Annual Report 2021

www.kpluss.com

CONTENTS

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: Our state-of-the-art and high-performance Bethune site in Canada.

We enrich life for generations

What we extract comes from nature and strengthens nature: our products are indispensable for people, animals, and plants. Through our products, we succeed in promoting health, growth, and quality of life. We have set ourselves high standards in accomplishing this – with a long-term perspective. We act sustainably and provide for both our employees and our customers. From generations ago and for generations to come.

www.kpluss.com/missionstatement

1. We ensure nutrition, health, and safety.
2. We enable the success of our customers.
3. We are pioneers in environmentally friendly and sustainable mining.
4. We leverage our unique infrastructure for economic efficiency.
5. We act as a partner with our communities.

Our strategy is our benchmark

Our strategic focus is on our core business with potash and magnesium products. Our corporate strategy is characterized by three focal points: We want to **optimize our existing business, expand and further develop our core business,** as well as **establish new business areas.**

On the basis of our sustainability goals, our climate strategy ensures that the environment, nature, and climate protection are considered in every business decision. We want our actions to continue to be broadly accepted by society in the future.

www.kpluss.com/strategy

"Our strategic focus is on our core business with potash and magnesium. As a global supplier, we are therefore addressing the megatrends of nutrition, water, and energy."

DR. BURKHARD LOHR
CHIEF EXECUTIVE OFFICER (CEO)

Optimization of the existing business

At our Bethune and Zielitz sites, we produce our standard product potassium chloride. Here, we focus on efficiency and cost leadership in all processes. The goal: We want to further reduce production costs and become even more competitive.

Our specialties are produced at the Werra and Neuhof sites. We continuously adapt the product portfolio here to meet customer needs and continuously strive to reduce our environmental footprint.

Digitalization and automation will play an even greater role for us along the entire value chain – particularly in the areas of production, sales, and the supply chain.

www.kpluss.com/strategy

Expansion and further development of our core business

Climate change and the growing world population pose major challenges for agriculture: existing farmland must increase yields – even under changing climatic conditions. By combining our existing products with other macro- and micronutrients, and biostimulants, we are helping farmers to effectively increase their yields, and with our fertigation solutions we can provide for crop cultivation even in particularly hot and dry regions.

Our product range is supplemented by a comprehensive range of advisory and other services. In selected markets, we will have an even stronger local presence in the future. We will additionally expand our service portfolio to include digital services wherever we operate.

www.kpluss.com/strategy

New business areas

Together with a subsidiary of the Remondis Group, we established the company REKS. Our aim is to provide sustainable waste management solutions. REKS has the unique infrastructure of our state-of-the-art waste management facilities and a strong distribution network. Through REKS, we also obtain access to materials for covering our tailings piles.

Moreover, we are assessing potential alternatives for leveraging our infrastructure. Our underground caverns, for example, have the potential for CO_2 or hydrogen storage.

www.kpluss.com/strategy

We promote sustainability

We are committed to enriching life for generations and being a pioneer in environmentally friendly and sustainable mining. This provides the basis for our corporate strategy.

OUR AMBITIOUS CLIMATE STRATEGY

For us as a raw materials company, the processes along the value chain are very energy-intensive. Our aim is therefore to operate an effective energy management system and utilize the best available technologies, as well as contributing to the reduction of CO_2 emissions worldwide through optimized logistics processes.

CLIMATE NEUTRAL BY 2050

We support the goals of the Paris Agreement on climate change. We are convinced that climate neutrality can be achieved by 2050. This requires urgent improvements on the part of policy makers in the energy industry and to energy policy. After all, energy must remain affordable for everyone.

AND AGAIN: –10%

We want to actively advance the energy transition. Compared with 2020, we will reduce our CO_2 emissions by a further 10% by 2030. A major effort for an energy-intensive company. Especially since we have already reduced our emissions by around 80% since 1990.

www.kpluss.com/sustainability

2021: Turnaround accomplished

POSITIVE TARGET

Originally assuming a clearly negative free cash flow, we actually succeeded in achieving a positive figure of €92.7 million.

SIGNIFICANT REDUCTION OF OUR DEBT

Through the sale of our Americas operating unit and strict cost discipline, we reduced our net financial liabilities by 82%.

INCREASED REVENUES IN THE AGRICULTURE CUSTOMER SEGMENT

Revenues increased by 32% to €3,213.1 million in 2021. This positive development is attributable to increased volumes and higher average prices worldwide.

THE PRICE FOR POTASSIUM CHLORIDE IS INCREASING

The strong demand for fertilizers or the repurchase of exhausted stocks are two exemplary reasons for the increase in the price of potash on the world markets. This has considerably improved our earnings situation.

€969.1

MILLION EBITDA K+S GROUP[1] (2020: €267 MILLION)

[1] From continuing operations.

EBITDA FORECAST IN 2021

EXCLUDING THE FORECAST, ONE-OFF GAIN OF €200 MILLION FROM REKS

€240–340 MILLION
Forecast March 2021

€300–400 MILLION
Forecast May 2021

€500–600 MILLION
Forecast August 2021

around €630 MILLION
Forecast December 2021

Actual as of Dec. 31, 2021
€750 MILLION
+ €220 MILLION
REKS one-off gain

We significantly improved our earnings forecast for 2021 and even raised it several times. The antitrust approval of REKS has been completed since December 1, 2021, and the associated forecast one-off gain of €200 million has been included in the earnings forecast, which was reported at €830 million.

Dear shareholders, ladies and gentlemen,

Our mission statement brings it to the point: We enrich life for generations. We accomplish this task every day with the high standards we set for ourselves. At the same time, we are realigning K+S. We are focusing even more strongly than before on fertilizers and specialties. We are becoming leaner, more cost-efficient, more digital, and more performance-oriented. Furthermore, we are opening up new markets and business models with long-term prospects on a solid financial basis. Our commitment remains unchanged: We strongly focus on the environment, nature, and climate protection. Every business decision must be aligned with our climate strategy and our sustainability goals.

With the successful sale of the Americas operating unit, the significant reduction in debt, and the restructuring of our organization, we have accomplished essential tasks. Our new corporate strategy sets the guiding principles for

> "Every business decision must be aligned with our climate strategy and our sustainability goals."

the successful further development of your K+S. We are focusing on our core business with potash and magnesium products and are working intensively on further optimizing our existing business. We are therefore creating a strong basis for the successful further development of K+S.

The teams at our sites are already strongly committed to implementing the strategy. We look forward to advancing the initiatives and projects together with our colleagues. The goals are clearly defined: From 2023 onwards, the K+S Group as a whole as well as each of our sites should generate a positive free cash flow even in the event of temporary low potash prices. Over a 5-year cycle, we want to earn our cost of capital and aim for an EBITDA margin of more than 20 percent.

Ladies and Gentlemen, a look at the 2021 financial year clearly demonstrates our continued outstanding production performance at all sites. We succeeded in meeting higher demand from our customers and increasing sales volumes. This excellent operating performance and the positive market environment, combined with a significant increase in potash prices, as well as the strong winter business at the beginning and end of the year, have resulted in higher earnings and cash flows. Over the course of the year, we raised our earnings forecast three times and generated significantly higher EBITDA of €969 million as of December 31, 2021, compared with around €270 in 2020. Our share price also indicates that confidence in our Company is returning. Of course, we will not rest on our laurels.

Shortly before the end of 2021, we furthermore successfully completed the merger of our waste management activities in the new REKS joint venture. This new partnership combines the intelligent use of the unique infrastructure of K+S and the extensive distribution network of REMEX. We are therefore taking this business to a new level, particularly on the sales side. Furthermore, the REKS joint venture provides us with new opportunities for future tailings piles covering by giving us the best possible access to the required materials.

We have taken another major step towards improving water protection by discontinuing the injection of saline wastewater at the end of 2021. At the same time, we assume that the permit for the environmentally compatible underground storage of saline waters will be granted during the course of the year. This represents an economically and ecologically viable solution in the long term. We are also well positioned for complying with the target values set by the Weser River Basin Community (FGG) for the river management period from 2022 to the end of 2027. We will implement all necessary measures to further reduce the volume of saline wastewater, gradually improve the quality of the water bodies even further, and stop discharging process wastewater into the Werra from 2028.

Last but not least, the proceedings with the FREP were concluded in the past financial year. The final findings of the FREP did not give rise to any value adjustments in the financial statements. Moreover, due to a significantly more optimistic long-term assumption for the potash business and the related price development, we succeeded in fully reversing the non-cash impairment loss on non-current assets from the third quarter of 2020.

We also continue to successfully master the challenges of the ongoing COVID-19 pandemic. Protecting the health of our workforce is the focus of all our actions. We are well aware of the passionate commitment of our teams, both above and below ground, right through to our marketing, sales, and administration departments, and we would like to express our sincere thanks for these efforts – I am sure I speak on your behalf as well.

Ladies and Gentlemen, all in all, 2021 was a very successful year for K+S with important strategic decisions having been made. We are also very positive about the current year: We expect EBITDA from continuing operations to range between €1.6 billion and €1.9 billion in the 2022 financial year. This would represent the best result in the history of K+S. Adjusted free cash flow from continuing operations should also increase sharply to between €600 million and €800 million.

I would like to thank you, dear Shareholders, also on behalf of my colleagues on the Board of Executive Directors, for your confidence in K+S. I assure you that we will continue to act decisively and look optimistically to the future to successfully drive our Company forward.

All the best!

Dr. Burkhard Lohr
Chief Executive Officer (CEO) and Labor Director

OUR BOARD OF EXECUTIVE DIRECTORS[1]

Dr. Burkhard Lohr
Chief Executive Officer (CEO) and Labor 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 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
Chief Financial Officer (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.

He had been a member of the Board of Executive Directors of K+S Aktiengesellschaft and Chief Financial Officer since May 12, 2017.

Holger Riemensperger
Chief Operating Officer (COO)

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

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

He has been a member of the Board of Executive Directors of K+S Aktiengesellschaft and Chief Operating Officer since April 1, 2021.

[1] The Supervisory Board of K+S Aktiengesellschaft has mutually agreed with Mr. Boeckers to terminate his service agreement at the end of February 2022. At the same time, the Supervisory Board of K+S Aktiengesellschaft has appointed Dr. Christian H. Meyer as the new CFO. He will assume the position in spring 2023. Until then, Dr. Burkhard Lohr will temporarily assume the function of CFO. As Labor Director, Mr. Riemensperger will assume responsibility for HR and Procurement.

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

SUPERVISORY BOARD REPORT

Dr. Andreas Kreimeyer
Chairman of the Supervisory Board

Dear shareholders,

the year 2021 was a year full of events. Despite the massive impact of the COVID-19 pandemic, as well as the examination by the Financial Reporting Enforcement Panel (FREP), the K+S team continued its determined efforts in restructuring our business base, significantly reducing our debt, as well as redefining the strategic positioning of the Company, followed by rapid and consistent implementation.

A few key messages in this context are:

+ Back in 2020, we developed an ambitious climate strategy, which was adopted and consistently implemented in 2021. K+S is already a pioneer for environmentally friendly and sustainable mining today. Depending on the site, we aim to achieve climate-neutral production by 2045 or 2050, if the required conditions are provided (competitive electricity prices, necessary infrastructure).
+ We sold our American salt business with great success and therefore significantly reduced our debt.
+ Our mines are being further optimized. Starting in 2023, each plant is expected to generate positive free cash flow, even if MOP prices fall to extremely low levels.
+ We want to establish new business areas while utilizing our mining infrastructure and expertise, in cooperation with partners where necessary. The REKS joint venture established in 2021 with our partner Remondis is a first example.
+ Our administrative functions were resized and adapted to the new business base.
+ In the course of the year, the Company's profitability also increased significantly again following the recovery of the agricultural markets and a strong de-icing salt business.

I am therefore convinced that the year 2021 will be recorded as a turning point in the Company's history. K+S will be more future-oriented, more agile, and more competitive.

On behalf of the entire Supervisory Board, 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 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 2021 financial year, the Supervisory Board diligently performed the supervisory and advisory functions incumbent on it by law and in accordance with the Articles of Association and its bylaws. Numerous matters were discussed in depth and resolutions were adopted on transactions requiring approval. We continuously monitored the Board of Executive Directors' management of the Company and advised the Board on the governance of the Group. We were always involved in decisions of fundamental importance in a timely and appropriate manner. The Board of Executive Directors regularly briefed us promptly and comprehensively on the business development of the Company and its business segments, the financial position, net assets, and earnings, the employment situation, the progress of important investment projects, planning, and the further strategic development of the Company. Deviations from planning were explained to the Supervisory Board in detail. The risk situation and risk management were carefully considered. The Supervisory Board received written reports from the Board of Executive Directors to prepare for meetings. In particular, the Chairman of the Supervisory Board also remained in close personal contact with the Board of Executive Directors beyond the meetings and regularly discussed significant events as well as upcoming resolutions. The shareholder and employee representatives regularly discussed important agenda items at separate meetings prior to meetings of the Supervisory Board.

Due to the continuing COVID-19 pandemic, almost all meetings of the Supervisory Board and its committees were held as virtual or hybrid meetings in 2021. In 2021, nine Supervisory Board meetings were held. The average attendance rate of the 16 Supervisory Board members at these meetings was 97% in the reporting period. One meeting was held as a physical meeting. Five meetings were attended by all Supervisory Board members; at four meetings one member was unable to attend. All absences were excused. One of the six meetings of the **Audit Committee** was held as a physical meeting. All meetings were attended in full. The **Nomination Committee** held three virtual sessions, fully represented. One of the five meetings of the **Personnel Committee** was held as a physical meeting. Two meetings were attended in full. One member was excused from each of the remaining three meetings. The **Strategy Committee** held two virtual sessions, fully represented. In light of recent developments, it was resolved in February 2021 to establish a temporary special committee (**Ad Hoc Special Committee FREP Examination**), which dealt extensively with the FREP examination and the questions it raised. This Ad Hoc Special Committee FREP Examination held seven virtual meetings in 2021, six of them fully attended. One member was excused from the remaining meeting.

COMPOSITION OF THE BOARD OF EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

Mr. Holger Riemensperger was appointed to the Board of Executive Directors of K+S AKTIENGESELLSCHAFT on April 1, 2021. Following the sale of the Americas operating unit, Mr. Mark Roberts left the Company and the Board of Executive Directors of the K+S GROUP at the end of April 30, 2021. The Supervisory Board of K+S AKTIENGESELLSCHAFT has mutually agreed with the former Chief Financial Officer, Mr. Thorsten Boeckers, to terminate Mr. Boeckers' service agreement at the end of February 2022.

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

As of the ordinary Annual General Meeting on May 12, 2021, Mr. Nevin McDougall's appointment to the Supervisory Board expired. Mr. Markus Heldt was elected as a new member of the Supervisory Board. Effective August 17, 2021, Mr. Peter Trotha became a member of the Supervisory Board by way of a court appointment. He succeeded Ms. Anke Roehr, who resigned from the Supervisory Board of K+S AKTIENGESELLSCHAFT as of May 31, 2021.

SUPERVISORY BOARD MEETINGS

Five ordinary and four extraordinary Supervisory Board meetings were held in the 2021 financial year.

At the first meeting of the year on February 9, 2021, which was convened as an extraordinary meeting, the members of the Supervisory Board were informed about the latest developments relating to the ad hoc examination by the FREP ordered by BaFin in connection with the impairment loss recognized in 2020. The Supervisory Board, furthermore discussed in detail amendments to service agreements associated with the departure of Mr. Roberts from the K+S GROUP following the sale of the Americas operating unit.

At the extraordinary meeting on February 17, 2021, the Supervisory Board resolved the further procedure regarding the FREP examination. In this context, a resolution was adopted to engage PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT for the independent investigation of the FREP's allegations and an accompanying audit of the 2020 annual financial statements. Moreover, it was resolved to establish a temporary special committee to deal extensively with the FREP examination and the complex questions raised in this context.

At the ordinary meeting held on March 9 and 10, 2021, the Supervisory Board resolved the target agreements of the members of the Board of Executive Directors for the 2021 financial year, the determination of target achievement in 2020, the determination of the payment date for Supervisory Board remuneration, and the final termination agreement with Mr. Roberts in the event of a sale of the Americas operating unit. It also nominated the candidates for election to the Supervisory Board by the Annual General Meetings in 2021 and 2022. The Board of Executive Directors informed the Supervisory Board in the presence of the auditor (DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT) and PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, which had been appointed by the Supervisory Board for an independent investigation within the context of the FREP examination, about the current status of the FREP examination. Furthermore, the Supervisory Board examined the annual financial statements, the consolidated financial statements, and the management reports, including the non-financial statement contained in the management report for the 2020 financial year, also in the presence of the auditor (DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT) and the auditors from PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, approved the financial statements on the recommendation of the Audit Committee, and, after intensive discussion, resolved to endorse the proposal of the Board of Executive Directors for the appropriation of profits. The business situation and the outlook for the current year were discussed in detail and the proposed resolutions for the 2021 Annual General Meeting were also approved. The Board of Executive Directors also informed the Supervisory Board about the current status of the sale of the Americas operating unit and the REKS project for bundling waste management activities. Furthermore, the Supervisory Board was given a presentation on the project assignment to identify and implement short- and long-term measures to sustainably strengthen and optimize the K+S production sites, as well as the status of the development of the new mission statement and strategy.

At the extraordinary meeting on April 29, 2021, the K+S GROUP's climate strategy, which forms part of the corporate strategy, as well as the latest developments in the project to optimize the production sites were presented to the Supervisory Board. The members of the Supervisory Board were also provided with a final report on the project to sell the Americas operating unit, which was close to completion.

In the ordinary meeting on May 10, 2021 a resolution was passed to amend the Board of Executive Directors service agreements resulting from the adjustment of a sustainability goal included in the long-term incentive of the Board of Executive Directors' remuneration, the initial and target values of which were adjusted due to the sale of the Americas operating unit. The Board of Executive Directors also informed the Supervisory Board about the current situation regarding the FREP examination and provided an overview of the development of the business situation in the first quarter of 2021. The Chairman of the Audit Committee reported to the Supervisory Board on its most recent meeting. Moreover, the Supervisory Board approved the Audit Committee's proposal to appoint PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT for the audit of the 2021 Half-Year Financial Report.

At the ordinary meeting on August 24 and 25, 2021, the Supervisory Board dealt in detail with the new corporate strategy and approved its adoption. A report was presented on the interim performance reviews with members of the Board of Executive Directors. The Supervisory Board approved the conclusion of reinsurance contracts to cover the pension component for the 2021 financial year. A resolution was also passed on the appointment of the same members as shareholder representatives to the Supervisory Boards of K+S AKTIENGESELLSCHAFT and K+S MINERALS AND AGRICULTURE GMBH. Furthermore, the results of the vote on the system of remuneration for the Board of Executive Directors at the Annual General Meeting were discussed in detail. The Board of Executive Directors reported to the Supervisory Board on the current business situation of the K+S GROUP and on the current status of the FREP examination. The Chairmen of the Audit and Strategy Committees reported on their last meetings. In this context, the Supervisory Board resolved to engage the financial statement auditor (PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT) to conduct a voluntary audit of the risk management system and its conformity to the German Financial Market Integrity Strengthening Act (Gesetz zur Stärkung der Finanzmarktintegrität, FISG). Moreover, in implementation of the FISG, the bylaws of the Supervisory Board and of the Audit Committee were amended.

An extraordinary meeting was held on September 15, 2021 at which a personnel matter was discussed. In the presence of the financial statement auditors (PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT) and the auditors of DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, the preliminary examination findings of the FREP and the preparation of a statement were also discussed.

At the ordinary meeting on October 20, 2021, the investors' criticisms of the remuneration system for the Board of Executive Directors were again addressed in detail, followed by a discussion on possible amendments to the Board of Executive Directors' remuneration system. Moreover, the Supervisory Board dealt intensively with the planned underground storage in Springen and its significance for the disposal situation of the Werra plant as well as the materiality analysis and the sustainability KPIS of the K+S GROUP.

The deliberations at the last meeting of the year, held on December 1, 2021, covered a personnel matter and the Supervisory Board's succession planning. Following extensive discussions, it was decided not to amend the remuneration system for the Board of Executive Directors. The Supervisory Board also resolved to commission a voluntary opinion on the remuneration report. The planning of the K+S GROUP for 2022, including the financing and capital expenditure framework, was examined in depth (including in terms of consistency with strategic objectives) and subsequently approved. The Chairman of the Audit Committee reported on its most recent meeting. The Supervisory Board resolved to engage PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT to audit the 2021 non-financial statement. The Board of Executive Directors also reported on the current status of the FREP examination. The Supervisory Board agreed with the decision of the Board of Executive Directors to accept the FREP's examination findings. Finally, the Supervisory Board was presented with the current status of the antitrust approval of the merger in the REKS project. Furthermore, the joint 2021/2022 Declaration of Conformity by the Board of Executive Directors and Supervisory Board was approved.
Declaration on Corporate Governance

COMMITTEE MEETINGS

In addition to the Mediation Committee required by law, the Supervisory Board has established four more committees to support its tasks and responsibilities: the Audit Committee, the Personnel Committee, the Nomination Committee, and the Strategy Committee. Furthermore, it was resolved in the 2021 financial year to establish a temporary special committee (Ad Hoc Special Committee FREP Examination), which dealt with the FREP examination and the complex questions it raised. An overview of these committees and their composition can be found in the management report on pages 101–102 and on the K+S AKTIENGESELLSCHAFT website under "About K+S". There you can also find the bylaws for the Supervisory Board and its committees.

The **Audit Committee** met a total of six times in 2021. On March 8, 2021, in the presence of the financial statement auditor (DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT), the auditors of PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, as well as the Chairman of the Board of Executive Directors and the Chief Financial Officer, the committee examined the 2020 annual financial statements of K+S AKTIENGESELLSCHAFT, the 2020 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 appointment of PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT as financial statement auditor be proposed to the Annual General Meeting. The committee also addressed the Company's liquidity situation and granted approval for additional costs incurred in the course of the FREP examination as well as permissible non-audit services. At the meeting on August 25, 2021, the Chief Financial Officer informed the committee about the FISG and the resulting requirements and their implementation. The Chief Compliance Officer gave a comprehensive report on the internal control system (ICS), the compliance management system (CMS), and the risk management system (RMS) of the K+S GROUP. The committee acknowledged and approved the report provided by the Chief Compliance Officer. Finally, the committee discussed focal points of the 2021 audit and the results of the assessment of the quality of the audit of the financial statements. At the meeting on December 1, 2021, the Board of Executive Directors reported on developments with regard to consultancy fees and donations/sponsorships, as well as on the engagement of the financial statement auditor to perform permitted non-audit services. Moreover, a resolution was passed to give advance approval to non-audit services to be performed by the audit firm that are not related to specific cases. The Head of Internal Auditing reported on his work in the K+S GROUP. A report on the Company's risk and opportunity management was also presented at the meeting. Finally, the Audit Committee made a recommendation to the full Supervisory Board on the appointment of the auditor to audit the 2021 non-financial statement.

On May 7, August 9, and November 9, 2021, the members of the Audit Committee, the Chairman of the Board of Executive Directors, and the Chief Financial Officer discussed the past quarters and the Quarterly Reports and Half-Year Financial Report due for publication. At its meeting on May 7, 2021, the committee also recommended to the full Supervisory Board to appoint PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT as auditors for the 2021 Half-Year Financial Report. It also approved the engagement of the financial statement auditor to perform permitted non-audit services. On August 9, 2021, the auditors presented the results of the review of the Half-Year Financial Report.

The **Personnel Committee**, which prepares personnel decisions of the Supervisory Board and is responsible for other Board of Executive Directors' matters, met five times in 2021. It dealt with the target agreements and achievement of targets by the members of the Board of Executive Directors, the appropriateness of the remuneration of the Board of Executive Directors in relation to management functions and the workforce as a whole, as well as short- and long-term succession planning for the Board of Executive Directors. Furthermore, the arrangements for the termination of the mandate of Mr. Mark Roberts associated with the sale of the Americas operating unit were again discussed in detail and a corresponding agreement was successfully concluded. The Personnel Committee also held in-depth discussions on an adjustment to the sustainability goals included in the long-term incentive of remuneration for the Board of Executive Directors due to the sale of the Americas operating unit. In the process of analyzing the voting results at the Annual General Meeting, the Personnel Committee again gave close attention to the remuneration system for the Board of Executive Directors and saw no reason to amend the system. Detailed information on the amount of remuneration for the Board of Executive Directors in 2021 and the structure of the current remuneration system can be found on pages 142–159 of the remuneration report prepared in accordance with Section 162 of the German Stock Corporation Act (Aktiengesetz, AktG).

The members of the **Nomination Committee** met three times in 2021. The subject of their deliberations involved, in particular, short- and long-term succession planning for the Supervisory Board and the related selection of candidates.

The **Strategy Committee** met twice in 2021. It dealt intensively with the newly developed strategy of the K+S GROUP and discussed in detail the projects arising from the package of measures to rapidly generate value and reduce debt.

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

The **Ad Hoc Special Committee FREP Examination** held seven meetings in 2021. It gave close attention to the requirements and implementation of the measures required in the context of the FREP examination.

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

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

ATTENDANCE OF MEETINGS BY MEMBERS OF THE SUPERVISORY BOARD OF K+S AKTIENGESELLSCHAFT IN THE 2021 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	32	9	9	23	23	100%
Ralf Becker	29	9	9	20	20	100%
Petra Adolph	22	9	8	13	12	91%
André Bahn	11	9	9	2	2	100%
Jella S. Benner-Heinacher	25	9	9	16	16	100%
Philip Freiherr von dem Bussche	14	9	8	5	5	93%
Dr. Elke Eller	14	9	8	5	4	86%
Gerd Grimmig	12	9	9	3	3	100%
Axel Hartmann	15	9	9	6	6	100%
Markus Heldt (since May 12)	4	4	4	–	–	100%
Michael Knackmuß	14	9	8	5	3	79%
Thomas Kölbl	15	9	9	6	6	100%
Gerd Kübler	9	9	9	–	–	100%
Nevin McDougall (until May 12)	5	5	5	–	–	100%
Anke Roehr (until May 31)	5	5	5	–	–	100%
Dr. Rainier van Roessel	9	9	9	–	–	100%
Peter Trotha (since August 17)	4	4	4	–	–	100%
Brigitte Weitz	9	9	9	–	–	100%
Total	**248**	**144**	**97%**	**104**	**96%**	**97%**

CONFLICTS OF INTEREST

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

AUDIT OF THE 2021 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, Kassel, audited the annual financial statements of K+S AKTIENGESELLSCHAFT, prepared by the Board of Executive Directors in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements prepared on the basis of the international accounting standards as adopted by the EU, and the supplementary German legal requirements required to be applied in accordance with Section 315e (1) HGB, and the combined management and Group management report for the 2021 financial year. The annual financial statements and the consolidated financial statements both received unqualified audit opinions. In addition to the statutory audit, the Supervisory Board of K+S AKTIENGESELLSCHAFT commissioned PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT to audit the conformity with limited assurance of the combined non-financial statement in accordance with the CSR-RUG and to conduct a substantive audit of the remuneration report prepared in accordance with Section 162 AktG. PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT reported the results to the Audit Committee of K+S AKTIENGESELLSCHAFT at its meeting on February 28, 2022 and to the Supervisory Board at its meeting on March 9, 2022. Based on the audit procedures performed and the audit evidence obtained, no matters have come to the attention of PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT that cause PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT to believe that the combined non-financial statement of the Company for the period from January 1, to December 31, 2021 has not been prepared, in all material respects, in accordance with Sections 315b, 315c in conjunction with Sections 289c to 289e HGB. The aforementioned documents, the Board of Executive Directors' proposal concerning the appropriation of profits, and the audit reports of PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, each of which had been submitted to the members of the Audit Committee and the Supervisory Board on time, were each addressed extensively at the Audit Committee meeting held on February 28, 2022, as well as at the Supervisory Board meeting held on March 9, 2022, 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 2021 financial year, thereby ratifying the 2021 annual financial statements of K+S AKTIENGESELLSCHAFT. The Supervisory Board agreed to the proposal of the Board of Executive Directors for the declaration on corporate governance (page 96). The resolution on the appropriation of profits proposed by the Board of Executive Directors was also examined, particularly with regard to the present and expected future financial situation of the K+S GROUP. Following extensive discussions, the Supervisory Board also approved this proposal made by the Board of Executive Directors.

All the best!

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

Kassel, March 9, 2022

Yours
Andreas Kreimeyer

K+S ON THE CAPITAL MARKET

In 2021, stock markets continued to be affected by the ongoing COVID-19 pandemic and the related impact on the population and economy. The K+S share closed the 2021 stock market year at a closing price of €15.19. This corresponds to a significant increase of 95% compared with the closing price of the previous year (€7.79) and compares with an increase of 14% for the MDAX.

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

in € million		2017	2018	2019	2020	2021
Closing price on December 31	XETRA, €	20.76	15.72	11.12	7.79	15.19
Highest price	XETRA, €	24.83	25.75	18.61	11.20	16.33
Lowest price	XETRA, €	19.11	15.03	9.70	5.12	8.23
Average number of shares	million	191.4	191.4	191.4	191.4	191.4
Market capitalization on December 31	€ billion	4.0	3.0	2.1	1.5	2.9
Average trading volume per day	million units	1.26	1.34	1.40	1.68	1.32
Enterprise value (EV) on December 31	€ billion	8.1	7.4	6.7	6.1	4.7
Enterprise value to revenues (EV/revenues)	x-times	2.2	1.8	1.6	1.6	1.5
Enterprise value to EBITDA (EV/EBITDA)	x-times	14.1	12.3	10.5	13.7	4.9
Book value per share	€/share	21.74	21.65	23.49	11.61	27.68
Earnings per share from continuing operations, adjusted, excluding impairment effects	€/share	–	–	0.08	–0.83	2.74
Earnings per share, adjusted[2]	€/share	0.76	0.45	0.41	–9.42	16.13
– thereof continuing operations	€/share	–	–	0.08	–10.04	11.61
– thereof impairment loss (–)/reversal of impairment loss (+) on non-current assets	€/share	–	–	–	–9.21	8.86
– thereof discontinued operations	€/share	–	–	0.33	0.62	4.52
Dividend per share[3]	€/share	0.35	0.25	0.04	–	0.20
Total dividend payout[3]	€ million	67.0	47.9	7.7	–	28.7
Payout ratio[3,4]	%	46.2	55.6	9.8	–	7.3
Dividend yield (closing price)[3]	%	1.7	1.6	0.4	–	1.0

[1] For the years 2017 to 2020, the figures relate to the continuing and discontinued operations of the K+S Group; for the year 2021, the figures relate to the continuing operations of the K+S Group.

[2] The adjusted key figures include the result from operating forecast hedges for the respective reporting period, which eliminates effects from changes in the fair value of hedging transactions (see also "Notes to the Income Statement and Statement of Comprehensive Income" from page 184). Similarly, effects on deferred and cash taxes are adjusted; tax rate 2021: 30.2% (2020: 30.1%).

[3] In 2019, the proposed dividend was adjusted from the previous €0.15 to the minimum dividend to maintain eligibility for KfW funding. In 2021, the figure corresponds to the dividend proposal.

[4] Based on adjusted Group earnings after taxes. For 2021, the payout ratio relates to earnings per share from continuing operations, adjusted, excluding impairment effects.

THE SHARE

GLOBAL ECONOMY SIGNIFICANTLY AFFECTED BY COVID-19

The global economy continued to be critically impacted by the effects of the COVID-19 pandemic in 2021.

This development was also reflected in the German benchmark index DAX. Overall, the DAX nevertheless recorded a positive performance of around 16% in 2021, closing the year at 15,885 points. The MDAX closed at 35,123 points, an increase of a solid 14%. The global MSCI WORLD index also performed positively, gaining 20% to close the year at 3,232 points. **A.3**

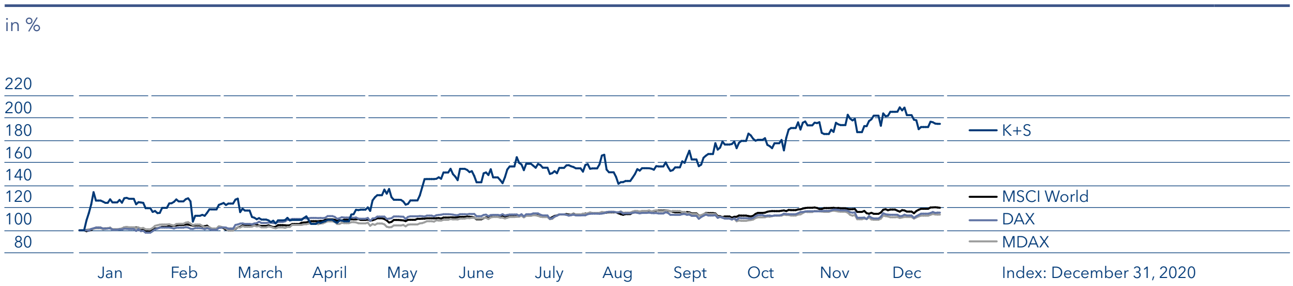
CLOSING OF THE SALE OF THE AMERICAS OPERATING UNIT AND RISING POTASH PRICES SUPPORTED THE K+S SHARE

After rising to over €10 in the first week of January 2021 due to favorable agricultural prices, the share price came under renewed pressure with the announcement of the FREP examination and due to uncertainties in the potash market caused by delays in the conclusion of the Chinese contract and closed at its low for the year of €8.23 on April 9. In the further course, the share price performance was positively impacted by the potash price rising significantly again, the closing of the sale of our Americas operating unit as well as the conclusion of the proceedings at the FREP, and the antitrust clearance of the REKS joint venture. Despite renewed concerns on the part of the capital market about COVID-19, the share price closed the year at €15.19 (year-end price 2020: €7.79) and therefore almost reached its high for the year on December 14 (€16.33).

The short selling rate (only reportable short sales of 0.5% or more taken into account) at the end of the year decreased to 3.58% compared with the previous year's level of 5.71% (source: Bundesanzeiger).

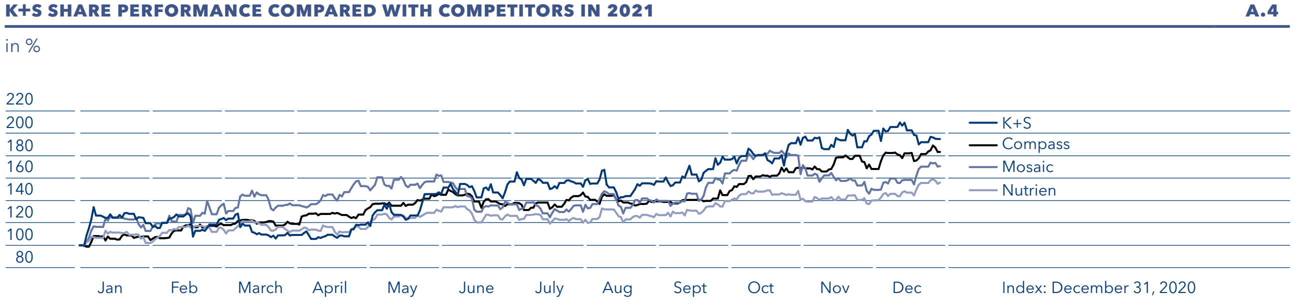
www.kpluss.com/share

K+S SHARE PERFORMANCE COMPARED WITH DAX, MDAX, AND MSCI WORLD IN 2021 **A.3**



Source: Bloomberg

K+S SHARE PERFORMANCE COMPARED WITH COMPETITORS IN 2021 **A.4**



Source: Bloomberg

SHARE PRICES OF COMPETITORS

We also track the performance of our shares in comparison with our publicly traded competitors. These include above all the fertilizer producers NUTRIEN from Canada, MOSAIC from the USA, and ICL from Israel. While the shares of the competitors developed positively up to the end of the year (NUTRIEN +56%, MOSAIC +71%, ICL +83%), the K+S share even gained 95% over the same period. **A.4**

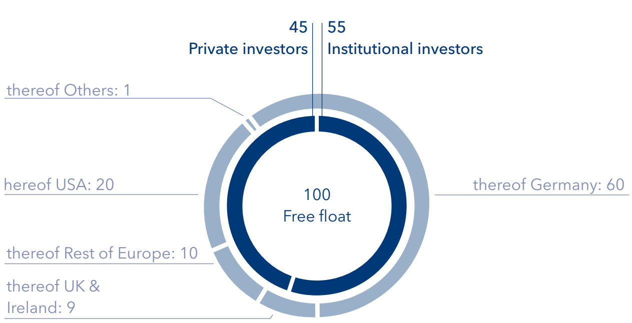
SHAREHOLDER STRUCTURE

According to the free float definition of DEUTSCHE BÖRSE AG, the free float is 100%. By December 31, 2021, the following shareholders have notified us of shareholdings above the statutory reporting thresholds:

+ The Goldman Sachs Group, Inc.: 4.84% (notification dated June 8, 2021)
+ Dimensional Holdings Inc.: 3.49% (notification dated March 3, 2021)
+ BlackRock, Inc.: 3.25% (notification dated June 18, 2021)

SHAREHOLDER STRUCTURE **A.5**

in %



AMERICAN DEPOSITARY RECEIPTS FOR TRADING IN NORTH AMERICA

In North America, we have offered an American depositary receipts (ADR) program to assist investors there in trading in K+S securities since 2009 and are therefore expanding the international shareholder base. As ADRs are quoted in US dollars and the dividends are also paid in US dollars, they are essentially similar to US stocks. Two ADRs correspond to a single K+S share. ADRs are traded on the OTC (over-the-counter) market in the form of a "level 1" ADR program. The K+S ADRs are listed on the OTCQX trading platform. In the 2021 financial year, the ADRs increased from USD 4.81 on December 31, 2020 to USD 8.75 on December 31, 2021 and therefore by 82%. The delta to the development of the K+S share is currency-related.

- www.kpluss.com/adr
- www.otcmarkets.com

BONDS AND RATING

K+S BONDS

Like the shares, our bonds were temporarily weaker in the first quarter as a result of the FREP examination. Nevertheless, they normalized with the issuance of the unqualified audit certificate for the consolidated financial statements for 2020. Bond prices continued to recover in the further course of the year. The general impact of the COVID-19 pandemic on the capital market also caused bond prices to decline for K+S, but they nonetheless closed the year higher than at the beginning of the year. **A.6**

BOND PRICES AND YIELDS **A.6**

	Dec. 31, 2021	
in %	Price	Yield
K+S bond (June 2022); coupon: 3.000%	101.87	–1.05
K+S bond (April 2023); coupon: 2.625%	102.35	0.73
K+S bond (July 2024); coupon: 3.250%	104.06	1.60

RATING

In September 2021, the rating agency STANDARD & POOR'S raised our rating from B to B+ with a "stable" outlook (previously "negative"). This was mainly attributable to the significant improvement in our leverage ratio following the sale of the Americas operating unit. The assessment additionally reflected the increase in the earnings forecast for full-year 2021, which was made, in particular, against the background of higher potash prices in the course of the year.

INVESTOR RELATIONS

RESEARCH COVERAGE ON K+S

The extensive research coverage of the K+S GROUP again reached a very good level in 2021. The banks analyzing us on a regular basis range from investment boutiques with regional expertise to major banks with an international approach. In the 2021 financial year, 23 banks analyzed us regularly (2020: 26).

www.kpluss.com/analysts

At the end of the year, according to Bloomberg, 11 banking houses rated us "Buy/Accumulate," 11 "Hold/Neutral" and 1 "Reduce/Sell". The average target price was at €16.79.

K+S INVESTOR RELATIONS OFFERS COMPREHENSIVE RANGE OF INFORMATION

In 2021, we continued to respond comprehensively 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. In November, we also hosted a hybrid Capital Markets Day, where we presented our new corporate strategy in particular. We continued to maintain contact with private shareholders by telephone and in virtual format this year. A total of 32 roadshow and conference days were held with around 200 individual investor contacts.

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

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

This Annual Report combines the financial and sustainability reporting of K+S. The information relates to the reporting period from January 1, 2021 to December 31, 2021 and is reported annually. The former Americas operating unit is reported as discontinued operations in accordance with IFRS 5 as of the report Q4/2020 following its disposal with closing on April 30, 2021. Accordingly, the presentation in the management report relates exclusively to the continuing operations of the K+S GROUP, unless explicitly stated otherwise.

EXTERNAL AUDIT

For the financial year from January 1 to December 31, 2021, PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGS-GESELLSCHAFT audited the consolidated financial statements of K+S AKTIENGESELLSCHAFT, Kassel, and the combined management report excluding the combined non-financial statement for the first time and issued an unqualified audit opinion. The non-financial statement of K+S AKTIENGESELLSCHAFT pursuant to Section 315b of the German Commercial Code, which was combined with the non-financial statement of the parent company pursuant to Section 289b of the German Commercial Code (hereinafter referred to as the “combined non-financial statement”), was audited in accordance with ISAE 3000 rev. with limited assurance.

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 consolidated financial statements include K+S AKTIEN-GESELLSCHAFT 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.

The term employee applies equally to women and men and is therefore to be considered as gender-neutral.

Our Group-wide IT platform includes all major companies, a uniform Group chart of accounts, and standardized automated accounting processes. Most financial data are largely 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 largely 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. The majority of HSE key indicators are recorded through an SAP system for all fully consolidated and non-consolidated companies.

