives are responsible for the internal controls they have identified as necessary in order to enable the preparation of consolidated financial statements that are free from material misstatements, whether intentional or unintentional.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they have a responsibility to disclose matters relating to the Company's ability to continue as a going concern, if relevant. In addition, they are responsible for using the going concern basis of accounting, unless the intention is to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, the legal representatives are responsible for the preparation of the combined management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for such arrangements and measures (systems) which they have deemed necessary in order to enable the preparation of a combined management report in accordance with the applicable German legal requirements and to furnish sufficient and appropriate evidence for the statements in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT**

Our objective is to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and that the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the findings of the audit, complies with 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 the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 of the HGB and the EU Audit Regulation and the German Generally Accepted Standards on Auditing promulgated by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement where such exists. 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 combined management report.

As part of an audit, we exercise professional judgment and maintain professional skepticism. We also

- + identify and assess the risks of material misstatements in the consolidated financial statements and in the combined 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- + obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- + evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- + form a conclusion on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going

concern. If we conclude that there is a material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and combined management report, or, if such disclosures are inadequate, to modify our opinion. 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 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 represent the underlying transactions and events in a manner such that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRSs as adopted by the EU and the supplementary requirements of German law pursuant to Section 315e(1) of the HGB.
- + obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and the combined management report. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. We carry the sole responsibility for our audit opinions.
- + evaluate the consistency of the combined management report with the consolidated financial statements, its legal consistency, and the view provided of the Group's position.
- + perform audit procedures on the forward-looking information presented by the legal representatives in the combined management report. In particular, on the basis of sufficient appropriate audit evidence, we evaluate the significant assumptions underlying the forward-looking information provided by the legal representatives and evaluate the correct derivation of forward-looking information from these assumptions. We do not issue an independent opinion on the forward-looking information or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking information.

We communicate with those charged with governance, among other matters, on the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to affect our independence and, where applicable, the related safeguards.

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 reporting period and are therefore the key audit matters. We describe these matters in our auditor's report, unless the law or other legal requirements preclude the public disclosure of the matter.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### REPORT ON THE AUDIT OF THE ELECTRONIC RENDERINGS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT PREPARED FOR THE PURPOSE OF DISCLOSURE IN ACCORDANCE WITH SECTION 317 (3B) OF THE HGB

#### DISCLAIMER OF AUDIT OPINION

In accordance with Section 317(3b) HGB, we conducted an audit to determine with reasonable assurance to whether the renderings of the consolidated financial statements and of the combined management report (hereinafter also referred to as the "ESEF files") contained in the attached file with the SHA-256 value 126149541C0F5605EBF4191406A4DBE902A5625CCEE8096A3D-11F9E7C69D0DD0 and prepared for the purpose of disclosure meet, in all material respects, the requirements of section 328(1) HGB regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information in the consolidated financial statements and the combined management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the renderings of the consolidated financial statements and the combined management report contained in the aforementioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328(1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying combined manage-

ment report for the fiscal year from January 1 to December 31, 2020 included in the "Report on the audit of the consolidated financial statements and the combined management report" above, we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

#### BASIS OF DISCLAIMER OF AUDIT OPINION

We conducted our audit of the renderings of the consolidated financial statements and the combined management report contained in the above-mentioned attached file in accordance with Section 317(3b) HGB and in compliance with the IDW Draft Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purposes of Disclosure pursuant to Section 317(3b) HGB (IDW Draft AuS 410). Our responsibility in this context is further described in the section "Responsibility of the Group Auditor for the Audit of the ESEF files". Our auditing practice has complied with the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW).

#### RESPONSIBILITY OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF FILES

The legal representatives of the Company are responsible for preparing the ESEF files with the electronic renderings of the consolidated financial statements and of the combined management report pursuant to Section 328(1) Sentence 4 No. 1 of the HGB and for the tagging of the consolidated financial statements pursuant to Section 328(1) Sentence 4 No. 2 of the HGB.

Furthermore, the legal representatives of the Company are responsible for the internal controls that they deem necessary to allow the preparation of ESEF files that are free from material violations, whether intentional or unintentional, of the requirements of Section 328(1) of the HGB for the electronic reporting format.

The legal representatives of the Company are also responsible for the submission of the ESEF files, together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be disclosed, with the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF files as part of the financial reporting process.