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

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

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

COMBINED NON-FINANCIAL STATEMENT

All statements and figures presented in the non-financial statement relate to the continuing operations of the K+S GROUP, including K+S AKTIENGESELLSCHAFT, unless stated otherwise. Additionally, an overview is provided in which the key indicators at the level of continuing operations, K+S AG, as well as discontinued operations are disclosed on a differentiated basis. The differentiated disclosure is made due to the disposal of the Americas operating unit.

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

In accordance with the 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.

Combined Non-Financial Statement

REPORTING STANDARDS

At the same time, the 2021 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 has been prepared in accordance with the GRI standards, option "Core". Furthermore, K+S considers the GRI G4 Sector Disclosures: Mining and Metals. A GRI content index and a mapping to the UN Global Compact principles can be found on our website.

www.kpluss.com/gricontentindex

We support the recommendations of the Task Force on Climate-related Disclosures (TCFD) and consider the TCFD requirements in this report. A mapping to the disclosures required by TCFD and our report content as well as a reconciliation to the CDP questionnaire can be found on our website.

www.kpluss.com/ratings-rankings

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

For achieving the seventeen Sustainable Development Goals (SDGs), companies are an important partner. K+S is actively committed to these goals. This involves the "Transformation of our world: the 2030 Agenda for Sustainable Development". Companies can contribute to the achievement of the SDGs, on the one hand, through the value contribution of their products and, on the other hand, through the Company's own processes.

Based on a product value impact assessment, the direct and indirect contribution of K+S products to the SDGs was derived. With products for the Agriculture customer segment, K+S makes a direct contribution to goal 2 "Zero Hunger", 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, and to goal 3 "Good Health and Well-being" with subgoal 3.8.

www.kpluss.com/product-responsibility

The K+S GROUP evaluates the Company's activities with regard to their contribution to the SDGs along the value chain in addition to the contribution of the K+S products. Furthermore, the K+S GROUP strategically considers the SDGs within the framework of sustainability management. The SDGs including subgoals have been assigned to the areas of action in which K+S is engaged in the area of sustainability and for which information is reported in the non-financial statement in accordance with CSR-RUG. K+S acknowledges that the SDGs and targets are integrated.

The following table identifies the action areas of K+S along the value chain. The associated GRI standards as well as the respective delimitation of the topics with regard to their economic, ecological, and social contributions are presented on the basis of the assignment to the SDGs and their subgoals.

Combined Non-Financial Statement

BOUNDARIES OF THE K+S FIELDS OF ACTIVITY ALONG THE VALUE CHAIN (GRI 103-1) A.7

		Boundary							
K+S action areas	GRI standards	Exploration	Mining	Production	Logistics	Sales/ Marketing	Application	SDGs	Subgoals
Society & Employees	GRI 403: Occupational health and safety 2018; GRI 416: Customer health and safety 2016	X	X	X	X		X	8 DECENT WORK AND ECONOMIC GROWTH	SDG 8.8
	GRI 405: Diversity and equal opportunity 2016; GRI 406: Non-discrimination 2016		X	X	X	X	X	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH	SDG 5.1, 5.5 SDG 8.5
	GRI 102 (40–44): General disclosures 2016	X	X	X	X	X	X	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	SDG 16.7
Business Ethics & 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 DECENT WORK AND ECONOMIC GROWTH	SDG 8.7
	GRI 308: Suppliers environmental assessment 2016; GRI 414: Supplier social assessment 2016	X	X	X	X	X		8 DECENT WORK AND ECONOMIC GROWTH	SDG 8.7
	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 PEACE, JUSTICE AND STRONG INSTITUTIONS	SDG 16.5
Environment & Resources	GRI 303: Water and effluents 2018		X	X			X	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND	SDG 12.2 SDG 15.1
	GRI 306: Effluents and waste 2016			X				12 RESPONSIBLE CONSUMPTION AND PRODUCTION	SDG 12.5
	GRI 302: Energy 2016; GRI 305: Emissions 2016		X	X	X		X	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	SDG 12.2 SDG 13.1

COMBINED MANAGEMENT REPORT

B

BUSINESS MODEL

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

COMPANY PROFILE

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) amounted to USD 3.2 billion. Upon the closing of the transaction on April 30, 2021, K+S received a net cash inflow after conversion of approximately €2.6 billion. As a result, the former Americas operating unit is no longer a reportable segment in accordance with IFRS 5 and has been reported as discontinued operations since the 2020 Annual Report and retroactively for 2019. Continuing operations comprise the global business with potash and magnesium products from our plants in Germany and our Canadian site in Bethune, as well as the European salt activities. Furthermore, it includes the waste management and recycling business in Germany, which has been operated together with REMEX in the REKS joint venture since the closing on December 22, 2021, the granulation of animal hygiene products, and trading in a selection of basic chemicals. Until the end of 2020, these business activities were included in the former Europe+ operating unit. These and the other activities of K+S AKTIENGESELLSCHAFT were combined in the course of streamlining to form a more efficient organization. As a consequence, hierarchical levels were eliminated and the management level, which reports directly to the Board of Executive Directors, was significantly streamlined. The Board of Executive Directors performs the economic analysis and assessment, takes the operational decisions, and allocates the resources for this entirety. Therefore, as of the 2021 financial year, K+S reports according to a single segment within the meaning of IFRS 8.

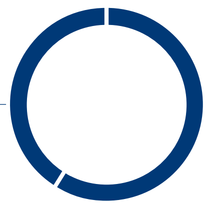
K+S has a broad product range and is the only potash producer with production sites on two continents. This is a strong basis for supplying system-relevant products to numerous industries in the future as well and making a decisive contribution to safeguarding the world's food supply. During the COVID-19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

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

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

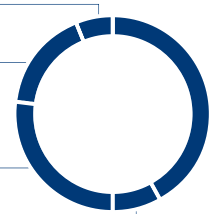
AGRICULTURE – REVENUES BY PRODUCT GROUP B.1

in %



AGRICULTURE – REVENUES BY REGION B.2

in %



CUSTOMER SEGMENTS

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

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

Products and services

The products of this customer segment are deployed 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®, EPSO TOP®, EPSO MICROTOP®, EPSO COMBITOP®, EPSO PROFITOP®, EPSO BORTOP®.

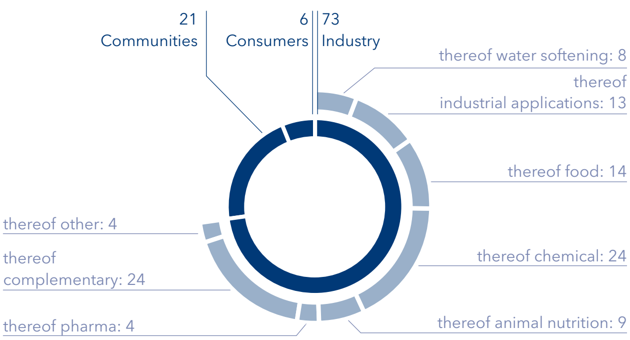
Important sales and competitive positions

Almost half of the 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 SOFTENING, 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 as well as 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 in the waste management sector and as a complementary activity, K+S, together with REMEX in the REKS joint venture, also uses selected underground cavities that have been created as a result of the extraction of crude salt. On the one hand, waste is safely removed from the biosphere through storage in these underground disposal sites; on the other hand, it is recovered by filling these cavities with residues from flue gas cleaning as backfill construction materials. The underground salt deposits 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 each partner will hold an equal share of 50%. K+S is contributing its waste disposal sales activities to the partnership. The underground waste disposal facilities of K+S are exclusively available to the joint venture. REMEX contributes its sales activities with broad market access as well as its wholly owned subsidiary AUREC, which processes mineral waste for mining backfill at the K+S site in Bernburg. From our perspective, this 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 in the future to cover large tailings piles at the German potash sites. The closing of the transaction took place on December 22, 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 GMBH (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.

Although demand normalized in the year under review after the very strong year 2020 due to COVID-19, our German table salt brand SALDORO® performed best in the premium segment. In Portugal, our table salt brand VATEL® continued to increase and remained the market leader. In France, the CÉRÉBOS® brand recorded positive market growth. Moreover, we are the market leader in France with our AXAL® brand for water softening. Due to weather conditions, there was strong demand from traders and consumers for packaged de-icing salt.

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 this customer segment's revenues is generated in Europe.

With products containing potash and magnesium for industrial, technical, and pharmaceutical applications, K+S is one of the world's most efficient suppliers and by far the largest in Europe. K+S 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 (REKS joint venture since December 22, 2021) mainly operates, it is one of the leading suppliers.

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

Significant subsidiaries are the directly held K+S MINERALS AND AGRICULTURE GMBH and K+S HOLDING GMBH. K+S HOLDING GMBH is the parent company of K+S NETHERLANDS HOLDING B.V., which holds, among other things, the shares in Group companies in Canada. K+S MINERALS AND AGRICULTURE GMBH holds its foreign companies mainly through its own intermediate holding companies. The subsidiary K+S FINANCE BELGIUM B.V., which held the shares in MORTON SALT, INC. (MORTON Salt) together with K+S NETHERLANDS HOLDING B.V. via subsidiaries until the disposal of the Americas operating unit, is still included in the scope of consolidation and its total assets reflect a large part of the proceeds from the disposal.

The scope of consolidation has changed as follows, compared to December 31, 2020: As part of the disposal of the Americas operating unit, K+S BELGIUM HOLDING B.V., which held shares in Group companies in Chile and Brazil, is no longer part of the scope of consolidation effective April 30, 2021. Also part of the Group companies in Canada, the Group company in Peru as well as the shares in MORTON SALT, INC. and its subsidiaries fall under the disposal of the Americas operating unit and accordingly no longer belong to the scope of consolidation effective April 30, 2021. The shares in CHEMISCHE FABRIK KALK GMBH were transferred from K+S AKTIENGESELLSCHAFT to K+S MINERALS AND AGRICULTURE GMBH as of June 28, 2021.

As part of the closing of the REKS joint venture on December 22, 2021, 50% of the shares in REKS VERWALTUNGS GMBH and initially 38% of the shares in REKS GMBH & CO. KG were sold to REMEX GMBH. Consequently, REKS GMBH & CO. KG will be deconsolidated and included in the consolidated financial statements as a joint venture. Furthermore, REKS GMBH & CO. KG has relocated its registered office to Düsseldorf. On February 10, 2022, the remaining 12% of the shares in REKS GMBH & CO. KG were transferred to REMEX GMBH against a contribution in kind.

VALUE CREATION[1]

In the following, we present our business model using the value chain, which extends over the following six sections: Exploration, Mining, Production, Logistics, Sales/Marketing, and Application. All figures relate to continuing operations. **B.4**

EXPLORATION

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

RESERVES AND RESOURCES

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

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

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

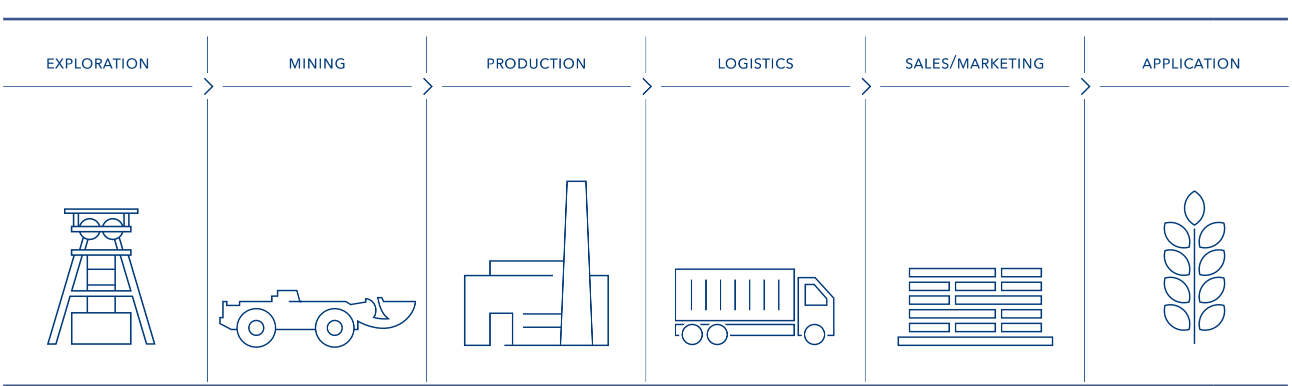
MINING

We extract raw materials in conventional underground mining as well as solution mining. Due to 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 ($MgSO_4$)/kieserite ($MgSO_4$-H_2O) as well as rock salt (NaCl) are extracted in Germany.

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

VALUE CHAIN **B.4**



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 2021, 33.5 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 5.2 million tonnes.

LONG-TERM PLANNING OF MINES

Once the raw materials of a mining operation are exhausted or their extraction becomes economically inviable, measures are initiated for 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

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

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

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 2021, the annual production capacity of potash and magnesium products was just over 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 & Resources” in the combined non-financial statement on page 82.

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 including the results of the studies were submitted to the environmental authority, which were updated with further study results in 2021. Parallel to the ongoing approval process, we are continuing to work on completing the feasibility study for the project. Both the permits and the results of the feasibility study should be available in the short term. As soon as this is the case, a decision will be taken on how to proceed with the project in line with the strategic positioning of the salt business: Invest or divest the project at a profit. When completed, the project could have an annual production capacity of 4.7 million tonnes.

PROCUREMENT

In 2021, K+S purchased technical goods, raw materials, consumables, and supplies, as well as services (including logistics services), from about 8,600 suppliers for about €1.6 billion (2020: €1.6 billion). The majority of our purchasing volume relates to production as well as 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 location of our sites, the K+S GROUP procures materials and services mainly from Germany (69%). In addition, materials and services are procured from Canada (12%), the Netherlands (3%), France (2%), US (1%), and the rest of the world (13%). Overall, 99% of our contractual partners come from OECD countries.

- Combined Non-Financial Statement, Business Ethics & Human Rights
- Sustainability indicators on the level of continuing operations, K+S AG, and discontinued operations

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 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 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 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 wagons.

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 continuously thrive 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. We 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 markets, and competitive positions are described under the 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 research and own field trials 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.

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 effects) 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 2021, due to the non-cash reversal of impairment losses on non-current assets described on page 47, our value added was clearly positive and amounted to €3,305.1 million (2020: €-925.0 million, impacted by non-cash impairment of non-current assets). Excluding the non-cash impairment effect, the value added for the year 2021 would have been €1,608.8 million (2020: €836.5 million; excluding impairment effects). Our employees received €885.3 million (2020: €895.2 million, impacted by a one-off addition to provisions in connection with the project for restructuring the administrative functions). This amount is composed of wages and salaries, social security contributions, and pension expenses. Taxes and duties of €100.1 million were paid to local authorities (2020: €5.0 million). For interest expenses, €98.4 million was paid to lenders (2020: €95.7 million). With the proposed dividend of €0.20/share, shareholders will receive a total payout of €38.3 million (2020: €0 million). The Company reports a profit, including other, of €2,183.0 million (2020: loss carried forward and other of € -1,920.9 million). **B.6**

GENERATION OF VALUE ADDED **B.5**

in € million	2020	2021
Revenues	2,432.1	3,213.1
Other income	184.0	332.2
Cost of material	-1,038.6	-1,163.8
Depreciation	-2,209.6	1,514.6
Other expenses	-293.0	-591.0
Value added	**-925.0**	**3,305.1**

ALLOCATION OF VALUE ADDED **B.6**

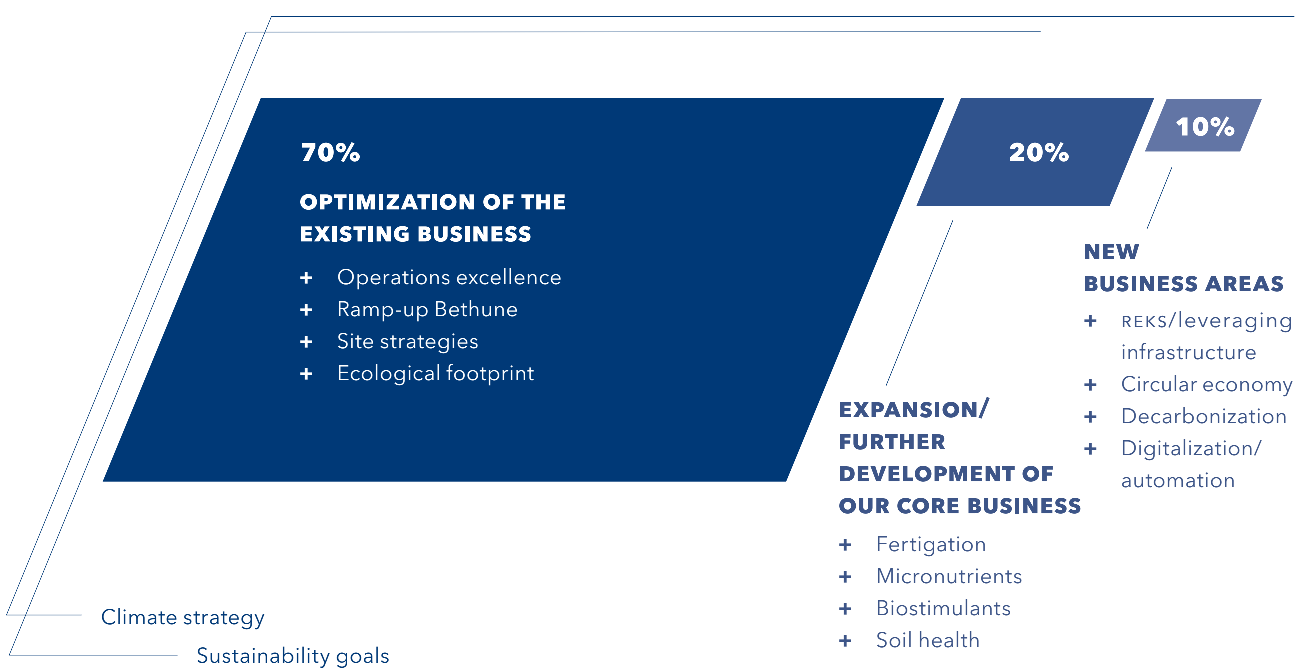
in € million	2020	2021
To employees (wages, salaries, social security)	895.2	885.3
To governments (taxes, levies)	5.0	100.1
To lenders (interest expense)	95.7	98.4
To shareholders (dividend)[1]	–	38.3
To the Company (retained earnings/loss carried forward and other)	-1,920.9	2,183.0
Value added	**-925.0**	**3,305.1**

[1] In 2021, the figure corresponds to the proposed dividend.

CORPORATE STRATEGY

In fall of 2020, we developed a new mission statement and initiated the corresponding revision of the corporate strategy. This process was largely performed without external consultants. The new strategy was approved by the Supervisory Board in late summer 2021 and communicated internally in the following weeks. At the Capital Markets Day, we presented our strategy in detail externally: Our strategic focus is on our core business with potash and magnesium products. Three focal points characterize our corporate strategy: We want to optimize our existing business, expand and further develop our core business, and establish new business segments. Our focus on environment, nature, and climate protection remains unchanged. Every business decision must align with our climate strategy and our sustainability goals. **B.7**

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



OPTIMIZATION OF THE EXISTING BUSINESS

At our Bethune and Zielitz sites, we produce potassium chloride as a standard product in an efficient manner. We are improving all processes at these sites in accordance with the strategic principle of cost leadership. Our goal is to continuously reduce production costs and increase competitiveness.

Our specialties are produced at the Werra and Neuhof sites. We will continuously optimize the product portfolio to serve our customers in the best possible manner. At the same time, our goal is to significantly reduce the carbon footprint in the manufacturing process. **B.8**

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

EXPANSION AND FURTHER DEVELOPMENT OF OUR CORE BUSINESS

Our products are of great importance for an ever-changing planet. High-yielding farmland is a prerequisite for feeding a growing world population, even under changing climatic conditions. We already supply the agricultural industry with numerous products to effectively increase yields and help farmers to meet challenges.

Our portfolio is set to develop even further. This may not only include adjacent nutrients and biostimulants, but also the further development of fertigation. Our water-soluble products already contribute to the cultivation of crops in hot and dry regions of the world – even in desert regions. Our nutrients are also an important growth driver for irrigation under film and glass. Our business model is supplemented by a comprehensive range of advisory and other services. In particular, digital services, such as digital platforms with partners providing direct sales to the farmer, our online store, as well as agronomic advice via webinars, will play an even stronger role in our business in the future. We will furthermore intensify our presence directly at the customer's site in selected markets. In expanding our core business, our primary focus is on organic growth and cooperation with strong partners.

NEW BUSINESS AREAS

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

OUR FINANCIAL TARGETS

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

+ On average, we want to earn our cost of capital over a 5-year cycle (ROCE > WACC).
+ Over this cycle, we also aim to achieve an average EBITDA margin of more than 20%.
+ From 2023, the Group as a whole as well as each plant will generate positive free cash flow – even in the event of temporarily low potash prices.
+ Our new dividend policy principally provides for a basic dividend of 15 cents per share. It can be increased by a discretionary amount in the event of good economic performance. Several additional factors are taken into account, in particular the balance sheet structure, expected business performance, as well as the development of adjusted free cash flow.

With our strategy, we have set the course for the coming years. We will continue to promote and initiate numerous measures and projects within these strategic guidelines. With passion and commitment!

www.kpluss.com/strategy

SITE STRATEGIES B.8

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

SUSTAINABILITY PROGRAM[1]

K+S is clearly committed to the sustainability issue. Our commitment focuses on three areas of action: Society & Employees, Environment & Resources, and Business Ethics & Human Rights.

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

We have set ourselves concrete sustainability goals & KPIs in underlying subject areas. We are constantly developing our sustainability management in dialogue with our stakeholders – locally at our sites and worldwide.

AREAS OF ACTIVITY OF THE K+S GROUP

We assess relevant topics and social trends for our Company systematically and promptly. The sustainability program of the K+S GROUP addresses the main sustainability issues and goes beyond them in the overarching areas of action. Following the divestment of the Americas operating unit, we newly identified the key sustainability issues of the K+S GROUP from the perspective of our stakeholders in 2021. In this process, the sustainability aspects from the Global Reporting Initiative "GRI Standards" guideline were evaluated. The findings indicate a clear focus on the Environment & Resources area with the topics of "Mining Residues Liquid & Solid" and "Energy & Climate". Our stakeholders also assigned high relevance to the "Health & Safety" and "Compliance" topics. Based on the results of the updated materiality analysis, we adjusted our sustainability goals & KPIs in 2021. Our sustainability wheel displays the main topics within which K+S has set concrete targets & KPIs in the inner circle. The areas of action in which K+S is committed are listed in the outer margin. **B.9**

OUR AMBITIOUS CLIMATE STRATEGY

We want to continue to actively promote the energy transition and support the goals of the Paris Agreement on Climate Change. For this purpose, we have introduced a climate protection fund. Specifically, we have set ourselves the goal of continuing to reduce our CO_2 emissions by 10% by 2030 compared with 2020. We have already significantly reduced our direct CO_2 emissions over the last three decades through the extensive deployment of highly efficient combined heat and power (CHP) technology and the associated switch from coal to natural gas, as well as extensive energy efficiency measures and capacity reductions. We are convinced that climate neutrality can be achieved by 2050. For K+S, this goal is very challenging and can only be reached under certain conditions. This urgently requires improvements in the energy industry and energy policy on the part of politicians. After all, energy must remain affordable for everyone and its price must not have a negative impact on our international competitiveness.

CONCRETE SUSTAINABILITY GOALS UP TO THE YEAR 2030

The definition of concrete goals up to 2030 and the regular reporting of performance indicators make our progress measurable. The targets adopted by the Board of Executive Directors were developed by the specialist units and the Sustainability Management unit and adjusted to the updated 2021 materiality analysis. Each member of the K+S Board of Executive Directors, furthermore, acts as a personal KPI sponsor of certain targets and actively drives their implementation. The current status of the achievement of the sustainability goals is reported internally on a quarterly basis. **B.10**

Combined Non-Financial Statement
Corporate Governance

K+S SUSTAINABILITY WHEEL **B.9**

K+S SUSTAINABILITY KPIS AND TARGETS 2030 **B.10**

Target	KPI[1]	Unit	Target value	2021	Deadline	Achievements of targets
SOCIETY & EMPLOYEES						
Health & Occupational Safety: Providing a healthy and safe work environment to protect our employees who are our most valuable asset.	Injury with lost time	LTI rate	0	11.3	Vision 2030	2%
Diversity & Inclusion: Recruit and develop a workforce that reflects the environment of our business locations. Promote an inclusive work environment that enables all employees to achieve their own success and contributes to innovation and business results.	Positive perception of an inclusive work environment by employees[2]	%	> 90	54.4	2030	60%
ENVIRONMENT & RESOURCES						
Resource efficiency: Discontinuation of the injection of saline wastewater from potash production in Germany by the end of 2021, no application for renewal.	Injection of saline wastewater in Germany[3]	million m³ p.a.	0	1.0	From January 2022	100%
Reduction of saline process water to be disposed of.	Additional reduction of saline process water to be disposed of from potash production in Germany[4]	million m³ p.a.	-0.5	0.6	2030	0%
Reduction of environmental burden and preservation of natural resources by reexamining the potential of residues previously stored on tailings piles.	Amount of residue used for purposes other than tailings pile formation or avoided by increasing the yield of raw materials[5]	million t p.a.	3	0.2	2030	6%
	Additional covered tailings pile area	ha	155	10.1	2030	7%
Energy & Climate: Reducing the carbon footprint and improving energy efficiency to increase competitiveness.	Absolute CO_2 emissions in the K+S Group worldwide[6]	%	-10	-0.5	2030	5%
	Specific greenhouse gas emissions (CO_2) in logistics (kg CO_2e/t)	%	-10	-11.6	2030	100%
BUSINESS ETHICS & HUMAN RIGHTS						
Sustainable supply chains: Require our suppliers to adhere to a sustainable approach throughout their supply chains to align all business activities with our values.	Percentage of critical suppliers that have acknowledged the Supplier Code of Conduct of the K+S Group	%	100	86.6	End of 2025	87%
	Coverage of the purchasing volume by the Supplier Code of Conduct of the K+S Group	%	> 90	80.7	End of 2025	90%
Compliance & Anti-Corruption: Ensuring our 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.	Coverage of the K+S companies with a standardized compliance risk analysis[6]	%	100	25	End of 2023	25%

[1] The base year for our non-financial performance indicators is 2017.
[2] The first survey was conducted in 2019 (deviating base year), and the next survey is scheduled for 2022.
[3] At the end of 2021, the underground injection of saline wastewater was discontinued in Germany.
[4] Excluding a reduction due to the KCF plant and the end of production at Sigmundshall.
[5] Excluding a reduction due to the existing measure of immediate backfill.
[6] Deviating base year: 2020.

Four-year overview of the K+S GROUP on sustainability key figures

REPORT ON ECONOMIC POSITION

In the 2021 financial year, the K+S GROUP generated revenues from continuing operations of €3,213.1 million (2020: €2,432.1 million). EBITDA[1] from continuing operations amounted to €969.1 million (2020: €266.9 million) as a result of tangibly higher average revenues for potash and magnesium products as well as an above-average de-icing salt business; about €220 million of this amount was attributable to the one-off effect associated with the REKS transaction. Adjusted free cash flow from continuing operations reached €92.7 million (2020: €–109.9 million).

The overview of the business development as well as the disclosures on the earnings, financial, and net assets position refer to the **continuing operations** of the K+S GROUP, unless otherwise indicated. Due to its disposal with closing on April 30, 2021, the former Americas operating unit has already been reported as "discontinued operations" since the Q4/2020 reporting in accordance with IFRS 5. The income statement and cash flow statement had already been adjusted accordingly in the 2020 Annual Report for both 2020 and 2019. While in the statement of financial position as of December 31, 2020, the corresponding assets and liabilities were reported as held for sale for the first time, following the closing of the transaction on April 30, 2021, the statement of financial position as of June 30, 2021, then reflected all related effects for the first time.

OVERVIEW OF THE BUSINESS DEVELOPMENT

MACROECONOMIC ENVIRONMENT

The global economy was also noticeably affected by the COVID-19 pandemic in 2021. The economic effects, however, varied considerably from country to country.

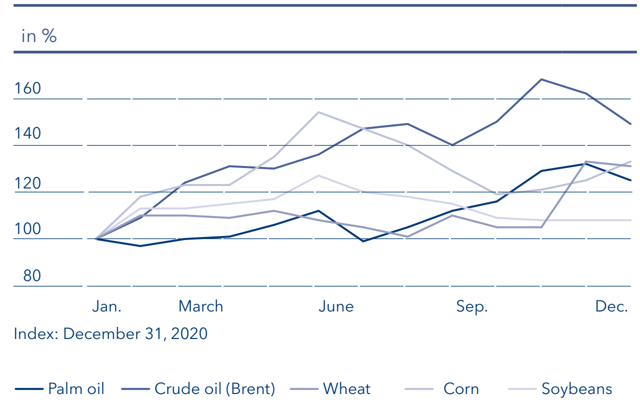
In countries with high vaccination rates, for example, higher incidence rates were tolerated in some cases during the summer months, without any intervention by policy makers in terms of measures limiting economic activity. Conversely, in many Asian countries – such as China – a renewed rise in the number of infections prompted a significant slowdown in economic activity. The impact on production in the United States and Europe was rather small.

[1] 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 changes in the fair value of operating forecast hedges recognized in prior periods. A reconciliation is provided on page 52.

The pandemic's direct impact was compounded by persistent supply bottlenecks, which led to restrictions on goods production and increased prices, intensifying inflationary pressures.

Developments on the energy markets were characterized by a significant rise in the price of gas, which was particularly pronounced in Europe. Supplies from Russia in the summer were insufficient here to restock inventories to normal levels ahead of the heating season. As a result, prices rose sharply with growing doubts about security of supply. The high gas prices also impacted the oil price, which was quoted at around USD 74 per barrel of Brent crude oil at the end of the year, around 50% higher year-on-year (December 31, 2020: USD 50). At around USD 70, the average price in 2021 was significantly higher than in the previous year (2020: USD 42).

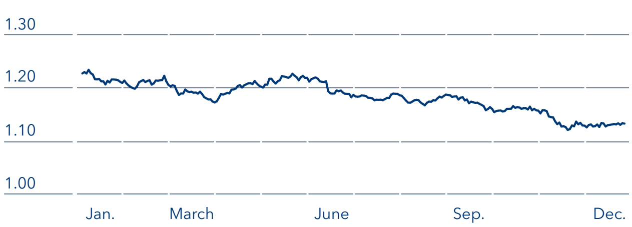
CHANGES IN COMMODITY PRICES ON A MONTHLY BASIS IN 2021 B.11



Source: World Bank

Prices of key agricultural commodities have risen since the beginning of 2021, in some cases sharply. Over the year as a whole, the price of corn rose by almost 33%, wheat by almost 31%, and soybeans by 8%. At the end of the year, the price of palm oil was 25% higher than at the start of the year, thus rising for the third year in a row. **B.11**

CHANGES IN THE EUR/USD EXCHANGE RATE IN 2021 B.12



Source: Bloomberg

The value of the US dollar was around 1.20 EUR/USD until the middle of the year, becoming stronger as the year progressed and closing at 1.13 EUR/USD (December 31, 2020: 1.23 EUR/USD). At 1.18 EUR/USD, however, it was weaker on average for the year than in the previous year (2020: 1.14 EUR/USD). **B.12**

IMPACT ON K+S

K+S also established crisis teams (task forces) in the second year of the COVID-19 pandemic, which permanently monitor and assess the situation while coordinating the necessary measures. At the producing sites, we maintained the extensive measures introduced in 2020 for minimizing 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. As part of the K+S vaccination campaigns, several thousand vaccination doses have been administered to employees and relatives at the German sites. K+S is therefore making an important social contribution to immunizing the population. Overall, production was not significantly affected and the supply chains were stable as a result of great effort and excellent cooperation between the Procurement department and the sites. In the year under review, EBITDA from continuing operations was burdened by the efficiency losses associated with the extensive measures to minimize infection risks from COVID-19, costs for testing, as well as the K+S vaccination campaigns at German sites, similar to the previous year, with an amount in the mid-double-digit million euro range.

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

+ The in some cases sharp rise in the prices of key agricultural commodities and the resulting yield prospects, also against the background of favorable currency conditions in certain regions, increased the incentive for farmers in the reporting period to increase yields per hectare by applying plant nutrients and increasing the area under cultivation overall.
+ The K+S GROUP's energy costs are particularly affected by the cost of purchasing natural gas. Nevertheless, our long-term oriented purchasing agreements at favorable conditions fundamentally provide us with greater independence from short-term market price developments. Overall, the K+S GROUP's energy costs from primary sources in the 2021 financial year were significantly higher than the previous year's level due to price and volume factors as a result of the sharp price increases on the spot markets.
+ The freight costs of the K+S GROUP are significantly influenced by the prices for sea freight, rail freight, inland waterway transportation, and truckload shipments. As a result of higher crude oil prices and lower availability of freight space, mainly for overseas containers and bulk ships, freight rates have risen significantly. In the 2021 financial year, the freight costs of the K+S GROUP were also significantly above the level of the previous year due to both price and volume factors.
+ Foreign currency hedging system: Due to the hedging instruments used, the exchange rate in the 2021 financial year including hedging costs averaged 1.15 EUR/USD. The average spot rate was 1.18 EUR/USD (2020: conversion rate 1.15 EUR/USD with an average spot rate of 1.14 EUR/USD).

Report on Financial Position

INDUSTRY-SPECIFIC ENVIRONMENT

AGRICULTURE CUSTOMER SEGMENT

Demand in the Agriculture customer segment was very strong in all sales regions in the reporting period. Producers reported high capacity utilization rates. Early shaft closures by North American competitor MOSAIC at the beginning of June 2021 resulted in a 1 million tonne reduction in production volumes until March 2022. The EU and US sanctions imposed or announced against Belarus in the middle of the year had an additional strengthening effect. Potash prices rose sharply to a 13-year high in the course of the second half of the year. The strongest increase was recorded in Brazil and North America, followed by other overseas markets such as Southeast Asia. In Europe, too, selling prices increased tangibly. Prices for our fertilizer specialties also increased tangibly, with a certain time lag. Although prices for other input materials used by farmers have also increased significantly since the beginning of 2021, global potash demand remained high in the second half of the year due to the good earnings situation for farmers. Overall, we expect that in 2021 as a whole, the record world potash sales volume from 2020 of around 77 million tonnes can be roughly achieved again (including around 5 million tonnes of potassium sulfate and potash grades with lower mineral content). After the high demand in 2020 was met not only from available production volumes but also from stocks, a further increase in global sales volumes in 2021 was hardly possible in terms of capacity.

INDUSTRY+ CUSTOMER SEGMENT

The Industry+ customer segment, with its wide range of product applications, was characterized by a positive overall demand trend. Demand from the chemical industry increased significantly due to the economic situation. Products for the food and animal nutrition industries, for other industrial applications, and in the waste management sector also recorded higher demand year-on-year. Demand for products for the oil and gas as well as the pharmaceutical industries improved following the weaker prior-year period influenced by the pandemic. Consumer product demand remained at a high level following the strong prior-year period.

Sales volumes of the de-icing salt business rose sharply. The snowy winter in Europe at the beginning of the year had a positive impact on demand for the year as a whole and also had a positive effect on tenders for the 2021/2022 winter season; the weather in the fourth quarter also provided for an above-average de-icing salt business.

KEY EVENTS AFFECTING THE BUSINESS DEVELOPMENT

+ The development of agricultural and potash markets and prices described under the industry-specific environment also had a positive impact on sales volumes in the Agriculture customer segment (2021 sales volumes: 7.6 million tonnes; 2020 sales volumes: 7.3 million tonnes) and resulted in a significantly higher average price in our product portfolio of the Agriculture customer segment (2021 average price: €298/t; 2020 average price: €233/t).
+ On April 30, 2021, K+S AKTIENGESELLSCHAFT successfully completed the sale of its American salt business, which was bundled in the former Americas operating unit, to STONE CANYON INDUSTRIES HOLDINGS LLC (SCIH), MARK DEMETREE AND PARTNERS. Net proceeds amounted to €2.6 billion and the book gain was €742 million. This represents the most significant milestone in the package of measures to rapidly and significantly reduce K+S' debt. Immediately after the closing and the receipt of the purchase price payment, K+S repaid financial liabilities amounting to more than €1.1 billion. A bond buy-back program and the repayment of the bond maturing in December 2021 reduced outstanding financial liabilities by a further €1 billion as of December 31, 2021. Net financial liabilities to EBITDA improved significantly to 0.6 times (2020: 7.2 times; based on continuing and discontinued operations). Adjusted for the effects from the REKS joint venture, the ratio would be 0.9.
+ With the closing of the REKS joint venture, completed on December 22, 2021, K+S and REMEX, a subsidiary of the REMONDIS GROUP, aim to tap into the attractive and rapidly growing European market for the recycling and disposal of waste as well as the realization of sustainable waste management solutions. As a result of the sale of the K+S shares in REKS, which is to be consolidated at equity, K+S generated a one-off gain of €219.2 million in the fourth quarter of 2021. At the same time, a total cash inflow of about €90 million before tax was generated.
+ Feasibility studies for planned tailings pile covering procedures, which are now available, led to a reversal of mining provisions in the amount of €57.9 million with an effect on earnings. This was offset by the usual additions, so that the EBITDA effect of the change in mining provisions totaled €+9 million. In the financial result, positive interest effects from the reversal of mining provisions more than offset negative effects from the change in the discount rate for mining provisions. The effect on adjusted Group earnings after tax was around €+48 million.
+ Impact of the COVID-19 pandemic: The efficiency losses, costs for testing, as well as the K+S vaccination campaigns described on page 45 had an overall negative EBITDA impact in the mid-double-digit million range. Production volume

losses were included in the determination of efficiency losses. Overall, production was not significantly impacted and supply chains were stable.

+ As a result of the wintry weather in the first and fourth quarter, sales volumes of de-icing salt in the 2021 financial year increased to 3.18 million tonnes following the historically mild winter in the previous year (2020 sales volumes: 0.9 million tonnes; normal year: 2.0 to 2.5 million tonnes) and also had a positive impact on tenders for the 2021/2022 winter season.
+ Adjusted free cash flow from continuing operations was impacted by a number of special effects in the 2021 financial year: payments associated with the bond buy-backs, cash outflows in the mid-double-digit millions related to the restructuring of the administration, reduction in factoring volumes, and higher tied-up capital due to the rapid increase in prices for potash fertilizers. Nevertheless, a notable positive amount of €92.7 million was generated; this includes the cash inflow from the REKS transaction of around €90 million.
+ The regular impairment test for the Potash and Magnesium Products cash-generating unit in accordance with IFRS may result in significantly different values due to changes in assumptions about individual influencing factors, such as selling prices and sales volumes, the cost of capital, energy and freight costs, or exchange rates. These changes in value affect adjusted Group earnings after tax and ROCE, but do not lead to a change in liquidity and do not affect EBITDA. In the 2021 financial year, adjusted Group earnings after tax were positively impacted accordingly by an impairment reversal of €1.70 billion. This is attributable, in particular, to a significantly more optimistic long-term assumption for the potash business and the associated price development, which more than offset negative effects resulting from a higher cost of capital compared with December 31, 2020. The non-cash impairment loss for 2020 was, therefore, fully reversed.
+ The GERMAN FINANCIAL REPORTING ENFORCEMENT PANEL E.V. (FREP/"DPR") issued its final examination findings to K+S on November 25, 2021 in the procedure for the examination of the consolidated financial statements of K+S as of December 31, 2019, together with the associated Group management report, as well as the condensed consolidated financial statements as of June 30, 2020, together with the associated interim management report. In the opinion of K+S, the final findings do not give rise to any need to adjust the book values of the Potash and Magnesium Products cash-generating unit ("CGU Potash") in the aforementioned financial statements. With regard to the consolidated financial statements as of December 31, 2019, the FREP's findings are as follows: *"In the consolidated financial statements of K+S AG as of December 31, 2019, material assumptions, changes in assumptions, judgments, and estimation uncertainties in connection with the impairment test of the Potash and Magnesium Products cash-generating unit (CGU Potash) were not adequately reported. The net assets of the CGU Potash in the amount of €5,428.3 million (51.3% of the consolidated balance sheet total) mainly consist of property, plant, and equipment of the Bethune potash plant in Canada. In particular, it was not stated that for this plant, for the first time, not only the reported reserves, but also 40% of resources were used in determining the value in use, which – unlike reserves – have not yet been proven with sufficient certainty or are not yet economically recoverable at the time under consideration. Furthermore, no reference was made to the extension of the term used as a basis for this plant, which more than doubled to approx. 150 years (perpetuity) as a result of the consideration of resources. Instead, the statement in the notes to the consolidated financial statements that the operating lives of the CGU are determined by the raw material reserves does not indicate that resources have been taken into account. The future expansion of the maximum production capacity in Bethune from 2.86 mt/a to 4.0 mt/a, which was assumed for the first time in the impairment test, was also not reported. In this way, the comparability required of IFRS financial statements in accordance with IAS 1.1 is not established. There is a breach of IAS 1.122 and IAS 1.125, according to which the discretionary decisions associated with the accounting methods applied, as well as significant assumptions and estimation uncertainties, must be disclosed in the notes to the consolidated financial statements. In addition, IAS 1.31 in conjunction with IAS 36.132 also require that an entity shall consider additional disclosures if the effects of events and conditions on the financial position would otherwise not be understandable to the users of the financial statements."* With regard to the condensed consolidated financial statements as of June 30, 2020, the FREP's findings are as follows: *"1. For the interim financial statements of K+S AG as of June 30, 2020, no impairment test was carried out for the net book value of the Potash and Magnesium Products cash-generating unit (in the amount of €5,196.8 million, 51.7% of the consolidated balance sheet total), although there were indications that the net assets could be impaired. Indications were, in particular, the negative potash price development as well as the further decline of the market capitalization below the net assets of the Company. The failure to carry out an impairment test is in breach of IAS 36.9 in conjunction with IAS 36.12 and IAS 34.28. 2. In the interim management report of K+S AG for the first half*

of 2020, material events, and their effects on the financial position, as well as their development were not presented with sufficient clarity. In particular, it is not expressed that the free cash flow of €166.2 million generated in the first half of 2020 is fully attributable to non-operational measures, mainly to factoring introduced in 2020 as a working capital management measure. This violates Section 115 (4) of the German Securities Trading Act (WpHG) in conjunction with. GAS 16,40 et seq. (e.g., GAS 16.41, internal events g))." The proceedings have now been terminated at the FREP and BaFin.

COMPARISON OF ACTUAL AND FORECAST BUSINESS DEVELOPMENT

EARNINGS FORECAST

The EBITDA level for 2021 anticipated in the 2020 Annual Report was significantly exceeded: Due to improved general conditions at the beginning of the year as well as the measures to streamline administration, we had initially expected EBITDA from continuing operations of the K+S GROUP – excluding the forecast earnings effect from the REKS joint venture of about €200 million – to range between €240 million and €340 million in March (2020: €267 million). We increased this assessment to an EBITDA range of €300 million to €400 million on May 11, 2021, due to the recovery of overseas potassium chloride prices already observed in the first quarter, a weather-related strong de-icing salt business, and the expectation of a resulting improvement in the early-fills business. The continued positive price trend in the Agriculture customer segment resulted in an increase in our EBITDA forecast to between €500 million and €600 million in August and around €630 million (excluding the REKS transaction) in November. We forecasted the effect in connection with the REKS transaction, which was closed on December 22, 2021, at around €200 million, so that including this effect EBITDA was expected to amount to €830 million. Following the higher earnings effect of around €20 million from the REKS transaction, EBITDA from continuing operations reached a total of €969.1 million including the REKS transaction and €749.9 million excluding the REKS transaction, thereby once again exceeding the most recent forecast due to higher average prices in Q4/2021 in the Agriculture customer segment and higher volumes of de-icing salt at the end of the year as a result of weather conditions. This also included reversal effects on mining provisions affecting earnings due to feasibility studies now available for planned tailings pile covering processes. This was communicated in an ad hoc release on February 4, 2022.

For adjusted Group earnings after tax from continuing operations, a strong increase to a positive value was forecast in the 2020 Annual Report for 2021 (2020: €–1,920.9 million). In 2020, this figure was clearly negative against the backdrop of the impairment loss on assets. In the Half-Year Financial Report, we could already raise this forecast to a value in the mid three-digit million range due to the positive business development as well as reversals of impairment losses in the first two quarters. As a result of the positive development of the potash business and the associated price trend, the non-cash impairment loss for the third quarter of 2020 was fully reversed as of September 30, 2021. As a result, our forecast in the Q3/21 Quarterly Report for adjusted Group earnings after tax from continuing operations amounted to a good €1.7 billion. Adjusted Group earnings after tax in the reporting year were €2,221.3 million and even exceeded this figure.

For adjusted Group earnings after tax including discontinued operations we had initially forecast a sharp increase to a figure in the mid three-digit million range as part of the successful sale of the Americas operating unit effective April 30, 2021, which resulted in a disposal gain of €742 million and a cash inflow of around €2.6 billion. In the Q3/21 Quarterly Report, we increased this forecast in line with adjusted Group earnings after tax from continuing operations to a good €2.6 billion. Adjusted Group earnings after tax including discontinued operations came to €3,086.5 million in the reporting year and even exceeded this figure.

Key Events affecting the Business Development

We expected return on capital employed (ROCE) from continuing operations to rise sharply to a positive figure again in March 2021 following the impairment in 2020 (2020: –33.5%). This expectation was substantiated to a forecast of more than 30% following the full impairment reversal as of September 30, 2021. ROCE amounted to 41.3% in the reporting year. **B.13**

TARGET/ACTUAL COMPARISON OF CONTINUING OPERATIONS 2021 **B.13**

		ACTUAL 2020	Forecast 2020 Annual Report (incl. REKS)	Forecast Q1/2021 (incl. REKS)	Forecast H1/2021 (incl. REKS)	Forecast 9M/2021 (excl. REKS)	ACTUAL 2021 (incl. REKS)
K+S Group							
EBITDA[1]	€ million	266.9	440 to 540; of which: 200 REKS (one-off)	500 to 600; of which 200 REKS (one-off)	700 to 800; of which around 200 REKS (one-off)	around 630; without 200 REKS (one-off)	969; of which 219 REKS (one-off)
Capital expenditures[2]	€ million	427.6	unchanged	unchanged	unchanged	< 400	334.3
Group earnings after tax, adjusted[3]	€ million	–1,920.9	strong increase, positive figure	strong increase, positive figure	strong increase to a value in the mid three-digit million range	a good €1.7 billion	2,221.3
Group earnings after tax, including discontinued operations, adjusted	€ million	–1,802.5	strong increase to a value in the mid three-digit million range	strong increase to a value in the mid three-digit million range	strong increase to well over €1 billion	a good €2.6 billion	3,086.5
Adjusted free cash flow	€ million	–109.9	significantly negative, below 2020 level	negative, below 2020 level	negative, approx. at 2020 level	roughly balanced; excl. REKS	92.7
Adjusted free cash flow, including discontinued operations	€ million	-42.2	> €2 billion	significantly > €2 billion	significantly > €2 billion	significantly > €2 billion	2,691.0
ROCE	%	–33.5	strong increase, positive	strong increase, positive	strong increase, positive	> 30	41.3
EUR/USD exchange rate	EUR/USD	1.14	1.20	1.20	1.20	1.20	1.18
Sales volumes of the Agriculture customer segment	million tonnes	7.3	> 7.5	> 7.5	> 7.5	> 7.5	7.6
Average price in the Agriculture customer segment	€/t	233.1	slight increase compared to FY 2020	moderate increase compared to FY 2020	significant increase compared to FY 2020	significant increase compared to 9M/2021 (260)	298
Sales volume de-icing salt	million tonnes	0.91	> 2.5	> 2.6	> 2.6	> 2.6	3.2

[1] Earnings before income taxes, interest, 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, changes in the fair value of realized operating forecast hedges recognized in prior periods.
[2] Relates to cash-effective investments in property, plant, equipment and intangible assets, excluding lease additions in accordance with IFRS 16.
[3] The adjusted key figures include the result from operating anticipatory hedging transactions in the respective reporting period; effects from changes in the fair value of hedging transactions are eliminated. The effects on deferred and cash taxes are also adjusted; tax rate 2021: 30.2%.

CASH FLOW FORECAST

Our goal is to optimize each plant, even in the event of temporarily low potash prices and below-average winters, in such a way that positive free cash flow can nevertheless be generated for the K+S GROUP as a whole as well as for each individual plant. While at the beginning of 2021, adjusted free cash flow from continuing operations was still expected to be clearly negative (2020: €–109.9 million), this forecast could be adjusted again and again due to the clearly positive market development, so that with the announcement of the Q3/21 figures, we assumed a balanced free cash flow for 2021 without the cash inflow from the REKS transaction. Adjusted free cash flow amounted to €92.7 million in the reporting year; €88.6 million of this was attributable to the REKS transaction (before taxes, payment of which is expected for 2022). Here, too, the last forecast was, therefore, exceeded. Lower cash outflows for capital expenditures were offset by lower utilization of the factoring program. At €334.3 million, the volume of capital expenditure was lower than in the previous year (2020: €427.6 million), also due to delivery delays, although we had still assumed an unchanged level in our initial forecast and less than €400 million in November.

FORECAST OF NON-FINANCIAL PERFORMANCE INDICATORS

Lost Time Incident Rate (LTI rate)

In the 2020 Annual Report, we forecasted that the LTI rate for 2021 would remain roughly stable compared with 2020 (2020: 8.8; continuing operations only). Despite numerous measures introduced, however, the figure has increased to 11.3.

Reduction of saline process waters in Germany

For the 2021 financial year, we expected a slight reduction in the disposal of saline process waters in Germany compared to 2020 (2.9 million m³). At 3.3 million m³, we were not successful in achieving this due to increased production output, a different crude salt composition than expected, and a changed product mix. Overall, the Company has set itself the target of reducing the saline process water to be disposed of from potash production in Germany by 500,000 m³ by 2030 compared with 2017 (2.7 million m³). Compared with the 2017 reference year, however, the saline process waters to be disposed of initially increased moderately due to production increases. Nevertheless, we are committed to our target and are optimistic of achieving the reduction.

Sustainable supply chains

In the 2020 Annual Report, we anticipated the recognition rate of the Code of Conduct by our suppliers in relation to our purchasing volume to remain roughly stable in 2021 (recognition rate 66.8%, continuing operations only). In 2021, it finally amounted to 80.7% and was, therefore, once again significantly improved.

For 2021, we announced in the 2020 Annual Report that we would continue to improve the recognition rate of the Code by our critical suppliers (recognition rate 2020: 77.4%, based on continuing operations). This was achieved with a recognition rate of 86.6%.

EARNINGS POSITION

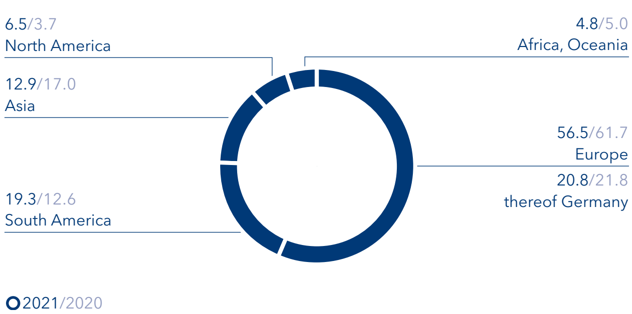
REVENUES

In the 2021 financial year, revenues of the K+S GROUP from continuing operations amounted to €3,213.1 million, compared with €2,432.1 million in the previous year. Significantly higher average prices and slightly higher sales volumes for potash and magnesium products as well as a strong increase in demand in the de-icing salt business resulted in this development. **B.14, B.15, B.16**

The breakdown of revenues by region changed due to shifts in volumes from China and India to Brazil and the US. We continued to generate the largest share of revenues in Europe with just under 57%, followed by South America with around 19%. Asia and North America accounted for 13% and 7% of our total sales, respectively. **B.14**

REVENUES BY REGION **B.14**

in %



VARIANCE COMPARED TO PREVIOUS YEAR **B.15**

in %	2021
Change in revenues	**+32.1**
– volume-/structure-related	+14.0
– price-/pricing-related	+19.4
– currency-related	-1.3
– consolidation-related	–

ORDER DEVELOPMENT

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

In the de-icing salt business, public-sector contracts are concluded through public tenders. As a rule, we participate in these 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 fell from €4,158.9 million to €734.0 million; adjusted for the portions of the non-cash impairment loss recognized in cost of goods sold in the previous year (€1,847.3 million) and the reversal of the impairment loss on non-current assets in 2021 (€1,811.3 million), there was an increase of €233.7 million to €2,545.3 million. This was particularly attributable to higher sales volumes of products in the Agriculture customer segment, of de-icing salt as well as higher logistics and energy costs, which significantly outweighed savings made as part of the restructuring of administration. Marketing and general administrative costs were reduced to €175.9 million in the year under review as a result of the restructuring of the administration, compared with €197.1 million in the previous year. Other operating income amounted to €351.3 million (2020: €176.3 million, benefiting from a one-off gain on contribution resulting from the deconsolidation of K+S BAUSTOFFRECYCLING

REVENUES FROM CONTINUING OPERATIONS BY QUARTER[1] **B.16**

in € million	2020	Q1/2021	Q2/2021	Q3/2021	Q4/2021	2021	%
K+S Group	**2,432.1**	**733.3**	**664.2**	**746.3**	**1,069.4**	**3,213.1**	**+32.1**
Share of total revenues (%)	–	22.8	20.7	23.2	33.3	100.0	–

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

GMBH in the amount of €55.6 million) due to the successful completion of the REKS transaction, and other operating expenses amounted to €196.0 million (2020: €191.4 million).

Notes (3), (4)

Income from investments amounted to €5.0 million (2020: €3.2 million). The result from operating anticipatory hedging transactions decreased to €–43.1 million in 2021 (2020: €42.4 million) due to the transactions concluded at a less favorable level compared to the EUR/USD spot rate.

The costs of materials, personnel, energy, and freight have a significant influence on the development of total costs. At €1,163.8 million, the cost of materials increased year-on-year due to both price and volume factors (2020: €1,038.5 million). In 2021, personnel expenses amounted to €885.3 million, down on the previous year (2020: €895.2 million, including €36.3 million for one-off additions to provisions in connection with the project to restructure the administrative functions). Freight costs increased to €529.6 million (2020: €404.8 million) due to price and volume factors. At €294.0 million, energy costs were higher than in the previous year (2020: €236.6 million), mainly due to price factors.

Notes (2)

EARNINGS PERFORMANCE IN THE PAST FINANCIAL YEAR

OPERATING EARNINGS EBITDA

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

At €969.1 million, EBITDA in the reporting year was significantly higher year-on-year (2020: €266.9 million) and includes a one-off gain of €219.2 million from the REKS joint venture. As already described in the development of revenues, this was due to significantly higher average prices and a strong increase in demand in the de-icing salt business. Higher energy and freight costs had a negative impact. **B.17, B.18**

EBITDA FROM CONTINUING OPERATIONS BY QUARTER[1,2] **B.17**

in € million	2020	Q1/2021	Q2/2021	Q3/2021	Q4/2021	2021	%
K+S Group	**266.9**	**126.0**	**111.4**	**120.7**	**611.0**	**969.1**	**> +100**
Share of total EBITDA (%)	–	13.0	11.5	12.5	63.0	100.0	–

[1] 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 forecast hedges recognized in prior periods.
[2] The quarterly figures constitute unaudited voluntary content not subject to the audit of the financial statements.

RECONCILIATION OF OPERATING RESULT AND EBITDA[1] **B.18**

in € million	2020	2021
Earnings after operating hedges	**–1,893.4**	**2,418.8**
Income (–)/expense (+) arising from changes in the fair value of outstanding operating anticipatory hedges	–37.3	31.0
Elimination of prior-period changes in the fair value of operating anticipatory hedges	–5.7	38.1
Earnings before operating hedges	**–1,936.4**	**2,487.9**
Depreciation and amortization (+)/impairment losses (+)/reversals of impairment losses (–) on non-current assets	2,209.6	–1,514.6
Capitalized depreciation[2] (–)	–6.3	–5.5
Impairment losses (+)/reversals of impairment losses (–) of investments accounted for using the equity method	–	1.3
EBITDA	**266.9**	**969.1**

[1] The figures relate to the continuing operations of the K+S Group.
[2] This relates to the depreciation of assets used in the production of other items of property, plant, and equipment. Depreciation is capitalized as part of the cost of production and is not recognized in profit or loss.

FINANCIAL RESULT

The financial result amounted to €7.0 million (2020: €–105.7 million) and was positively influenced by the reduction in net debt. Furthermore, exchange rate effects in the other financial result as part of liquidity management and interest effects from the reversal of mining provisions had a positive impact. All this more than offset negative effects from the change in the discount rate for mining provisions and negative effects in connection with the bond buy-back.

GROUP EARNINGS AND EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Group earnings after tax increased sharply to €2,173.0 million in the reporting year (2020: €–1,890.8 million) due to the one-off non-cash reversal of impairment losses on assets amounting to €1,811.3 million described on page 47. A domestic Group tax rate of 30.2% (2020: 30.1%) was used to calculate the expected income tax expense. Accordingly, earnings per share in the reporting year amounted to €11.35 (2020: €–9.88). As in the previous year, the calculation is based on an average number of outstanding shares of 191.4 million. **B.19, B.20**

Notes (11)

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.

RECONCILIATION OF ADJUSTED GROUP EARNINGS AFTER TAX FROM CONTINUING OPERATIONS **B.20**

in € million	2020	2021
Earnings after tax from continuing operations	**–1,890.8**	**2,173.0**
Income (–)/expense (+) arising from changes in the fair value of outstanding operating anticipatory hedges	–37.3	31.0
Elimination of prior-period changes in the fair value of operating anticipatory hedges	–5.7	38.1
Elimination of resulting deferred taxes and cash taxes	12.9	–20.8
Group earnings after tax from continuing operations, adjusted	**–1,920.9**	**2,221.3**

Adjusted Group earnings after tax from continuing operations amounted to €2,221.3 million (2020: €–1,920.9 million). Adjusted earnings per share from continuing operations reached €11.61 in the reporting year (2020: €–10.04). This was also based on 191.4 million no-par value shares.

As of December 31, 2021, we held no treasury shares. The total number of K+S AKTIENGESELLSCHAFT shares outstanding at the end of the year, therefore, remained unchanged at 191.4 million no-par value shares. Without taking into account the one-off, non-cash reversal of impairment losses in 2021 and the related effects on deferred taxes, adjusted Group earnings after tax from continuing operations would have amounted to €525.0 million and adjusted earnings per share from continuing operations would have been €2.74 (2020: €–159.4 million or €–0.83 per share; without taking into account the effects of the impairment of assets in 2020). **B.19**

EARNINGS PER SHARE **B.19**

	2020	Q1/2021	Q2/2021	Q3/2021	Q4/2021	2021	%
Earnings per share from continuing operations, adjusted, excluding impairment effects (€)	–0.83	0.26	0.05	–0.02	2.45	2.74	–
Earnings per share from continuing operations (€)	–9.88	1.13	0.78	6.64	2.80	11.35	–
Earnings per share from continuing operations, adjusted (€)[1]	–10.04	1.20	0.82	6.71	2.88	11.61	–
Earnings per share (€)	–8.96	0.95	5.28	6.61	2.75	15.59	–
Earnings per share, adjusted (€)[1]	–9.42	1.47	5.17	6.68	2.81	16.13	–
Average number of shares (millions)	191.4	191.4	191.4	191.4	191.4	191.4	–

[1] The adjusted key indicators include the result from operating anticipatory hedges in the respective 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 2021: 30.2% (2020: 30.1%).

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

AGRICULTURE CUSTOMER SEGMENT

In the Agriculture customer segment, revenues rose sharply to €2,272.1 million in the reporting year (2020: €1,701.5 million) due to significantly higher average prices and slightly higher sales volumes. Revenues in Europe in 2021 amounted to €956.1 million (2020: €831.6 million) and overseas to €1,316.0 million (2020: €869.9 million). In total, potassium chloride accounted for €1,349.3 million of revenues in the Agriculture customer segment (2020: €956.8 million) and fertilizer specialties for €922.8 million (2020: €744.7 million). **B.21, B.22, B.23**

Industry-Specific Environment

VARIANCE COMPARED TO PREVIOUS YEAR — **B.21**

in %	2021
Change in revenues	**+33.5**
– volume-/structure-related	+8.7
– price-/pricing-related	+26.5
– currency-related	–1.7
– consolidation-related	–

Sales volumes increased to a total of 7.62 million tonnes in 2021 (2020: 7.30 million tonnes). This was attributable to the continued very strong production performance at all sites, the ramp-up of the specialties business of SHENZHEN K+S TRADING CO. LTD., and favorable demand. In the year under review, 3.23 million tonnes were sold in Europe (2020: 3.16 million tonnes) and 4.39 million tonnes overseas (2020: 4.14 million tonnes). In total, potassium chloride accounted for 4.69 million tonnes of the sales volume (2020: 4.68 million tonnes) and fertilizer specialties for 2.94 million tonnes (2020: 2.62 million tonnes).

KEY INDICATORS AGRICULTURE CUSTOMER SEGMENT[1] — **B.22**

in € million	2020	Q1/2021	Q2/2021	Q3/2021	Q4/2021	2021	%
Revenues	**1,701.5**	**469.0**	**473.7**	**529.1**	**800.3**	**2,272.1**	**+33.5**
– thereof potassium chloride	956.8	252.5	278.1	324.4	494.3	1,349.3	+41.0
– thereof fertilizer specialties	744.7	216.5	195.6	204.7	306.0	922.8	+23.9
Sales volumes (in million tonnes)	**7.30**	**2.01**	**1.89**	**1.76**	**1.96**	**7.62**	**+4.4**
– thereof potassium chloride	4.68	1.24	1.21	1.09	1.14	4.69	+0.1
– thereof fertilizer specialties	2.62	0.77	0.68	0.67	0.81	2.94	+12.1

[1] 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[1,2] — **B.23**

		2020	Q1/2021	Q2/2021	Q3/2021	Q4/2021	2021	%
Revenues	**€ million**	**1,701.5**	**469.0**	**473.7**	**529.1**	**800.3**	**2,272.1**	**+33.5**
Europe	€ million	831.6	250.6	202.1	200.5	302.9	956.1	+15.0
Overseas	USD million	996.6	263.1	327.5	387.4	568.7	1,546.7	+55.2
Sales volumes	**million tonnes eff.**	**7.30**	**2.01**	**1.89**	**1.76**	**1.96**	**7.62**	**+4.4**
Europe	million tonnes eff.	3.16	0.97	0.77	0.69	0.80	3.23	+2.3
Overseas	million tonnes eff.	4.14	1.04	1.12	1.07	1.16	4.39	+6.0
Ø Price	**€/tonnes eff.**	**233.1**	**233.3**	**250.0**	**300.6**	**407.6**	**298.0**	**+27.9**
Europe	€/tonnes eff.	263.2	258.4	263.8	289.9	376.8	295.7	+12.3
Overseas	USD/tonnes eff.	240.3	253.0	292.8	362.6	490.4	352.4	+46.6

[1] Revenues include both prices incl. and excl. freight and are based on the respective EUR/USD spot rates for overseas revenues. Hedging transactions were concluded for the majority of these sales revenues. The stated prices are also influenced by the respective product mix and should therefore only be regarded as a rough indication.
[2] The quarterly figures constitute unaudited voluntary content not subject to the audit of the financial statements.

KEY INDICATORS INDUSTRY+ CUSTOMER SEGMENT[1] B.25

in € million	2020	Q1/2021	Q2/2021	Q3/2021	Q4/2021	2021	%
Revenues	730.6	264.3	190.5	217.2	269.1	941.0	+28.8
Sales volumes (in million tonnes)	5.31	2.43	1.53	1.73	2.22	7.91	+48.9
– thereof de-icing salt	0.91	1.35	0.29	0.65	0.89	3.18	> +100

[1] 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 in 2021 rose significantly to a total of €941.0 million (2020: €730.6 million); this was particularly due to strong demand in the de-icing salt business and the chemical industry as well as positive price effects for industrial potash. **B.24**

Industry-Specific Environment

VARIANCE COMPARED TO PREVIOUS YEAR B.24

in %	2021
Change in revenues	**+28.8**
– volume-/structure-related	+26.2
– price-/pricing-related	+2.9
– currency-related	-0.3
– consolidation-related	–

Overall, sales volumes of 7.91 million tonnes were significantly above the level of the previous year (2020: 5.31 million tonnes); as described for the development of revenues, this was mainly attributable to the strong increase in demand in the de-icing salt business. While sales volumes of consumer products remained more or less stable at a high level following the strong previous year, sales volumes of products for the food and chemical industries as well as in the areas of animal nutrition and industrial applications increased. Sales volumes of products for the oil and gas as well as pharmaceutical industries increased moderately compared with the weaker prior-year period due to COVID-19. **B.25**

KEY INDICATORS ON THE EARNINGS POSITION

MARGIN KEY INDICATORS

The key margin indicators developed as follows in the reporting year: Our EBITDA of €969.1 million resulted in an EBITDA margin (EBITDA/revenue) of 30.2%, compared with 12.0% in the prior-year period. Return on sales (adjusted Group earnings after tax/revenues) was 69.1% (2020: –48.7% due to one-off, non-cash impairment of assets). Excluding these effects in 2021 and 2020 and the associated impact on deferred taxes, the return on revenues would have been 16.3% (2020: –6.6%). **B.26**

MULTIPLE-PERIOD OVERVIEW OF MARGIN AND PROFITABILITY RATIOS[1] B.26

Ratios in %	2017	2018	2019	2020	2021
Gross margin[2]	33.4	15.6	17.1	-37.9	77.2
EBITDA margin	15.9	15.0	15.7	12.0	30.2
Return on revenues[3]	4.0	2.1	1.9	-48.7	69.1
Return on equity after tax[3]	3.3	2.1	1.8	-54.3	41.8
Return on total investments[3]	3.1	2.4	2.6	-20.1	28.9
Working capital	968.1	1,126.7	1,037.9	747.4	647.4
Operating assets (€ million)	7,377.6	7,464.0	8,140.6	6,090.6	6,738.6
Return on capital employed (ROCE)	3.2	2.6	2.3	-22.8	41.3
Weighted average cost of capital before taxes	8.5	8.4	8.6	9.4	9.7
Value added (€ million)	**-438.1**	**-500.8**	**-560.9**	**-2,576.5**	**1,903.4**

[1] For the years 2017 to 2020, the figures relate to the continuing and discontinued operations of the K+S Group. For the year 2021, the figures relate to the continuing operations of the K+S Group.
[2] The presentation of the income statement has been changed in line with the internal management structure and for the purpose of improving the industry benchmarking as of the 2018 financial year.
[3] The adjusted key indicators include the result from operating anticipatory hedges in the respective 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 2021: 30.2% (2020: 30.1%).

DERIVATION OF THE 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, 2021, this amounted to 0.1% (2020: –0.20%). The risk premium was calculated on the basis of a market risk premium of 7.75% (2020: 7.75%) and the beta factor derived from the peer group of 1.07 compared with the MSCI WORLD benchmark index. This results in an arithmetical return claim of 8.4% (2020: 8.7%) for the equity investors.

The average interest rate on debt before taxes was 3.3% (2020: 2.3%) and is derived from the rating of the peer group companies and a corresponding spread on the risk-free prime rate. After taking into account the normalized preliminary Group tax rate of 30%, this results in an average cost of debt after taxes of 2.33% (2020: 1.65%).

As of December 31, 2021, the debt-equity ratio calculated according to the peer group method was 35.8% (2020: 40.8%).

In total, this results in a weighted average cost of capital for the K+S GROUP, as well as for the individual operating units, of 6.8% (2020: 6.7%) after taxes. The corresponding cost of capital before taxes was 9.7% (2020: 9.4%). Based on an average capital employed of €6,025.8 million, this resulted in a pre-tax cost of capital of €584.5 million for 2021 (2020: €542.7 million).

PROFITABILITY RATIOS

Due to the one-off non-cash reversal of impairment losses on assets, the return on equity after taxes in the reporting year was 41.8% and the return on total investments 28.9% (return figures for 2020 not comparable, as only including discontinued operations). Excluding this effect and the related impact on deferred taxes, return on equity would have been 9.9% and return on total assets 9.4%. The derivation of the return on equity and the return on total assets is shown in tables **B.27** and **B.28**.

CALCULATION OF RETURN ON EQUITY[1] **B.27**

in € million	2021
Equity	5,297.4
Effects of fair value changes from operating anticipatory hedges	21.6
Adjusted equity as at Dec 31	5,319.0
Group earnings after tax, adjusted, excluding impairment effects	525.0
Return on equity, excluding impairment effects	**9.9%**
Group earnings after tax, adjusted	2,221.3
Return on equity[2]	**41.8%**

[1] The figures relate to the continuing operations of the K+S Group.
[2] In contrast to the reporting in previous financial years, the return on equity is based on adjusted equity as at December 31 to avoid distortions in the figure due to assets held for sale.

CALCULATION OF RETURN ON TOTAL INVESTMENTS[1] **B.28**

in € million	2021
Balance sheet total	8,736.2
Effects from fair value fluctuations	8.8
Effects from deferred tax	-30.2
Reimbursement claims and corresponding obligations	-
Adjusted balance sheet total as at Dec 31	8,714.8
Adjusted Group earnings before interest and tax, excluding impairment losses	822.4
Return on total investment, excluding impairment effects	**9.4%**
Adjusted earnings before interest and tax	2,518.7
Return on total investments[2]	**28.9%**

[1] The figures relate to the continuing operations of the K+S Group.
[2] In contrast to the reporting in previous financial years, the return on total investments is based on the adjusted balance sheet total as at December 31 to avoid distortions in the figure due to assets held for sale.

The return on capital employed (ROCE) of the K+S GROUP amounted to 41.3% in the year under review and was also positively influenced by the reversal of impairment losses (2020: –33.5%). Excluding this, ROCE amounted to 11.2% in the year under review and was, therefore, above our cost of capital of 9.7%. The K+S GROUP accordingly generated value added of €1,903.4 million in the past financial year. Excluding the reversal of impairment losses, the value added amounted to €92.1 million. **B.29**

CALCULATION OF ROCE **B.29**

in € million	2020	2021
ROCE = Earnings before operating hedges/capital employed (annual average)	**–33.5%**	**41.3%**
ROCE, excluding impairment effects	**–1.5%**	**11.2%**
Earnings before operating hedges	**–1,936.4**	**2,487.9**
Earnings before operating hedges, excluding impairment effects	**–89.1**	**676.6**
Intangible assets	83.2	79.9
Property, plant, and equipment	4,109.9	6,406.5
Investments in affiliated companies and other shareholdings	41.7	76.3
Financial assets accounted at equity	27.9	175.9
Operating assets	**4,262.7**	**6,738.6**
Inventories	483.5	496.5
Trade receivables	272.7	569.5
Other assets	358.2	230.0
Trade payables	–187.3	–186.9
Other liabilities	–439.6	–409.4
Current provisions	–248.5	–286.7
Working capital, adjusted[1]	163.7	234.3
Working capital	**402.8**	**647.4**
Capital employed (LTM)[2]	**5,773.2**	**6,025.8**

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

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

FINANCIAL POSITION

PRINCIPLES AND GOALS OF 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.

With a central cash management system, we control liquidity and optimize payment flows within the K+S GROUP. We aim to achieve an investment grade rating in the lower range in the long term to maintain our financing ability and achieve favorable capital costs for debt and equity. With the sale of the former Americas operating unit, we have already been able to reduce financial liabilities considerably and in this way achieve an initial rating improvement at STANDARD & POOR'S to B+ (outlook: stable). We manage our capital structure on the basis of the key performance indicators listed in table **B.30**.

K+S on the Capital Market

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 US dollar against the euro, impact the amount of our revenues and the equivalent value of our receivables. Key net positions (net revenues in US dollars less freight and other costs denominated in US dollars) are, therefore, hedged using derivatives, normally options, and forwards.

These hedging instruments protect us against a worst-case scenario, while at the same time giving us the opportunity to participate in a favorable exchange rate development. In 2021, the realized exchange rate of the euro against the US dollar averaged 1.15 EUR/USD incl. hedging costs (2020: 1.15 EUR/USD). **B.31**

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 Group companies determined in foreign currencies are translated into euros at average exchange rates with an effect on earnings and, on the other hand, their net assets are translated into euros at closing rates. The translations may result in currency-related fluctuations in the equity of the K+S GROUP. These translation risks arising from the conversion of foreign currency are not hedged.

KEY INDICATORS OF THE CAPITAL STRUCTURE[1] **B.30**

	2017	2018	2019	2020	2021
Net financial liabilities/EBITDA	5.2	5.3	4.9	7.2	0.6
Net financial liabilities (incl. all lease liabilities)/EBITDA	5.2	5.3	5.4	7.8	0.8
Net debt/equity (%)	99.5	107.2	101.6	209.5	34.1
Equity ratio (%)	42.7	41.6	42.4	26.5	60.6

[1] For the years 2017 to 2020, the figures relate to the continuing and discontinued operations of the K+S Group. For the year 2021, the figures relate to the continuing operations of the K+S Group.

CURRENCY HEDGING[1] **B.31**

	2020	Q1/2021	Q2/2021	Q3/2021	Q4/2021	2021
EUR/USD exchange rate after premiums	1.15	1.14	1.12	1.13	1.18	1.15
Average EUR/USD spot rate	1.14	1.20	1.21	1.18	1.14	1.18

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

CAPITAL EXPENDITURE ANALYSIS

We calculate our capital expenditures as follows: **B.32**

RECONCILIATION CAPITAL EXPENDITURES[1] **B.32**

in € million	2020	2021
Additions of other intangible assets and property, plant, and equipment	**559.7**	**609.5**
– Emission rights	27.0	10.7
– Leases	19.7	28.4
– Interest costs	11.2	12.1
– Capitalization of depreciation and amortization	6.1	5.8
– Recultivation	68.1	218.2
– Other	–	–
Capital expenditures	**427.6**	**334.3**

[1] The figures relate to the continuing operations of the K+S Group.

At €334.3 million, K+S's capital expenditure in 2021 was significantly below the previous year's level (2020: €427.6 million), also attributable to longer delivery times for required materials. A large part of this is due to maintenance investments, the ongoing cavern development in Bethune, as well as expenditures for tailings pile expansions, and environmental investments. In addition, as in the same period last year, K+S invested significant amounts to meet regulatory requirements. These include, for example, the purchase of mobile machines with state-of-the-art exhaust gas cleaning systems and, in part, electric drives, which replace older vehicles with higher emissions, to comply with occupational exposure limits in underground mine operations. Furthermore, capital expenditures were made in the development of a low-emission emulsion explosive and the improvement of the underground ventilation system. In the operating business, the focus was on an additional hot solution processing plant for industrial potash. **B.33, B.34**

Combined Non-Financial Statement, Environment

Combined Non-Financial Statement, Health

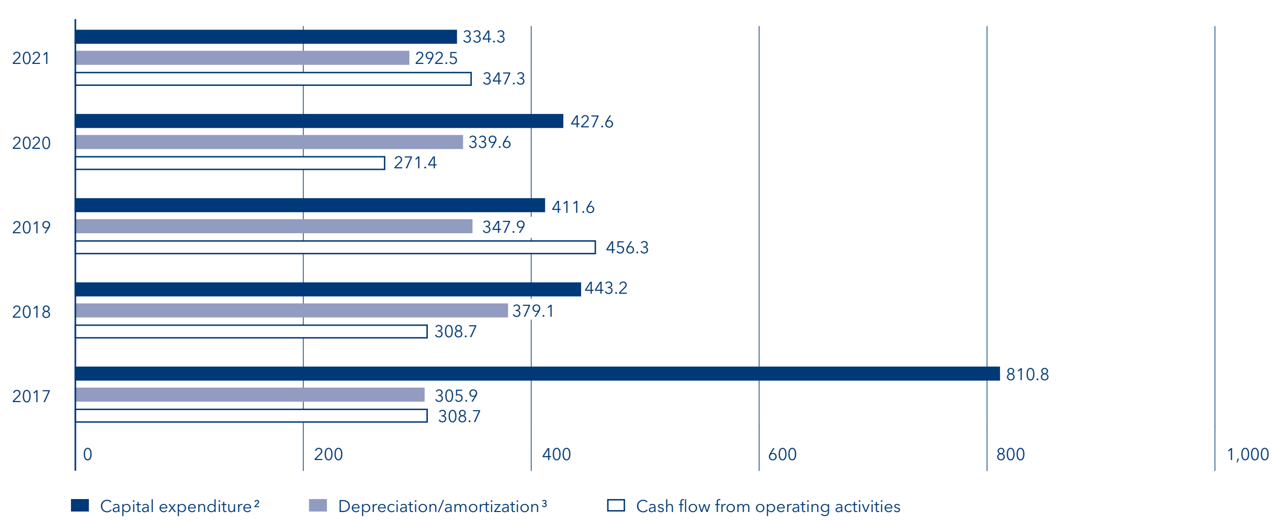
CAPITAL EXPENDITURE BY QUARTER[1,2,3] **B.33**

in € million	2020	Q1/2021	Q2/2021	Q3/2021	Q4/2021	2021	%
K+S Group	**427.6**	**48.1**	**86.7**	**87.8**	**111.7**	**334.3**	**-21.8**
Share of capital expenditure (%)	–	14.4	25.9	26.3	33.4	100.0	–

[1] Relates to cash-effective investments in property, plant, and equipment and intangible assets, taking into account reimbursement claims from subsequent claims management, excluding lease additions in accordance with IFRS 16. (Please refer to **B.32** for reconciliation).
[2] The quarterly figures constitute unaudited voluntary content not subject to the audit of the financial statements.
[3] The figures relate to the continuing operations of the K+S Group.

CAPITAL EXPENDITURES COMPARED TO DEPRECIATION AND AMORTIZATION, AND CASH FLOW FROM CONTINUING OPERATIONS[1] **B.34**

in %



[1] For the years 2019 to 2021, the figures relate to the continuing operations of the K+S Group. For the years 2017 to 2018, the figures relate to the continuing and discontinued operations of the K+S Group.
[2] 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.32** + capital expenditure of discontinued operations amounting to €98.4 million).
[3] 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.

At the end of the year, there were economic capital expenditure obligations for investment projects not yet completed amounting to €117.1 million.

LIQUIDITY ANALYSIS

In the 2021 financial year, cash flow from operating activities increased to €347.3 million, compared with €271.4 million in the previous year. The improvement in EBITDA more than offset the higher level of funds tied up in working capital, the cash outflow in the mid-double-digit million range as part of the restructuring of the administrative functions, and payments in connection with the bond buy-back. Moreover, the prior-year period benefited from the first-time utilization of the factoring program, which was used to a lesser extent in the reporting year (December 31, 2021: €120.7 million; December 31, 2020: €191.2 million).

In the reporting year, adjusted cash flow from investing activities amounted to €–254.6 million, compared with €–381.3 million in the prior-year period. In addition to lower capital expenditures due to delivery delays, the cash inflow from the REKS transaction had a positive effect of €88.6 million (tax payment still outstanding), after the prior-year period benefited from the receipt of the purchase price payment from the deconsolidation of K+S REAL ESTATE GMBH & CO. KG.

Overall, adjusted free cash flow (excluding acquisitions/disposals of securities and other financial investments) amounted to €92.7 million, compared with €–109.9 million in the prior-year period.

Cash flows from financing activities from continuing operations amounted to €–2,190.9 million in the reporting year (2020: €77.1 million) as a result of the extensive repayment of financial liabilities from the proceeds generated by the sale of the Americas operating unit. **B.35**

As of December 31, 2021, net cash and cash equivalents amounted to €382.6 million (December 31, 2020: €197.4 million).

FINANCING ANALYSIS

As of December 31, 2021, 89% of financing was provided by equity and non-current liabilities, which in turn consisted primarily of bond liabilities (December 31, 2020: 72%). Provisions also account for a large proportion of debt.

REVERSAL OF IMPAIRMENT LOSSES ON ASSETS SIGNIFICANTLY INCREASES EQUITY

As of the balance sheet date, equity increased to €5,297.4 million, compared with €2,222.6 million in the previous year. The equity ratio also increased to 60.6% (December 31, 2020: 26.5%) against the background of the one-off, non-cash reversal of impairment losses on assets.

DEBT RATIO DOWN SIGNIFICANTLY

Non-current liabilities including non-current provisions decreased to €2,443.3 million as of December 31, 2021 (December 31, 2020: €3,427.8 million) as part of the significant debt reduction following the sale of the Americas operating unit. As a result, non-current liabilities accounted for 28.0% of total assets (December 31, 2020: 40.9%). The coverage ratio II (equity and non-current liabilities in relation to non-current assets) was 113% at the end of the year. **B.37, B.38**

Current liabilities decreased to €995.5 million as of December 31, 2021 (December 31, 2020: €2,330.1 million). In the previous year, "Liabilities associated with assets held for sale" were fully allocated to current liabilities as part of the sale of the former Americas operating unit. This reduces the share of total assets to 11.4% as of December 31, 2021 (December 31, 2020: 32.6%).

Notes, Balance Sheet

OVERVIEW OF CASH FLOWS[1] **B.35**

in € million	2020	2021	%
Cash flow from operating activities	**271.4**	**347.3**	+28.0
Cash flow from investing activities	**-376.3**	**-519.4**	+38.0
Free cash flow	**–104.9**	**–172.1**	+64.1
Adjustment for acquisitions/disposals of securities and other financial investments (relates to continuing operations only)	–5.0	264.8	–
Adjusted free cash flow	**–109.9**	**92.7**	**–**

[1] The figures relate to the continuing operations of the K+S Group.

NET DEBT[1] **B.36**

in € million	Dec 31, 2020	Dec 31, 2021
Cash and cash equivalents	142.3	390.8
Non-current securities and other financial investments	6.0	18.4
Current securities and other financial investments	7.0	213.5
Financial liabilities	-3,369.2	-1,191.0
Lease liabilities from finance lease contracts	-66.3	-38.0
Net financial liabilities	**-3,280.3**	**-606.3**
Lease liabilities excluding liabilities from finance lease contracts	-174.9	-168.3
Net financial liabilities (including all lease liabilities)	**-3,455.2**	**-774.6**
Provisions for pensions and similar obligations	-110.3	-16.0
Non-current provisions for mining obligations	-926.0	-1,017.4
Net debt	**-4,491.4**	**-1,808.0**

[1] The figures relate to the continuing operations of the K+S Group.