### RESPONSIBILITY OF THE AUDITOR OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR AUDITING THE ESEF FILES

Our objective is to obtain reasonable assurance about whether the ESEF files are free from material irregularities, whether due to fraud or error, in relation to the requirements pursuant to Section 317(3b) HGB. During the audit, we exercise professional judgment and maintain professional skepticism. Furthermore we

- + identify and assess the risks of material violations against the requirements pursuant to Section 317(3b) HGB, 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 opinion.
- + obtain an understanding of internal control relevant to the audit of the ESEF files 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 controls.
- + assess the technical validity of the ESEF files, i.e. whether the file containing the ESEF files meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date as to the technical specification of this file.
- + evaluate whether the ESEF files enable a XHTML copy of the audited consolidated financial statements and of the audited combined management report whose content is identical with these documents.
- + evaluate whether the ESEF files have been tagged using inline XBRL technology (iXBRL) in a way that enables an appropriate and complete machine-readable XBRL copy of the XHTML copy.

### OTHER INFORMATION PURSUANT TO ARTICLE 10 EU AUDIT REGULATION

We were appointed by the Annual General Meeting June 10, 2020 to audit the consolidated financial statements. We were engaged by the Supervisory Board on June 10, 2020. We have been engaged continuously as the auditors of K+S AKTIENGESELLSCHAFT, Kassel, since the 1972 financial year.

We confirm that the audit opinions contained in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 EU Audit Regulation ("audit report").

### NOTE ON THE SUPPLEMENTARY AUDIT

We issue this opinion on the consolidated financial statements, the combined management report and the ESEF files based on our audit in accordance with professional standards, which was completed on March 9, 2021, and our supplementary audit, which was completed on March 12, 2021, and related to the ESEF files now presented.

### RESPONSIBLE AUDITOR

The auditor responsible for the audit is Dr. Christian H. Meyer.

Hanover/Germany, March 9, / Limited to those specified in the supplemental audit ESEF files: March 12, 2021

Deloitte GmbH  
Wirtschaftsprüfungsgesellschaft

(Prof. Dr. Frank Beine)  
Wirtschaftsprüfer  
(German Public Auditor)

(Dr. Christian H. Meyer)  
Wirtschaftsprüfer  
(German Public Auditor)

### ANNEX TO THE INDEPENDENT AUDITOR'S REPORT: UNAUDITED PARTS OF THE COMBINED MANAGEMENT REPORT

The content of the following parts of the combined management report has not been audited by us:

- + the combined non-financial statement contained in the chapter "Non-financial statement" as well as in the chapter "Corporate strategy" in the sections "Sustainability program" and "Stakeholder dialog" as well as in the chapter "Declaration on corporate governance" in the section "Sustainability management" in accordance with Sections 289b–289e of the HGB as well as Sections 315b and 315c of the HGB,
- + the combined declaration on corporate governance contained in the section "Declaration on corporate governance" of the combined management report in accordance with Sections 289f and 315d of the HGB, and
- + the other unaudited parts of the combined management report.

# FURTHER INFORMATION

## D

### **223 FURTHER INFORMATION**

- 224 Limited assurance report of the Independent Practitioner
- 226 Sustainability key figures 2019/2020 by the former operating units Europe+ and Americas, as well as K+S AG
- 230 Ten-year summary K+S Group
- 231 Four-year summary of the K+S Group on sustainability KPIs
- 232 Financial calendar, Online service, Imprint



## LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To K+S AKTIENGESELLSCHAFT, Kassel/Germany

### ENGAGEMENT

We have performed a limited assurance engagement on the consolidated non-financial statement pursuant to Section 315b German Commercial Code (HGB) of K+S AKTIENGESELLSCHAFT, Kassel/Germany (hereafter referred to as “the Company”), which has been combined with the non-financial statement of the parent company in accordance with Section 289b HGB (hereafter referred to as “combined non-financial statement”), for the period from 1 January to 31 December 2020.

Our limited assurance engagement did not include the content of any web pages referred to in the consolidated non-financial statement.

### RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS

The executive directors of K+S AKTIENGESELLSCHAFT, Kassel/Germany, are responsible for the preparation of the combined non-financial statement in accordance with the requirements of Sections 289b to 289e and Sections 315b, 315c in conjunction with Sections 289c to 289e HGB.

The executive directors have prepared the combined non-financial statement based on the principles provided in the “Core” Option of the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards stating these principles in the combined non-financial statement.

These responsibilities of the executive directors of the Company include the selection and application of appropriate methods to prepare the combined non-financial statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud or error.

The accuracy and completeness of environmental data in the combined non-financial statement is subject to inherent boundaries, which result from the nature and type of data collection, data aggregation and respective necessary assumptions.

### RESPONSIBILITIES OF THE INDEPENDENT AUDITOR

Our responsibility is to express a conclusion on the combined non-financial statement based on our work performed within our limited assurance engagement.

We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the German national legal requirements and the German professional pronouncements on quality control, in particular the Professional Charter for German Public Auditors and German Sworn Auditors (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW), which comply with the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB).

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” (ISAE 3000 (Revised)), issued by the IAASB. This standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance that no matters have come to our attention to cause us to believe that the combined non-financial statement has not been prepared, in all material respects, in accordance with the requirements of Sections 315b, 315c in conjunction with Sections 289c to 289e HGB. The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the auditor’s professional judgement.



Within the scope of our limited assurance engagement, which we performed between November 2020 and March 2021, we notably performed the following work and other activities:

- + Gaining an understanding of the structure of the sustainability organisation and of the stakeholder engagement
- + Inquiries of executive directors and relevant personnel involved in the preparation of the combined non-financial statement about the preparation process, about the measures and arrangements (system) in place for the preparation of the combined non-financial statement as well as about the disclosures contained therein
- + Identification of risks of material misstatements in the combined non-financial statement
- + Analytical evaluation of disclosures contained in the combined non-financial statement
- + Comparison of the disclosures contained in the combined non-financial statement with the corresponding data in the annual financial statements, the consolidated financial statements and the combined management report
- + Assessment of the presentation of the disclosures

#### AUDITOR'S CONCLUSION

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of K+S AKTIENGESELLSCHAFT, Kassel/Germany, for the period from 1 January to 31 December 2020 has not been prepared, in all material respects, in accordance with the requirements of Sections 315b, 315c in conjunction with 289c to 289e HGB.

Our limited assurance engagement did not include the content of any web pages of K+S AKTIENGESELLSCHAFT, Kassel/Germany, referred to in the consolidated non-financial statement.

#### PURPOSE OF THE ASSURANCE REPORT

We issue this report as stipulated in the engagement letter agreed with K+S AKTIENGESELLSCHAFT, Kassel/Germany. The limited assurance engagement has been performed for the purposes of K+S AKTIENGESELLSCHAFT, Kassel/Germany, and the report is solely intended to inform K+S AKTIENGESELLSCHAFT, Kassel/Germany, about the result of the assurance engagement.

#### LIABILITY

This report is not intended to be used by third parties as a basis for making (financial) decisions. We are liable solely to K+S AKTIENGESELLSCHAFT, Kassel/Germany, and our liability is also governed by the engagement letter dated 23 February 2021 agreed with K+S AKTIENGESELLSCHAFT, Kassel/Germany, as well as the "General Engagement Terms for Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" promulgated by the Institut der Wirtschaftsprüfer (IDW) in the version dated 1 January 2017. We assume no responsibility with regard to any third parties.

Hanover/Germany, 9 March 2021

DELOITTE GMBH  
Wirtschaftsprüfungsgesellschaft

(Prof. Dr. Frank Beine)  
Wirtschaftsprüfer (German Public Auditor)

(Dr. Christian H. Meyer)  
Wirtschaftsprüfer (German Public Auditor)