FINANCIAL LIABILITIES

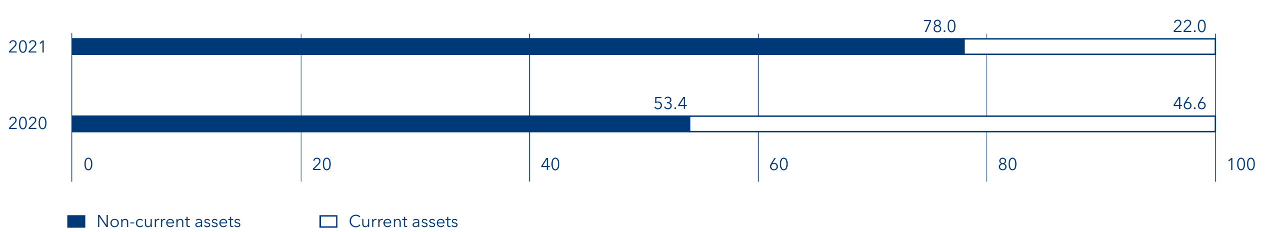
As of December 31, 2021, financial liabilities amounted to €1,191.0 million (December 31, 2020: €3,369.2 million). After receiving the cash inflow from the sale of our former Americas operating unit, financial liabilities were significantly reduced in particular as part of a bond buy-back in summer 2021, through the scheduled repayment of the bond maturing in December 2021, and through the repayment of bank loans and further promissory notes. Our remaining long-term debt is largely attributable to the outstanding portions of the corporate bonds issued in June 2012, March 2017, and July 2018. **B.36**

PROVISIONS

The non-current provisions of the K+S GROUP's continuing operations relate in particular to mining obligations as well as pensions and similar obligations.

ASSETS[1] **B.37**

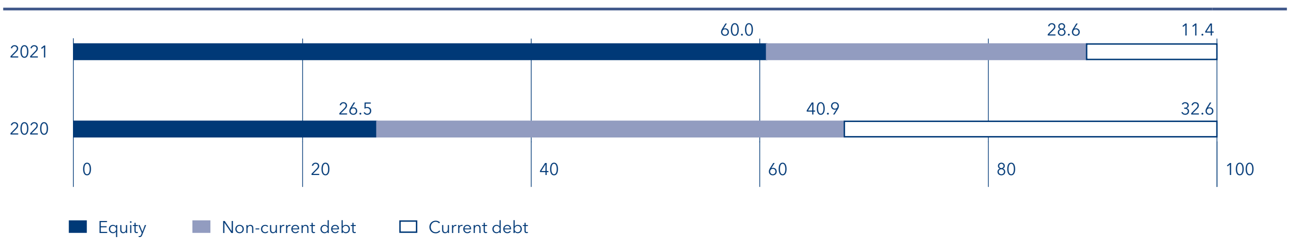
in %



[1] In the 2020 financial year, the assets of the former Americas operating unit were reported as "Assets held for sale" under current assets.

EQUITY AND LIABILITIES[1] **B.38**

in %



[1] In the 2020 financial year, the liabilities of the former Americas operating unit were reported as "Liabilities associated with assets held for sale" under current liabilities.

MULTIPLE-PERIOD OVERVIEW OF THE FINANCIAL POSITION[1] B.39

in € million	2017	2018	2019	2020	2021
Equity	4,160.7	4,144.1	4,495.1	2,222.6	5,297.4
Equity ratio (%)	42.7	41.6	42.4	26.5	60.6
Non-current liabilities	4,240.2	4,528.4	4,721.1	3,834.7	2,443.3
– thereof provisions for pensions and similar obligations	166.4	187.0	232.2	224.9	16.0
– thereof provisions for mining obligations	1,000.0	1,015.1	910.6	946.9	1,017.4
Non-current provisions as share of total equity and liabilities (%)	12.0	12.1	12.4	16.1	13.7
Current liabilities	1,353.5	1,293.7	1,376.0	2,330.1	995.5
– thereof trade payables	288.4	239.7	241.3	305.6	186.9
Financial liabilities	3,021.7	3,283.3	3,398.9	3,369.2	1,191.0
Net financial liabilities	2,974.1	3,241.5	3,116.6	3,217.4	606.3
Net debt	4,140.5	4,443.6	4,565.7	4,656.8	1,808.0
Debt-equity ratio (%)[2]	72.6	79.2	75.6	151.6	22.5
Debt-equity ratio II (%)[3]	99.5	107.2	101.6	209.5	34.1
Working capital	968.1	1,126.7	1,037.9	747.4	647.4
Net cash flow from operating activities	306.8	308.7	639.8	428.5	347.3
Adjusted free cash flow	–356.7	–204.0	139.7	–42.2	92.7
Net cash flow from/(used in) financing activities	411.5	187.3	11.0	–79.9	–2,190.9

[1] For the years 2017 to 2020, the figures relate to the continuing and discontinued operations of the K+S Group. For the year 2021, the figures relate to the continuing operations of the K+S Group.
[2] Financial liabilities/equity.
[3] Net debt/equity.

Provisions for non-current mining obligations increased to €1,017.4 million as of the balance sheet date (December 31, 2020: €926.0 million), in particular due to interest rate adjustment effects. This was offset by the reversal of provisions due to feasibility studies now available for planned tailings pile covering procedures.

Notes (23)

Non-current provisions for pensions and similar obligations recorded a decrease to €16.0 million (2020: €110.3 million) due to positive interest rate effects and an increase in plan assets. The weighted average discount rate for pensions and similar obligations was 1.3% as of December 31, 2021 (December 31, 2020: 0.6%). The actuarial valuation of pension provisions is based on the projected unit credit method in accordance with IAS 19.

Notes (22)

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

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

NET ASSETS

ANALYSIS OF ASSET STRUCTURE

The total assets of the K+S GROUP amounted to €8,736.2 million as of December 31, 2021 (December 31, 2020: € 8,387.4 million). Property, plant, and equipment increased to €6,406.5 million (December 31, 2020: €4,109.9 million) due to the one-off, non-cash reversal of impairment losses described on page 47. Trade receivables increased to €569.5 million (December 31, 2020: €272.7 million) due to the significant increase in potash

MULTIPLE-PERIOD OVERVIEW OF ASSETS[1] **B.40**

in € million	2017	2018	2019	2020	2021
Property, plant, and equipment, intangible assets	7,655.4	7,670.2	8,208.5	6,155.5	6,486.4
Financial assets, non-current securities, and other financial investments	28.0	96.1	113.2	47.9	94.8
Inventories	690.9	691.5	789.3	832.5	496.5
Trade receivables	714.9	836.7	724.7	475.8	569.5
Cash and cash equivalents, current securities, and other financial investments	194.0	178.8	333.2	212.2	604.3

[1] For the years 2017 to 2020, the figures relate to the continuing and discontinued operations of the K+S Group. For the year 2021, the figures relate to the continuing operations of the K+S Group.

prices. Cash and cash equivalents, current and non-current securities, as well as other financial investments amounted to €622.7 million as of the balance sheet date and were, therefore, significantly higher year-on-year as a result of the cash inflow from the sale of the Americas operating unit (December 31, 2020: €155.3 million). The ratio of non-current to current assets was 78 : 22 (2020: 53 : 47). **B.39**

As of December 31, 2021, the net debt of the K+S GROUP was significantly reduced to €1,808.0 million (December 31, 2020: €4,491.4 million) as a result of the sale of the Americas operating unit. Net financial liabilities, excluding non-current provisions, amounted to €606.3 million as of the reporting date (December 31, 2020: €3,280.3 million). The indebtedness ratio (net financial liabilities/EBITDA from continuing operations) was 0.6 times (December 31, 2020: 7.2 times; based on continuing and discontinued operations). Adjusted for the effects from the REKS joint venture, the ratio would be 0.9.

RESTRICTED ASSETS

In 2005, we began funding the pension obligations of our domestic companies through a contractual trust arrangement (CTA model). This funding is associated with an earmarking of financing funds. Furthermore, there are reinsurance policies which also qualify as plan assets under IFRS. In accordance with IFRS, such obligations are presented in the balance sheet as a net liability. Assets restricted in connection with pension obligations amounted to €300.3 million in 2021, compared with €244.2 million in the previous year. At the balance sheet date, there are also plan assets of €51.7 million (2020: €46.2 million) for obligations from lifetime working accounts, which have also been netted in the balance sheet.

Notes (22)

ASSETS NOT RECOGNIZED ON THE BALANCE SHEET

As of December 31, 2021, other financial liabilities arising from uncompleted investments amounted to €117.1 million (December 31, 2020: €119.9 million).

KEY INDICATORS OF DISCONTINUED OPERATIONS

The sale of the former Americas operating unit was completed on April 30, 2021, so the reported figures for 2021 mainly relate to the first four months, whereas the prior-year figures cover the full year.

REVENUES

Revenues in the former Americas operating unit amounted to €544.5 million in the first four months (full year 2020: €1,266.3 million). **B.41**

EBITDA

EBITDA at the former Americas operating unit amounted to €88.5 million in the first four months after allocation of project costs associated with the disposal of the business (full year 2020: €177.9 million).

(ADJUSTED) GROUP EARNINGS AND (ADJUSTED) EARNINGS PER SHARE

Due to the gain on disposal, earnings after taxes from discontinued operations amounted to €810.3 million in the reporting period (full year 2020: €176.0 million). Adjusted Group earnings from discontinued operations in this period were €865.2 million (full year 2020: €118.3 million) and are determined in table **B.42**. Earnings per share from discontinued operations reached €4.23 in the reporting period (full year 2020: €0.92), while adjusted earnings per share were €4.52 in this period (full year 2020: €0.62).

MARGIN AND PROFITABILITY RATIOS

The EBITDA margin from discontinued operations was 16.3% in the reporting period, compared with 14.0% in the full year 2020, and the profit margin on revenues was 158.9% (full year 2020: 9.3%) due to the gain on disposal.

RECONCILIATION OF ADJUSTED GROUP EARNINGS AFTER TAX FROM DISCONTINUED OPERATIONS **B.42**

in € million	2020	2021
Earnings after tax from discontinued operations	**176.0**	**810.3**
Income (–)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	–79.0	–
Elimination of prior-period changes in the fair value of operating anticipatory hedges	–3.8	78.6
Realized gains (–)/losses (+) from currency hedging for capital expenditure	0.3	–
Elimination of resulting deferred taxes and cash taxes	24.8	–23.7
Group earnings after tax from discontinued operations, adjusted	**118.3**	**865.2**

LIQUIDITY ANALYSIS

Cash flow from operating discontinued operations amounted to €–20.4 million in the first four months (full year 2020: €157.1 million). Cash flow from investing activities of discontinued operations totaled €2,618.7 million in the reporting period, compared with €–89.4 million in the full year 2020, as a result of the proceeds from the sale of consolidated companies amounting to €2,636.3 million. Free cash flow from discontinued operations reached €2,598.3 million in the reporting period (2020: €67.7 million).

KEY INDICATORS OF DISCONTINUED OPERATIONS[1] **B.41**

in € million	2020	Q1/2021	Q2/2021	Q3/2021	Q4/2021	2021	%
Revenues	1,266.3	458.7	85.8	–	–	544.5	–57.0
EBITDA	177.9	72.7	15.8	–	–	88.5	–50.2
Earnings after tax, adjusted[2]	118.3	51.5	831.1	–6.2	–11.2	865.2	> +100
Cash flow from operating activities	157.1	64.8	–76.2	–0.6	–8.4	–20.4	–
Cash flow from investing activities	–89.4	–12.4	2,656.3	–	–25.2	2,618.7	–
Adjusted free cash flow	67.7	52.4	2,580.1	–0.6	–33.6	2,598.3	> +100

[1] The quarterly figures constitute unaudited voluntary content not subject to the audit of the financial statements.
[2] Includes the result from operating forecast hedges of the respective reporting period; effects from changes in the fair value of hedges are eliminated. In addition, related effects on deferred and cash taxes are eliminated; tax rate 2021: 30.2% (2020: 30.1%).

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

In the 2021 financial year, another very strong production performance succeeded in meeting the higher demand from our customers and enabling an increase in sales volumes. The strong operating performance combined with a significant increase in potash prices, as well as the strong winter business at the beginning and end of the year, resulted in higher earnings and cash flow in 2021. In the course of the year, we raised our earnings forecast several times and generated significantly higher EBITDA from continuing operations for the year as a whole of €969.1 million (including the REKS transaction) compared with €266.9 million in 2020. At €92.7 million, free cash flow also reached a level that significantly exceeded our expectations.

On April 30, 2021, we successfully completed the sale of the American salt business bundled in the former Americas operating unit to STONE CANYON INDUSTRIES HOLDINGS LLC (SCIH), MARK DEMETREE AND PARTNERS. This represents the most significant milestone in the package of measures aimed at rapidly and significantly reducing K+S' debt. Immediately after the closing and receipt of the purchase price payment, we repaid financial liabilities amounting to more than €1.1 billion. As a result of a bond buy-back program and the repayment of further financial instruments, outstanding financial liabilities were again reduced by around €1.1 billion as of December 31, 2021. Net financial liabilities to EBITDA improved significantly from 7.2 times (based on continuing and discontinued operations) to 0.6 times.

With the successful sale of the Americas operating unit, the significant reduction in debt, and the restructuring of our organization, we have already reached key milestones on our path to strategic realignment.

Shortly before the end of 2021, the merger of the waste management activities in the new joint venture REKS was successfully completed. This resulted in a one-off, non-cash gain of around €220 million. The new partnership combines the intelligent utilization of the unique infrastructure of K+S with the extensive and dense distribution network of REMEX. We are, therefore, raising this business to a new level, particularly on the sales side. The REKS joint venture furthermore enables us to open up new opportunities in future tailings coverage by providing us with the best possible access to the required materials.

We also succeeded in fully recovering the non-cash impairment loss on non-current assets from the third quarter of 2020 due to a significantly more optimistic long-term assumption for the potash business and the associated price development. This reversal of impairment losses described on page 47 benefited adjusted Group earnings after taxes and ROCE accordingly, but did not result in a cash inflow. The procedure for the examination of the consolidated financial statements of K+S as of December 31, 2019, together with the related Group management report, as well as the condensed consolidated financial statements as of June 30, 2020, together with the related interim management report, has been completed both at the FREP and the BaFin without any need for adjustments to the valuations.

Our new corporate strategy sets the guiding principles for the successful further development of K+S. Three focal points characterize our corporate strategy: We want to optimize our existing business, expand and further develop our core business, as well as establish new business areas. Our focus on the environment, nature, and climate protection remains unchanged. Every business decision must be in line with our climate strategy. In this way, we also ensure broad social acceptance of our actions.

[1] As of: March 8, 2022.

RESEARCH AND DEVELOPMENT

This chapter relates to the continuing operations of the K+S GROUP, unless otherwise indicated. Our research and development ambition is to meet changing market and customer requirements by developing new products. The implementation of the K+S strategy is therefore supported by research and development activities. Venturing into new areas of business requires in-house expertise in research and development. We will increasingly complement this knowledge with innovative ideas from universities as well as research institutes and integrate it in a cooperative exchange with other companies. To optimize the existing business, there is a constant need for development to provide new findings for deployment at the sites and respond to changes in crude salt conditions. We will continue to make our processes more efficient and further improve the quality of existing products. With regard to the further development of the core business, Research and Development is cooperating very closely with the Industry+ and Agriculture customer segments on new and end customer-oriented solutions to expand the product portfolio. We aim to work with third parties to, for example, make disposal processes even more sustainable and develop new approaches.

RESEARCH KEY INDICATORS

Research and development costs totaled € 10.0 million in the reporting period (2020: €11.1 million). At 0.3%, the research intensity was below the level of the previous year, in particular due to the significantly increased revenues. In the reporting year, capitalized development investments reduced to €0.6 million (2020: €0.8 million) and were mainly related to a development project for underground sorting as well as the construction of a pilot plant. **B.43**

Sustainability key indicators at the level of continuing operations, K+S AG and discontinued operations

RESEARCH AND DEVELOPMENT ACTIVITIES **B.43**

in € million	2020	2021
Research and development costs	**11.1**	**10.0**
Research intensity (research costs/revenues)	0.5%	0.3%
Capitalized development-related capital expenditures	0.8	0.6

RESEARCH INSTITUTIONS AND COOPERATIONS

A significant part of our research and development was performed at our own research center in 2021. Furthermore, we cooperate with industrial companies as well as public research institutes and universities on a national and international level. These activities are supplemented by contract research with research institutes and industrial partners.

K+S ANALYTICS AND RESEARCH CENTER

The K+S ANALYTICS AND RESEARCH CENTER (ARC) at the Unterbreizbach site serves internal research throughout the K+S GROUP. As of the end of 2021, 98 employees worked here. In laboratories and test facilities, they carry out research to develop new ideas through to practicality or market maturity. A close exchange with our marketing and sales units and the production plants is ensured. This work results in new products, optimized processes, and specially adapted analytical methods. In 2021, around 31,000 samples were processed and around 350,000 analytical parameters were determined in the ARC central laboratory, which is accredited in accordance with DIN EN ISO/IEC 17025.

INNOVATION AT K+S

As part of the strategic realignment of K+S, the "Innovation & Digital Transformation" department was established in 2021. This department focuses on defined target areas in accordance with the strategic orientation of the operating business. It furthermore manages the ROOTCAMP incubator program in Hanover, which was newly established in 2020 in cooperation with SPINLAB ACCELERATOR GMBH. At ROOTCAMP, the first cooperation projects with selected startups were successfully implemented in 2021.

PUBLIC-PRIVATE COOPERATION

The INSTITUTE OF APPLIED PLANT NUTRITION (IAPN) is operated as a public-private partnership by K+S together with the GEORG-AUGUST-UNIVERSITY OF GÖTTINGEN. This institute engages in scientific research on plant nutrition and combines this with plant and yield physiology to record the effects of nutritional status in detail and deepen our expertise in the field of fertilization.

One of the projects at the institute focuses on the effects of magnesium status on photosynthetic and water use efficiency in wheat under drought conditions. Furthermore, activities on magnesium-induced nitrogen uptake in cereals are performed. Another focus is on the importance of optimized potassium fertilization of salinized soils, as salt stress is a global problem for plant development.

The INTERNATIONAL MAGNESIUM INSTITUTE (IMI), headquartered in Fuzhou, China, is a cooperation between K+S and the FUJIAN AGRICULTURE AND FORESTRY UNIVERSITY. The cooperation aims at establishing profound knowledge about the important plant nutrients magnesium in particular, but also about potassium, in teaching and consulting.

SELECTED RESEARCH AND DEVELOPMENT PROJECTS

+ At the ARC, a model was developed for our Canadian Bethune potash plant to predict product quantities and qualities from the cooling pond, which is now being used successfully.
+ The research results from the "Optimization and control of resources" project provided important insights into the temporal classification of the igneous rocks occurring in our deposits at the Werra plant. Their geochemical differentiation allows further conclusions to be drawn about the CO_2 gas occurrence. This research is to be continued to improve the forecasting of future mining activities in the Werra-Fulda potash district. Moreover, further expansion and optimization of robotic X-ray diffraction enabled more than 14,000 mineral phase analyses of our mine operations to be performed for the project for the first time in 2021. This will enable more efficient exploration and therefore higher mineral contents in crude salt.
+ In the course of the year, investigations on the suitability of potential covering materials as well as on the optimization and development of material mixtures were conducted for tailings pile coverage. At the same time, various soil conditioners for tailings pile greening were tested in greenhouse and geotechnical laboratory trials. The extensive investigations on our large-scale test areas for tailings pile coverage were continued and analytically supported. The results and findings obtained from the tests already carried out and those currently underway in the laboratory, greenhouse, and outdoor areas have been incorporated into the feasibility studies for the Neuhof and Hugo tailings piles. They demonstrate that covering the two tailings piles is technically feasible.
+ K+S is participating in the cooperation project sponsored by the GERMAN FEDERAL MINISTRY OF EDUCATION AND RESEARCH on the treatment of industrial water: Recycling by ion separation, concentration, and monitoring of saline water (RIKovery). The project is investigating the extent to which saline waste water can be treated by skilfully combining different membrane technologies.

+ We launched a study on carbon farming to identify potential business models.
+ For the expansion of the product portfolio, foliar fertilizers are being developed containing trace nutrients with different uptake and transportation capacities. The products are tailored, for example, to the nutrient requirements or different growth stages of the crops, as well as to the requirements of local markets.
+ For the soil fertilizer segment, new products are being developed in combination with micronutrients and biostimulants. A particular focus is on accelerating nutrient uptake, continuous availability of nutrients, synergistic effects between micro- and macronutrients with biostimulants, and mitigation of abiotic stress throughout the plant's growth phase. Following the development of a new granulation process for the production of sulfur-containing potash fertilizers at the ARC, a pilot plant is currently under construction at the Bergmannssegen-Hugo site.
+ Laboratory tests were undertaken to demonstrate the positive impact of our product GranuAid® (granulation co-formulant based on anhydrous magnesium sulfate) on the quality of ammonium nitrate fertilizers. The results support our marketing activities and technical customer advice.
+ For the food industry, product adaptation in the "low sodium" range is being worked on based on scientific findings and application trials.
+ In the animal feed sector, we are working intensively with several animal nutrition research institutions to optimize the existing product portfolio so that scientifically based findings can be used in application advice and product marketing.

TRADEMARK AND PATENT PORTFOLIO

The K+S GROUP holds 52 patent families worldwide (2020: 64), which are protected by 167 national rights. The 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 1,892 at the end of 2021, resulting from 356 basic trademarks (2020: 1,974 trademark rights and 324 basic trademarks).

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

EMPLOYEES

This chapter relates to the continuing operations of the K+S GROUP, unless otherwise indicated. Our employees significantly contribute to the success of K+S. At the same time, we provide them with a working environment that inspires and unites. Our management culture, which is characterized by mutual trust, respect, and a willingness to perform, constitutes the basis for this. With the Group-wide introduction of an integrated HR management system, we are also modernizing, standardizing, as well as digitalizing important business processes.

ANOTHER CHALLENGING YEAR

The year 2021 was another challenging one for all Group companies, all sites, and our employees due to the ongoing COVID-19 pandemic. The strong commitment of our employees prevented the pandemic from causing significant production restrictions.

At K+S, the health and safety of our employees is a top priority. We, therefore, strive to provide a healthy and safe working environment to effectively protect our employees every day. This includes extensive preventive measures in response to the ongoing COVID-19 pandemic as well as support for the nationwide vaccination campaign. From spring 2021, for example, we offered numerous campaigns to vaccinate our workforce and their family members against COVID-19. Vaccination campaign days were held at almost all of the Company's sites in Germany. The vaccinations were carried out partly by the local vaccination centers and partly by the respective company physicians, supported by assistants from company health management and the occupational health service. We were therefore in a position to offer vaccinations to every employee and their families. From December 2021, we also conducted further campaigns for booster vaccinations at our sites. In total, several thousand vaccination doses were administered to employees and their relatives at the German sites in 2021. In this way, K+S is making an important social contribution to immunizing the population.

At K+S, we successfully and promptly implemented the remote working obligation imposed by law in spring 2021. Our operating processes remained unaffected. The possibility of working from home has been standard practice at the Kassel site since the beginning of the COVID-19 pandemic anyway, and has been used by the majority of the approximately 800 employees since then. Only in operationally necessary cases or if reasons on the part of the employee were opposed to this (e.g., poor Internet connection, no possibility of working from home, etc.) employees continued to work in the office. Due to operational necessities and processes, working from home was only possible to a limited extent at the production sites. In accordance with legal requirements, a gradual return to the office with appropriate protective measures was possible in summer. We again consistently implemented the remote working obligation as well as 3G ("vaccinated, recovered, or tested") at the workplace since November 24, 2021.

Following the successful restructuring of the administration, the Kassel site has been organized according to central functions since January 1, 2021. The tasks and composition of the units were changed, so that workflows and processes initially had to settle in again in the reporting year.

In the previous year, K+S introduced the first parts of a modern HR management system worldwide. This led to significant changes in HR processes and procedures in all companies and provides managers with up-to-date instruments for effective performance and potential management. At the same time, the efficiency of administrative processes has been increased. This roll-out continued in stages in 2021. Previous procedures have been, and will continue to be gradually replaced. The initial findings gained in live operation were taken into account in the further introduction, so that processes were reviewed again and in some cases adapted. At the beginning of 2022, this tool will then become the leading HR system.

OUR WORKFORCE

As of December 31, 2021, the K+S GROUP employed a total of 10,840 employees or 10,711 FTE (2020: 11,273 employees or 11,135 FTE). **B.44**

EMPLOYEES OF THE K+S GROUP **B.44**

in FTE[1] as per December 31	2020	2021
K+S Group	11,135	10,711

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

Our workforce consists of 84.6% (2020: 83.6%) employees covered by collective bargaining agreements, 9.7% (2020: 10.9%) non-tariff employees, and 5.7% (2020: 5.5%) trainees. On average, our employees are 42 years old and have been with us for 15 years. The fluctuation rate, i.e., the ratio of staff departures to the average workforce size, was exceptionally 9.2% in the reporting year (2020: 6.0%). This was attributable to the project launched in 2020 and completed in 2021 to restructure the administrative functions at the Kassel site, which involves a comprehensive streamlining and downsizing of the organization and a reduction in the workforce of around 300 employees. This could be realized almost entirely with a volunteer program set up for this purpose.

Our employees make a major contribution to the success of our Company. Therefore, the key task of HR management as well as our executives is to recruit the best employees for us, to promote their individual development within the Company, and ultimately to retain them in the long term. Helping our employees in diverse teams to develop their full potential is very important to us. Our values constitute the principles of our daily cooperation in this regard.

Corporate Governance

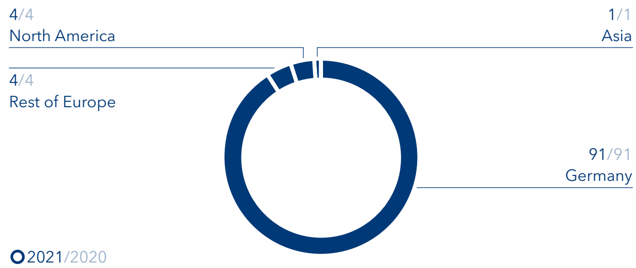
As an internationally operating company, diversity and inclusion are elementary components of K+S's corporate culture.

Combined Non-Financial Statement, Diversity and Inclusion

A total of 91% of our 10,840 employees are based in Germany. **B.45**

EMPLOYEES BY REGIONS **B.45**

in %



AS PART OF OUR EMPLOYEE RETENTION PROGRAM, WE ENCOURAGE

... NEW TALENTS

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

Developing and Promoting Employees

... THE IDEAS OF OUR EMPLOYEES

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

Idea Management, Continuous Improvement Process

... THE PERSONAL DEVELOPMENT OF OUR EMPLOYEES

We all benefit from further training. In employee reviews, managers and employees jointly assess suitable further training measures. On top of measures required by law and within the Company, we also offer the opportunity to attend specialist and interdisciplinary training courses, IT and language courses, as well as special seminar series for managers.

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

Developing and Promoting Employees

… BALANCING WORK AND FAMILY LIFE

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

Our employees are supported in their efforts to achieve a work/life balance by means of flexible working time models, working from home, and childcare services tailored to their needs, both for children and for family members.

… THE HEALTH AND SAFETY OF OUR EMPLOYEES

Health is the most important human asset. With our health promotion programs, we support the healthy lifestyle of our employees. In addition to consulting and prevention services, we offer our employees a correspondingly oriented design of workplaces and workflows.

The safety of our employees is our top priority. We therefore use occupational safety programs at all sites, optimally combining local conditions and site-specific challenges. Of course, we regularly review success by means of internal audits.

Combined Non-Financial Statement, Health & Safety

… THE SENSE OF UNITY

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

www.ks-fanshop.de/en

EMPLOYEE REPRESENTATION/TRADE UNION

K+S respects the freedom of association and the right to collective bargaining. About 76% 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, negotiations were initiated with the Works Council on an adjustment to the remuneration system for non-tariff employees and an increase in the variable component of the collectively agreed remuneration as well as the further development of the collectively agreed performance-related pay. Furthermore, Zukunftskonzept 2026 (Institutional Strategy 2026), which is intended to secure the competitiveness of the Company, was negotiated and concluded with the employee representatives. It includes, among other things, the setting of the collectively agreed weekly working time at an average of 39 hours and a participation of the collectively agreed employees in the success of the Company, which is linked to the amount of the dividend per K+S share.

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

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 German 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 in 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

In 2021, personnel expenses amounted to €885.3 million. This was slightly below the level of the previous year (2020: €895.2 million, thereof one-off addition to provisions in the amount of €36.3 million associated with the project to restructure the administrative functions). Personnel expenses per employee (FTE) amounted to €82,154 in the reporting year (2020[1]: €77,064) and were above the level of the previous year due to a higher performance-based remuneration. The share of variable remuneration components included in personnel expenses, which allows our employees to participate in the Company's success as part of a performance-based remuneration system, amounted to €56.0 million or around 6% in 2021 (2020: €21.7 million or around 2%).

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

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 for our success and, therefore, train primarily for our own needs. At the German companies of the K+S GROUP, a total of 598 women and men were undergoing qualified vocational training or a dual course of study as of December 31, 2021 (2020: 596). With 162 new trainees hired in 2021, we are slightly below the previous year's figure (2020: 167). At 6.1%, the ratio of apprentices to employees in Germany at the end of the year was slightly above the prior-year level (2020: 5.9%). In most cases, we offer trainees permanent employment. The retention rate for trainees was around 83% (2020: around 84%).

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

[1] The one-off addition to provisions in the amount of €36.3 million associated with the project to restructure the administrative functions from the previous year was not taken into account for the calculation.

STAFF DEVELOPMENT

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

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

The main aim of the potential management process is to identify employees with high potential and 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 regarding 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

CONTINUING EDUCATION AND TRAINING

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

Corresponding measures are planned and implemented or arranged by the Company according to requirements. We offer specialists and managers a wide range of training courses to impart general and company-specific knowledge. Depending on the Company's needs, we award scholarships for full-time bachelor's or master's degree courses. In Canada, we support employees who continue their education in line with their job description at a university recognized by us by reimbursing all or part of their tuition fees. Investments in training and development amounted to €6.6 million (2020: €5.9 million). This was due in particular to a higher number of online trainings.

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

IDEA MANAGEMENT/CONTINUOUS IMPROVEMENT PROCESS

With the idea management/continuous improvement process (CIP), we provide employees with the opportunity to actively participate in, and contribute to, shaping operational processes and structures. Idea management/CIP is currently effective in Germany and other sites in Europe. In 2021, a total of 9,707 ideas were submitted (2020: 11,396). The benefit over a period of 2.5[1] years, i.e., the economic effect generated less the costs of idea management, remains at a very high level of €10.9 million (2020: €12.6 million).

COMPANY PENSION SCHEME

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 2021, we spent a total of €4.1 million (2020: €4.9 million) on the defined contribution pension plans.

Notes (22)

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

COMBINED NON-FINANCIAL STATEMENT [1]

This combined non-financial statement (NFS) has been prepared in accordance with the statutory requirements under Sections 289c–289e of the German Commercial Code (HGB), Section 315c of the German Commercial Code (HGB), and Regulation (EU) 2020/852 of the European Parliament and of the European Council of June 18, 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter EU SF Taxonomy Regulation) and uses the Global Reporting Initiative (GRI) standards, "Core" option, as an international framework. The former Americas operating unit is reported as discontinued operations in accordance with IFRS 5 as of the report Q4/2020 following its disposal with closing on April 30, 2021. The sale of the former Americas operating unit will not have a material impact on the content reported in the NFS. Unless specified otherwise, all disclosures made and key figures including previous year's figures presented in this NFS relate to the continuing operations of the K+S GROUP, including K+S AKTIENGESELLSCHAFT. Furthermore, an overview is provided in which the key figures on the level of continuing operations, K+S AKTIENGESELLSCHAFT, as well as discontinued operations are disclosed in a differentiated manner. The overview below allocates the legally required information reported in the non-financial statement to the chapters within which the sustainability activities of the K+S GROUP are described. Additionally, an allocation to the Sustainable Development Goals (SDGs) is made on the level of the subgoals.

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations
About this Report

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

INDEX TO THE COMBINED NON-FINANCIAL STATEMENT B.46

NFS component	Included in chapter	SDG-relevant information [1]	Reference
Business model	Business Model Corporate Strategy Sustainability Management	–	p. 31 p. 39–43 p. 105–106
Risks	Report on Risks and Opportunities	–	p. 117
EU SF Taxonomy Regulation	EU Taxonomy	–	p. 93–95
Aspect			
Environmental matters	Resource Efficiency Energy & Climate	SDG 12.2, 12.5, 15.1 SDG 12.2, 13.1	p. 84–87 p. 88–99
Employee matters	Health & Safety Diversity & Inclusion	SDG 8.8 SDG 5.1, 5.5, 8.5	p. 75–77 p. 78–79
Social matters	Stakeholder Dialogue	SDG 16.7	p. 79–81
Respect for human rights	Human Rights	SDG 8.7	p. 92–93
Combating corruption and bribery	Compliance & Anti-Corruption	SDG 16.5	p. 91–92
Supply chain (self-determined)	Supply Chain	SDG 8.7	p. 91

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

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

www.kpluss.com/eu-principles

The K+S Sustainability Program is an integral part of our corporate strategy and addresses the key sustainability issues of the K+S GROUP. We have set ourselves goals in the action areas of Society & Employees, Environment & Resources, as well as Business Ethics & Human Rights and developed corresponding concepts that 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, we have reassessed the key sustainability issues of the K+S GROUP from the perspective of our stakeholders in 2021. Accordingly, we have adjusted our targets based on the results in the areas of action. A spreadsheet presentation of our action areas, with the associated sustainability goals and non-financial indicators, is contained in the Corporate Strategy chapter.

Corporate Strategy, Sustainability Program

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

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

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

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

About this Report
www.kpluss.com/product-responsibility

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

SOCIETY & EMPLOYEES

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

Employees
Sustainability Management
www.kpluss.com/society-and-employees

HEALTH & SAFETY SDG 8.8

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

Wherever we identify hazards and work-related stress, as well as health risks, we actively implement health and occupational safety measures. We provide preventive information to our employees in training courses and campaigns. The K+S GROUP has already introduced a management system at the major production sites in accordance with the BGRCI "Sicher mit System" seal of quality based on DIN ISO 45001. By the end of the second quarter of 2022, the entire K+S GROUP should be certified as a "Sicher mit System" matrix certification (group certification). Information bodies support the coordination of implementation as well as the integration of other management standards.

Environment & Resources

Employees

An exchange and monitoring of current developments in occupational health and safety within the K+S GROUP takes place in committees and specialist bodies on a global and national level. In Germany, for example, the joint committee for Health, Safety, and the Environment (HSE Committee), which also includes works council representatives as well as employer members, regularly advises on overriding HSE issues.

Due to 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. Local testing and vaccination campaigns were also organized.

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

OCCUPATIONAL SAFETY

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

For this goal, we are developing a joint occupational health and safety strategy to gradually reduce the LTI rate and create an improved safety culture by 2025.

In 2021, 749 occupational accidents occurred at our sites worldwide (2020: 667), of which 185 were lost-time accidents (2020: 154). The LTI rate for the K+S GROUP in 2021 amounted to 11.3 (2020: 8.8; base year 2017: 11.5[1]). The increase in lost-time accidents and the LTI rate compared to the previous year is particularly attributable to an increase in accidents in Germany. In the same period, the number of lost-time days due to accidents and also the average severity of accidents worldwide are roughly at the previous year's level. Improved analysis of the causes of accidents is intended to support operations, in particular, in reducing the number of accidents in the future.

The total injuries rate (occupational accidents divided by hours worked, multiplied by one million) is 45.8 (2020: 38.1). No fatal accidents occurred in 2021.

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

Our risk assessment processes are designed to ensure that work-related hazards are identified at an early stage and appropriate measures are derived. For the prevention of psychological hazards in the workplace, we carry out appropriate risk assessments at our sites. Due to the COVID-19 pandemic, we will only be able to achieve the goal of assessing all operational sites with regard to mental hazards at the end of 2022.

[1] The base year was adjusted in 2021.

In the past financial year, we also implemented various measures and campaigns aimed at promoting skills in individual decision-making and the competence to act, as well as responsible safety and health behavior. These include raising awareness of the need to prevent hand-arm injuries through overarching and behavior-oriented measures and concepts. For 2022, we furthermore plan to develop a concept for the analysis of accident black spots, as well as the systematic recording of near misses.

HEALTH

Our occupational health promotion and prevention programs supplement the management systems with measures to improve health competencies. These measures range from traditional health care courses and seminars to early detection measures and counseling 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 evaluating 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 other things. We also supported the nationwide vaccination campaign and offered numerous events to vaccinate the workforce at work starting in spring 2021.

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. In this context, one aspect is the analysis of the K+S sickness rate and deriving appropriate measures for its reduction.

An important aspect of health care is reliable compliance with occupational exposure limits (OELs) underground. Following the introduction of new OELs for nitrogen oxides and particulate diesel emissions underground in Germany by the FEDERAL MINISTRY OF LABOUR AND SOCIAL AFFAIRS (BMAS), we made further progress with our extensive implementation project for the German sites. In this way, for instance, we continued to implement projects for the use of state-of-the-art diesel engine technology and electric technology, the development of lower-emission explosives, and the optimization of underground ventilation. Although we are consistently driving the implementation of the relevant measures forward, it has proven to be an unmanageable task to implement technical developments in such a way that the new limits can be fully met without production cutbacks by the end of 2021. 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 onwards.

Report on Economic Position, Capital Expenditure Analysis

For the investigation of 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 DGUV (IPA) for the EMPLOYER'S LIABILITY INSURANCE ASSOCIATION FOR RAW MATERIALS AND THE CHEMICAL INDUSTRY (BG RCI) at two plants, which was completed in 2020. 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_2), and carbon monoxide (CO).

A total of 1,303 employees took part in the health survey at the Zielitz and Werra plants. 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 BMAS.

Report on Risks and Opportunities
Research and Development

DIVERSITY AND INCLUSION SDG 5.1, 5.5, 8.5

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

The basis for diversity and inclusion is the appreciation of all employees. At K+S, all employees experience this appreciation, regardless of gender, nationality, ethnic origin, religion or ideology, social origin, physical or mental impairment, age, sexual orientation and identity. Diversity defines the composition of our workforce. Inclusion describes the active embrace of this diversity in everyday work. K+S does not accept any discrimination and affirms this, among other things, in the General Works Agreement (GBV) entitled "Partnership-based Conduct in the Workplace". The agreement is a clear commitment to tolerance and respect in the workplace.

We have defined the acknowledgment and promotion of diversity and inclusion in our values. As a signatory to the UN GLOBAL COMPACT, a UNITED NATIONS initiative on responsible corporate governance, and the CHARTER OF DIVERSITY, we confirm our self-conception in the form of corporate commitments in Germany.

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

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

Within the Company, sentiment is evaluated by pulse surveys on specific topics. Diversity and inclusion are part of our corporate culture and substantiate a holistic approach that concerns all employees and especially managers. The diversity and inclusion index of the K+S GROUP calculated in 2019 based on the participating employees amounts to 54% and forms the basis for the KPI 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. The surveys on the topic are repeated every 3-5 years. A renewed topic-specific pulse survey is planned for 2022.

The measures to promote diversity and inclusion are cross-sectional tasks and will be adjusted to the requirements of the respective sites.

Traditionally, more men than women work in mining. As of December 31, 2021, 89% of our workforce, based on the number of employees in the companies of the K+S GROUP, were men and 11% were women. The average age of our workforce is 42 years. The proportion of severely disabled employees in the K+S GROUP in Germany is 5.1% (2020: 5.3%).

Employees
Corporate Governance, Target figures 1st and 2nd level below the Board of Executive Directors
Sustainability key figures on the level of continuing operations, K+S AG, and discontinued operations

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

K+S promotes awareness of diversity and inclusion through participation in the GERMAN DIVERSITY DAY or the targeted expansion of activities in social media. We are committed to a prejudice-free working environment and working conditions without discrimination. We specifically invite our employees to share their personal experiences and perspectives of our open corporate culture. In 2021, K+S expanded the Diversity Day into a Diversity Week. During this week, we dedicated ourselves to the idea of diversity at our German sites with a focus on "people with disabilities" and provided employees with information on diversity and inclusion. A Diversity & Inclusion working group with representatives from the sites was set up in 2021 to increase the presence of the topic at the sites in Germany and further promote it. Our site in Canada has established an Inclusion + Diversity Committee, which initially conducted a baseline assessment of the current state of inclusion and diversity at K+S POTASH CANADA GP. This serves as a basis and benchmark for the site's further strategy.

Regular potential rounds are held, among other things, to retain and develop our employees. These take place at different levels of the organization. Their purpose is to identify employees with potential and support them in their further development. The focus is on learning with and from each other. When developing candidates with potential, we strive for a balanced mix in terms of nationality, age, length of service, and gender. Diversity and inclusion are also an integral part of executive development at K+S, such as in the LEADERSHIP ACADEMY. In this development program, participants transfer our values to their own leadership roles. They interact in various leadership situations and, in doing so, develop an awareness of creating a working environment that is appreciative as well as free of prejudice and discrimination.

In 2021, involving all employees in the communication flow was a particular challenge. The COVID-19 pandemic and the associated contact restrictions resulted in new dialogue formats and an increased use of internal digital communication channels and formats such as the internal K+S portal and the internal digital magazine, scoop+. This was accompanied by digital lecture events under the title #verbundenbleiben as well as the more intensive use of digital monitors (K+S live), which are used at all German sites. Executive communication was expanded. Top executives were regularly provided with economic updates through presentations aimed at bringing all K+S employees up to the same level of knowledge.