KEY FIGURES 2019/2020 BY THE FORMER OPERATING UNITS EUROPE+ AND AMERICAS, AS WELL AS K+S AG<sup>1</sup>

D.1

Chapter	Key figures	Europe+ 2019	Europe+ 2020	K+S AG 2019	K+S AG 2020	Americas 2019	Americas 2020	K+S total 2019	K+S total 2020
<b>People</b>	Occupational accidents (quantity)	731	651	15	14	76	45	822	710
Health & Safety	Work accidents involving downtime	240	156	2	0	19	18	261	174
	Accident rate	45.6	40.2	10.7	10.9	10.0	5.9	32.9	28.3
	Lost time incident rate (LTI rate)	15	9.6	1.4	0.7	2.5	2.4	10.4	6.9
	Fatal accidents (quantity)	0	0	0	0	0	0	0	0
<b>People</b>	Positive perception of an inclusive working environment by employees (%)			Differentiated designation is not possible, as the survey was conducted anonymously.				54.4	54.4
Diversity & Inclusion	Head count	10,407	10,470	882	803	3,722	3,608	15,011	14,881
	Share of men in the number of employees (%)	90.3	90.4	60.7	59.3	84.2	84.7	86.9	87.3
	Share of women in the number of employees (%)	9.7	9.6	39.3	40.7	15.8	15.3	13.1	12.7
	Proportion of severely disabled employees in Germany (%)	5.6	5.3	4.6	5.2	–	–	5.6	5.3
	Average age of employees in years	41.5	42.1	41.7	42.6	41.0	41.7	41.5	42.1
<b>People</b>	Human Rights								
	Sites covered by a human rights due diligence process (%)	0	0	0	0	7.8	7.8	7.8	7.8
<b>Environment</b>	<b>Capital expenditure on environmental protection (€ million)</b>	<b>94.7</b>	<b>128.1</b>	<b>–</b>	<b>–</b>	<b>2.9</b>	<b>3.8</b>	<b>97.6</b>	<b>131.9</b>
Capital expenditure and operating costs on environmental protection	thereof water protection (€ million)	88.0	125.0	–	–	2.9	3.4	90.9	128.4
	thereof prevention of air pollution and climate protection (€ million)	0.1	0.4	–	–	0	0	0.1	0.4
	thereof waste management (€ million)	3.3	1.3	–	–	0	0	3.3	1.3
	thereof nature conservation <sup>2</sup> and soil decontamination (€ million)	2.9	1.3	–	–	0	0.2	2.9	1.5
	thereof other (€ million)	0.4	0	–	–	0	0.1	0.4	0.1
	<b>Operating costs for environmental protection (€ million)</b>	<b>197.1</b>	<b>223.5</b>	<b>1.4</b>	<b>1.5</b>	<b>11.8</b>	<b>11.4</b>	<b>210.3</b>	<b>236.4</b>
	thereof water protection (€ million)	154.3	170.7	1.3	1.3	3.1	3.2	158.7	175.2
	thereof prevention of air pollution and climate protection (€ million)	24.0	34.9	0.1	0.1	5.0	4.8	29.2	39.9
	thereof waste management (€ million)	12.6	12.0	0	0	2.8	2.5	15.4	14.5
	thereof nature conservation <sup>2</sup> and soil decontamination (€ million)	1.2	1.0	0	0	0.7	0.6	1.9	1.6
	thereof other (€ million)	5.0	4.9	0	0	0.2	0.3	5.1	5.2
<b>Environment</b>	<b>Water withdrawal (million m<sup>3</sup>)</b>	<b>138.4</b>	<b>139.5</b>	<b>–</b>	<b>–</b>	<b>236.9</b>	<b>257.2</b>	<b>375.3</b>	<b>396.7</b>
Water	thereof seawater and other saline water (million m <sup>3</sup> )	28.8	28.0	–	–	203.3	224.5	232.1	252.5
	thereof river water (million m <sup>3</sup> )	103.8	105.7	–	–	30.2	29.2	133.9	134.9
	thereof groundwater (million m <sup>3</sup> )	4.7	4.7	–	–	3.1	3.2	7.8	7.9
	thereof drinking water and water from municipal water utilities (million m <sup>3</sup> )	1.2	1.1	–	–	0.3	0.3	1.5	1.4
	Wastewater discharged into municipal sewage treatment plants (million m <sup>3</sup> )	0.2	0.4	–	–	0.3	0.2	0.5	0.6
	Process water in river water (million m <sup>3</sup> )	87.8	89.1	–	–	23.7	24.6	111.5	113.7
	Saline wastewater injection (million m <sup>3</sup> )	8.7	8.5	–	–	0.3	0.2	9.0	8.7
	Saline wastewater in mine workings (million m <sup>3</sup> )	1.1	0.9	–	–	0	0.0	1.1	0.9
	Saline wastewater discharged into seawater and other saline waters (million m <sup>3</sup> )	27.7	26.7	–	–	20.9	20.9	48.6	47.6
	<b>Saline wastewater discharged into surface water (million m<sup>3</sup>)</b>	<b>5.1</b>	<b>4.7</b>	<b>–</b>	<b>–</b>	<b>5.6</b>	<b>5.1</b>	<b>10.7</b>	<b>9.8</b>
	thereof saline wastewater in potash production (million m <sup>3</sup> )	4.8	4.5	–	–	0	0.0	4.8	4.5
	thereof saline wastewater in salt production (million m <sup>3</sup> )	0.3	0.3	–	–	5.6	5.1	5.8	5.3
	Water withdrawal at sites without high water stress (%)	89.5	89.1	–	–	99.4	99.3	89.0	88.0
	Additional reduction of saline process water from potash production in Germany (million m <sup>3</sup> p.a.)	0.8	0.2	–	–	–	–	0.8	0.2