STAKEHOLDER DIALOGUE SDG 16.7

We consider stakeholders to be all individuals or organizations that influence or could influence issues with which our business activity is linked, or who could be impacted by our business operations. The dialogue with our customers and business partners, the capital market, political representatives, non-government organizations, the communities in which our sites are located, and our employees is very important to us. The aim is to engage in a dialogue that is beneficial for all sides, to seek new developments and to share viewpoints. K+S informs its stakeholders, using different formats, and uses various channels to share information with specific target groups. **B.47**

In the past financial year, we provided opportunities for dialogues with our stakeholders at a variety of events – but mainly in digital form due to the restrictions imposed by the COVID-19 pandemic. The Board of Executive Directors, the heads of the customer segments, and the managers of the central functions hosted digital company meetings in the reporting year to inform our employees and entered into dialogues with them on current business development topics and ongoing projects. This included, in particular, information and discussions about the new mission statement as well as the new strategy of K+S. In October, a virtual town hall meeting was held for all employees at the German sites, at which the new strategy was comprehensively presented by the Board of Executive Directors. The Board of Executive Directors then hosted further events at all sites with the management teams and works councils to answer specific questions from the individual sites.

Corporate Strategy

Following a pulse survey of all K+S employees at the Kassel site in August 2020 on their experiences in dealing with working from home against the background of the ongoing COVID-19 pandemic, a second survey was conducted in August 2021. The findings of the survey reconfirmed the initial positive experiences about remote working and that cooperation as well as the exchange of information work very well.

Due to the COVID-19 pandemic, the Annual General Meeting of K+S AKTIENGESELLSCHAFT was again held in a virtual format to protect the health of our shareholders and our employees.

Shareholders had the opportunity to submit their questions in advance. In addition to shareholder and investor discussions by telephone, mainly virtual roadshows, conferences, and private shareholder events continued to be held. In November, another Capital Markets Day (CMD) was hosted as a hybrid event. In this way, it was possible to participate directly on site or digitally. Moreover, participants had the opportunity to watch the video recording live or in the aftermath. The focus was on the presentation of the new K+S strategy, the presentation of the current figures on business development as of September 30, 2021, and the outlook. With a total of 25 physical and 35 virtual participants as well as 90 live viewers of the video recording, the CMD was very well received and encouraged us to continue using this format in the future.

K+S on the Capital Market

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

As a consequence of the COVID-19 pandemic, some of the meetings were held in a digital format. The annual St. Barbara celebration in Berlin – the parliamentary evening to engage in discussion with federal political stakeholders – was canceled due to the pandemic. The same applied to the St. Barbara celebrations at our sites.

In the 2021 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 we were able during the pandemic. The formats largely took place virtually.

K+S is a member of the "EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE" (EITI) with the aim of combating corruption in the international raw materials sector and is therefore an active member of the multi-stakeholder group in the German D-EITI initiative coordinated by the FEDERAL MINISTRY OF ECONOMICS AND CLIMATE PROTECTION.

www.d-eiti.de/en/
www.rohstofftransparenz.de/en/

Our values (indicated in brackets in the text) 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).

Corporate Governance, Our Values

STAKEHOLDER DIALOGUE AT GERMAN SITES

In the 2021 reporting year, the sites continued to intensify the stakeholder dialogue with the local population and political representatives as far as possible. The Werra plant, for instance, informed the public primarily about the planned storage of saline production water in the Springen mine field. For this purpose, three public information events were held in surrounding communities, which were accompanied by intensive media work, as well as several tours of the Springen mine field for interested citizens and politicians. The Neuhof-Ellers plant has set up a regular environmental dialogue to inform local politicians and regional delegates about various topics. The Borth salt plant offers interested members of the public regular virtual information events, as presence events were not possible for a long time due to the pandemic. This is intended to intensify the dialogue with the population of the surrounding communities.

DONATIONS AND SPONSORING

We provide funding for selected projects in the areas of education, social affairs, and culture. The Board of Executive Directors has defined uniform terms and conditions for donations and sponsorship. K+S does not make donations to political parties, including related or affiliated organizations or individuals. Donations for scientific and charitable purposes totaled €0.7 million in 2021 (2020: €1.0 million).

The decrease of about €0.3 million is attributable to the absence of COVID-19-related donations in the year under review, after the Supervisory Board of K+S AKTIENGESELLSCHAFT waived part of its annual remuneration for 2019. As part of this waiver, charitable institutions in the vicinity of the sites and other aid organizations in need as a result of the COVID-19 pandemic had been supported in 2020.

www.kpluss.com/society-and-employees
Sustainability key figures on the level of continuing operations, K+S AG, and discontinued operations

OVERVIEW OF STAKEHOLDER DIALOGUE: CONTENT AND DIALOGUE FORMATS B.47

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

ENVIRONMENT & RESOURCES

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

www.kpluss.com/environment-and-resources

We regularly track the progress of our environmental goals. In the "Resource Efficiency" and "Energy & Climate" topics, we promote the efficient use of natural resources and prevention of mining-related waste (SDG 12.2, SDG 12.5) as well as sustainable use of terrestrial and inland freshwater ecosystems (SDG 15.1). We strengthen our adaptive capacity to climate-related hazards and natural disasters operationally by developing adaptation solutions and strategically (SDG 13.1), e.g., by optimizing our portfolio holistically while reducing our environmental footprint in line with our climate strategy. Our environmental management supports us in achieving our goals. 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 exchange experience.

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

About this Report

CAPITAL EXPENDITURES AND OPERATING COSTS FOR ENVIRONMENTAL PROTECTION

In 2021, capital expenditure for environmental protection in the Group decreased by €13.7 million to €114.4 million (2020: €128.1 million). The tangibly lower level is attributable to project-related lower capital expenditure in water protection. This mainly related to sub-projects implemented in 2021 in the course of further project progress in the ongoing tailings pile expansions at the Hattorf and Zielitz potash sites. After the basic sealing of the expansion area in Hattorf was completed in 2020, capital expenditure in 2021 was only incurred for sealing materials at the transition between the new and old tailings piles. At the Zielitz site, one focus of capital expenditure in 2021 was the construction of new basins for tailings pile water as well as the installation of a pipeline system for the collection and discharge of tailings pile wastewater. After completion of the projects, capital expenditures in 2021 were only required for open residual work. Work continued at a high level in Zielitz and at the Wintershall site on installing the base seal on the tailings pile expansion areas approved in 2020. By contrast, capital expenditure on projects for the flooding of the disused Sigmundshall mine decreased compared with the previous year. The facilities required for loading and accepting the saline wastewater from the Werra plant were completed and commissioned with the start of flooding in mid-2021.

K+S continues to work intensively on measures to reduce liquid production residues and on alternative disposal options for the resulting saline wastewater. A key component in this regard is the planned underground storage of highly concentrated saline wastewater in the Springen mine field in Thuringia. The capital expenditure volume of the major project, which increased significantly in 2021, mainly comprised the construction of the above-ground processing facilities in which the saline wastewater will be highly saturated, the construction of the process engineering facilities above ground, and the laying of pipelines for the above-ground and underground transportation of the storage solution. Following the final discontinuation of the injection of saline wastewater at the end of 2021, the project is intended to serve as a new disposal method for saline wastewater from potash production at the Werra plant, to further improve the water quality of the Werra and Weser rivers, and to contribute to the remediation of a mining legacy. We expect to obtain the permit for permanent underground storage in the course of 2022. Capital expenditure on process water-reducing measures at the Hattorf site was also intensified in 2021. The projects focus on recycling process solutions in existing process steps, thereby reducing the volume of water requiring disposal.

The increase in capital expenditures on air pollution control and climate protection is attributable to projects taken into account that fall under sustainability activities as defined by the EU taxonomy. Newly included were capital expenditures for electric-powered loaders and vehicles to comply with future requirements for occupational exposure limits underground, as well as capital expenditures for electricity metering concepts in accordance with the regulations of the Energy Collection Act. The year-on-year increase in capital expenditures for nature conservation and soil remediation is attributable to the higher level of compensatory and replacement measures implemented in 2021 as part of the tailings pile expansions at Wintershall and Zielitz. **B.48**

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

Health

Report on the Economic Position, Capital Expenditure Analysis

Due to higher costs associated with water protection as well as air pollution control and climate protection, operating costs for environmental protection increased tangibly by €22.9 million to €252.4 million in the reporting year (2020: €229.5 million).

Sustainability key figures at the level of continuing operations, K+S AG, and discontinued operations

Increased costs in water pollution control are attributable to higher expenditures for the disposal of production residues both above and below ground. A key factor here was cost increases for the off-site disposal of saline wastewater from the Werra plant. In addition to higher transportation costs for the flooding of a cavern in Saxony-Anhalt, this was due to the flooding of the disused Sigmundshall mine in Lower Saxony, which began in mid-2021. With the new disposal method for saline wastewater, costs were incurred for the first time for the brine acceptance at Sigmundshall and the rail infrastructure on site. Cost increases were also recorded in connection with the disposal of solid production residues. At the Unterbreizbach site, the reasons were the development of a new backfill field for the underground storage of the factory residues. The main cost factors concerned the necessary preparatory mining work in the mine cavities as well as the installation of conveyor systems for connecting the mine field. The other sites mainly recorded price-related increases in the cost of materials and higher maintenance expenditures for the operation of the tailings piles and for the ESTA production process for the dry processing of potash crude salts. Further cost increases resulted from the planned tailings pile coverage and related, in particular, to operating costs for preliminary tests and planning services. In the ongoing expansions of the tailings piles, additional personnel requirements and higher costs for the applied base sealing were offset by one-off costs incurred for the positive conclusion of the permit procedures in 2020 at the Wintershall and Zielitz sites. Project-related lower costs were also incurred for the preparatory work carried out in the closed Sigmundshall mine for flooding with saline wastewater from the Werra plant. With the start of flooding in the middle of 2021, the higher personnel and machinery input for the dismantling of the underground facilities located in the flooding area was completed. In 2020, on the other hand, the work had still been carried out throughout the year. Another key component in wastewater management at the Werra plant is the planned storage of highly concentrated saline wastewater in the Springen mine field, part of the disused Merkers mine in Thuringia. In the course of project

CAPITAL EXPENDITURES ON ENVIRONMENTAL PROTECTION[1] **B.48**

in € million	2020	2021	Deviation	%
Water protection	125.0	106.2	–18.8	–15.0
Prevention of air pollution and climate protection	0.4	3.9	3.5	> +100
Waste management	1.3	1.7	0.4	+30.8
Nature conservation[2] and soil decontamination	1.3	2.6	1.3	+100.0
Other	–	–	–	–
Total	**128.1**	**114.4**	**–13.7**	**–10.7**

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

implementation, the preliminary mining work in Thuringia was continued in 2021 and completed on the Hessian side up to the geological barrier between the Wintershall and Merkers mines.

The increase in costs in the combined area of climate protection and air pollution control resulted, in particular, from the national CO_2 certificate trading for fuel emissions (Fuel Emission Trading Act – BEHG), which came into force in Germany in 2021, and higher costs for the consumption of CO_2 certificates subject to a charge, which were acquired for the regular operation of German potash sites within the framework of European emissions rights trading. Further increases were attributable to production and price-related cost increases for conditioning agents, which are used for preventing the formation of dust during the handling and discharge of finished products, as well as to higher energy costs for the operation of dedusting plants.

The decline in costs associated with waste management is attributable to the lower volume of soil materials requiring disposal from the drilling activities for cavern development at the Bethune potash site in Canada.

Operating costs mainly comprise supplementary environmental protection measures. These measures relate in particular to water protection, air pollution control, and climate protection, waste management, as well as nature conservation and soil remediation, 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 produced. **B.49**

RESOURCE EFFICIENCY SDG 12.2, 12.5, 15.1

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

WATER

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

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

Report on Risks and Opportunities

OPERATING COSTS FOR ENVIRONMENTAL PROTECTION[1] **B.49**

in € million	2020	2021	Deviation	%
Water protection	172.0	187.2	15.2	+8.8
Prevention of air pollution and climate protection[2]	39.6	48.6	9.0	+22.7
Waste management	12.0	10.5	-1.5	-12.5
Nature conservation[3] and soil decontamination	1.0	1.0	–	–
Other	4.9	5.1	0.2	+4.1
Total	**229.5**	**252.4**	**22.9**	**+10.0**

[1] The reporting of environmental investments is based on the Environmental Statistics Act (UStatG), but also includes items from our global business activities. The figures in the report have been rounded in accordance with standard commercial practice. Accordingly, rounding differences may occur, so that values in this report do not add up exactly to the totals given.
[2] Subsequent extension of the scope in 2020.
[3] Including landscape conservation.

WATER WITHDRAWAL **B.50**

in million m³	2020	2021
Seawater and other saline water	28.0	30.9
River water	105.7	107.8
Groundwater	4.7	4.8
Drinking water and water from municipal water utilities	1.1	1.1
Total volume of water withdrawn	**139.5**	**144.6**

WATER WITHDRAWAL

In 2021, the K+S GROUP withdrew a total of 144.6 million m³ (2020: 139.5 million m³) of water from various sources for extraction and production. At 107.8 million m³ (2020: 105.7 million m³), river water withdrawals in 2021 are at about the same level as in the previous year. Withdrawal of saline water from seas and other saline sources increased slightly compared to the previous year to 30.9 million m³ (2020: 28.0 million m³). The majority (87.1% (2020: 86.6%)) of our water is withdrawn from sites without high water stress. **B.50**

Sustainability key indicators at the level of continuing operations, K+S AG, and discontinued operations

LIQUID MINING RESIDUES (WASTEWATER)

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

In 2021, the Group-wide volume of saline wastewater discharged into surface waters amounted to 5.8 million m³ (2020: 4.5 million m³) for potash production and 0.2 million m³ (2020: 0.3 million m³) for salt production, and, therefore, increased overall compared with the previous year. The discharge as a disposal route of saline wastewater from potash production into surface waters occurred at the usual level due to higher river levels, in contrast to the comparatively dry previous year. A further 8.2 million m³ (2020: 8.5 million m³) of saline wastewater was discharged underground (injection). Injection in Germany

WASTEWATER **B.51**

in million m³	2020	2021
Wastewater		
Wastewater discharged into municipal sewage treatment plants[1]	0.2	0.2
Process water in river water	89.1	87.7
Water and wastewater in mines or caverns	0.1	0.4
Saline wastewater[2]		
Injection	8.5	8.2
Saline wastewater in mines or caverns	0.8	0.6
Saline wastewater into seawater and other saline waters	26.7	29.6
Saline wastewater into surface water	4.7	6.0
Saline wastewater in potash production	4.5	5.8
Saline wastewater in salt production	0.3	0.2

[1] Update precipitation amounts Frisia Zout B.V. 2020.
[2] TDS, total dissolved solids > 1 g/l.

remained at a low level of 1.0 million m³ (2020: 1.3 million m³) and was discontinued at the end of 2021. **B.51**

Sustainability key indicators at the level of continuing operations, K+S AG, and discontinued operations

Process wastewater can also be discharged into suitable mines or caverns in addition to discharge into surface waters and injection. In 2021, we transported 0.6 million m³ (2020: 0.8 million m³) of saline wastewater to suitable mines or caverns for disposal or storage purposes. Due to the favorable discharge conditions in surface waters, less saline wastewater was transported to mines and caverns in 2021. We have set ourselves the following ambitious goals for saline water by the end of 2021 and 2030, respectively:

Goal: At the end of 2021, the injection of saline water into the subsurface was discontinued in Germany. We have therefore fulfilled a key requirement of the WESER RIVER BASIN COMMUNITY (FGG). In 2021, the K+S GROUP injected 1.0 million m³ (2020: 1.3 million m³) of saline process wastewater into the underground at the Hattorf site. In total, therefore, about 1.5 million m³ less process wastewater was discharged in the years 2018 to 2021 than was authorized for this period.

From 2022, we will use the possibility of storing process water underground. In the first step, up to 1.5 million m³ per year will be stored in suitable caverns near the Werra plant (Springen mine). The discharge of saline wastewater will continue to be carried out under the water law permit granted by the KASSEL REGIONAL COUNCIL on December 23, 2021 and in compliance with the specifications of the FGG WESER with lower target values for the third management period (2021–2027).

www.fgg-weser.de

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

The Canadian K+S Bethune plant was in the start-up phase in 2018 and is built according to state-of-the-art technology. The environmental impact of the plant was already assessed and comprehensively considered prior to commissioning in 2017.

In 2021, 3.3 million m³ (2020: 2.9 million m³) of process wastewater was generated in absolute terms from potash production in Germany. Compared to the adjusted base year 2017, i.e., taking into account the full effect of the KCF plant (–1.5 million m³) as well as the end of production at Sigmundshall (–0.3 million m³), process water generation in 2021 was 0.6 million m³ higher (2020: +0.2 million m³). This is attributable to an increase in production.

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

K+S is working intensively in Germany on the further optimization of extraction and treatment processes as part of research and development projects, as well as on site-related operational projects for reducing the amount of process water requiring disposal, to achieve our goal by 2030 and secure German potash production.

Report on Risks and Opportunities
Research and Development

SOLID MINING RESIDUES (WASTE)

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

TAILINGS PILE MANAGEMENT

In 2021, we disposed of 30.1 million tonnes (2020: 29.3 million tonnes) of solid residues at our potash sites. Extensive monitoring programs include, for instance, groundwater, deformation, and dust measurements as well as vegetation ecology surveys. They monitor all impacts of the tailings piles. The data generated from these measurements is available to the approval authorities. In addition, the operation of the tailings piles is monitored by regularly recurring inspections by the approval authorities. We communicate closely with the relevant authorities on the planning and implementation of measures. The existing tailings pile capacities depend in each case on the volume of crude salt extraction and the crude salt composition. Depending on the respective site, expansions of the existing tailings piles are necessary to secure potash production in the long term.

+ The application for the expansion of the Hattorf tailings pile (Phase 2) was been submitted 2021. With permit issued on December 23, 2021, the early start for felling and clearing of the forest stand was approved and is currently being implemented.
+ With the positive planning approval for the tailings pile expansion at the Zielitz plant received in 2020, disposal of residues is guaranteed until the 2050s.
+ The tailings pile expansion at the Wintershall site also received a positive planning approval in 2020. This will provide tailings pile capacities for around nine years. Continuous production operations are, therefore, assured.

The approval process for tailings pile expansions entails an obligation on our part to provide compensatory and replacement measures. If possible, however, we try to go beyond the requirements and design the measures in such a way that they generate high added value for the environment. These include long-term, large-scale projects aimed at promoting biodiversity by creating new habitats for animals and plants or enhancing existing habitats. Reforestation projects are primarily carried out in areas of low nature conservation value with the aim of conserving agricultural land. Furthermore, we implement species protection measures prior to the start of interventions to ensure ecological-functional continuity without interruption.

Goal: Further reducing environmental impacts and conserving natural resources by reassessing the potential of residues previously stored in tailings piles is our Group-wide goal. From 2030, we aim to use three million tonnes of residues per year for purposes other than tailings pile operations. We aim to achieve this goal through alternative recovery of tailings pile material and residue avoidance by increasing raw material yields. We record the key figure on a project-specific basis according to the type of residue recovery and avoidance respectively. This figure relates to the sites at which solid residues are produced. These are the Werra, Zielitz, and Neuhof-Ellers plants. In 2021, the internal criteria for the recognition of measures were refined. Consequently, the measure of immediate backfilling is not taken into account for the year 2021.

In 2021, we were able to save 0.2 million tonnes (2020: 0.3 million tonnes without immediate backfilling and 1.2 million tonnes including consideration of immediate backfilling) of residues by implementing technical measures for increasing raw material exploitation or by recovering them. We continued the measures initiated in 2018 for residues reduction, such as improved crude salt exploration, rock salt pre-separation underground, as well as the process step of optical sorting, and introduced further optimizations of operational processes at the sites.

Goal: By 2030, we aim to cover an additional 155 ha of tailings pile area and, therefore, further reduce or prevent the generation of tailings pile water. This involves covering large and medium-sized tailings piles, which will be implemented additionally to the existing coverage in the base year of 2017 (approx. 70 ha). These include tailings piles at the active Wintershall, Hattorf, Neuhof-Ellers and Zielitz sites, and the inactive Sigmundshall, Niedersachsen, Friedrichshall, Hugo, and Siegfried-Giesen sites. In 2030, we will, therefore, have covered a total of 225 ha of tailings pile area. The covered tailings pile area relates to the surface area of the tailings pile that is relevant for the reduction of tailings water. For this purpose, the covered area is projected onto the surface area. We monitor the progress by annual measurements. In case of time-delayed measurements compared to the reporting period, the annual values are based on extrapolations.

In 2021, an additional 1.2 ha (2020: 0.2 ha) of tailings pile area could be covered. Since 2017, we have, therefore, covered a total area of 10.1 ha. Many sites are currently in planning and approval processes for tailings pile coverage.

+ The surface sealing (MSO) planned at the Hattorf site has been optimized again due to general conditions under licensing law. The tailings pile top is planned with a soil cover with an underlying plastic sealing strip. The application documents for covering the top were submitted to the approval authority at the end of 2021. On the tailings pile sides, a thin layer cover is planned and applied. Another temporary polder will be constructed on the tailings pile top, also due to legal requirements. The planning for the Wintershall plant is done accordingly – without any additional polder areas.
+ The feasibility study for the thick-layer covering planned at the Neuhof-Ellers plant is now available. On this basis, the technical planning and the application are prepared. The proposed vegetated thick layer cover reduces the saline tailings water in the long term to almost complete prevention. With the permanent thick layer cover, perpetual burdens and long-term consequences are prevented. For the Hugo site, the feasibility study on the basis of findings and results of the already conducted and the ongoing experiments in laboratories, greenhouses, and free fields shows covering tailings piles is technically possible.

www.kpluss.com/REKS

+ Due to requirements of the tailings pile expansion at the Zielitz site, an infiltration inhibition layer is being tested that is expected to be implemented in 2025. Other potential covering methods are also tested.
+ The covering of the Friedrichshall tailings pile will be finalized with renaturation measures and the dismantling of infrastructure facilities in 2022.
+ K+S also applied for approval to cover the Niedersachsen tailings pile near Wathlingen. So far, the approval for an early start to the construction of a recycling site has been granted. A planning approval decision is expected for the second half of 2022.
+ At the Sigmundshall plant, the tailings pile covering will be continued in regular operation and further areas of the tailings pile top and sides will be covered.

Report on Risks and Opportunities

ENERGY & CLIMATE SDG 12.2, 13.1

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

ENERGY

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

As a long-term commitment, K+S supports the goals of the Paris Agreement to achieve climate neutrality by 2050. For K+S, this goal is very challenging and only achievable under certain conditions. In 2021, we adopted a climate strategy for our company. In consideration of the realignment of the Company as well as pursuant to the climate strategy, the K+S goals have been adapted and the specific carbon footprint as reported until 2020 has been replaced by an absolute CO_2 savings goal. For the future development of the climate strategy, the opportunities of the decarbonization of the Scope 3 emissions should be taken further into account.

Emissions

Goal: We aim to reduce the absolute CO_2 emissions of the K+S GROUP worldwide by 10% by 2030 (base year 2020: 2.17 million t CO_2e[1]). Here, we refer to our Scope 1 and 2 emissions (calculated with market-based approach) for all energy sources used, which arise, on the one hand, from direct energy conversion and, on the other hand, from indirectly purchased energy. In the 2021 financial year, our carbon footprint was 2.16 million t CO_2e, a change of –0.5% from the 2020 baseline.

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

For the achievement of our goals, we will utilize our efficiency potentials (heat recovery), further expand combined heat and power (CHP), examine the use of renewable energies (photovoltaics and biomass), and successively convert to e-mobility underground.

[1] Emission value of the base year is adjusted in case of significant changes in production volumes, while the decarbonization ambition remains unchanged.

We adopted an internal "climate protection fund" in 2021 to support our new goal. Starting in 2022, this fund will be used to finance and support projects that contribute to reducing our greenhouse gas emissions. In 2021, we have already started planning climate protection measures such as a PV system, a biomass project, and a heat recovery system.

Corporate Strategy

Challenges in decarbonization

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

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

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

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

Energy consumption

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

Total energy consumption in 2021 of 12,323 GWh remained at about the same level as in the previous year (2020: 12,278 GWh).

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

Energy sources

The energy sources used differ depending on the site of the mines and production facilities. K+S's steam and electricity generation in Germany is based to a level of 86% on the primary energy source natural gas and to 14% on energy procurement from a waste incineration plant. In 2021, five German potash-producing sites had their own highly efficient power plants, which are operated on the principle of combined heat and power (CHP). We also operate two of seven drying plants according to the CHP principle.

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

ENERGY USE BY ENERGY SOURCE AND GREENHOUSE GAS EMISSIONS SCOPE 1, 2, AND 3[1] **B.52**

		2020	2021
Direct energy sources	GWh	**10,367.4**	**10,351.3**
(Scope 1)[2]	million t CO_2e	**1.9**	**1.9**
Natural gas[3]	GWh	10,116.3	10,100.5
Coal	GWh	–	–
Diesel	GWh	246.6	244.4
Fuel oil	GWh	–	1.3
Liquefied petroleum gas (LPG)	GWh	1.7	1.5
Gasoline	GWh	2.8	3.5
Indirect energy sources	GWh	**1,910.1**	**1,971.4**
(Scope 2)[4]	million t CO_2e	**0.3**	**0.2**
Externally sourced electricity	GWh	445.6	437.1
Externally sourced steam	GWh	1,461.7	1,529.8
Externally sourced heat	GWh	2.8	4.5
Total energy consumption	GWh	**12,277.5**	**12,322.7**
(Scope 1 & 2)[2,4]	million t CO_2e	**2.2**	**2.2**
(Scope 3)[1]	million t CO_2e	**0.5**	**0.5**

[1] Selected portion of Scope 3 emissions for downstream transports. (GHG Protocol, Category 9: Downstream transportation and distribution).
[2] Conversion to fuel-based emission factor for natural gas.
[3] Update on Bethune 2020 natural gas volumes.
[4] Scope 2 reports according to the market-based method.

Emissions

As part of the Paris Agreement of 2016, the global community set itself the goal of limiting global warming to 1.5 °C compared to pre-industrial levels, as far as possible. The 2019 UN Climate Change Conference in Madrid, Spain, provided the final details of implementation.

As part of the European Green Deal, the EU Climate Change Act was passed to anchor the goal of climate neutrality by 2050. The aim is to initially reduce greenhouse gas emissions by at least 55% by 2030 compared with the base year 1990. Against this background, the German government has set a 30% reduction target in primary energy consumption by 2030 (compared to 2008) as the national energy efficiency goal. With the amendment to the Climate Protection Act, which came into force on August 31, 2021, the German government is tightening up the EU's climate protection goals and anchoring the goal of greenhouse gas neutrality by 2045. By 2030, emissions should already be 65% lower than in 1990, according to the Climate Protection Act.

The EUROPEAN EMISSION TRADING SYSTEM (EU ETS) for reducing greenhouse gas emissions in energy-intensive industries came into force back in 2005. The aim of emissions trading is to reduce emissions where the reduction is most efficient. The K+S GROUP currently operates twelve power plants and drying facilities in Germany that are subject to emissions trading and whose emissions are recorded on the basis of applicable EU monitoring guidelines and verified by external auditing organizations. Furthermore, the Act on National Certificate Trading for Fuel Emissions (Fuel Emissions Trading Act – BEHG) was passed in Germany in 2019 and came into force in 2021. Our plants under the EU ETS will not experience any additional burden as a result. Only part of the primary energy requirement (30%) of K+S in Germany was affected by BEHG in 2021. For trading and emission-intensive companies such as K+S, which are protected from a significant risk of carbon leakage, financial compensation is provided for BEHG costs incurred. We take the pricing of the fuel emissions of our logistics service providers in Germany (Scope 3 emissions) in our mid-term planning into account. In 2021, the fourth trading period began, which will last until 2030. K+S continues to expect free allocation of emission certificates based on our energy-intensive and trade-intensive situation. Due to the cuts made, there was a lower allocation of free certificates compared to the last trading period. This results in higher costs for K+S, which have also already been taken into account in our mid-term planning.

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

We report our emissions completely within the Scope 1 and Scope 2 areas under consideration, as well as Scope 3 for our logistics emissions from outgoing transportation in CO_2 equivalents (CO_2e). These indicate the specific warming potential of greenhouse gases compared with that of CO_2. CO_2e emissions from the consumption of all direct and indirect energy sources in 2021 (Scope 1 and 2) amounted to 2.16 million t CO_2e (2020: 2.17 million t CO_2e). Since this year, site-specific market-based emission factors for electricity have served as the basis for calculating the amount of CO_2e in Scope 2. We also report the amount of CO_2e using the location-based approach. **B.52**

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

LOGISTICS EMISSIONS

Our international logistics network ensures a smooth flow in the supply chain and transportation of 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 "Wirtschaft macht Klimaschutz" (Business Protects the Climate) sponsored by the FEDERAL MINISTRY FOR THE ENVIRONMENT, NATURE CONSERVATION, AND NUCLEAR SAFETY (BMU) and develops concrete climate protection measures together with other companies.

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

Logistics emissions account for a significant part of our total value chain emissions and the largest share of our Scope 3 emissions. At 0.5 million t CO_2e (2017: 0.6 million t CO_2e), the emissions we calculated from outbound transportation correspond to about one quarter of our Scope 1 and 2 emissions. The specific value per transported tonne was 21.3 kg CO_2e/t in 2021 (2017: 24.1 kg CO_2e/t). This corresponds to a change of –11.6% compared to the base year 2017. **B.52**

Due to the change in the transportation structure resulting from the full commissioning of our Canadian production site in Bethune, the base year 2017 was consolidated this year. The KPI also now only includes greenhouse gas emissions caused by transportation of continuing operations.

The greenhouse gas emissions caused by the transportation of discontinued operations are reported separately for the months up to the date of sale.

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

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. We achieved positive effects through the use of lower-emission means of transportation, e.g., rail instead of truck, accompanied by adjustments to the distribution structure. The ongoing optimization of our logistics network as well as the optimized utilization of our means of transportation contribute to a further reduction in greenhouse gas emissions. Our emissions are currently calculated on the basis of DIN EN 16258. We aim to substitute standard values with real consumption data from our service providers in the medium term to map the effects of our supplier management and new technologies, e.g., through the purchase of low-emission logistics services. As part of our efforts to make progress in this area, we are involved in the following programs: "Aligning global shipping with society's goals" by SEA CARGO CHARTERING and "Road to net zero – Carbon Footprint Calculation" by TRANSPOREON. These programs support companies in driving supply chain sustainability through measurement, benchmarking, and efficiency improvement in freight transportation.

BUSINESS ETHICS & HUMAN RIGHTS

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

Diversity and Inclusion
Corporate Governance, Compliance Management
www.kpluss.com/businessethics-and-humanrights

SUSTAINABLE SUPPLY CHAINS SDG 8.7

K+S calls for fair, sustainable business practices in supply chains and has formulated corresponding expectations and requirements in the K+S GROUP Supplier Code of Conduct (Code). The Code requires suppliers to commit to, and comply with, our values. It is based on international standards such as the principles of the UN GLOBAL COMPACT, the GENERAL DECLARATION ON HUMAN RIGHTS, the ILO CORE LABOR STANDARDS, and the OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES. It covers human and labor rights, health and safety, environmental considerations, and responsible business.

www.kpluss.com/codeofconduct

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

In 2021, we further extended the global introduction of the Code. It already covers 81% (2020: 67%) of our purchasing volume. Some 87% (2020: 77%) of our "critical" suppliers have recognized the Supplier Code of Conduct. They are identified on an annual basis. The Corruption Perception Index (CPI), the environmental compatibility of the products or services mainly provided by the supplier, as well as the suppliers' revenues generated from business with us are taken into account. Clear processes and responsibilities are defined if a breach of the Supplier Code of Conduct becomes apparent.

Sustainability key indicators on the level of continuing operations, K+S AG, and discontinued operations

In 2022, the 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 will revisit the system for identifying "critical" suppliers in 2022 and, if necessary, adapt it with regard to requirements stipulated in the German Supply Chain Sourcing Obligations Act (Lieferkettensorgfaltspflichtengesetz – LkSG).

COMPLIANCE & ANTI-CORRUPTION SDG 16.5

Compliance is an integral element of the corporate culture based on our 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 acknowledgment 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 and appropriate sanctions are imposed.

All employees are familiarized with our values, the Code, as well as the derived 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).

Corporate Governance, Compliance Management

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

With the aim of ensuring our self-imposed zero-tolerance policy against corruption and bribery, we have set ourselves the goal of covering all K+S companies with a globally standardized and regular compliance risk analysis by the end of 2023. The measures derived from the results of the analysis serve as the basis for the specific compliance program of the respective Group company. They provide for goal-oriented compliance as well as risk management at all our K+S companies. Following the conceptualization and development of the compliance risk analysis in 2020, we began implementing the standardized compliance risk analysis at our Group companies in 2021. For 2021, we had set ourselves the goal of covering 20% of our Group companies with the initial risk analysis. As a result, we have already been able to carry out the analysis at 25% of the Group companies.

Since compliance is of great importance to our Company, we want to maintain a high level of compliance training and communicate continuously on compliance issues. For this purpose, we have developed the third part of our basic training course on Business Ethics and Compliance for our employees, which will start in 2022. We have also further intensified target group-specific training courses.

Furthermore, a uniform business partner compliance process was developed to harmonize existing processes and drive the integration of sustainability aspects into upstream and downstream supply chains.

Employees as well as third parties can use our global "SPEAK UP!" whistleblower system to report potential or actual violations of laws or regulations – also anonymously. The contact details can be found on the K+S website and portal (intranet) or on notice boards. In 2021, a total of 31 reports (of which K+S AKTIENGESELLSCHAFT 4) were submitted in various categories. All reports were handled with due diligence, investigated, and action taken where necessary. Of course, no one who reports an issue has to fear any disadvantage (non-retaliation).

www.kpluss.com/compliance-hotline, phone +49 (0)561 9301-1177
E-mail: compliance@k-plus-s.com

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

HUMAN RIGHTS SDG 8.7

The Company carries out its business in a manner that respects the human rights and dignity of all people who are impacted by our business activities, in other words, employees, contractors, and external stakeholders. We are a signatory to the UNITED NATIONS GLOBAL COMPACT. Our commitment to human rights is based on the UNITED NATIONS GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS and the OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES. Our approach is shaped by the international bill of human rights and the International Labor Organization declaration on fundamental principles and rights at work. Respect for human rights is an integral part of our Code of Conduct.

Following the sale of the Americas operating unit, we have newly identified the material sustainability issues of the K+S GROUP from the perspective of our stakeholders in 2021. The results of the updated materiality analysis clearly indicate that, from the perspective of our stakeholders, the topic of human rights is no longer in closer focus. This is not least due to the new corporate structure: streamlined and with a clear focus on Europe. Our commitment in the area of human rights is based on the field of action Business Ethics & Human Rights with the topics "Sustainable Supply Chains" and "Compliance & Anti-Corruption".

Corporate Strategy, Sustainability Program

As before, our commitment to human rights extends to all internationally recognized human rights. This is demonstrated, for example, by our signing of the UNITED NATIONS GLOBAL COMPACT. We continue to comply with legal requirements. We strive to implement our commitment through a due diligence process aligned with the UN GUIDING PRINCIPLES and take into account the following core elements as identified in the GERMAN NATIONAL ACTION PLAN ON BUSINESS AND HUMAN RIGHTS:

+ Policy statement on respect for human rights;
+ Procedures to identify human rights impacts;
+ Taking action and reviewing its effectiveness;
+ Reporting, and establishing grievance mechanisms.

www.kpluss.com/declaration-of-principles

By integrating the topic of human rights into our compliance risk analysis, we address the human rights due diligence obligations to our Group companies and take appropriate countermeasures when risks are identified. With our Supplier Code of Conduct, we also encourage our suppliers to observe human rights due diligence obligations in their area. We will also integrate the topic of human rights into our supplier risk analysis by 2023. Human rights and environmental risks in accordance with the German Act on Corporate Due Diligence in Supply Chains (LkSG) can therefore be identified and detected at an early stage in the future through a documented process at our companies and our suppliers.

Compliance & Anti-Corruption
Sustainable Supply Chains

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

Compliance & Anti-Corruption, SPEAK UP!

EU TAXONOMY

The European Green Deal aims to make Europe climate neutral by 2050. For the transformation to a modern, resource-efficient and competitive economy, the EU Commission has adopted the EU Sustainable Finance Taxonomy, a classification system for defining environmentally sustainable economic activities, as part of its Sustainable Finance Strategy under a regulation EU Sustainable Finance Taxonomy Regulation (EU SF Taxonomy Regulation). For the first time, it provides a legal framework for defining sustainable economic activities to develop sustainable financial products on this basis. Specifically, the EU SF Taxonomy Regulation defines six environmental goals: (1) climate change mitigation, (2) adaptation to climate change, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems.

Detailed technical screening criteria are used within these goals to define which activities are considered environmentally sustainable. An economic activity is considered to be taxonomy-compliant (aligned activities) if it makes a substantial contribution to an environmental objective. At the same time, other EU environmental goals must not be significantly impaired (do no significant harm, DNSH) and the minimum requirements for occupational safety and human rights must be met (minimum safeguards).

In the first reporting year, we are using the simplified reporting option. This only requires the reporting of taxonomy-eligible activities. These are economic activities that are covered by the EU SF Taxonomy Regulation but do not yet meet the relevant technical screening criteria.

The currently adopted first delegated act of the EU SF Taxonomy Regulation defines a first set of activities for two environmental goals: climate change mitigation (Annex I) and adaptation to climate change (Annex II). The majority of activities under the climate change mitigation goal also relate to climate change adaptation. As a mining company, we do not belong to the focus sectors addressed by the EU SF Taxonomy Regulation. The production of mining products and services, which are essential for supplying the population in the fields of medicine, pharmaceuticals, food production, agriculture, and animal nutrition, are not yet taken into account in the EU SF Taxonomy Regulation. Therefore, we do not report ecologically sustainable revenues. Consequently, the capital expenditures (CapEx) and operating expenditures (OpEx) we report do not relate to taxonomy-compliant economic activities, but rather to individual measures or the acquisition of production from taxonomy-compliant economic activities.

As a mining company, we are at the beginning of the value chain with the extraction of raw materials and provide the basis for many other activities. As a matter of principle, all fully consolidated Group companies are included in the analysis with regard to their revenues, capital expenditures, and operating expenditures.

Business Model

As part of a comprehensive impact analysis, the taxonomy-eligible activities to be reported for 2021 were identified. For an initial identification of the affectedness, we first examined which of our NACE codes are related to the activities from Annex I (climate change mitigation) and Annex II (adaptation to climate change) listed in the EU SF Taxonomy Regulation. Subsequently, the top-down methodology was used to assess the impact per activity. The description of each activity, the current implementation of the activity at K+S as well as the financial impact were examined and determined. For documentation purposes, identified taxonomy-eligible activities were described in detail in a predefined template. In our reporting, we only disclose those activities for which a "substantial contribution" can also be achieved. For completeness, existing K+S activities were reviewed with regard to their contribution to the environmental objectives of the EU SF Taxonomy Regulation. This process step did not result in any further taxonomy-eligible activities.

A materiality threshold was used to determine which taxonomy-eligible activities are reported.

The taxonomy-eligible shares of revenues, CapEx, and OpEx are calculated as the numerator divided by the denominator according to the EU SF Taxonomy Regulation.

General Principles

K+S defines revenues in accordance with IFRS 15.

For details, see Accounting Policies, Recognition of Income and Expenses

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

Development of Fixed Asset, Additions of other Intangible Assets and Property, Plant and Equipment

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

Research and Development Activities, Research and Development Costs

Notes to the Balance Sheet, Impact of Leases on the Income Statement, Expenses for Short-Term Leases

Notes to the Income Statement and Statement of Comprehensive Income, Other Operating Expenses, Ancillary Capital Expenditure Costs

The numerator is the sum of the CapEx or OpEx from the significantly identified taxonomy-eligible activities listed below. The numerators can be clearly identified, e.g., by order numbers, and assigned to the eligible activities. The ratio of numerator to denominator results in the percentages shown in figure. **B.54**

All of our identified taxonomy-eligible activities contribute to the goal of climate change mitigation. The individual activities are found in the Manufacturing, Construction & Real Estate, and Research & Development sectors. Our activities do not relate to taxonomy-eligible economic activities, but to individual measures or the acquisition of production from taxonomy-compliant economic activities. **B.53**

+ K+S currently operates a fleet of about 1,000 vehicles in the mines. Standard vehicles such as off-road vehicles, pickups, and vans are used for this purpose. Due to the transition to e-mobility, vehicles with combustion engines suitable for underground use are no longer expected to be available in the medium to long term. At the Hattorf-Wintershall mine, five electric vehicles were commissioned for underground

OVERVIEW OF TAXONOMY-ELIGIBLE ACTIVITIES IDENTIFIED AS MATERIAL **B.53**

Activity according to EU SF Taxonomy Regulation	Taxonomy goal	Activity at K+S
3.3 Manufacture of low carbon technologies for transportation	Climate change mitigation (Annex I)	Acquisition of e-vehicles for underground operations
7.5 Installation, maintenance, and repair of instruments and devices for measuring, regulation, and controlling energy performance of buildings	Climate change mitigation (Annex I)	Installation of smart meters
9.1 Close to market research, development, and innovation	Climate change mitigation (Annex I)	Development of new generation of e-chargers

use in 2021 (3.3, Annex I). For this purpose, a required charging infrastructure was built. The construction of charging infrastructure is an eligible activity (7.4, Annex I). The investment volume here, however, was below our materiality threshold. In the medium term, all sites with mining activities are expected to introduce electric vehicles.