KEY FIGURES 2019/2020 BY THE FORMER OPERATING UNITS EUROPE+ AND AMERICAS, AS WELL AS K+S AG<sup>1</sup>

D.1

Chapter	Key figures	Europe+ 2019	Europe+ 2020	K+S AG 2019	K+S AG 2020	Americas 2019	Americas 2020	K+S total 2019	K+S total 2020
<b>Environment</b>									
Waste	Amount of residue used for other purposes than tailings or increased amount of raw material yield (million t p.a.)	1.5	1.2	–	–	–	–	1.5	1.2
	Additional area of tailings piles covered (ha)	2.8	0.2	–	–	–	–	2.8	0.2
	Total area of tailings piles covered (ha)	8.7	8.9	–	–	–	–	8.7	8.9
	Disposal of solid residues on tailings piles (million t)	27.1	29.3	–	–	0.0	0.0	27.1	29.3
<b>Environment</b>									
Energy & Climate	Carbon footprint for power consumed (kg CO <sub>2</sub> /MWh)	229.6	230.9	–	–	427.9	425.9	297.4	297.8
	Carbon footprint for power consumed (change from base year in %) <sup>3</sup>	–2.1	–1.6	–	–	0.3	–0.2	–1.7	–1.6
	<b>Direct energy sources (GWh)</b>	<b>9,838.0</b>	<b>9,989.7</b>	–	–	<b>1,708.2</b>	<b>1,675.9</b>	<b>11,546.2</b>	<b>11,665.6</b>
	<b>Scope 1 (million t CO<sub>2</sub>e)</b>	<b>2.0</b>	<b>2.0</b>	–	–	<b>0.41</b>	<b>0.4</b>	<b>2.4</b>	<b>2.4</b>
	thereof natural gas (GWh)	9,590.9	9,738.6	–	–	1,236.1	1,242.1	10,827.0	10,980.8
	thereof coal (GWh)	0.0	0.0	–	–	318.8	298.9	318.8	298.9
	thereof diesel (GWh)	242.6	246.6	–	–	141.5	117.9	384.2	364.5
	thereof fuel oil (GWh)	0.0	0.0	–	–	1.3	1.0	1.3	1.0
	thereof LPG (GWh)	2.1	1.7	–	–	8.1	8.0	10.2	9.7
	thereof petrol (GWh)	2.4	2.8	–	–	2.3	8.0	4.7	10.8
	<b>Indirect energy sources (GWh)</b>	<b>1,861.8</b>	<b>1,910.1</b>	–	–	<b>276.7</b>	<b>281.7</b>	<b>2,138.5</b>	<b>2,191.8</b>
	<b>Scope 2 (million t CO<sub>2</sub>e)</b>	<b>0.1</b>	<b>0.1</b>	–	–	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>
	thereof electricity purchased externally (GWh)	380.8	445.6	–	–	276.7	281.7	657.5	727.2
	thereof steam purchased externally (GWh)	1,477.9	1,461.7	–	–	0.0	0.0	1,477.9	1,461.7
	thereof heat purchased externally (GWh)	3.1	2.8	–	–	0.0	0.0	3.1	2.8
	<b>Total energy consumption (GWh)</b>	<b>11,699.8</b>	<b>11,899.9</b>	–	–	<b>1,984.9</b>	<b>1,957.5</b>	<b>13,684.7</b>	<b>13,857.4</b>
	<b>Scope 1 &amp; 2 (million t CO<sub>2</sub>e)</b>	<b>2.1</b>	<b>2.1</b>	–	–	<b>0.5</b>	<b>0.5</b>	<b>2.6</b>	<b>2.6</b>
	Purchased electricity (GWh)	65.1	42.1	–	–	0.0	0.0	65.1	42.1
	(Scope 3) Emissions from outgoing transport (logistics emissions) (million t CO <sub>2</sub> e)	0.4	0.5	–	–	0.5	0.4	0.9	0.9
	Specific greenhouse gas emissions (CO <sub>2</sub> ) per ton transported (kg CO <sub>2</sub> e/t)	17.0	19.9	–	–	15.6	15.5	16.3	17.8
	Specific greenhouse gas emissions (CO <sub>2</sub> ) in logistics (change to base year in %)	–17.3	–3.3	–	–	–3.8	–4.5	–11.1	–2.9
<b>Business Ethics</b>									
Sustainable Supply Chains	Critical suppliers aligned with the K+S Group Supplier Code of Conduct (SCoC) (%)	21.8	77.4	included in OU E+ values	included in OU E+ values	27	34.8	23.2	68.2
	Coverage of the purchasing volume by the Supplier Code of Conduct (SCoC) of the K+S Group (%)	31.0	66.8	included in OU E+ values	included in OU E+ values	66.5	80.5	44.9	71.7

KEY FIGURES 2019/2020 BY THE FORMER OPERATING UNITS EUROPE+ AND AMERICAS, AS WELL AS K+S AG<sup>1</sup>

D.1

Chapter	Key figures	Europe+ 2019	Europe+ 2020	K+S AG 2019	K+S AG 2020	Americas 2019	Americas 2020	K+S total 2019	K+S total 2020
<b>Value creation</b>									
Procurement	Suppliers (quantity)	9,500	8,700	included in OU E+ values	included in OU E+ values	6,500	5,700	16,000	14,400
	Purchase volume (€ billion)	1.6	1.6	included in OU E+ values	included in OU E+ values	1.0	0.9	2.6	2.4
		– Germany 66% – Canada 17% – Netherlands 4% – France 2% – United Kingdom 2% – Rest of world 9%	– Germany 68% – Canada 15% – Netherlands 5% – France 2% – Belgium 1% – Rest of world 9%			– United States 59% – Canada 22% – Chile 10% – United Kingdom 2% – Denmark 1% – Rest of world 6%	– United States 58% – Canada 22% – Chile 11% – United Kingdom 2% – Denmark 2% – Rest of world 5%	– Germany 40% – United States 24% – Canada 19% – Chile 4% – Netherlands 3% – Rest of world 10%	– Germany 44% – United States 21% – Canada 17% – Chile 4% – Netherlands 3% – Rest of world 11%
	Geographical distribution for material purchasing (%)	– 99% of the contract partners are located in OECD countries	– 99% of the contract partners are located in OECD countries	included in OU E+ values	included in OU E+ values	– 98% of the contract partners are located in OECD countries	– 98% of the contract partners are located in OECD countries	– 99% of the contract partners are located in OECD countries	– 99% of the contract partners are located in OECD countries
<b>Business Ethics</b>									
Compliance & Anti-corruption	New since 2020: Coverage of K+S companies with a standardized compliance risk analysis (CRA) (%)	–	–	–	–	–	–	–	–
<b>Stakeholder dialogue</b>									
Donations and Sponsorship	Total amount of donations for scientific and charitable purposes (€ million)	0.3	0.3	0.3	0.7	0.9	1.3	1.4	2.3
<b>Employees</b>									
Our workforce	Number of employees (full-time equivalents)	10,318	10,379	835	757	3,715	3,597	14,868	14,732
	Number of employees (head count)	10,407	10,470	882	803	3,722	3,608	15,011	14,881
	Trade union members worldwide (%)	75.3% Germany 0% Canada	77.5% Germany 0% Canada	21.1% Germany	24.7% Germany	54.0% Chile 57.0% United States	58.9% Chile 58.0% United States	72.8% Germany 54.0% Chile 57.0% United States 0% Canada	75.3% Germany 58.9% Chile 58.0% United States 0% Canada
	Employees covered by collective wage agreements (%)	86.8% tariff functions 5.8% trainees 7.5% non-tariff functions	86.7% tariff functions 5.6% trainees 7.7% non-tariff functions	46.7% tariff functions 2.7% trainees 50.6% non-tariff functions	43.7% tariff functions 3.7% trainees 52.6% non-tariff functions	100% tariff functions	100% tariff functions	87.7% tariff functions 4.2% trainees 8.2% non-tariff functions	87.6% tariff functions 4.1% trainees 8.3% non-tariff functions
	Average period of employment (years)	15.0	15.4	12.0	13.0	11.3	11.6	13.9	14.4
	Turnover rate (%)	7.8	5.9	8.2	7.6	8.4	12.5	8.0	7.8

KEY FIGURES 2019/2020 BY THE FORMER OPERATING UNITS EUROPE+ AND AMERICAS, AS WELL AS K+S AG<sup>1</sup>

D.1

Chapter	Key figures	Europe+ 2019	Europe+ 2020	K+S AG 2019	K+S AG 2020	Americas 2019	Americas 2020	K+S total 2019	K+S total 2020
<b>Employees</b>	Personnel expenses (€ million) <sup>4</sup>	767.2	770.0	92.5	88.8	302.2	291.3	1,161.9	1,150.2
Remuneration	Personnel expenses per employee (FTE) (€) <sup>5</sup>	75,025.1	74,304.3	111,050.3	113,646.8	83,150.3	80,620.0	79,077.7	77,934.3
	Proportion of variable remuneration (€ million)	18.5	14.6	9.1	7.1	15.0	12.7	42.6	34.4
	Proportion of variable remuneration (%)	2.4	1.9	9.8	8.0	5.0	4.4	3.7	3.0
<b>Employees</b>	Trainees (number)	571	566	24	30	0	0	595	596
Education	New hires trainees (number)	165	159	8	8	0	0	173	167
	Training rate (%)	6.1	6.0	2.9	4.0	0.0	0.0	5.8	5.9
	Trainee takeover rate (%)	80.0	83.8	85.7	100.0	0.0	0.0	80.2	84.0
<b>Employees</b>	Investment in continuing education and further training (€ million)	10.6	5.9	included in OU E+ values	included in OU E+ values	2.6	1.8	13.2	7.7
Continuing education and further training	Training days attended in Germany (number)	13,185	5,375	included in OU E+ values	included in OU E+ values	–	–	13,185	5,375
<b>Governing bodies</b>	Proportion of women on the 1st level below the Executive Board (%)	–	–	9.1	8.7	–	–	9.1	8.7
Target figures 1st and 2nd level below the Executive Board	Proportion of women on the 2nd level below the Executive Board (%)	–	–	15.2	20.5	–	–	15.2	20.5
<b>Research and development</b>	Research costs (€ million)	9.5	8.9	4.2	2.2	2.6	2.3	16.3	13.4
Research indicators	Research intensity (%)	0.4	0.4	161.5	56.5	0.2	0.2	0.4	0.4
	Capitalized development-related capital expenditure (€ million)	0.3	0.7	0.1	0.1	0.0	0.0	0.4	0.8
	Patent families (quantity)	45	64	13	included in OU E+ values	7	6	65	70
	Regional/national patent rights (quantity)	182	261	79	included in OU E+ values	21	19	282	280
	Regional/national trademarks (quantity)	2,093	1,962	173	included in OU E+ values	503	approx. 450	2,769	2,412
	Basic brands (quantity)	310	324	40	included in OU E+ values	215	approx. 200	565	524

<sup>1</sup> The figures indicators in this table have been rounded in accordance with standard commercial practice. There may therefore be rounding differences and the values in this report may not exactly equal the totals given.