+ Modern electricity metering technologies (smart meters) were installed for detailed visualization, documentation, and analysis of the energy demand and consumption structure (7.5, Annex I). This provides a higher resolution of energy consumption through additional measuring points. The meters facilitate the identification of consumption hot spots and are a prerequisite for energy-saving and energy-efficient production processes.
+ On commission of and in cooperation with K+S, a new electric loader was developed by the manufacturer GHH FAHRZEUGE GMBH, which enables a higher drive power by combining the power supply via a cable drum with an additional battery (9.1, Annex I). This results in a higher conveying capacity compared to the existing electric loaders as well as the possibility to move the machine more easily in battery operation. Both of these features increase the deployability of the machine. The prototype was delivered to the Zielitz plant in 2021 and is currently undergoing trial operation. Following successful testing of the prototype, further procurement of electric loaders for other sites is planned.

Research and Development

Table **B.54** presents the shares of revenues generated from products or services associated with economic activities that are considered environmentally sustainable. We do not disclose environmentally sustainable revenues because the production of mining products and services are not yet included in the EU SF Taxonomy Regulation. We also present the shares of CapEx from individual measures and the acquisition of production from taxonomy-compliant economic activities, respectively. No material OpEx were identified for the reporting period.

OVERVIEW OF SHARES OF REVENUES, CAPEX, AND OPEX FROM TAXONOMY-ELIGIBLE ACTIVITIES **B.54**

in %	Share of taxonomy-eligible activities, 2021	Share of non-taxonomy-eligible activities, 2021
Revenues	0	100
CapEx	0.6	99.4
OpEx	0	100

With regard to the future disclosure of taxonomy-eligible activities, further regulation remains to be seen. In particular, a potential "social taxonomy" could provide K+S with the opportunity of focusing on the social contribution of K+S products.

www.kpluss.com/product-responsibility

DECLARATION ON CORPORATE GOVERNANCE[1]

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

DECLARATION ON CORPORATE GOVERNANCE[1]

DECLARATION OF COMPLIANCE

In December 2021, 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 since issuance of the last Declaration of Conformity on May 10, 2021, the recommendations of the Government Commission on the German Corporate Governance Code as amended on December 16, 2019, published by the Federal Ministry of Justice in the official section of the Federal Gazette have been complied with and will be complied with in 2022, with the following exceptions.

+ Recommendation G.10 sentences 1 and 2 – Granting of long-term variable remuneration components predominantly in shares and disposal of the amounts granted
+ Recommendation G.12 – Payment of open variable remuneration components
+ Recommendation 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.

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

Considering the topicality and importance of this issue, we have nevertheless increasingly focused on sustainability goals in variable remuneration 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 remuneration components, irrespective of the originally agreed due dates. On leaving the Company, a member of the Board of Executive Directors is no longer responsible for the success or failure of the operating business. 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 2021"

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/agm

SUPERVISORY BOARD

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

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

The Supervisory Board has adopted bylaws and formed five committees from among its members. Furthermore, in the 2021 financial year, it was resolved to temporarily establish an Ad Hoc Special Committee to deal with the FREP examination:

+ The **Mediation Committee** performs the tasks set out in Section 31 (3) sentence 1 MitbestG. The Chairman of the Supervisory Board is also the chairman of this committee. Of the four members of this committee, two members are shareholder representatives, and two are employee representatives.
+ The **Strategy Committee** is responsible for advising the Board of Executive Directors on the strategic direction of the Company including strategic reviews and reporting thereof to the Supervisory Board. In addition, the Strategy Committee prepares resolutions of the Supervisory Board that require approval concerning acquisitions, divestments, investments, organizational changes, or restructuring. Further, it advises the Board of Executive Directors on corporate strategy matters and on projects of strategic nature. The Chairman of the Supervisory Board is also the chairman of this committee. The Strategy Committee has four members; two are shareholder representatives, and two are employee representatives.
+ The **Audit Committee** performs the tasks set out in AktG and the German Corporate Governance Code. In particular, it is involved in monitoring the accounting process, the effectiveness of the internal control system, the risk and opportunity management system, the internal audit system and compliance, the issuing of mandates to the company auditors as well as the audit of the financial statements. It also discusses the Half-Year Financial Report and Quarterly Reports with the Board of Executive Directors prior to publication. The Chairman of the Audit Committee, Mr. Kölbl (independent financial expert), has extensive knowledge and experience in the application of accounting principles and internal control procedures from his professional practice as Chief Financial Officer (CFO) of Südzucker AG and is also familiar with the audit of the financial statements. Ms. Benner-Heinacher (financial expert) has extensive knowledge and experience in the area of accounting. 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 also chairs this committee. The Personnel Committee has four members; two are shareholder representatives, and two are employee representatives.

+ The **Nomination Committee** proposes suitable candidates to the Supervisory Board for its recommendations to the Annual General Meeting. The Chairman of the Supervisory Board also chairs this committee. The committee has four members, all of whom represent the shareholders.
+ The **Ad Hoc Special Committee FREP Examination** dealt intensively with the requirements and implementation of the measures required as part of the FREP examination. The Chairman of the Supervisory Board also chairs this committee. It consists of four members, with an equal number of shareholder and employee representatives. The committee was dissolved at the end of the examination.
  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 two 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.

In addition, each shareholder representative has a specific are of responsibility, such as sustainability or digitalization.

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

The Supervisory Board believes that the aforementioned targets, which were developed in a competence analysis of the Supervisory Board conducted under the professional guidance of a remuneration expert in 2017, as well as a survey of the shareholders regarding the target and actual profile and have been continuously developed since then, are fulfilled with its current composition.

Candidates for the Supervisory Board may not be older than 70 years 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. In 2020, 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 to further professionalize 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 Board of Executive Directors. The next review is planned for 2022.

MEMBERS OF THE SUPERVISORY BOARD IN THE 2021 FINANCIAL YEAR

(Status of information on other Supervisory Board mandates and supervisory bodies, unless otherwise stated: December 31, 2021)

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

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

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

Other Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH, Kassel (Chairman) (since October 20, 2021; member since October 1, 2021)

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

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

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

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

Other Supervisory Board mandates:
+ Continental Reifen Deutschland GmbH, Hanover (Deputy Chairman)
+ Deutsche Shell Holding GmbH, Hamburg
+ Deutsche Shell GmbH, Hamburg
+ Shell Deutschland Oil GmbH, Hamburg

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

Head of the Berlin Office of IG Bergbau, Chemie, Energie

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

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

André Bahn (born 1968), Electrician
Employee representative

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

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

Jella Benner-Heinacher (born 1960), Lawyer
Shareholder representative (financial expert)

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

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

Other Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH (since October 1, 2021)

Other supervisory bodies:
+ A.S. Création Tapeten AG, Gummersbach[1] (Deputy Chairman) (until May 6, 2021)

[1] Listed.

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

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

Other supervisory 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 1962), Degree in Economics and Business Management
Shareholder representative (independent member)
Entrepreneur/Consultant/Coach (former member of the Board of Executive Directors of TUI Aktiengesellschaft, Hanover)

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

Other Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH, Kassel (since October 1, 2021)

Group companies of the TUI Group
+ TUI Deutschland GmbH, Hanover (until June 30, 2021)
+ TUI fly GmbH, Langenhagen (until June 30, 2021)

Other supervisory bodies:
Group companies of the TUI Group
+ TUI Belgium N.V., Oostende/Belgium (until July 15, 2021)
+ TUI Nederland N.V., Rijswijk/Netherlands (until July 15, 2021)

Gerd Grimmig (born 1953), Degree in Mining Engineering
Shareholder representative (independent member)
Retiree (former member of the Board of Executive Directors of K+S Aktiengesellschaft, Kassel)

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

Other Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH, Kassel (since January 1, 2021)

Axel Hartmann (born 1958), Trained Retail Salesman
Employee representative
Chairman of the General Works Council of the K+S Group
Chairman of the Works Council of the Neuhof-Ellers plant, K+S Minerals and Agriculture GmbH, Kassel

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

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

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

Other Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH, Kassel (since October 1, 2021)

Other supervisory bodies:
+ Biotalys N.V., Ghent/Belgium[1] (member of the Board of Directors (non-executive)) (since July 6, 2021)

Michael Knackmuß (born 1975), Car Mechanic
Employee representative
2nd Deputy Chairman of the General Works Council of the K+S Gruppe
Chairman of the Works Council of the Zielitz plant, K+S Minerals and Agriculture GmbH, Kassel

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

Thomas Kölbl (born 1962), Degree in Business Administration
Shareholder representative (independent financial expert)
Chief Financial Officer of Südzucker AG, Mannheim

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

Other Supervisory Board mandates:
Group companies of Südzucker Group
+ CropEnergies AG, Mannheim[1] (member of the Supervisory Board since June 25, 2021; previously Deputy Chairman)

[1] Listed.

Other supervisory bodies:
Group companies of Südzucker Group
+ AGRANA Stärke GmbH, Vienna/Austria (member of the Supervisory Board) (until May 31, 2021)
+ AGRANA Zucker GmbH, Vienna/Austria (member of the Supervisory Board) (until May 31, 2021)
+ Freiberger Holding GmbH, Berlin (member of the Supervisory Board)
+ PortionPack Europe Holding B.V., Oud-Beijerland/Netherlands (member of the Supervisory Board) (until October 10, 2021)
+ Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim (Chairman of the Advisory Board)

Gerd Kübler (born 1967), Degree in Engineering
Employee representative
Head of Mining, K+S Aktiengesellschaft, Kassel

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

Dr. Rainier van Roessel (born 1957), Degree in Business Administration
Shareholder representative (independent member)
Independent consultant (former member of the Board of Executive Directors and Labor Director of LANXESS AG, Cologne)

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

Other Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH, Kassel (since October 1, 2021)

Peter Trotha (born 1983), Industrial Mechanic
Employee representative
Chairman of the Works Council of the Bernburg plant, K+S Minerals and Agriculture GmbH, Kassel

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

Brigitte Weitz (born 1963), Human Resources Specialist
Employee representative
Chairwoman of the Works Council ZT_South, K+S Minerals and Agriculture GmbH, Kassel

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

www.kpluss.com/supervisoryboard

MEMBERS WHO LEFT APPOINTMENT IN 2021:

Nevin McDougall (born 1967), Master of Agriculture (Agricultural Economics & Business)
Shareholder representative (former independent member)
President & Chief Commercial Officer, A&L Canada Laboratories Inc., London, Canada

Mandate ended at the end of the 2021 Annual General Meeting
First appointed: May 15, 2018

Anke Roehr (born 1964), Industrial Clerk
Employee representative
Former Chairwoman of the Works Council of the Hanover site, K+S Minerals and Agriculture GmbH, Kassel
Former employee of the Communities customer segment, K+S Minerals and Agriculture GmbH, Kassel

Mandate ended on May 31, 2021
First appointed: April 1, 2016

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, independent financial expert)
+ Petra Adolph
+ Ralf Becker
+ Jella Benner-Heinacher (financial expert)
+ 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
+ Gerd Grimmig

AD HOC SPECIAL COMMITTEE FREP
+ Dr. Andreas Kreimeyer (Chairman)
+ Petra Adolph
+ Ralf Becker
+ Jella Benner-Heinacher

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

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

www.kpluss.com/statutes

APPOINTMENT TO THE BOARD OF EXECUTIVE DIRECTORS, COMPETENCE PROFILE, DIVERSITY AND LONG-TERM SUCCESSION PLANNING
According to Section 5 (1) of the Articles of Association, the Board of Executive Directors shall consist of at least two members. The exact number of members is determined by the Supervisory Board. From January 1 to March 31, 2021, the Board of Executive Directors consisted of three male members. From the date on which Mr. Holger Riemensperger assumed office on April 1 until the date on which Mr. Mark Roberts resigned on April 30, 2021, the Board of Executive Directors consisted of four male members. From May 1 to December 31, 2021, 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. Furthermore, the Supervisory Board is of the opinion that diversity is also important for the Board of Executive Directors. Therefore, the Board of Executive Directors should consist of people who complement each other in terms of professional and life experience and are of different ages. For the members of the Board of Executive Directors, the Supervisory Board has introduced an age limit set at the age of 65. The initial appointment of members of the Board of Executive Directors shall be for a maximum of three years. Moreover at least one member of the Board of Executive Directors should have pronounced international experience. The current composition of the Board of Executive Directors, except for the targeted proportion of women, meets the criteria defined by the Supervisory Board.

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. Considering 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 mandates, unless otherwise stated: December 31, 2021)

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

Mandate until May 31, 2025
First appointment: June 1, 2012

Supervisory Board mandates:
+ K+S Minerals and Agriculture GmbH, Kassel[1] (Chairman) (until September 30, 2021)

Thorsten Boeckers (born 1975), Banker, Chief Financial Officer (CFO)

Mandate until May 11, 2025
First appointment: May 12, 2017

Supervisory Board mandates:

- K+S Minerals and Agriculture GmbH, Kassel[1] (until September 30, 2021)

Holger Riemensperger (born 1970), Graduate Engineer in Process Engineering, Chief Operating Officer (COO)

Mandate until March 31, 2024
First appointed: April 1, 2021

MEMBERS WHO LEFT APPOINTMENT IN 2021:

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

End of mandate as of April 30, 2021
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
www.kpluss.com/corporategovernance

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

The remuneration of the Board of Executive Directors and the Supervisory Board is disclosed in the remuneration report pursuant to Section 162 of the German Stock Corporation Act (AktG) in the management report and can also be viewed on the Company's website.

Remuneration Report
www.kpluss.com/corporategovernance

[1] Group mandate.

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 regarding all relevant topics. Important business transactions and measures require the consent of the Supervisory Board; more information on this can be found in Section 12 of the Supervisory Board bylaws.

www.kpluss.com/statutes

CONFLICTS OF INTEREST

No conflicts of interest involving members of the Board of Executive Directors or the Supervisory Board, about which the Annual General Meeting needed to be informed, were disclosed to the Supervisory Board during the reporting period.

DIRECTORS AND OFFICERS INSURANCE (D&O)

We have a D&O insurance in case a claim for compensation based on statutory third-party liability provisions is made against members of the Board of Executive Directors or the Supervisory Board on account of a breach of duty committed in the performance of their duties. The excess is 10% of the respective claim up to a maximum of 1.5 times the fixed annual remuneration. The D&O insurance also applies to 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.

In 2021, we published the following directors' dealings notifications for the Supervisory Board and the Board of Executive Directors: **B.55**

www.kpluss.com/directorsdealings

DIRECTORS' DEALINGS OF THE MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD **B.55**

	Date	Transaction	ISIN	Volume
Dr. Andreas Kreimeyer	June 30, 2021	Bond sale	XS1854830889	€104,350.00
Dr. Burkhard Lohr	June 30, 2021	Bond sale	XS1854830889	€208,700.00
Dr. Burkhard Lohr	June 30, 2021	Bond sale	XS1591416679	€205,900.00
Holger Riemensperger	June 15, 2021	Share purchase	DE000KSAG888	€11,940.00
Holger Riemensperger	June 7, 2021	Share purchase	DE000KSAG888	€24,085.60
Thorsten Boeckers	March 11, 2021	Share purchase	DE000KSAG888	€ 9,984.64

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% was achieved as of December 31, 2021. As of the reporting date, the proportion of women is just over 13% (2020: 9%). The year-on-year increase is due to a decrease in the total number of management positions at this level, with the absolute number of women remaining unchanged. Encouragingly, at the second level below the Board of Executive Directors, the target of 11% was again significantly exceeded as of the reporting date with a proportion of women of just over 20% (2020: 20%).

Combined Non-Financial Statement

GOVERNANCE

Each organizational unit of the K+S GROUP is obliged, in compliance with the regulations of higher-level units, to issue the required illustrative regulations for its area of responsibility to ensure proper governance and monitoring.

The content of (overall) works agreements and regulatory standards (i.e., rules and standards of third parties, which the K+S GROUP or parts of it have undertaken to comply with and implement) have the same importance as internal regulations; this applies inter alia to the German Corporate Governance Code unless the Board of Executive Directors and the Supervisory Board have jointly agreed on deviations from its recommendations.

OUR VALUES

As an international team, we may speak different languages, live in different regions and work in different professions. But there is something we all share. Something which connects us. It is our K+S Values. They form the basis of our cooperation and demonstrate the standards we set for our work.

At the same time, identifying the K+S GROUP with common values provides the basis for building a stronger corporate culture:

+ Safe & Sustainable: We always put safety first and act sustainably in everything we do.
+ Collaborative: We support each other by treating one another with trust and respect.
+ Entrepreneurial: We are entrepreneurs and take on challenges courageously.
+ Agile: We utilize lean and flexible structures to work quickly and efficiently.
+ Innovative: We are adaptable and encourage innovation.
+ Optimistic: We believe in the success of K+S.

www.kpluss.com/values

CODE OF CONDUCT

The K+S GROUP has adopted a Code of Conduct based on the Global Organization Handbook for the K+S GROUP and our values.

This provides orientation for making good decisions in our daily work. It is important for K+S to treat each other with respect everywhere in the world and align actions with K+S values. Working together is important to set a common high ethical standard for the way business is conducted at K+S and beyond.

www.kpluss.com/codeofconduct

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 are inflicted.

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

The Board of Executive Directors has appointed the Head of the "Compliance, Risk & Internal Auditing" unit to the function of Chief Compliance Officer (CCO) with the responsibility of ensuring an effective and legally compliant compliance management system in the K+S GROUP. He reports directly to the Chairman of the Board of Executive Directors and heads the global Governance, Risk, and Compliance Committee (GRC Committee), which comprises the compliance and risk management officers of K+S MINERALS AND AGRICULTURE GMBH as well as the heads of the corporate functions of the Company (e.g., Internal Auditing, Legal, Human Resources). The GRC Committee's tasks include advising on general compliance management issues and coordinating them throughout the Group, as well as regularly analyzing the general suitability of the compliance management system and, if weaknesses are identified, making recommendations for action to the respective responsible management. The Board of Executive Directors regularly reports to the Audit Committee of the Supervisory Board of K+S AKTIENGESELLSCHAFT on the compliance management system.

By the end of the first quarter of each year, the CCO receives a completeness report on reported compliance incidents from across the organization. In 2021, we again had no incidents of corruption.

Combined Non-Financial Statement

MANAGEMENT OF RISKS AND OPPORTUNITIES

The risk and opportunity management system pursues the goal of identifying risks and opportunities throughout the K+S GROUP in a timely manner, assessing their impact on the net assets, financial position, or earnings situation, as well as any non-financial effects, taking measures to avoid/mitigate risks or to exploit opportunities, and thereby supporting the sustainable success of the Company. Furthermore, structured internal and external reporting on risks and opportunities is to be ensured. In this respect, the following principles apply:

+ Corporate actions are inevitably associated with risk. The aim is to use the opportunities available and only take risks that are unavoidable in order to secure income potential.
+ No action or decision may constitute a risk in itself, which can foreseeably lead to a risk in terms of the Company's continued existence.

The Risk and Opportunity Management section in the Global Organization Handbook regulates the tasks and authorities of those involved in the risk management process and the risk and opportunity management process itself and defines the requirements for reporting risks and opportunities.

The GRC Committee has the task of advising on and coordinating general topics associated with risk and opportunity management throughout the Group. It also has the task of analyzing the general suitability of the risk and opportunities management system on a regular basis and issuing recommendations for actions to the respective responsible management if a need for adjustment is identified.

A detailed description of the process for identifying, assessing, controlling, and reporting risks and opportunities, an explanation of risk management in relation to financial instruments (IFRS 7), and significant risks and opportunities can be found in the risk and opportunity report from page 117.

Report on Risks and Opportunities

SUSTAINABILITY MANAGEMENT[1]

Corporate action of the K+S GROUP is aligned to the achievement of sustainable economic success. For long-term economic success, ecological, and social aspects must also be considered appropriately; therefore, they are an integral part of our strategy.

Corporate Strategy

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

The Board of Executive Directors is responsible for setting the strategic sustainability goals of the K+S GROUP. One member of the Board of Executive Directors is a so-called KPI sponsor of our sustainability goals. The Board of Executive Directors – and in the future also the Supervisory Board – are regularly informed about the development of non-financial indicators and the achievement of targets. In addition, a shareholder representative on the Supervisory Board takes specifically care of topics related to sustainability. **B.56**

Combined Non-Financial Statement

B.56

Topics within which K+S has set itself sustainability goals and KPIs	Responsible Board of Executive Directors member (sponsor)
Health & Safety	Holger Riemensperger, COO
Diversity & Inclusion	Dr. Burkhard Lohr, CEO
Resource Efficiency	Holger Riemensperger, COO
Energy & Climate	Dr. Burkhard Lohr, CEO
Sustainable Supply Chains	Thorsten Boeckers, CFO
Compliance & Anti-Corruption	Thorsten Boeckers, CFO

The sustainability management of the K+S GROUP is assigned to the newly created function of the Chief Sustainability Officer (CSO). The CSO reports directly to the Board of Executive Directors and chairs the Sustainability Committee. The responsibility of sustainability management is to create effective structures for recording and dealing with sustainability issues in the K+S GROUP as well as conceptualize and coordinate their implementation at the producing sites. Sustainability management develops proposals for a strategic sustainability orientation and submits corresponding proposals to the Board of Executive Directors.

Sustainability management adheres to the PDCA logic (plan-do-check-act) and is mapped along the individual processes in our software for business processes. Sustainability requirements of or for the K+S GROUP are recorded, analyzed, and prioritized. These are integrated into corresponding processes or new processes are implemented respectively.

The material topics of the K+S Group are identified at regular intervals. Due to the sale of the Americas operating unit, the materiality analysis was updated in 2021 from a stakeholder perspective. We communicated the identified K+S-specific material topics through various channels. Our goals in the activity areas of Society & Employees, Environment & Resources, and Business Ethics & Human Rights have been partially adjusted in response to the findings.

Corporate Strategy, Sustainability Program

The coordination of KPI management as well as quarterly reporting to the Board of Executive Directors regarding performance indicators is part of sustainability management.

As part of risk and opportunity management, the assessment of non-financial impacts of risks is performed along the aspects according to CSR-RUG.

Report on Risks and Opportunities

The Sustainability Committee is responsible for advising on and coordinating sustainability issues throughout the Group and therefore constitutes the governance of sustainability management. Meetings of the Sustainability Committee are held twice a year at working level and regularly analyze the general adequacy of the sustainability management system. If a need for adjustment is identified, the committee makes recommendations for action to the management responsible in each case. In 2021, the committee met in Q2 and Q4 to discuss current topics, specific measures, and programs, and to develop proposals for decisions.

The EU SF Taxonomy Regulation came into force in 2021. The implementation of these legal requirements and the corresponding processes was carried out by sustainability management in cooperation with Accounting and Controlling. Further specification of the EU SF Taxonomy Regulation will also constitute an essential component of sustainability management in the future.

Combined Non-Financial Statement, EU Taxonomy

The overall development of sustainability management is summarized and reported annually in the non-financial statement (NFS).

In 2021, we calculated the product carbon footprints (PCF) of our main product groups on the basis of product costing. For this purpose, our Scope 1 and Scope 2 emissions along our extraction and production processes were taken into account. We provide the PCF values to our customers and other interested stakeholders upon request.

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 the coordination of 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 sale of the Americas operating unit and the restructuring of our organization, K+S has become significantly leaner. A new corporate mission statement has been developed and the corporate strategy has been adjusted to take account of this change.

Corporate Strategy

In principle, the framework and general goals for the management of the K+S GROUP are derived from the corporate mission. Building on the corporate mission, the corporate strategy defines the strategic focus, the financial goals, as well as the guiding principles for the implementation of the strategy.

The Board of Executive Directors defines the corporate strategy as the basis for achieving our mission statement. Processes and measures are defined on the basis of regular dialogue between the Board of Executive Directors and the heads of the functions directly reporting to it, which in turn are cascaded down to the respective subordinate organizational levels. The relevant content is communicated by the managers to the employees concerned.

The quality of target definition is crucial in terms of achieving these targets and being able to assess them. Consequently, they must be specific, measurable, accepted, and realistic, they must have time limits set, and must not contradict other targets.

Key business transactions and measures require the approval of the entire Board of Executive Directors or of the member of the Board of Executive Directors responsible for the relevant function.

The mid-term planning, the annual planning, as well as the quarterly forecast are the main controlling instruments. The mid-term planning of the K+S GROUP covers a planning period of three years and consists of the annual planning for the coming financial year and the planning for the two following years. In this connection, key figures are planned by the responsible units of the K+S GROUP in numerous sub-processes and under the central specification of the most important planning premises. On this basis, Controlling prepares a consolidated operational plan for the K+S GROUP as well as personnel, capital expenditure, and financial planning and provides further explanations thereof to the Board of Executive Directors. Once approved, the Board of Executive Directors submits the annual planning to the Supervisory Board for approval and provides further explanation for the two subsequent years. After the consolidated financial statements have been prepared, 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 quarterly forecast is based on the approved annual planning or, in the further course of a year, on the preceding forecast. As a rule, all important key figures for the current financial year are updated by the responsible units and transferred by Controlling into a consolidated forecast for the K+S GROUP. In the process, the available actual values and new findings on business development as well as developments in important premises are successively incorporated. Deviations are analyzed and evaluated within the framework of the extrapolation and serve to control the operating business. The Board of Executive Directors and the Supervisory Board are informed about the forecast of the K+S GROUP.

KEY FINANCIAL PERFORMANCE INDICATORS

The Company's activities are managed based on the following key financial performance indicators, which are the most important financial performance indicators within the meaning of the German Accounting Standards (DRS) 20:

+ EBITDA[1]
+ Group earnings after taxes, adjusted
+ Capital expenditure
+ Adjusted free cash flow[2]
+ Return on capital employed (ROCE)[3]
+ Net financial liabilities (including financial lease liabilities)/ EBITDA[1]

Since the 2018 financial year, we have been controlling the Company in particular by the earnings indicator EBITDA[1]. A derivation can be found in the Report on Economic Position 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 EBITDA1 of the K+S GROUP with the actual EBITDA[1] achieved.

[1] 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 Report on Economic Position on page 52.

[2] The calculation of the "Adjusted free cash flow" performance indicator can be found in the Report on Economic Position on page 60.

[3] The calculation of the "ROCE" performance indicator can be found in the Report on Economic Position on page 57.

We additionally focus on the key financial performance indicator of adjusted free cash flow, including the cash-effective investments included here. A reconciliation of these two figures can be found on pages 59 and 60 of the management report. This supports our goal of maintaining the leverage ratio (net debt/EBITDA1) within the targeted range. The derivation of net financial liabilities can be found on page 61 of the Report on Economic Position. The capital expenditure and net financial debt/EBITDA ratios are also key financial performance indicators.

Remuneration Report

Furthermore, we use the key performance indicator return on capital employed (ROCE[3]). for monitoring our financial targets. We derive value added from ROCE[3] using the weighted average cost of capital before taxes. Group earnings after taxes, adjusted, is also an important indicator in controlling the Company. The derivation can be found in the Report on Economic Position on page 57.

The comparison of actual and forecast business performance starting on page 48 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 62.

With the introduction of the new strategy, financial targets derived from the key performance indicators were also defined, which we aim to achieve on the basis of a solid balance sheet to meet the demands and return expectations of our investors.

+ We aim to earn our cost of capital on average over a 5-year cycle (ROCE[3] > WACC).
+ Over the same cycle, we aim to achieve an average EBITDA[1] margin of more than 20%.
+ From 2023, we will achieve positive adjusted free cash flow – even in the event of temporarily low potash prices and green winters.

NON-FINANCIAL PERFORMANCE INDICATORS

As part of sustainability management, requirements of or for the K+S GROUP are identified, analyzed, and prioritized to set specific sustainability goals for subareas (sites, companies, etc.). Sustainability management performance indicators and target values were, therefore, defined for the K+S GROUP in 2018. Since the 2020 financial year, we have also managed the Company using the 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 (DRS) 20.

+ Lost Time Incident Rate (LTI Rate)
+ Saline process waters in Germany
+ Sustainable supply chains, specified by the performance indicators "Proportion of critical suppliers aligned with the Supplier Code of Conduct of the K+S GROUP" and "Coverage of purchasing volume by the K+S GROUP Supplier Code of Conduct"

The so-called LTI rate measures occupational accidents with lost time in relation to one million hours worked. Saline process water is the saline water produced in the mining treatment processes of potash production in Germany, which can no longer be further used in the treatment processes, used elsewhere or sold as a product and for which disposal is therefore necessary. The "Proportion of critical suppliers aligned with the K+S GROUP Supplier Code of Conduct" in percent as well as the "Rate of recognition of the K+S GROUP Supplier Code of Conduct" in relation to the purchasing volume in percent are the sub-targets of the third performance indicator "Sustainable Supply Chains". A detailed description can be found in the remuneration report on pages 146–148.

Corporate Strategy, Sustainability Program
Remuneration Report

Other financial and non-financial performance indicators that are relevant for the K+S GROUP include revenues, sales volumes, average selling prices, and number of employees. However, these figures are not considered financial or non-financial key performance indicators within the meaning of German Accounting Standards (DRS) 20.

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 adequacy and actual effectiveness of the governance and monitoring system. The effectiveness of the risk and opportunity management system, the compliance management system and the internal control system, for example, are reviewed on a regular basis.

Process-independent monitoring measures are implemented externally as part of the audits of the financial statements as well as in the form of IT penetration tests.

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 integrated by means of an internal regulation in the accounting process. The accounting policies for the annual financial statements of K+S AKTIENGESELLSCHAFT and its domestic subsidiaries are documented in accounting instructions, in accordance with German commercial law and supplementary provisions. All employees undergo training according to their tasks and receive regular training particularly in relation to changes in regulations or processes.

We have a Group-wide IT platform for all major companies, a uniform Group accounts structure, and standardized automated accounting processes. This standardization ensures proper and timely recording of key business transactions. Binding rules and control mechanisms exist for additional manual recording of accounting transactions. Balance sheet valuations, such as goodwill impairment tests or the calculation of mining obligations, are carried out by Group-internal experts. In individual cases, such as the valuation of pension obligations, these measurements are carried out by external experts.

For the preparation of the consolidated financial statements of the K+S GROUP, the financial statements of those companies whose accounts are kept on the K+S GROUP IT platform are imported directly into an IT consolidation system. In the case of the remaining consolidated companies, the financial statements data are transferred via an online interface. The validity of the financial statements data transferred is reviewed by means of system controls. In addition, the financial statements submitted by the consolidated companies are reviewed centrally with due consideration being given to the reports prepared by the auditors. Information relevant to the consolidation process is automatically derived and obtained in a formalized manner by the system, thus ensuring that intra-Group transactions are properly and fully eliminated. All consolidation processes for the preparation of the consolidated financial statements are carried out and documented in the IT consolidation system. The components of the consolidated financial statements, including key information for the Notes, are developed from this.

The annual financial statements of companies subject to mandatory audits and the consolidated financial statements are audited by independent auditors in addition to the existing internal monitoring. This is the key process-independent monitoring measure regarding the Group's accounting process. The annual financial statements of those German companies not subject to mandatory audits are audited by the Internal Auditing unit. Moreover, the independent auditor audits the reliability of the early risk detection system.

The audit of the 2021 financial statements was conducted by PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGS-GESELLSCHAFT, Frankfurt am Main. This company is appointed in 2021 to carry out the audits for the first time. The responsible audit partners of the consolidated financial statements of the K+S GROUP were Mr. WP/StB Michael Conrad and Mr. WP Thorsten Neumann. Mr. WP/StB Michael Conrad was the auditor responsible for the audit of the consolidated financial statements of K+S AKTIENGESELLSCHAFT. Mr. WP Thorsten Neumann was the auditor responsible for the individual financial statements of K+S AKTIENGESELLSCHAFT as well as the individual financial statements of the German subsidiaries with an audit assignment. PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT has issued a statement that there are no doubts as to its independence. The audit engagement letter to the selected auditor is issued by the Supervisory Board on the proposal of the Audit Committee. The audit of the financial statements is accompanied by the Audit Committee. The Chairman of the Supervisory Board and the Chairman of the Audit Committee shall be informed immediately by the auditor of any grounds for disqualification or partiality arising during the audit, unless such grounds are eliminated immediately. Furthermore, the auditor shall immediately report on any findings and occurrences of relevance for the duties of the Supervisory Board that arise during the audit. In addition, the auditor shall inform the Supervisory Board or make a note in the audit report if, in the course of the audit, the auditor ascertains facts which are inconsistent with the declaration of conformity issued by the Board of Executive Directors and the Supervisory Board pursuant to Section 161 AktG.

DISCLOSURES IN ACCORDANCE WITH SECTION 289 A (1) AND SECTION 315 A (1) HGB AS WELL AS THE EXPLANATORY REPORT OF THE BOARD OF EXECUTIVE DIRECTORS IN ACCORDANCE WITH SECTION 176 (1) SENTENCE 1 AKTG

ITEM 1: COMPOSITION OF THE SUBSCRIBED CAPITAL

The share capital amounts to €191,400,000 and is divided into 191,400,000 shares. The registered shares of the Company are no-par value shares. There are no other classes of shares.

ITEM 2: RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES

Each share entitles the holder to one vote; there are no restrictions on voting rights or on the transfer of shares. The Board of Executive Directors is not aware of any corresponding stockholders' agreements.

ITEM 3: DIRECT OR INDIRECT SHAREHOLDINGS EXCEEDING 10% OF THE CAPITAL

No direct or indirect interests in the share capital of more than 10% were reported to us.

ITEM 4: HOLDERS OF SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

There are no shares with special rights conferring control powers.

ITEM 5: VOTING RIGHTS CONTROL IN THE EVENT OF EMPLOYEE PARTICIPATION IN THE CAPITAL

No voting right controls apply.

ITEM 6: STATUTORY REGULATIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS AND CONCERNING AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and dismissal of members of the Board of Executive Directors are governed by Section 84 AktG. Accordingly, the members of the Board of Executive Directors are appointed by the Supervisory Board for a maximum term of five years. In accordance with Section 5 of the Articles of Association, the Board of Executive Directors of K+S AKTIENGESELLSCHAFT has at least two members. The number of members is determined by the Supervisory Board. The Supervisory Board may appoint a member of the Board of Executive Directors as Chairman of the Board of Executive Directors. The Supervisory Board may rescind the appointment of a member of the Board of Executive Directors or the appointment of the Chairman of the Board of Executive Directors for good cause.

The Annual General Meeting may pass amendments to the Articles of Association with a simple majority of the share capital represented (Section 179 (2) AktG in conjunction with Section 17 (2) of the Articles of Association), unless mandatory statutory provisions require a larger majority.

ITEM 7: POWERS OF THE BOARD OF EXECUTIVE DIRECTORS CONCERNING THE POSSIBILITY OF ISSUING OR REPURCHASING SHARES

AUTHORITIES TO GENERATE NEW AUTHORIZED CAPITAL OR AUTHORIZED CAPITAL II WITH THE POSSIBILITY OF EXCLUDING THE SUBSCRIPTION RIGHT OF THE SHAREHOLDERS

The Board of Executive Directors was authorized by the Annual General Meeting on June 10, 2020 to increase the Company's share capital, with the consent of the Supervisory Board, by a total of €38,280,000.00 in one lump sum or several partial amounts at different times, by issuing a maximum of 38,280,000.00 new registered shares (authorized capital) in return for cash and/or non-cash contributions during the period to June 9, 2025. On May 12, 2021, the Board of Executive Directors was authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before May 11, 2026, against cash or non-cash contributions, but by a maximum total of €38,280,000.00 by issuing a maximum of 38,280,000 new registered no-par value shares (authorize capital II). When implementing a capital increase from authorized capital or authorized capital II, shareholders must generally be granted subscription rights. The new shares can be acquired by a financial institution designated by the Board of Executive Directors with the obligation to offer them to the shareholders (indirect subscription right).

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The Board of Executive Directors is authorized, both for the authorized capital and for the authorized capital II, with the consent of the Supervisory Board, to exclude the shareholders' statutory right to subscribe up to a proportionate amount of the share capital of €19,140,000.00 (corresponding to 19,140,000 no-par value shares) in the following cases:

+ For fractional amounts arising as a consequence of the right to subscribe.
+ In the case of capital increases in return for cash contributions up to a proportionate amount of the share capital of €19,140,000.00 (corresponding to 19,140,000 no-par value shares) if the issue price of the new shares is not significantly less than the stock exchange price of already listed shares of the same type and structure on the date when the issue price is finally agreed.
+ In the case of capital increases in return for assets of up to €19,140,000.00 (corresponding to 19,140,000 no-par value shares) if the new shares are to be used as consideration in the acquisition of a company, parts of a company or an equity interest in a company by the Company.

+ For the authorized capital for the implementation of a so-called scrip dividend, whereby shareholders are offered to contribute all or part of their dividend entitlement to the Company as a contribution in kind in return for the granting of new shares.
+ For authorized capital II, to the extent necessary to grant holders of conversion or option rights or those obliged to exercise conversion or option rights under bonds issued or to be issued by the Company or one of its Group companies subscription rights to new shares to the extent to which they would be entitled as shareholders after exercising the option or conversion right or fulfilling the option or conversion obligation.

The Board of Executive Directors may only make use of the authorizations described above to exclude the right to subscribe insofar as the proportionate amount of the total shares issued with exclusion of the right to subscribe does not exceed 10% of the share capital (10% ceiling), neither on the date of the resolution regarding these authorizations nor on the date they are respectively exercised. If other authorizations to issue or sell Company shares or to issue rights are exercised, which enable or obligate the acquisition of Company shares, during the term of the authorized capital or authorized capital II until their respective utilization therefore excluding the right to subscribe, this must be credited against the 10% ceiling referred to above.

The Board of Executive Directors is authorized to determine the further details of capital increases from the authorized capital or the authorized capital II with the consent of the Supervisory Board.

As a result of the option granted by the Board of Executive Directors to implement a capital increase with limited exclusion of the right to subscribe with the approval of the Supervisory Board until June 9, 2025 (authorized capital) or May 11, 2026 (authorized capital II), the Company will be given a widespread instrument with the help of which, for example, fast and flexible use can be made of the opportunities that present themselves to make acquisitions. The Board of Executive Directors will only make use of this option if there is an appropriate ratio between the value of the new shares and the value of the consideration.

AUTHORIZATION TO ISSUE CONVERTIBLE BONDS AND OPTION BONDS WITH THE OPTION TO EXCLUDE SHAREHOLDERS' SUBSCRIPTION RIGHTS TOGETHER WITH THE SIMULTANEOUS CREATION OF CONDITIONAL CAPITAL

Authorization to issue convertible bonds and bonds with warrants

The Board of Executive Directors is authorized until June 9, 2025, with the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or warrant-linked bonds (bonds) on one or more occasions, with an aggregate nominal value of up to €600,000,000.00 with or without a limited term, and to issue or impose conversion rights or obligations on the holders or creditors of bonds or warrants on shares in the Company with a proportionate amount of the share capital of up to a total of €19,140,000.00, as set out in greater detail in the terms and conditions of the convertible or warrant-linked bonds. The proportionate amount of the share capital represented by the shares to be issued upon conversion may not exceed the nominal amount of the bonds.

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In addition to euros, bonds may also be issued in the legal tender of any OECD country, limited to the corresponding euro counter-value at the time of issuing the bond. Bonds may also be issued by Group companies of the Company; in this case, the Board of Executive Directors is authorized to act as guarantor for the bonds on behalf of the Company and to grant or impose conversion rights or obligations or warrants on shares in the Company to/upon the holders or creditors of such bonds. The bond issues may be subdivided into equivalent debentures in each case.

The Company's shareholders are generally entitled to subscription rights to bonds. The bonds can also be acquired by one or more financial institutions with the obligation that they must be offered to the Company's shareholders for subscription.

The Board of Executive Directors is, however, authorized with the approval of the Supervisory Board to exclude subscription rights, in full or in part, in the following cases:

+ If bonds are issued against cash and if the issue price is not substantially lower than the theoretical market value of the bonds calculated in accordance with recognized actuarial methods. However, the exclusion of subscription rights only applies to bonds with conversion rights or obligations or warrants on shares representing up to 10%

of the share capital at the time the resolution is adopted or – if this amount is lower – at the time the authorization is exercised. For 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 it is necessary to grant the bearers of convertible bonds or warrants in respect of shares in the Company or the creditors of convertible bonds provided with conversion obligations, a right to subscribe to the extent to which they would be entitled following the exercising of these rights or the fulfillment of the conversion obligations.
+ For the purpose of exempting fractional amounts from the shareholders' right to subscribe, which are a consequence of the subscription ratio.
+ Insofar as the bonds are issued in connection with the acquisition of undertakings, interests in undertakings, or parts of 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 provisions for a value-preserving adjustment of the warrants or conversion rights/obligations in the event of a capital reduction or other extraordinary measures or events (such as a third party obtaining control).

The terms and conditions of the bonds may also stipulate that the bonds with warrants or convertible bonds may, at the Company's discretion, be converted into existing shares of the Company instead of into new shares from conditional capital, or that the option right may be fulfilled by delivering such shares. Finally, the bond terms and conditions may make the provision that in the event of a conversion, the Company will not grant shares in the Company to the party entitled to the conversion, but will make a payment, which for the number of shares to be supplied alternatively, corresponds to the weighted average stock exchange price of Company's shares in the XETRA computer trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange during the ten trading days following the declaration of the conversion or exercise of the warrant.

The Board of Executive Directors is authorized, in the context of the requirements described above, with the approval of the Supervisory Board, to define the further details of the issue and structure of the convertible and/or warrant-linked bonds, particularly interest rate, issue price, term, denomination, dilution protection, and the conversion or warrant period, or to define these in consultation with the corporate bodies of the holding companies issuing the convertible and/or warrant-linked bonds.

Conditional capital increase

The share capital is increased by up to €19,140,000.00 by issuing up to 19,140,000 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' SUBSCRIPTION RIGHTS

The Board of Executive Directors is authorized to acquire own shares representing no more than 10% of the total no-par value shares comprising the share capital of K+S AKTIENGESELLSCHAFT until June 9, 2025. At no time may the Company hold more than 10% of the total number of no-par value shares comprising its share capital. Acquisition will be made via the stock exchange by means of a public offer to buy addressed to all shareholders or by way of a public call to shareholders to submit offers for sale. In the event of a purchase effected on a stock exchange, the purchase price per share paid by the Company (excluding acquisition costs) must not exceed or undercut the relevant stock exchange price by more than 10%; the relevant stock exchange price will be the price of the K+S share in the XETRA computerized trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange, determined by the opening auction on the day of purchase. In the event of a purchase by means of an offer to buy addressed to all shareholders, the purchase price offered per share (excluding acquisition costs) must not exceed or undercut the relevant stock exchange price by more than 10%; the relevant stock exchange price will be the weighted average stock exchange price of Company's shares in the XETRA computer trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange during the last ten trading days prior to the publication of the offer to buy. If, after publication of a public purchase offer, there are significant price deviations from the purchase price offered or the limits of the purchase price range offered, the offer may be adjusted. In this case, the relevant amount shall be determined 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 based on the corresponding price on the last trading day prior to publication of the adjustment; the 10% limit for exceeding or falling short shall be applied to this amount. The volume of the call may be limited. If not all 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 to all shares representing proportionate amount of the share capital of up to 10% of the share capital when the resolution is adopted or if the amount of the share capital is lower at that time, on the date when the authorization is exercised. If use is made of other authorizations to issue or sell Company shares or to issue rights, which enable or obligate the acquisition of Company shares, during the term of this authorization to acquire own shares, therefore excluding the right to subscribe, the total number of shares issued or sold where the right to subscribe is excluded must not exceed 10% of the share capital.

Finally, the Board of Executive Directors is authorized, with the consent of the Supervisory Board, to withdraw shares in the Company from circulation, which are or were acquired based on the authorization above or authorization previously granted by the Annual General Meeting pursuant to Section 71 (1) (8) AktG, without the Annual General Meeting having to pass a further resolution on such withdrawal. Shares must be withdrawn from circulation in accordance with Section 237 (3) (3) AktG without a capital reduction in such a way that withdrawal results in an increase in the proportion of remaining no-par value shares in the share capital pursuant to Section 8 (3) AktG. The Board of Executive Directors is authorized pursuant to Section 237 (3) (3) clause 2 AktG to adjust the number of shares indicated in the Articles of Association. The withdrawal may also be combined with a capital reduction; in this case, the Board of Executive Directors is authorized to reduce the share capital by the proportionate amount of the share capital attributable to the withdrawn shares and to adjust the number of shares and share capital stated in the Articles of Association accordingly.

The authorizations to purchase own shares as well as to dispose of them and withdraw them from circulation may be exercised in full or in part each time and on several occasions in the latter case. The authorization granted by the Annual General Meeting to the Board of Executive Directors to purchase a limited number of own shares in the Company is a common instrument available in many companies. The ability to resell own shares, puts the Company in a position to, for example, gain long-term investors in Germany and abroad or to finance acquisitions flexibly. Moreover, it will also enable the Company to use shares for servicing convertible and warrant-linked bonds. It may be advisable to use own shares in full or in part instead of new shares from a capital increase to fulfill conversion rights or warrants. Using own shares rules out any dilution of shareholder interests that would occur if conditional capital were used. The continued option to withdraw own shares from circulation is also a common alternative, the use of which is in the interest of the Company and its shareholders.

ITEM 8: MATERIAL AGREEMENTS SUBJECT TO A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

K+S currently has a syndicated credit line of €600 million. With the successful completion of the sale of the Americas operating unit, the credit volume was reduced from previously €800 million, in line with economic requirements, and the additional revolving syndicated credit facility applied for in 2020 as a precautionary measure under the COVID-19 program of the KfW "Direct participation for syndicated financing" due to the COVID-19 pandemic was terminated. Under the terms of the agreement, all loans drawn under the credit facility will become immediately due and payable and the credit facility as a whole will be terminable in the event that a person acting alone or several persons acting jointly obtain control of K+S AKTIENGESELLSCHAFT. In the case of the bonds issued by K+S AKTIENGESELLSCHAFT and the promissory note loans issued, the respective creditors also have the right, in the event of a change of control, to call the bonds or promissory note loans that have not yet been repaid.

The provisions in credit agreements and bond conditions agreed in the event of a change of control are routine and reasonable from the perspective of protecting the legitimate interests of the creditors.

ITEM 9: AGREEMENTS CONCLUDED WITH THE BOARD OF EXECUTIVE DIRECTORS OR EMPLOYEES CONCERNING REMUNERATION IN THE EVENT OF A TAKEOVER BID

Agreements of this type exist with the members of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT and are explained in detail in the remuneration report on page 153. The existing compensation agreements with the members of the Board of Executive Directors take into appropriate consideration both the legitimate interests of those concerned and of the Company and its shareholders.

REPORT ON RISKS AND OPPORTUNITIES

As an internationally operating company, K+S regularly encounters a variety of developments and events that may affect the achievement of its financial and non-financial goals. Strategy and planning constitute the starting point for the management of risks and opportunities at K+S.

We define risks as negative and opportunities as positive deviations of potential future developments from a forecast or target value.

MANAGEMENT PROCESS

IDENTIFICATION

Risks and opportunities are generally identified in the respective corporate functions. There are several tools available for this purpose. In ongoing operations and project management, we take a close look at analyses of the market and the competition, for instance, evaluate a wide range of external information, the relevant revenues/cost elements and mining circumstances, and observe risk indicators as well as success factors from the macroeconomic, industry-specific, legal, and political environment.

Declaration on Corporate Governance

ASSESSMENT OF FINANCIAL IMPACT AND MANAGEMENT

We have set up and documented specific processes for managing risks and opportunities. For each risk, a gross assessment is initially carried out in which the likelihood of occurrence as well as 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 this 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; 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 may also have a negative impact on the non-financial aspects in accordance with the CSR Directive Implementation Act, in particular on environmental, employee, and social concerns, respect for human rights, and the fight against corruption and bribery. In the event of a risk materializing, in addition to the impact on the non-financial aspects, resulting reputation risks may also arise that are difficult or impossible to quantify.

The non-financial impact is identified and qualitatively assessed based on our central sustainability analyses as well as on the potential for damage and the probability of occurrence. No risks have been identified where non-financial impacts trigger a reporting obligation under the CSR Directive Implementation Act.

Systems and concepts for managing developments or events that may have an impact on the above aspects are part of our sustainability management and are described in the combined non-financial statement.

Combined Non-Financial Statement

REPORTING

Internal reporting on risks and opportunities is based on a threshold concept. This involves continuous reporting on risks and opportunities by the Group companies and 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 are not included in the risk and opportunity reporting. Risks relating to non-financial aspects as defined by the CSR Directive Implementation Act must have at least a "significant" loss potential and be "likely" to occur (> 50%). No such risks were identified in the past financial year. Nevertheless, if the risks identified that have not already been considered in the planning or forecast could have a significant or serious non-financial impact on environmental, employee, and social concerns, respect for human rights, and the fight against corruption and bribery, we disclose these risks as part of the respective risk assessment.

Moreover, when determining the substantial general assumptions for the mid-term planning or forecast (such as volumes, revenues, costs, exchange rates, interest rates), the relevant risks and opportunities need to be considered in the likeliest scenario. In addition, the negative/positive effect that certain deviations would have on the individual planning parameters is required to be disclosed for particular planning assumptions ("sensitivities").

The Board of Executive Directors and management continually have an overview of the current risk and opportunity exposure due to standardized reporting. Significant risks that arise in the short term are communicated directly to the Board of Executive Directors without delay. The Supervisory Board is also informed by the Board of Executive Directors on a regular basis and in a timely manner, immediately in urgent cases.

RISK MANAGEMENT IN RELATION TO THE USE OF FINANCIAL INSTRUMENTS

We aim at limiting financial risks (for example, exchange rate risk, interest rate risk, default risk, and liquidity risk) through special management. A centralized finance management system has been set up at K+S AKTIENGESELLSCHAFT for this purpose. Additionally, we always manage our capital structure to safeguard the financing of business operations and investing activities and in the long term.

Report on Economic Position, Financial Position

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. Derivative financial instruments are only concluded with suitable partners. The adequacy of partners and compliance with position limits is continuously reviewed through regular monitoring. A balanced distribution of the financial derivatives used across various counter parties is implemented to limit the risk of default.

The instruments selected are used exclusively to secure underlying transactions but are not used for trading or speculative purposes. Firstly, hedging transactions are concluded for existing underlying transactions. Our intention here is to largely avert exchange rate risks arising from recognized underlying transactions (usually receivables). Secondly, we enter hedging transactions for future business that can be anticipated with a high level of probability based on empirically reliable findings (anticipatory hedges).

Notes (19)

RISKS AND OPPORTUNITIES 2022–2024

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.57** provides an overview of the assessment of opportunities and the change in assessment compared with the previous year.

Table **B.58** provides an overview of the assessment of risks and the change in assessment compared with the previous year

OPPORTUNITIES 2022–2024 **B.57**

	climate-related[1]	Net probability of occurrence	Net benefit potential
External and industry-specific opportunities			
(Potash) price increase		possible	significant
Increase in demand/restriction of supply			
Macroeconomic development		possible	moderate
Weather-related fluctuations in demand	X	possible	moderate
Operational opportunities			
Market penetration, market development, capacity expansions, cost optimization, acquisitions and/or strategic partnerships, innovation		possible	moderate
Ramp-up phase at the Bethune site		possible	moderate
Litigation		possible	moderate
Energy costs		possible	moderate
Financial opportunities			
Currency/exchange rate fluctuations		possible	significant
Change in general interest rate level		possible	moderate
Upgrading of the Company rating		possible	moderate

[1] Climate-related opportunities included. In part, these have an impact on this opportunity.

RISKS 2022–2024 **B.58**

	climate-related[1]	Net probability of occurrence		Net loss potential	
External and industry-specific risks					
(Potash) price decline Decline in demand/increase in supply		possible		significant	
Macroeconomic development		possible		significant	
Weather-related fluctuations in demand	X	possible		significant	
Weather-related additional costs	X	possible		moderate	
Pandemics		possible		moderate	
Risks arising from changes in the legal framework					
River management planning in accordance with the Water Framework Directive and amendment, refusal or judicial revocation of official permits for the disposal of liquid and solid production residues in Germany		possible		significant	
Collateral security under mining law		possible		moderate	
Operational risks					
Ramp-up phase at the Bethune site		possible		moderate	
Litigation risks and legal disputes		possible		moderate	
Energy costs and energy supply	X	possible		moderate	
Freight costs and availability of transportation capacity		possible		moderate	
Production technology	X[2]	possible		moderate	
Changes in the composition of crude salt		possible		moderate	
Carbon dioxide inclusions in deposits		possible		moderate	
Damage due to rock bursts		unlikely		significant	
Water inflow	X[3]	unlikely		significant	
Compliance		unlikely		moderate	↓
Non-compliance with regulations on occupational exposure limits underground		possible	↑	moderate	↓
Loss of suppliers and supply bottlenecks		possible	↑	moderate	
Personnel		unlikely		moderate	
IT security		unlikely		moderate	
Reputation		unlikely		moderate	
Financial risks					
Currency/exchange rate fluctuations		possible		moderate	
Change in general interest rate level		possible		moderate	
Downgrading of the Company rating		unlikely	↓	moderate	
Liquidity	X[4]	unlikely		significant	
Default on receivables from customers		unlikely		moderate	
Default of partners in financial transactions		unlikely		moderate	

[1] Climate-related risks included. In part, these have an impact on this risk.
[2] Risks associated with severe storm and storm surge.
[3] Risks associated with extreme flooding.
[4] Insurance risks from the physical consequences of climate change.

EXTERNAL AND INDUSTRY-SPECIFIC RISKS AND OPPORTUNITIES

(POTASH) PRICE DECLINE
DECLINE IN DEMAND/INCREASE IN SUPPLY

Products in the Agriculture customer segment in particular could be threatened by significant declines in demand due to external influences. These often lead to sensitive price declines. In addition to a significant impact on our operating business, lower potash price assumptions may lead to significant non-cash impairments of non-current assets as a result of the regular impairment testing of the Potash and Magnesium Products cash-generating unit.

Notes (12)

In terms of demand, macroeconomic factors such as unfavorable exchange rate developments or declining liquidity of agricultural businesses, e.g., due to increased costs for input factors (fertilizers, energy, seed, etc.), could influence demand in individual sales regions. This also applies to political market regulations, such as regional subsidy cuts, the imposition of customs duties on fertilizers and/or agricultural products, or the introduction of restrictive fertilizer regulations. Environmental influences such as diseases in certain crops or the occurrence of animal diseases could also lead to a decline in demand with a simultaneous drop in prices. Furthermore, deliberate purchasing restraint on the part of our customers, e.g., due to an unbalanced ratio of costs for individual input factors, could also have a negative impact on demand and prices.

Changes in terms of supply could arise as a result of capacity expansion. Should the market not be prepared to absorb additional volumes entirely, this could increase competitive pressure during a transitional period and lead to a drop in prices. Furthermore, producers could attempt to gain additional market share or regain lost market share by increasing supply within available capacity. A decline in demand could also give rise to increased competitive pressure with price erosion.

Major increases in capacities and their utilization, supply expansions by individual producers with available capacities, and longer-term declines in demand could have a significant impact on pricing and/or sales opportunities. This could change the existing structure of the market for plant nutrients. Therefore, a decline in potash prices and/or in the volumes that can be sold cannot be ruled out. The impact on the Company depends on the duration and intensity of these events. Nevertheless, we consider the long-term drivers to be still valid: demand for agricultural products and, therefore, for plant nutrients is driven by megatrends, such as population growth and changing consumption habits (higher calorie intake, increasing meat consumption), in emerging economies. Crop nutrients, with their yield- and quality-enhancing effects, will, therefore, continue to play a key role in agricultural production in the future.

For increasing competitiveness, we, for example, continue to further improve our cost and organizational structures and expand our fertilizer specialties.

(POTASH) PRICE INCREASE
INCREASE IN DEMAND/RESTRICTION OF SUPPLY

Opportunities with significant positive effects on our operating business essentially lie in the price development of mineral fertilizers, especially our potash fertilizers, as well as in their demand.

The industry situation in the Agriculture customer segment has developed significantly positively due to higher average prices for our products and increased demand. Insofar as farmers use their potentially still available uncultivated areas or increase the intensity of existing cultivation, this would require the additional use of plant nutrients and could result in global demand for potash fertilizers growing more strongly in the future than previously forecast. Furthermore, the trend towards a more balanced use of the main nutrients nitrogen (N), phosphorus (P), and potassium (K) (balanced fertilization) in important sales regions such as India and China could lead to above-average growth in demand for potash. The financial impact of the associated increase in demand is strongly dependent on the extent of the increase in fertilizer prices triggered by this.

The impact of the current sanctions imposed by the USA and EU on Belarus and therefore on BELARUSKALI as well as BELARUSIAN POTASH COMPANY (BPC) is difficult to assess, but a tightening of global supply and associated price increases are possible.

MACROECONOMIC DEVELOPMENT

Demand for mineral fertilizers is significantly influenced by economic growth and the associated rising standard of living in the regions relevant to us, trends in prices for agricultural raw materials and, in part, also by political decisions in some consumer countries. Overall, we believe that the level of agricultural prices over the medium term should provide an incentive for farmers to increase yields per hectare, also through increased application of plant nutrients. There is a risk that growth in the emerging markets will slow contrary to expectations and/or that the sovereign debt crisis in the euro zone will again intensify. Should this result in agricultural prices falling to a level that triggers uncertainty among farmers about their future income situation, it could negatively impact their demand for crop nutrients. The impact for the Company will depend on the duration and intensity of the respective scenario.

Report on Economic Position, Macroeconomic Environment

Should the global economy develop more favorably than expected and growth prove to be higher than generally forecast, particularly in our main sales regions of Europe, Brazil, and China, this could lead to positive deviations from planning.

The influence of the general economic situation on demand for de-icing salt as well as salt products for end consumers is of minor importance, as the business is only marginally dependent on economic conditions. With regard to products for industrial applications, the influence of the general economic situation on demand for individual products is also of minor importance, as the business is very diversified and, therefore, robust due to the variety and scope of its applications.

We would react to the influences described above with demand-oriented production management or price adjustments, respectively.

The assessment of the future macroeconomic situation is reflected in the report on expected developments for 2022.

WEATHER-RELATED FLUCTUATIONS IN DEMAND

Weather conditions in the de-icing salt regions of Europe are of particular relevance to us. Our planning is based on a rolling average over the past ten years. Above-average severe winters can have a significantly positive impact on sales volumes of de-icing salt as a result of a weather-related increase in demand. This in turn could put pressure on inventories and result in price increases. Conversely, mild winters can lead to a weather-related decline in demand and consequently significantly reduce sales volumes. High inventories of de-icing salt could be the consequence and, therefore, have a negative impact on prices associated with the early-fills business and tenders for the coming winter season. Both cases could result in moderate financial effects.

We respond to such fluctuations with regional diversification, demand-oriented production management, and flexible working time models. Strategic inventories as well as flexible adjustment of the production of de-icing salt enable us, if necessary, to meet sharply rising demand at short notice.

In the Agriculture customer segment, a weather-related decline in demand could lead to a sales risk and to falling prices. This could result in 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.

WEATHER-RELATED ADDITIONAL COSTS

At some German potash 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 in particular. With the continuous above-ground expansion of storage basin capacities, the commissioning of the kainite crystallization and flotation plant (KCF plant) in January 2018, the permit for underground temporary storage capacities in August 2019, and the start of the flooding of the Sigmundshall mine, which is required by law in Lower Saxony, which may be carried out, among other things, with salt solutions from the Werra plant, in the summer of 2021, and assuming uninterrupted operation of both the discharge and the transportation capacities, as well as with the start of the permanent underground storage planned for the future, we assume that production at the Werra plant is secured in a normal hydrological year within the framework of the existing permits. We expect to obtain the permit for permanent underground storage in the course of 2022. 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 an extreme drought (comparable to the summer/fall of 2018) with an exceptionally low water flow in the Werra river over a very long period of time, production could be interrupted if all available resources for off-site disposal as well as storage capacities close to the site were to be 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. This production downtime risk has been significantly reduced by the availability of cooling systems.

PANDEMICS

The global outbreak of COVID-19 was declared a pandemic by the WHO on March 11, 2020. Pandemics, like natural disasters, can entail considerable risks for production and sales volumes 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 and optimized extensive measures at all sites to minimize the risk of infection and to 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. Medical respiratory protection masks are used in relevant areas. We have also offered coronavirus vaccinations to employees. As a result, it has been possible to ensure production at all sites. Moreover, K+S administrative employees work from their home offices when necessary. Also in this respect, we can see that cooperation is working well in all areas.

Efficiency losses had a minor impact on earnings in 2021. There were no restrictions on production and our markets were stable. By contrast, our logistics chains have faced and continue to face challenges in booking and processing container orders. The situation on the procurement market remains very tight, particularly for a large majority of maintenance and production materials. As further developments are uncertain, additional burdens cannot be ruled out in the future.

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. This has already been used in some cases, particularly by environmental associations. Furthermore, extensions of existing licenses and permits or new ones granted may be restricted in terms of time and scope, permanently amended, or refused, or further conditions may be attached. In addition, ancillary provisions of individual authorizations/permits may result in their suspension.

RIVER MANAGEMENT PLANNING IN ACCORDANCE WITH THE WATER FRAMEWORK DIRECTIVE AND AMENDMENT, LEGAL REFUSAL, OR REVOCATION OF OFFICIAL LICENSES FOR THE DISPOSAL OF LIQUID AND SOLID PRODUCTION RESIDUES IN GERMANY

Solid and liquid residues (saline wastewater) arise both from potash production and from precipitation on our tailings piles. The solid residues are either deposited on our tailings piles or disposed of underground. The saline wastewater is discharged into rivers or is to be permanently stored underground in the future after injection has been finally discontinued as planned on December 31, 2021. It will also be used to flood abandoned mines to secure them for the long term.

REFUSAL OR REVOCATION BY COURT OF OFFICIAL PERMITS FOR THE DISPOSAL OF LIQUID PRODUCTION RESIDUES: DISCHARGE

The river management plans and programs of measures based on the European Water Framework Directive and German water law stipulate essential framework conditions for the aforementioned disposal methods of the above-mentioned residues from the German sites. For the next years, the river management plans and programs of measures for the third management period 2021 to 2027 of the individual river basin communities (FGG) are relevant in this regard.

Combined Non-Financial Statement, Environment & Resources

With the termination of injection at the end of 2021, the realization of the kainite crystallization and flotation plant (KCF plant), the expansion of transportation capacities, the planned start of tailings pile covering, and the imminent underground storage of process waters, extensive measures from the previous management plan of the Weser River Basin Community have already been initiated.

With the decision of the environment ministers of the countries bordering the Weser and Werra rivers on November 18, 2021, we now have long-term planning certainty with regard to the future disposal of saline wastewater from the Werra and Neuhof-Ellers plants. One of the stipulations was a gradual reduction in the target values for reducing the salt load from today's 2,310 to 1,880 in 2022, to 1,700 in 2023 and to 1,580 mg of chloride per liter from 2024. These stipulations also served as the basis for the granting of the water law permit dated December 23, 2021, by the Kassel Regional Council, permitting the Werra and Neuhof-Ellers plants to dispose of liquid residues totaling up to five million m³ per year by discharging them into the Werra river by the end of 2027.

In fall 2024, it will be examined whether a further reduction of the target values is feasible for the years 2026 and 2027. This was agreed by the ministries responsible for water protection in the seven German states of Bavaria, Bremen, Hesse, Lower Saxony, North Rhine-Westphalia, Saxony-Anhalt, and Thuringia, which are members of the Weser River Basin Community.

The target values now set for the entire river management period are ambitious. We will, nevertheless, implement all necessary measures for complying with these values and are firmly committed to our goal of no longer discharging process wastewater from potash production into the Werra river from 2028 onwards. In particular, we consider storage and tailings pile covering as the two key components for ensuring environmentally compatible disposal in the Werra-Fulda potash district in the long term and for continuously contributing to an improvement in the water quality of the Werra and Weser rivers. Insufficient technical feasibility of these components would entail considerable risks for the granting and continuation of operating licenses and water law permits for the Werra and Neuhof-Ellers plants, with adverse effects on potash production. As a result, both the employment situation and the economic situation of the region could be significantly negatively affected.

REFUSAL OR REVOCATION BY COURT OF OFFICIAL PERMITS FOR THE DISPOSAL OF LIQUID PRODUCTION RESIDUES: UNDERGROUND STORAGE

In 2021, the disposal of liquid production residues from the Werra plant was carried out by discharge into the Werra river and by injection into underground rock strata. The injection of saline production water was discontinued at the end of 2021.

K+S continues to work intensively on measures to reduce the volume of saline wastewater and on alternative disposal methods. A key measure in this regard is the underground storage of highly concentrated saline water in the Springen mine field (Merkers mine). Based on the current status of the ongoing process, we expect to receive the permit in the course of 2022. This will ensure the disposal of initially around 1.5 million m³ of saline production water in the future. Against this background, we do not expect any impact on production at the Werra plant. We consider a failure to obtain approval to be unlikely, but this may lead to higher costs for transportation to off-site disposal alternatives and/or significant production restrictions due to a lack of disposal options for saline wastewater from the Werra plant if it occurs. Even in the event of a delay in receiving a permit for underground storage, disposal bottlenecks may occur depending on the flow rates of the Werra river and the resulting discharge options for process wastewater.

Additionally, research and development as well as innovation activities will be continued. The aim is to maintain value added and the associated jobs in the long term, as well as to further relieve the burden on the Werra and Weser rivers and therefore secure the future viability of the potash sites in the Hesse-Thuringia potash district.

Combined Non-Financial Statement, Environment & Resources

REFUSAL OR REVOCATION BY COURT OF OFFICIAL PERMITS FOR THE DISPOSAL OF SOLID PRODUCTION RESIDUES

If permits for tailings piles operations were revoked or if necessary tailings pile expansions were not approved or were only approved subject to unreasonably high conditions, the plants would no longer be able to dispose of the solid residues. We consider the complete refusal or the withdrawal of all existing licenses and permits for the expansion of tailings piles to be unlikely, as the permits are compatible with the legal and statutory framework. Furthermore, they represent the state of the art and there is governmental and widespread political support for the preservation of potash mining in Germany in the federal states that are relevant to us.

Individual licenses and permits for the necessary expansion of tailings piles might not be granted in certain circumstances or might be approved only to a limited extent. In the worst case, this would result in an adjustment of production levels and possibly the closure of the affected sites with significant negative economic repercussions both for the Company and for the employment and economic situation of the region in question. This could be avoided through the development of further safeguards and through rescheduling, which would nevertheless lead to significant cost increases.

On October 11, 2018, the permitting 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. The permit process for the subsequent phases two and three of the tailings pile expansion, which are expected to last until the end of the 2030s, is also ongoing. In September 2021, the public display of the extensive application documents for the second phase took place. The aim is to commission the expansion areas in the summer of 2023 for continuous production. According to current planning, it can be assumed that the expansion area of the first phase will then be exhausted. The permit for the early start of the second phase has already been issued and clearing of the area could be started.

On September 10, 2020, the permitting authorities approved the application for the expansion of the tailings pile at the Wintershall site. The current approval status permits filling of the tailings pile until expectedly 2029.

On December 16, 2020, the planning approval resolution for the permit of the general operating plan for the expansion of the tailings pile capacity at the Zielitz site and the water law permit for the discharge of the resulting salt wastewater into the Elbe river were issued. This approval status will permit tailings piles operations for an expected further 35 years. Therefore, the tailings pile proceedings on the expansion area could be started in 2021.

Extensive investments will also be made as part of the implementation of the aforementioned measures. Feasibility studies for the planned covering of the Neuhof and Hugo tailings piles have led to reversals of provisions in the amount of €57.9 million in the fourth quarter. Should the technical feasibility and economic reasonableness also become more concrete for covering of further tailings piles, this could reduce the provisions and have a positive impact on earnings, also in connection with the revenues achievable for the acceptance of waste. With the REKS joint venture, we have excellent market access to the large volume of materials needed for covering.

Combined Non-Financial Statement, Tailings Pile Management

COLLATERAL SECURITY UNDER MINING LAW

The setting of collateral under mining law is at the discretion of the acting authorities; at present, existing collateral is generally provided through the formation of corresponding provisions and letters of comfort or Group guarantees. If additional collateral had to be provided, this could moderately restrict the Company's financial scope, in particular if it had to be provided by bank guarantees or the deposit of financial resources.

OPERATIONAL RISKS AND OPPORTUNITIES

MARKET PENETRATION, MARKET DEVELOPMENT, EXPANSION IN CAPACITY, COST OPTIMIZATION, ACQUISITIONS AND/OR STRATEGIC PARTNERSHIPS, INNOVATION

In all customer segments, we use growth potential to expand our market share by increasing sales volumes to our existing customers and/or acquiring new customers. Furthermore, we are reviewing whether we can open up new sales regions with our products. We also aim to leverage market opportunities through the further development of our product portfolio, supported by an extensive range of consulting and services. The expansion of digital services provides further opportunities. In addition, we are examining the potential uses of our infrastructure and working on new business areas. The enterprise value should be continually increased in the process. In addition, opportunities for cost optimization (e.g., through the digitalization of processes in the underground mines or by increasing the efficiency of machines, processes, and organizational structures) are being intensively examined on an ongoing basis and – where appropriate – implemented.

Corporate Strategy

RAMP-UP PHASE AT THE BETHUNE SITE

The new Bethune potash plant in Canada continues to ramp up as planned. When a new site of this size is set up, negative effects during the transition to regular operations (e.g., due to project delays) cannot be completely ruled out. Conversely, the planned qualitative and quantitative targets may also be exceeded. Furthermore, technical and logistical challenges can lead to increased costs or lower production volumes.

Through systematic cost and quality management, we try to limit negative effects and increase earnings contributions.

LITIGATION RISKS AND LEGAL DISPUTES

K+S is exposed to risks arising from legal disputes or legal proceedings in which we are either currently involved or that could arise in the future.

It cannot be ruled out that K+S will be involved in further court and arbitration proceedings with suppliers in connection with the supplies and services procured as part of the construction of the new Bethune potash plant. We also already asserted reimbursement claims against contracting parties involved in the project. The outcome of potential legal disputes, which can take an extended period to clarify, is very difficult to predict. This could result in cash outflows or inflows that negatively or positively affect the site's profitability. The impact in terms of liquidity and earnings varies significantly. Internal measures are taken to ensure a continuous claim management process with the aim of processing K+S's existing receivables from suppliers and recovery claims to achieve the best possible outcome.

We successfully sold our American salt activities on April 30, 2021. As is customary in transactions of this kind, risks exist, such as risks arising from liability clauses and tax risks.

As a mine owner, K+S MINERALS AND AGRICULTURE GMBH maintains the Merkers mine and implements preservation measures there. The costs of the preservation methods are currently borne by the Free State of Thuringia in accordance with the indemnification agreement on the clean-up of pre-existing environmental contamination of October 1999, under which the state is required to bear costs reviewed by a court of law under the indemnification agreement. The Meiningen Administrative Court ruled in the first instance that the Free State of Thuringia is required to comply fully with the agreement and thus bear the costs for the clean-up of pre-existing environmental contamination. This agreement requires the Free State of Thuringia to bear the costs for the environmental damage caused by the former GDR potash mining on the border between Thuringia and Hesse carried out until 1990. The state appealed this decision. The higher administrative court in Weimar dismissed the appeal of the Free State of Thuringia against the judgment of the Meiningen Administrative Court in December 2021 and, therefore, confirmed the judgment of the Meiningen Administrative Court. We continue to firmly believe in the correctness of both decisions and, therefore, consider any material impact to be unlikely.

All other process risks are presented in the context of the respective risk.

ENERGY COSTS AND ENERGY SUPPLY

The energy costs incurred by K+S are determined in particular by the consumption of natural gas and electricity. Energy prices are frequently subject to strong fluctuations. Significant market-related increases in energy prices compared with the price level taken into account in planning represent a cost risk and cannot be ruled out in the future. We have reduced the natural gas requirements of our potash and salt production in Europe by using steam from substitute fuel heating plants to limit this risk.

We are currently taking into account the effects of the Energy Collection Act (EnSaG), the Fuel Emissions Trading Act (BEHG), the Renewable Energy Sources Act (EEG) surcharge, and the fourth phase of the European Emissions Trading Scheme (EU ETS) in our planning, and are implementing risk-minimizing measures where possible.

For trade- and emission-intensive companies such as K+S, which are protected from a significant carbon leakage risk, a financial compensation for incurred BEHG costs is foreseen (BECV), which could represent an opportunity.

The new German government plans to discontinue the Renewable Energy Sources Act (EEG) surcharge from 2023 at the latest. Currently, K+S benefits from the (partial) exemption from the EEG surcharge. Likewise, a review of the criteria for exemption from the EEG surcharge may lead to cost increases for electricity cost-intensive companies. In our current risk assessment, we therefore consider a possible discontinuation of the Renewable Energy Sources Act (EEG) surcharge exemption as a risk. The discontinuation of the Renewable Energy Sources Act (EEG) surcharge eliminates this risk. It is still planned to switch the counter-financing to the German federal budget. At present, it remains to be seen what form this will take and what the resulting burdens will be.

A positive development in energy costs compared with the planned figures also provides an opportunity for K+S. Furthermore, we are pursuing a hedging strategy worldwide, which has enabled us to secure attractive natural gas procurement prices and CO_2 certificate prices in the medium term by concluding fixed supply agreements. We have already covered more than 80% of our natural gas requirements for 2022 and more than half for 2023 and 2024. For the first half of the current trading period (from 2021 to 2030), we have already secured our CO_2 certificate requirements. We will continue this procurement strategy for the remainder of the current trading period, for which we expect the free allocation of allowances to decline. At the current high price level, the purchase of CO_2 certificates could lead to a significant cash outflow.

As Germany aims to achieve climate neutrality by 2045, it will no longer be sufficient in the future to merely increase the energy efficiency of production processes. We aim at managing the transition to renewable fuels. That's why our climate strategy is an important part of the new corporate strategy. We have examined various alternatives as part of a climate study and selected a path that appears feasible and financially viable. On the way to climate neutrality, we have set ourselves the medium-term target (2030) of further reducing our CO_2 emissions by 10% compared with 2020. As a long-term commitment, we support the goals of the Paris Agreement to achieve climate neutrality by 2050. We have set up the K+S Climate Protection Fund to finance projects promoting climate protection. We will, nevertheless, only achieve the energy transition with the support of the state. We need a sufficient and resilient energy infrastructure as well as support for conversion and affordable renewable energies.

Combined Non-Financial Statement, Energy & Climate
Corporate Strategy, Sustainability Program

FREIGHT COSTS AND AVAILABILITY OF TRANSPORTATION CAPACITY

Our total costs are influenced by freight costs to a considerable degree. A significant proportion of our products in terms of volume needs to be transported to the customer over long distances in some cases. Reduced availability of freight capacity could result in higher costs. Furthermore, considerable additional costs are incurred when crude oil prices rise. The heavy reliance of our business operations on transport likewise makes us highly dependent on the relevant infrastructure facilities such as ports, roads, railway lines, and loading facilities. A breakdown or a bottleneck could limit the sales prospects and, therefore, production.

We aim at limiting expected cost increases and safeguard transportation capacity for the Group through long-term contracts.

PRODUCTION TECHNOLOGY

The production facilities of the K+S GROUP are characterized by a high degree of complexity and efficiency. Due to operational and accident risks as well as the increasing aging of our production sites, warehouses, and loading facilities, operational disruptions can occur as well as significant personal injury and property damage or environmental pollution.

Where possible and economically viable, suitable insurance cover is taken out with the aim of limiting these risks. Tailored training and staff development measures are also designed to increase occupational safety. Programs are implemented with a view to ensuring the availability of critical facilities such as conveyor systems, steam production, buildings, etc., through the efficient use of capital.

CHANGES IN THE COMPOSITION OF CRUDE SALT

The extraction of crude salt in our mining operations forms the basis for our production. We are implementing an extensive geological investigation program aimed at developing our mining operations further and exploiting new crude salt deposits. Nevertheless, significant discrepancies may arise in the quantity and quality of crude salt deposits. Unforeseen geological faults in salt exploitation with low mineral content may lead to additional costs and reduced production volumes.

CARBON DIOXIDE INCLUSIONS IN DEPOSITS

Carbon dioxide inclusions constitute a latent potential danger in certain mines. Despite our comprehensive safety measures, carbon dioxide could escape from these pockets in an uncontrolled manner. Consequently, there are risks of production cuts/stoppages as well as of personal injury and damage to property. Underground extraction is therefore always carried out in compliance with specific safety guidelines in case of escapes of CO_2.

DAMAGE DUE TO ROCK BURSTS

There is the specific risk at active and inactive mining sites of a sudden subsidence of the earth's surface over a large area that could, in certain circumstances, be severe (rock burst). If a rock burst occurs, in addition to the partial or complete loss of the mine and damage to facilities, it could also result in personal injury or death and in considerable damage to the property of third parties.

Our professional dimensioning of the underground safety pillars based on comprehensive research serves to secure the surface, safeguard the stability of the mine workings over a longer period and, therefore, prevent rock bursts. After the closure of a site, post-closure maintenance measures are carried out, for which appropriate provisions have been recognized. Continuous monitoring of the mine workings aims to provide timely indications of whether additional measures for the protection of the mine workings and the prevention of damage resulting from mining are necessary.

WATER INFLOW

Hydrogeological risks generally exist in underground mining operations. There are risks in connection with shafts that cut through water-bearing rock shafts and in saline deposits in rock strata. Hydrogeological risks are limited through the extensive safeguards we have put in place; however, these risks could result in significant, uncontrollable damage culminating in the total loss of the mine. In this case, material adverse effects on employment, the regional economic situation, and damage to the environment and to property would be virtually unavoidable.

Extensive exploration work is carried out by means of seismology, drilling, and ground-penetrating radar to secure the mines. Preservation of protective layers and adequate dimensioning of safety pillars ensure maximum mine safety. Ongoing maintenance work on the shafts should ensure that the risk of groundwater inflows can normally be virtually ruled out. Because the top of a shaft is in a high position, surface water is not expected to gain access to mine workings even if flooding occurs.

COMPLIANCE

There is a general risk that members of management/supervisory bodies or employees of K+S GROUP companies may breach laws, internal regulations, or regulatory standards recognized by the Company. K+S could sustain damage to its assets or reputation as a result.

We have established a Group-wide compliance management system contributing to raising employee awareness and countering compliance violations through training in the main risk areas (e.g., business ethics and compliance, competition and antitrust law, corruption, money laundering). A new reporting system for suspected compliance cases was introduced in 2019. Compliance management is reviewed on an ongoing basis and adjusted as necessary, for example in response to current developments. The results of our Group-wide compliance risk analysis and the derived recommendations for action constitute the basis of the specific compliance program for the respective K+S GROUP company. These measures ensure goal-oriented compliance and risk management at all our Group companies.

- Declaration on Corporate Governance
- Combined Non-Financial Statement, Compliance & Anti-Corruption

NON-COMPLIANCE WITH REGULATIONS ON OCCUPATIONAL EXPOSURE LIMITS UNDERGROUND

The Federal Ministry of Labor and Social Affairs in Germany has defined the occupational exposure limits for nitrogen oxides and particulate diesel emissions underground that shall apply in the future. These statutory requirements must be met for our German mining operations through a granted extension of the deadline from August 21, 2023.

K+S has made considerable efforts over the past few years to comply with the occupational exposure limits applicable after the transitional period to meet these requirements. As part of an extensive project, for example, the use of the latest diesel engine technology, alternative drive technologies, the development of lower-emission explosives, as well as the optimization of ventilation underground have been examined and, in part, already implemented. The greatest leverage for achieving the new limits is provided by low-emission vehicles and large machines, and the switch from conventional explosives to a newly developed granular explosive with low emissions. A trial plant was commissioned in November 2021 to develop the production of the new explosive to operational maturity.

On the one hand, there is a risk that the investments considered in the planning will not be sufficient. On the other hand, the time available for compliance might also not be sufficient (e.g., due to lack of market availability of machinery and raw materials, quality problems, and quantity availability of the newly developed explosive).

Based on current knowledge, we assume that we will achieve the legally required technical specifications on a permanent basis. We are consistently driving forward the implementation of the relevant measures and, therefore, expect to 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 mining-specific machinery and equipment as well as spare parts is limited. Supply bottlenecks, failures, or boycotts over which we have very little or no influence could lead to restricted availability of these materials and, therefore, to a significant increase in costs or a substantial impairment of production, despite existing countermeasures.

We mitigate these procurement risks through market analyses, targeted supplier selection and evaluation, long-term supply agreements, clearly defined quality standards, and modern purchasing methods.

PERSONNEL

Competition for qualified management and specialist staff is intense in all regions in which we operate. The potential loss of employees in key positions and the demographic challenges constitute a fundamental risk.

K+S wants to be an attractive employer both for career starters and for qualified specialists and managers. Through practice-oriented promotion of young talent, targeted training, and further education measures, as well as the professional advancement of high performers and high potentials, we want to motivate employees in the long term as well as retain qualified specialists and managers on a long-term basis. Furthermore, with our focus on personnel diversity regarding religion and ideology, gender and gender identity, age, sexual orientation, physical and mental abilities, as well as ethnic origin and nationality, we want to leverage the full potential of the labor market. With this strategy and increased cooperation with selected universities, we offer promising career prospects to qualified specialists and managers.

Employees

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. Nevertheless, we consider a prolonged failure of the IT systems to be unlikely due to the precautions we take.

We aim to limit such risks with a regular review of the scope and effectiveness of our wide-ranging security measures by independent experts. Insurance to cover claims arising from the failure of IT systems has been concluded for cyberattacks.

REPUTATION

The occurrence of any risk may lead to 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.

Report on Economic Position, Financial Position

We use derivative financial instruments to counter exchange rate risks arising from transactions. Significant net positions are hedged using derivatives, normally options and forwards, in the context of transaction hedging. These ensure a “worst case” exchange rate. Based on revenue and cost planning as well as expected capital expenditure, the volumes to be hedged are determined and updated continuously using safety margins, to avoid excess hedging or hedging shortfalls.