<sup>2</sup> Including landscape maintenance.

<sup>3</sup> Base year has been split for the Europe+ and Americas operating units.

<sup>4</sup> Corrected personnel expenses (€ million) excluding non-recurring expenses. Including non-recurring expenses, the figures for 2020 are as follows: Europe+ operating unit: 783.0; K+S AG: 112.1.

<sup>5</sup> Corrected personnel expenses per employee (FTE) (€) excluding non-recurring expenses. Including non-recurring expenses, the figures for 2020 are as follows: Europe+ operating unit: 75,558.8; K+S AG: 143,456.5.

TEN-YEAR SUMMARY K+S GROUP<sup>1</sup>

D.2

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Income statement</b>											
Revenues	€ million	3,996.8	3,935.3	3,950.4	3,821.7	4,175.5	3,456.6	3,627.0	4,039.1	4,070.7	3,698.4
EBITDA <sup>2</sup>	€ million	1,146.0	1,033.3	907.2	895.5	1,057.5	519.1	576.7	606.3	640.4	444.8
EBITDA margin	%	28.7	26.3	23.0	23.4	25.3	15.0	15.9	15.0	15.7	12.0
Depreciation <sup>3</sup>		239.8	229.2	251.3	254.3	275.9	289.8	305.9	379.1	431.9	406.3
Group earnings, adjusted <sup>4</sup>	€ million	625.6	538.1	437.1	366.6	542.3	130.5	145.0	85.4	77.8	-1,802.5
Earnings per share, adjusted <sup>4</sup>	€	3.27	2.81	2.28	1.92	2.83	0.68	0.76	0.45	0.41	-9.42
<b>Cash flow</b>											
Operating cash flow	€ million	633.4	607.2	755.7	719.1	669.4	445.4	306.8	308.7	639.8	428.5
Capital expenditure <sup>5</sup>	€ million	293.1	465.5	742.5	1,153.2	1,278.8	1,170.8	810.8	443.2	493.3	526.0
Adjusted free cash flow	€ million	216.6	199.1	48.7	-306.3	-635.9	-776.8	-389.8	-206.3	139.7	-42.2
<b>Balance sheet</b>											
Balance sheet total	€ million	6,056.9	6,596.6	7,498.2	7,855.2	8,273.6	9,645.5	9,754.4	9,966.2	10,592.2	8,387.4
Equity	€ million	3,084.6	3,393.9	3,396.6	3,974.5	4,295.6	4,552.2	4,160.7	4,144.1	4,495.1	2,222.6
Equity ratio	%	50.9	51.4	45.3	50.6	51.9	47.2	42.7	41.6	42.4	26.5
Net financial debt as of Dec. 31 <sup>6</sup>	€ million	-65.1	-39.4	190.4	590.9	1,363.6	2,401.1	2,974.1	3,241.5	3,116.6	3,217.4
Debt ratio (net financial debt/EBITDA) <sup>6</sup>	x	-0.1	0.0	0.2	0.7	1.3	4.6	5.2	5.3	4.9	7.2
Working capital	€ million	840.9	1,025.7	844.9	768.1	945.9	894.6	968.1	1,126.7	1,037.9	747.4
Return on capital employed (ROCE)	%	25.2	19.9	15.2	12.7	12.5	3.0	3.2	2.6	2.3	-22.8
<b>Employees</b>											
Employees as of Dec 31 <sup>7</sup>	number	14,338	14,362	14,421	14,295	14,383	14,530	14,793	14,931	14,868	14,732
Average number of employees <sup>7</sup>	number	14,155	14,336	14,348	14,295	14,276	14,446	14,654	14,904	14,693	14,758
<b>The share</b>											
Book value per share	€	15.86	17.73	17.75	20.77	22.44	23.78	21.74	21.65	23.49	11.61
Dividend per share <sup>8</sup>	€	1.30	1.40	0.25	0.90	1.15	0.30	0.35	0.25	0.04	0.00
Dividend yield <sup>8</sup>	%	3.7	4.0	1.1	3.9	4.9	1.3	1.7	1.6	1.3	0.0
Closing price as of Dec 31	XETRA, €	34.92	35.00	22.38	22.92	23.62	22.69	20.76	15.72	11.12	7.79
Market capitalization	€ billion	6.7	6.7	4.3	4.4	4.5	4.3	4.0	3.0	2.1	1.5
Enterprise value as of Dec 31	€ billion	7.3	7.5	5.3	6.1	6.9	7.9	8.1	7.4	6.7	6.1
Average number of shares <sup>9</sup>	million	191.33	191.40	191.40	191.40	191.40	191.40	191.40	191.40	191.40	191.40

<sup>1</sup> The figures relate to the continuing and discontinued operations of the K+S Group, unless otherwise indicated. The balance sheet and therefore the key figures working capital, net financial debt, net financial debt/EBITDA and book value per share also include the discontinued operations of the Nitrogen business in 2011 and the discontinued operations of the Americas operating unit in 2020.

<sup>2</sup> EBITDA is defined as earnings before interest, taxes, depreciation, and amortization, adjusted by the depreciation and amortization amount not recognized in profit and loss in the context of own work capitalized, earnings arising from changes in the fair market value of outstanding operating anticipatory hedges and changes in the fair value of operating anticipatory hedges recognized in prior periods. A reconciliation can be found on page 52.

<sup>3</sup> Relates to scheduled amortization of intangible assets and depreciation of property, plant, and equipment, adjusted for depreciation and amortization of own work capitalized recognized directly in equity.

<sup>4</sup> The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported; changes in the fair market value of outstanding operating forecast hedges are eliminated. In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2020: 30.1% (2019: 30.0%).

<sup>5</sup> Relates to cash payments for investments in property, plant, and equipment and intangible assets, taking claims for reimbursement from claim management into account excluding additions to leases in accordance with IFRS 16. The standard was applied for the first time as of January 1, 2019.

<sup>6</sup> From January 1, 2019 contains leasing obligations arising explicitly from finance lease contracts concluded.

<sup>7</sup> FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.

<sup>8</sup> In 2019, the proposed dividend was adjusted from the previous €0.15 to the minimum dividend to maintain eligibility for funding by KfW. In 2020, the figure corresponds to the dividend proposal.

<sup>9</sup> Total number of shares less the average number of own shares held by K+S.

## FOUR-YEAR SUMMARY OF THE K+S GROUP ON SUSTAINABILITY KPIS

D.3

		2017 <sup>1</sup>	2018	2019	2020
<b>People</b>					
Lost time incident rate	LTI Rate	8.6	8.5	10.4	6.9
Employees' favorable perception of inclusive work environment <sup>2</sup>	%	–	–	54.4	54.4
Sites covered by a human rights due diligence process	%	0.0	0.0	7.8	7.8
<b>Environment</b>					
Deep-well injection of saline wastewater in Germany	million m <sup>3</sup> p.a.	1.2	1.0	1.1	1.3
Additional reduction of saline process water from potash production in Germany <sup>3</sup>	million m <sup>3</sup> p.a.	0.0	0.4	0.8	0.2
Amount of residues used for other purposes than tailings or increased amount of raw material yield	million t p.a.	0.2	1.0	1.5	1.2
Additional area of tailings piles covered	ha	0.0	5.9	8.7	8.9
Carbon footprint for power consumed (kg CO <sub>2</sub> /MWh)	%	0.0	–1.5	–1.7	–1.6
Specific greenhouse gas emissions (CO <sub>2</sub> ) in logistics (kg CO <sub>2</sub> e/t)	%	0.0	–2.0	–11.1	–2.9
<b>Business ethics</b>					
Critical suppliers aligned with the K+S Group Supplier Code of Conduct (SCoC)	%	0.0	14.7	23.2	68.2
Spend coverage of the K+S Group SCoC	%	0.0	29.4	44.9	71.7
All employees reached by communication measures and trained appropriately in compliance matters	%	59.1	70.9	100.0	new target from 2020
New since 2020: Coverage of K+S companies with a standardized compliance risk analysis <sup>4</sup>	%				0

<sup>1</sup> The base year for all our non-financial performance indicators is 2017.

<sup>2</sup> Deviating base year: 2019.

<sup>3</sup> Excluding reduction by KCF facility and end of production in Sigmundshall 2018.

<sup>4</sup> Deviating base year: 2020.

## FINANCIAL CALENDAR, ONLINE SERVICE, IMPRINT

### FINANCIAL CALENDAR

Quarterly Report, March 31, 2021	May 11, 2021
Annual General Meeting, virtual	May 12, 2021
Half-Yearly Financial Report, June 30, 2021	August 12, 2021
Quarterly Report, September 30, 2021	November 11, 2021
2021 Annual Report	March 10, 2022

### ONLINE SERVICE

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