Notes (19)

TRANSLATION RISKS

Furthermore, currency effects arise in relation to subsidiaries whose functional currency is not the euro, since the earnings of these companies calculated in a foreign currency are translated into euros at average rates and recognized in net profit or loss. However, the net assets of these companies are translated into euros at the rates prevailing on the reporting date. This conversion system could result in currency-related fluctuations in the earnings and equity of K+S. These translation effects mainly relate to K+S POTASH CANADA GP and are not hedged.

CHANGE IN THE GENERAL INTEREST RATE LEVEL

Both risks and opportunities arise from changes in the general level of interest rates.

On the one hand, changes in market interest rates influence future interest payments for variable-rate liabilities, as well as on interest income for variable-rate investments. Impacts on fixed-interest liabilities arise when the interest rate fixation expires, and prolongation is sought. The market values of financial instruments are also affected. Due to the current financing structure and the interest rate policy of the EUROPEAN CENTRAL BANK (ECB), however, only a moderate impact is expected.

The K+S GROUP is required to report non-current provisions, in particular for mining obligations as well as pensions, at the present value of the expenditures anticipated in the future. In the interest rate calculation method we use, average yields on government bonds are used to estimate the interest rate for long-term mining obligations. In the future, a change in the level of market interest rates compared with the previous balance sheet date could lead to changes in the discount rates and consequently to an adjustment in the amount of non-current provisions. Both falling and rising interest rates could have a moderate impact on the balance sheet as well as on the earnings of the K+S GROUP.

Our pension obligations account for less than 5% of non-current provisions. The majority of these pension obligations are covered by plan assets consisting of fixed-income securities, shares, and other investments. Declining returns on these investments may have an unfavorable effect on the fair value of plan assets. We counter the risk of fluctuations in the fair value of plan assets through a balanced asset allocation and constant analysis of investment risks.

Notes (27)

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 sale of the American salt business has resulted in a significant reduction in debt and in the realignment of the Company, and has had a positive impact on the rating of the K+S GROUP.

Report on Economic Position, Financial Position

LIQUIDITY

Liquidity risk entails the failure to procure the funds needed to meet payment obligations or the inability to do so in a timely manner. External factors, especially a general financial crisis, could make it impossible to replace credit lines or bonds on acceptable commercial terms should the need arise. In this case, a risk associated with procuring liquidity would also arise.

For this purpose, the principal objective of our liquidity management activities is to ensure the ability to make payments at any given time. The liquidity requirement is determined through our liquidity planning and must be met with cash on hand and bank balances, committed credit lines, and other financial instruments.

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 the right to terminate the agreement. The other financial liabilities can generally also be terminated in this case via a cross-default clause. This would result in higher liquidity procurement costs.

With the sale of the American salt activities, we significantly reduced debt. The net proceeds of the equivalent of around €2.6 billion made a significant contribution to reducing financial liabilities. Among other things, we successfully completed the buy-back of bonds in June 2021 and the scheduled repayment of a bond in December 2021, reducing financial liabilities accordingly.

K+S continues to pursue measures to improve working capital to improve the expected free cash flow.

Liquidity is managed through cash pool systems by the central Treasury unit. As of December 31, 2021, available liquidity amounted to €1,445 million and consisted of cash investments as well as cash and cash equivalents and unused credit and factoring lines. A commercial paper program is also available for liquidity management. Available liquidity was therefore significantly above our target minimum reserve of €300 million. In the case of cash investments, we pursue the objective of optimizing income from cash and cash equivalents at low risk.

Notes (27)

DEFAULT ON RECEIVABLES FROM CUSTOMERS

We maintain comprehensive business relationships with many customers. If one or more major customers are not able to fulfill their contractual payment obligations towards us, this could result in corresponding losses for us, which in turn could have an adverse effect on the financial position of K+S.

Risks arising from payment default are covered across the Group mainly through credit insurances. We only waive a security against non-payment following a critical review of the customer relationship and express approval.

DEFAULT OF PARTNERS IN FINANCIAL TRANSACTIONS

Default risks also exist regarding partners with which we have concluded hedging transactions, credit lines exist, or money was invested. The potential default of a bank or other party could have an adverse effect on the financial position of K+S. K+S is not especially dependent on any one financial institution.

CHANGES IN INDIVIDUAL RISKS AND OPPORTUNITIES COMPARED TO THE PREVIOUS PERIOD

The assumptions regarding the probability of occurrence and/or the financial impact of the risks and opportunities already reported in previous periods are presented in tables **B.57** and **B.58** on pages 119 and 120.

Market conditions developed significantly positively due to sharply higher average prices and increased sales volumes, particularly in the Agriculture customer segment.

The injection of saline process water from the Werra plant was discontinued at the end of 2021. Associated risks have ceased to apply. Therefore, the permit for permanent underground storage in the Springen mine field (Merkers mine) continues to gain importance as a key measure for the disposal of highly concentrated saline water.

With the decision of the environment ministers of the states bordering the Weser and Werra rivers of November 18, 2021, we now have long-term planning certainty at the Werra and Neuhof-Ellers plants regarding the future disposal of saline wastewater by discharge into the Werra river.

We successfully sold our American salt activities on April 30, 2021. Individual opportunities and risks relevant for the period up to the closing have ceased to exist. The sale has contributed to the planned reduction in debt and, therefore, positively influenced the liquidity risk and the potential for improving the Company's rating. As it is customary in transactions of this kind, there are now risks such as risks from contractual clauses and tax risks.

In February 2021, the GERMAN FINANCIAL REPORTING ENFORCEMENT PANEL (FREP) announced, at the request of the GERMAN FEDERAL FINANCIAL SUPERVISORY AUTHORITY (BaFin), an examination of the correctness of the impairment loss recognized. The FREP sent its final examination findings to K+S on November 25, 2021, as part of its examination of the consolidated financial statements as of December 31, 2019, and the condensed consolidated financial statements as of June 30, 2020. These do not give rise to any value adjustments. K+S notified the FREP in due time on December 2, 2021 that the Company agrees with the FREP's examination findings in accordance with Section 342b (5) HGB. After the FREP has forwarded the examination result and the agreement of K+S to BaFin, the procedure at the FREP has been completed. BaFin has accepted the FREP's examination findings unchanged. The proceedings at BaFin have, therefore, also been terminated.

K+S and REMEX GMBH, a subsidiary of the REMONDIS GROUP, bundle their waste management activities in the new "REKS" joint venture. After the EU Commission referred the proceedings to the German Federal Cartel Office for approval under antitrust law and the German Federal Cartel Office granted its approval, the transaction was completed on December 22, 2021, after all closing conditions had been met. This resulted in a one-off gain of around €220 million and a cash inflow of around €90 million before taxes.

K+S AKTIENGESELLSCHAFT uses affiliated companies in Malta and Belgium to finance Group companies. In the course of the tax audit for the years 2011 to 2016, there was a renewed review in this context and, for the first time, an objection that led to the addition of foreign income for tax purposes. Corresponding back tax payments were assessed. There is also a risk of back tax payments for subsequent years. Appeals have been lodged against existing tax assessments. At the beginning of 2021, there was a new nationwide ruling by the tax authorities according to which controlled foreign corporation rules for trade tax up to and including 2015 will no longer apply. The remaining risk is below the reporting thresholds.

According to current knowledge, we assume that we will permanently achieve the legally required technical specifications for compliance with the regulations on occupational exposure limits underground. There remains a potential, but only moderate, risk that the capital expenditures taken into account in the planning will not be sufficient or that the time available for compliance will not be sufficient.

As a result of the regular reassessment, the loss potential of compliance risks is now moderate and the probability of occurrence of risks from supplier defaults or supply bottlenecks is possible.

ASSESSMENT OF THE 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 improved significantly (compared with the previous year's assessment), in particular because of the positive development on the potash market and improved planning certainty for the disposal of liquid and solid production residues, as well as with the reduction of debt.

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 has improved significantly compared with the previous year. Due to the general conditions, however, a high level of attention is still required.

For possible changes in the risk and opportunity situation with regard to the Ukraine crisis, please refer to the report on events after the balance sheet date.

EVENTS AFTER THE BALANCE SHEET DATE

The Supervisory Board of K+S AKTIENGESELLSCHAFT has mutually agreed with the previous Chief Financial Officer, Mr. Thorsten Boeckers, to terminate Mr. Boeckers' service agreement at the end of February 2022. In this context, a termination agreement was concluded between Mr. Boeckers and K+S AKTIENGESELLSCHAFT, in which the settlement of his contractual claims was settled. The severance payment amounts to approximately 3 times the usual annual target remuneration plus pension commitments. Dr. Burkhard Lohr, Chairman of the Board of Executive Directors, will also assume the function of Chief Financial Officer on a transitional basis. At the same time, the Supervisory Board of K+S AKTIENGESELLSCHAFT has appointed Dr. Christian H. Meyer as the new Chief Financial Officer. He will assume responsibility for the management and further development of the finance area at K+S in spring 2023. Against this background, we would like to point out that the Company will resolve and publish an update of the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act on March 9, 2022.

The macroeconomic and geopolitical effects following Russia's attack on Ukraine on February 24, 2022, as well as their impact on the K+S GROUP cannot be assessed at present. K+S has established close monitoring, especially with regard to emerging or occurring changes in energy availability, sanctions, receivables management, supply chains, cyber security, changes in agricultural prices as well as the potash supply and demand situation.

Beyond this, there were no significant changes in the economic environment or the industry situation or reportable events of particular importance for the K+S GROUP or K+S AKTIENGESELLSCHAFT after the end of the financial year.

REPORT ON EXPECTED DEVELOPMENTS

We expect EBITDA from continuing operations to range between €1.6 billion and €1.9 billion in the 2022 financial year (2021: €969.1 million, including the one-off effect associated with the REKS transaction of around €220 million). K+S would therefore achieve the best result in the history of the Company. Adjusted free cash flow from continuing operations should also increase sharply and amount to between €600 million and €800 million (2021: €92.7 million).

FUTURE MACROECONOMIC SITUATION

The following statements on the future macroeconomic situation are based on forecasts by the INTERNATIONAL MONETARY FUND (IMF) and the KIEL INSTITUTE FOR WORLD ECONOMY (IFW). **B.59**

For 2022, the experts forecast growth in global gross domestic product of 4.4% and 4.6%, respectively. This forecast is based on a slowdown in the recovery of the global economy that has already begun as a result of COVID-19: As in the 2020/2021 season, the infection in the winter half-year is particularly restricting activity in the contact-intensive service sectors. The situation is expected to improve in spring, when the impact of the pandemic and the supply bottlenecks, which are having a significant impact on industrial production, should ease. Waves of infection will continue to occur in the next months, especially since a new, more contagious variant has emerged with Omicron. Yet the economic impact is expected to diminish over time, either because vaccination rates are high or due to the fact that a high percentage of the population has already come into contact with the virus, thereby limiting the health consequences. Easing burdens from the pandemic will also reduce the public budget deficit in Germany in the year ahead – although it will still remain a deficit. In the period of the pandemic, private households in Germany significantly reduced their consumption and have accumulated around €200 billion in additional savings since the start of the pandemic. Willingness to pay should be correspondingly high here. The rise in inflation in Germany will continue to be at a high level for the time being, and the inflation rate is likely to reach 3.1% next year, possibly affecting people's willingness to pay in view of high prices – particularly in the energy sector. Germany's GDP is therefore expected to grow by 3.8%, compared with 2.7% in 2021. While the year-on-year figure is rising in Germany, growth rates in many other countries such as the USA as well as the euro area are expected to be lower than in the previous year. The decline will probably be most pronounced in China, where the economy is expected to grow by 4.1% compared with 7.8% in 2021.

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT **B.59**

in %; real	2018	2019	2020	2021e	2022e
Germany	+1.5	+0.6	–4.6	+2.7	+3.8
Euro area	+1.9	+1.3	–6.3	+5.2	+3.9
World	+3.6	+2.9	–3.1	+5.9	+4.4

Source: IMF

FUTURE INDUSTRY SITUATION

AGRICULTURE

The growing demand for agricultural commodities resulting from a constantly increasing world population and changing eating habits can only be sustained in the future by intensifying agriculture, given the limited availability of arable land. Balanced use of mineral plant nutrients is therefore indispensable. Despite the increased prices of various input materials, the partly significant rise in prices for agricultural commodities should offer attractive yield prospects in agriculture and therefore an incentive to increase the yield per hectare through a balanced or higher use of fertilizers in the event of deficiencies.

Against this background, we expect the very strong demand to continue in 2022. Overall, we assume global sales volumes of potash of up to 77 million tonnes (including just under 5 million tonnes of potassium sulfate and potash grades with lower mineral contents) for 2022 as a whole will once again reach the high level achieved in 2020 and 2021. While there could be a certain reluctance to buy in Europe, this should be offset by higher demand in China and India. For the fertilizer specialty potassium sulfate, we expect demand to increase slightly.

We consider a further increase in global sales volumes in 2022 to be hardly possible in terms of capacity, especially as it is still not possible to foresee the extent to which sanctions against Belarus could have an impact on the availability of potassium chloride from the production of BELARUSKALI on the global potash market. After the positive market environment in 2021 resulted in a sharp increase in potassium chloride prices in all sales regions, we expect the average price for potassium chloride in 2022 to be sharply higher than in the previous year, both overseas and in Europe. We also expect a significant increase in the annual average for fertilizer specialties.

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 2022, 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 in the table salt sector. For water softening salt, we forecast a slight increase in demand. End-consumer demand for packaged de-icing salt is expected to be lower than in the strong previous year, assuming average winter weather conditions.

Following the below-average winter weather conditions at the beginning of the year, we expect demand for de-icing salt in the first quarter to be below average overall following the very strong previous year due to weather conditions. This is also likely to have an impact on weaker early-fills business; for the fourth quarter, we expect sales volumes to be on average for the past ten years.

EXPECTED DEVELOPMENT OF REVENUES AND EARNINGS, FINANCIAL POSITION, AND PLANNED CAPITAL EXPENDITURE

The strong increase in average prices in the Agriculture customer segment should significantly exceed expected cost increases, especially for energy, logistics, and materials. Against this background, we expect a strong increase in EBITDA to €1.6 billion to €1.9 billion in the 2022 financial year (2021: €969.1 million, including a €219.2 million one-off effect from the REKS transaction). K+S would therefore achieve the best result in the Company's history. Compared with the previous year (excluding the REKS one-off effect), this corresponds to more than a doubling of earnings. While visibility for the first half of 2022 is high, the range of the forecast results, in particular, from different scenarios (prices, costs, logistics availability, weather conditions) for the course of the second half of the year.

Adjusted Group earnings after tax from continuing operations are also expected to increase strongly excluding impairment effects (2021: €525.0 million).

Adjusted free cash flow from continuing operations is expected to range between €600 million and €800 million (2021:

€92.7 million). The capital expenditure volume of the K+S GROUP in 2022 should amount to €400 million (2021: €334.3 million) due to time shifts from 2021 as a result of delivery delays. Return on capital employed (ROCE) from continuing operations, excluding impairment effects, is expected to increase sharply in 2022 (2021: 11.2%).

Depending on the level of free cash flow generated, the ratio of net financial liabilities (including financial lease liabilities) to EBITDA will decrease to zero (2021: 0.6 times) or net financial liabilities will even reverse into net financial assets.

Our forecast for the full year 2022 is mainly based on the following assumptions:

+ According to our assessment of the market environment in the Agriculture customer segment, we expect a sharp overall increase in the average price in our product portfolio in 2022 compared with 2021 (2021: €298). This assumes the price development described in the future industry situation for the Agriculture customer segment.
+ Due in particular to the further ramp-up of production in Bethune, sales volumes of all products in the Agriculture customer segment are expected to amount to a good 7.7 million tonnes (2021: 7.62 million tonnes).
+ As a result of the below-average start to the de-icing salt business due to weather conditions, we expect sales volumes of a good 2.0 million tonnes in the 2022 financial year, following the above-average winter business in the previous year (2021: 3.18 million tonnes; normal year: 2.0 to 2.5 million tonnes).
+ An average spot rate of €1.16/USD (2021: €1.18/USD) is assumed for the EUR/USD currency exchange rate.

DIVIDEND FOR THE 2021 FINANCIAL YEAR

Our new dividend policy provides for a basic dividend of 15 cents per share. This can be increased by a discretionary premium in the event of good economic performance. Several additional factors are taken into account, in particular the balance sheet structure, the expected business performance, as well as the development of adjusted free cash flow. Due to the successful sale of the previous Americas operating unit, the resulting extensive reduction in debt, the strongly positive adjusted Group earnings after tax in 2021 attributable to the reversal of impairment losses, which would also have been positive without this reversal of impairment losses, the resulting unappropriated profit of K+S AKTIENGESELLSCHAFT, and the positive outlook for 2022, the Board of Executive Directors and the Supervisory Board intend to propose a dividend of €0.20 per share for the 2021 financial year to the Annual General Meeting on May 12, 2022 (previous year: €0 per share).

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 goals.

Remuneration Report
Combined Non-Financial Statement

LOST TIME INCIDENT RATE (LTI RATE)

The LTI rate measures lost time injuries per million hours worked. For 2022, we expect the LTI rate to be below 10 (2021: 11.3).

SALINE PROCESS WATERS IN GERMANY

The Company has set itself the target of reducing the amount of saline process water from potash production in Germany to be disposed of by 500,000 m³ by 2030 compared with 2017. In 2022, further measures for the reduction of process water will also be implemented for this purpose. We therefore expect a moderately lower volume of process water compared with 2021 (3.3 million m³).

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, should have recognized the Code. In 2021, we have achieved an increase to 86.6%. In 2022, we will strive to further improve this value.

A further goal is that the Code's recognition rate in relation to our purchasing volume should be more than 90% by 2025. The recognition rate of 80.7% already achieved in 2021 should remain about stable in 2022.

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE K+S GROUP

For 2022, we expect demand for potash fertilizers to continue to be very strong. Due to limited capacities, however, we consider a further increase in global sales volumes (2021: about 77 million tonnes) in 2022 to be hardly possible, particularly as it remains unclear to what extent sanctions against Belarus will have an impact on the availability of potassium chloride from the production of BELARUSKALI on the global potash market. The sharp increase in the average price in the Agriculture customer segment should significantly exceed expected cost increases, especially for energy, logistics, and materials. Against this background, we expect a strong increase in EBITDA to €1.6 billion to €1.9 billion in the 2022 financial year (2021: €969.1 million, including a €219.2 million one-off effect from the REKS transaction). K+S would therefore achieve the best earnings in the Company's history. Compared with the previous year (excluding the REKS one-off effect), this corresponds to more than a doubling of earnings.

Assuming capital expenditures of around €400 million, adjusted free cash flow is expected to range between €600 million and €800 million, also strongly exceeding the prior-year figure (€92.7 million).

Our new corporate strategy sets the guiding principles for the successful further development of K+S. Three focal points characterize our corporate strategy: We want to optimize our existing business, expand and further develop our core business, and establish new business areas. Our focus on the environment, nature, and climate protection remains unchanged. Every business decision must be aligned with our climate strategy. In this way, we also ensure broad social acceptance of our actions.

The teams at our sites are already working hard to implement the strategy. The targets based on a solid balance sheet are clearly defined: From 2023 onwards, the K+S GROUP as a whole as well as each of our sites should generate a positive free cash flow even in the event of temporarily low potash prices. Over a 5-year cycle, we want to earn our cost of capital on average and aim to achieve an average EBITDA margin of more than 20% over this period.

We are supported in this by the megatrends: population growth will continue. The amount of arable land available globally will continue to decrease, also as a result of climatic changes. Without highly efficient agriculture and the application of fertilizers, food production will not be sufficient in the long term.

K+S AKTIENGESELLSCHAFT (EXPLANATIONS BASED ON THE GERMAN COMMERCIAL CODE, HGB)

The management report of K+S AKTIENGESELLSCHAFT and the Group management report for the 2021 financial year have been combined. The annual financial statements of K+S AKTIENGESELLSCHAFT in accordance with the German Commercial Code (HGB) and the combined management report are published simultaneously in the German Federal Gazette (Bundesanzeiger).

DECLARATION ON CORPORATE GOVERNANCE

The declaration on corporate governance pursuant to Section 289f of the German Commercial Code (HGB) can be found on page 96.

DISCLOSURES PURSUANT TO SECTION 289A (1) HGB AND EXPLANATORY REPORT BY THE BOARD OF EXECUTIVE DIRECTORS

The disclosures pursuant to Section 289a (1) German Commercial Code (HGB) and the explanatory report by the Board of Executive Directors can be found from page 110 onwards.

REMUNERATION REPORT

The disclosures pursuant to Section 289a (2) of the German Commercial Code (HGB) are included in the remuneration report from page 142 onwards.

BUSINESS OPERATIONS, CORPORATE STRATEGY, CORPORATE GOVERNANCE, AND MONITORING, OVERVIEW OF BUSINESS PERFORMANCE

Disclosures on business operations, corporate strategy, corporate governance, and monitoring, as well as an overview of business developments, can be found on pages 31–50 and 107–116.

INCOME STATEMENT OF K+S AKTIENGESELLSCHAFT[1] **B.60**

in € million	2020	2021
Revenues	**154.3**	**146.6**
Cost of goods sold and services rendered to generate revenue	181.1	145.3
Gross profit	**-26.9**	**1.3**
Selling expenses	2.7	3.2
General and administrative expenses	44.7	27.6
Research costs	1.7	0.5
Other operating income	119.3	176.4
Other operating expenses	174.9	292.6
Income from equity investments	541.6	1,479.8
– thereof from profit transfers	13.4	1,478.8
Other interest and similar income	5.1	4.4
– thereof from affiliated companies	4.4	2.7
Write-downs of financial assets and securities classified as current assets	0.3	0.5
Expenses from transfer of losses	895.4	–
Interest and similar expenses	122.4	116.8
– thereof to affiliated companies	2.4	–
Taxes on income and earnings	0.3	68.2
Earnings after tax/net loss/net income for the year	**-603.4**	**1,152.4**
Loss carried forward	**–**	**-603.4**
Transfer to other revenue reserves from net income for the year	**–**	**-274.5**
Accumulated loss/profit	**-603.4**	**274.5**

[1] A detailed income statement is provided in the 2021 annual financial statements of K+S Aktiengesellschaft.

BALANCE SHEET OF K+S AKTIENGESELLSCHAFT – ASSETS B.61

in € million	Dec 31, 2020	Dec 31, 2021
Intangible assets	13.0	10.2
Property, plant, and equipment	60.8	64.1
Financial assets	6,246.7	6,288.8
Fixed assets	**6,320.5**	**6,363.1**
Inventories	2.4	3.7
Receivables and other assets	1,058.5	1,745.3
Securities	6.0	274.5
Cash on hand, bank balances	109.9	55.1
Current assets	**1,176.7**	**2,078.7**
Prepaid expenses	**4.2**	**3.1**
Excess of plan assets over post-employment benefit liability	**1.0**	**12.6**
TOTAL ASSETS	**7,502.5**	**8,457.5**

BALANCE SHEET OF K+S AKTIENGESELLSCHAFT – EQUITY AND LIABILITIES B.62

in € million	Dec 31, 2020	Dec 31, 2021
Issued capital	191.4	191.4
Share premium	701.6	701.6
Retained earnings	1,313.5	1,588.1
Accumulated profit/loss	-603.4	274.5
Equity	**1,603.2**	**2,755.6**
Provisions for pensions and similar obligations	38.1	-
Tax provisions	3.6	47.1
Other provisions	322.1	353.0
Provisions	**363.8**	**400.1**
Liabilities	**5,532.3**	**5,300.3**
Deferred income	**3.1**	**1.5**
TOTAL LIABILITIES AND EQUITY	**7,502.5**	**8,457.5**

RESULTS OF OPERATIONS

At €146.6 million, revenues of K+S AKTIENGESELLSCHAFT were below the level of the previous year (2020: €154.3 million). Revenues for animal hygiene products recorded a decline of 9%. Revenues generated in IT increased by 13% and other revenues recorded a decrease of 14%.

Lower expenses for the reorganization of the Company and lower IT expenses in particular resulted in a decrease in the cost of sales from €181.1 million in 2020 to €145.3 million. Furthermore, the cost of sales in the animal hygiene sector decreased in the year under review.

Other operating income increased significantly by €57.1 million to €176.4 million (2020: €119.3 million). This was mainly attributable to higher income from hedging transactions and increased income from the reversal of provisions. This was offset by lower income from cost allocations to Group companies and lower income from foreign currency translation.

Other operating expenses increased from €174.9 million to €292.6 million. This was mainly due to the increase in expenses for shutdown plants and expenses from foreign currency translation. Expenses from exchange rate hedging and consulting costs developed in the opposite direction.

The net income from investments increased from €541.6 million in 2020 to €1,479.8 million in 2021. The financial year includes income from the investment in K+S HOLDING GMBH of €1,361.4 million (previous year: income from the investment in K+S FINANCE BELGIUM B.V. of €527.6 million). The profit transfer of K+S MINERALS AND AGRICULTURE GMBH increased from €12.2 million in 2020 to €114.9 million in 2021. Further income from investments resulted from the profit transfer of K+S VERSICHERUNGSVERMITTLUNGS GMBH of €1.4 million (2020: €1.1 million), K+S BETEILIGUNGS GMBH & CO. KG of €1.1 million (2020: –), as well as MSW CHEMIE GMBH of €0.9 million (2020: €0.4 million).

As part of other interest and similar income, negative interest of €0.6 million in 2021, in particular, resulted in a decrease from €5.1 million in 2020 to €4.4 million in 2021.

Mainly as a result of reduced interest expense for bonds issued, interest and similar expenses decreased from €122.4 million to €116.8 million, despite the effects of bond buy-backs. Positive effects from the measurement of plan assets and lower interest expense to banks also contributed to the decrease. Higher interest expenses for taxes and increased expenses from the compounding of provisions had an offsetting effect.

Income after tax increased by €1,755.8 million to €1,152.4 million (2020: €-603.4 million). **B.60**

FINANCIAL POSITION

Fixed assets increased by €42.6 million to €6,363.1 million (2020: €6,320.5 million). This is mainly attributable to the capital increase at affiliated Group companies. As a result, non-current assets accounted for 75% of total assets (2020: 84%). Overall, total assets recorded an increase of €955.0 million to €8,457.5 million in the 2021 financial year. Current assets increased by €902.0 million to €2,078.7 million (2020: €1,176.7 million). Mainly due to increased receivables from profit and loss transfer, receivables from affiliated Group companies increased from €964.0 million in the previous year to €1,626.3 million in the current financial year. Within the receivables from affiliated Group companies, the receivables from the cash pool recorded a decline. **B.61**

At €2,755.6 million, equity is significantly above the level of the previous year (2020: €1,603.2 million). The equity ratio was 33% as of the reporting date (2020: 21%). Liabilities to affiliated companies amounting to €4,067.4 million (2020: €2,093.2 million) mainly comprised cash pool liabilities.

In the 2021 financial year, there was a decrease of €232.0 million in all liabilities to €5,300.3 million (2020: €5,532.3 million), mainly due to the repayment of bonds and liabilities to banks as well as the increase in cash pool liabilities associated with the sale of the former Americas operating unit. As of the reporting date, the Company reported provisions of €400.1 million, most of which were non-current items. The Company was financed to a considerable extent from funds available on a long-term basis. **B.62**

EMPLOYEES

K+S AKTIENGESELLSCHAFT had an average of 814 employees during the year (2020: 985 employees). The share of women was 37% and the share of men 63% (2020: 36% women, 64% men). This included 32 trainees (2020: 30 trainees). The number of occupational accidents was 6 (2020: 15[1]), with a first-aid book rate of 5.5 (2020: 11.2[1]) and lost-time incidents per million hours worked of 0.9 (2020: 0.7). The proportion of severely disabled employees in 2021 was 5.3%, higher than in the previous year (2020: 4.9%).

DIVIDEND

K+S AKTIENGESELLSCHAFT reports an accumulated profit of €274.5 million for the 2021 financial year (2020: balance sheet loss of €-603.4 million). For the 2021 financial year, the Board of Executive Directors and the Supervisory Board intend to propose a dividend of €0.20 per share to the Annual General Meeting on May 12, 2022, and to allocate the remaining amount of €236.2 million to retained earnings. **B.63**

APPROPRIATION OF PROFITS **B.63**

in € million	2020	2021
Dividend per share (€)	–	0.20
Total dividend payout based on 191,400,000 no-par value shares eligible for dividend payment	–	38.3
Transfer to retained earnings	–	236.2
Loss/profit carried forward to the following year	-603.4	–
Accumulated loss/profit	**-603.4**	**274.5**

[1] The previous year's figures have been adjusted slightly to take account of late reports and differences in allocation.

RESEARCH AND DEVELOPMENT

Comprehensive information on the research and development activities of the K+S GROUP, which mainly relate to the affiliated companies with operating activities, can be found from page 66 onwards.

RISKS AND OPPORTUNITIES

The business development of K+S AKTIENGESELLSCHAFT is essentially exposed to the same risks and opportunities as the K+S GROUP. K+S AKTIENGESELLSCHAFT participates in the risks and opportunities of its shareholdings and subsidiaries in proportion to its respective shareholding. Further information can be found in the report on risks and opportunities from page 117 onwards.

The description of the internal control system with regard to the accounting process of K+S AKTIENGESELLSCHAFT (Sec. 289 (4) HGB) can be found on page 109.

EVENTS AFTER THE BALANCE SHEET DATE

The report on events after the balance sheet date for the K+S GROUP and K+S AKTIENGESELLSCHAFT can be found on page 132.

REPORT ON EXPECTED DEVELOPMENTS

The earnings development of K+S AKTIENGESELLSCHAFT is mainly dependent on the performance of the subsidiaries. The development of business expected for the K+S GROUP can be found in the report on expected developments starting on page 133.

RESPONSIBILITY STATEMENT FROM THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

We hereby declare that, to the best of our knowledge, the consolidated financial statements and the annual financial statements of K+S AKTIENGESELLSCHAFT provide a true and fair view of the net assets, financial, and earnings position of the Group and K+S AKTIENGESELLSCHAFT, respectively, in accordance with the applicable financial reporting framework and that the combined management report includes a fair review of the development and performance of the business and the position of the Group and K+S AKTIENGESELLSCHAFT, respectively, together with a description of the principal opportunities and risks associated with the expected development of the Group and K+S AKTIENGESELLSCHAFT.

Kassel (Germany), March 8, 2022

K+S AKTIENGESELLSCHAFT
THE BOARD OF EXECUTIVE DIRECTORS

FORWARD-LOOKING STATEMENTS

This report contains statements and forecasts relating to the future development of the K+S GROUP and its companies. The forecasts represent assessments that we have made on the basis of all the information available to us at the present time. Should the assumptions on which the forecasts are based prove to be incorrect or risks – such as those mentioned in the risk report – materialize, actual developments and results may differ from current expectations. The Company assumes no obligation to update the statements contained in this management report beyond the disclosure requirements stipulated by law.

REMUNERATION REPORT

In the following remuneration report, the remuneration granted and owed to the current and former members of the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT in the 2021 financial year is presented individually. For the purpose of a more precise understanding and better classification of the following information, the basic features of the remuneration systems as well as the specific structure of the individual components are explained. This report meets the requirements under Section 162 of the German Stock Corporation Act (*Aktiengesetz*, AktG). The Supervisory Board of K+S AKTIENGESELLSCHAFT has resolved to have the content of the remuneration report audited by the auditors beyond the requirements of Section 162 (3), Sentences 1 and 2 AktG. You can also find detailed information about the remuneration systems for the members of the K+S AKTIENGESELLSCHAFT Board of Executive Directors and Supervisory Board on the Company's website.

www.kpluss.com/remuneration

REVIEW OF FINANCIAL YEAR'S EVENTS

CHANGES WITHIN THE BOARD OF EXECUTIVE DIRECTORS AND SUPERVISORY BOARD

Mr. Holger Riemensperger assumed his position on the K+S AKTIENGESELLSCHAFT Board of Executive Directors on April 1, 2021. Following the sale of the Americas operating unit, Mr. Mark Roberts left the Company as a member of the Board of Executive Directors of the K+S GROUP as of the end of April 30, 2021. The remuneration granted and owed to Mr. Riemensperger and Mr. Roberts for their active service period presented for the financial year was calculated on a pro rata temporis basis. The Supervisory Board of K+S AKTIENGESELLSCHAFT has mutually agreed with the previous Chief Financial Officer, Mr. Thorsten Boeckers, to terminate Mr. Boeckers' service agreement at the end of February 2022. In this context, a termination agreement was concluded between Mr. Boeckers and K+S AKTIENGESELLSCHAFT, in which the settlement of his contractual claims was arranged. The severance payment amounts to approximately 3 times the usual annual target remuneration plus pension commitments.

Mr. Nevin McDougall resigned from his position on the Supervisory Board with effect from the ordinary Annual General Meeting held on May 12, 2021. Mr. Markus Heldt was elected to the Supervisory Board as a new appointment. Mr. Peter Trotha was appointed as a member of the Supervisory Board by court appointment effective as of August 17, 2021. He succeeds Ms. Anke Roehr, who resigned from her position on the K+S AKTIENGESELLSCHAFT Supervisory Board with effect from May 31, 2021.

RESOLUTION TO APPROVE THE REMUNERATION SYSTEM FOR THE BOARD OF EXECUTIVE DIRECTORS

The Supervisory Board passed a resolution prepared by the Personnel Committee to approve the current system of remuneration for members of the K+S AKTIENGESELLSCHAFT Board of Executive Directors in accordance with Sections 87 (1) and 87a (1) AktG. This system was also approved with the requisite majority (78.85%) by the Annual General Meeting on May 12, 2021.

As part of its analysis of the votes cast by the Annual General Meeting, the Supervisory Board discussed the remuneration system for the Board of Executive Directors in depth again and took into consideration feedback from a small number of investor representatives. In this context, the introduction of an "Ownership Guideline" was again discussed. Because the long-term incentive program, in particular, has been adjusted multiple times in recent years due to investor requests and the specifications of the German Corporate Governance Code, the Supervisory Board decided not to adjust the remuneration system for the Board of Executive Directors further at this point in time. Instead, it intends to contact investor representatives and voting rights consultants with an interest in the matter and explain the background to the system. Additionally, any modification of the long-term incentive would have effects down to the middle levels of management.

RESOLUTION TO AMEND ARTICLE 12 OF THE ARTICLES OF ASSOCIATION AND MODIFY SUPERVISORY BOARD MEMBER REMUNERATION

The remuneration of the Supervisory Board is governed by Article 12 of the Articles of Association of K+S AKTIENGESELLSCHAFT. At the Annual General Meeting in May 2021, a proposal was made for the introduction of amended remuneration for the Supervisory Board aligned to the new dimension of K+S following the successful sale of the Americas operating unit. The amendment to Article 12 of the Articles of Association of K+S AKTIENGESELLSCHAFT mainly included a reduction of the fixed remuneration for Supervisory Board members, adjustments to committee member remuneration, and the removal of attendance fees. The proposal for the amended remuneration system was passed with the requisite majority (94.02%) by the Annual General Meeting on May 12, 2021.

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS

OVERVIEW OF THE REMUNERATION SYSTEM

The remuneration system for the Board of Executive Directors of K+S AKTIENGESELLSCHAFT has a key role in supporting the Company's corporate strategy and contributes to the long-term development of the K+S GROUP. Our goal is to support the successful and sustainable corporate governance of K+S by linking parts of the remuneration of the members of the Board of Executive Directors to the achievement of both short- and long-term goals, measured in terms of the development of the Company.

Financial as well as non-financial performance criteria are used to determine the payment of variable remuneration components. For instance, the short-term incentive (STI) is influenced by the performance factor, which acts as a multiplier for the STI and is primarily calculated based on the achievement of milestones from the corporate strategy. The long-term incentive (LTI), 50% of which is linked to the achievement of non-financial sustainability goals, focuses more on long-term corporate governance. The remaining 50% of the long-term incentive is based on the share price performance, providing an incentive to increase the value of the Company on a long-term and sustainable basis.

The criteria for the appropriateness of remuneration include, in particular, the responsibilities and performance of the Board of Executive Directors, a comparison with senior executives in Germany[1], and the total workforce in Germany, as well as the financial situation, success, and future prospects of the Company relative to its comparable peers (MDAX).

REMUNERATION STRUCTURE AND COMPONENTS

The remuneration for the members of the Board of Executive Directors consists of annual components and those with a long-term incentive character. The annual remuneration components include both non-performance-related - fixed - and performance-related - variable - components. The non-performance-related components consist of fixed remuneration, non-cash and other benefits, as well as pension commitments. The variable performance-related portion consists of two components: the bonus (STI and performance factor) as well as two variable remuneration components, based on key indicators, with a long-term incentive character (LTI I and LTI II).

The target total remuneration is defined as fixed remuneration + bonus (STI) + long-term incentives (LTI I and LTI II). Fixed remuneration has a share of 37% of this sum, variable short-term incentive (STI) remuneration 25%, and variable long-term incentive (LTI) remuneration 38%. This ensures that the share of variable remuneration based on the achievement of long-term targets exceeds the share of variable remuneration for short-term targets. Variable remuneration has a relative share of 40% of the target annual remuneration (fixed remuneration + bonus (STI)), while fixed remuneration has a share of 60%.

Effective January 1, 2020, service agreements with all members of the Board of Executive Directors contain a claw-back clause.

Table **B.64** below shows the individual target remuneration for the members of the Board of Executive Directors during the financial year as well as the relative shares of each remuneration component in the target remuneration and the relative shares of variable remuneration in the annual remuneration. Remuneration components are prorated if a member joins or leaves the Board of Executive Directors during the year.

[1] With the sale of the Americas operating unit, the senior executives of the K+S Group are employed almost exclusively in Germany. From 2021 onward, the system has, therefore, been tailored to these individuals.

TARGET REMUNERATION B.64

Members of the Board of Executive Directors in office as of December 31, 2021

	Dr. Burkhard Lohr Chief Executive Officer Board member since June 2012			Thorsten Boeckers Chief Financial Officer Board member since May 2017			Holger Riemensperger Chief Operating Officer Board member since April 2021		
	2021			2021			2021[1]		
	in € thousand	in %	in %	in € thousand	in %	in %	in € thousand	in %	in %
Fixed remuneration	825.0	37	60	550.0	37	60	412.5	34	60
One-year variable remuneration									
– STI (2021)	570.0	25	40	380.0	25	40	285.0	23	40
Annual remuneration	**1,395.0**		**100**	**930.0**		**100**	**697.5**		**100**
Multi-year variable remuneration									
– LTI (2021–2023)	855.0	38		570.0	38		522.5	43	
2021 target remuneration	**2,250.0**	**100**		**1,500.0**	**100**		**1,220.0**	**100**	

Members of the Board of Executive Directors who left during the 2021 financial year

	Mark Roberts Board member from October 2012 to April 2021		
	2021[1]		
	in € thousand	in %	in %
Fixed remuneration[2]	220.0	54	63
One-year variable remuneration			
– STI (2021)	126.7	31	37
Annual remuneration	**346.7**		**100**
Multi-year variable remuneration			
– LTI (2021–2023)	63.3	15	
2021 target remuneration	**410.0**	**100**	

[1] Pro rata.
[2] Additional remuneration (€110 thousand p.a.) due to an additional role as CEO of Morton Salt, Inc. and the associated dual responsibility since March 1, 2020.

FIXED REMUNERATION AND FRINGE BENEFITS

Fixed, basic remuneration not related to performance is paid monthly. Additionally, the members of the Board of Executive Directors receive fringe benefits, in particular contributions to pension, health, and long-term care insurance as well as non-cash remuneration, which consists mainly of the use of company cars. In addition, the members of the Board of Executive Directors are covered by directors' and officers' liability insurance (D&O insurance) with the legally required deductible as well as accident insurance. The Chairman of the Board of Executive Directors receives 1.5 times the remuneration of an ordinary member of the Board of Executive Directors.

PERFORMANCE-RELATED REMUNERATION COMPONENTS

The performance-related remuneration components have two elements: the short-term incentive (STI) relates to the current financial year and, at 40%, comprises the smaller part of variable remuneration. It is calculated based on achievement of the K+S GROUP's planned EBITDA[1] and of targets agreed between the entire Board of Executive Directors and the Supervisory Board. At 60%, the long-term incentive (LTI) comprises the more significant part and consists of two equally weighted components. Since January 1, 2020, one component (LTI I) has been measured by the achievement of sustainability goals. The second component (LTI II) is based on share price performance. Both components are measured over a three-year period. The Chairman of the Board of Executive Directors receives 1.5 times the remuneration of an ordinary member of the Board of Executive Directors.

[1] 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 changes in the fair value of realized operating anticipatory hedges recognized in prior periods.

SHORT-TERM INCENTIVE (STI)

The STI is calculated based on achievement of the K+S GROUP's EBITDA set in the annual planning and of targets agreed between the entire Board of Executive Directors and the Supervisory Board. EBITDA is a key performance indicator for gauging the profitability of the K+S GROUP and, as a performance criterion, it helps to promote the Company's business strategy. If the EBITDA value of the annual planning approved by the Supervisory Board is achieved, the level of achievement for this first STI component is deemed to be 100%. If the actual EBITDA exceeds or falls short of the planned EBITDA, the percentage rate of target achievement increases or decreases in a straight line by the same percentage. The maximum target achievement is 200% and the minimum achievement is 0%. The Supervisory Board has no discretion to influence target achievement.

The Supervisory Board signs a target agreement with the entire Board of Executive Directors at the start of each financial year and this agreement acts as a second component of the STI. The key targets for the financial year are presented in table **B.65**. After the end of the relevant financial year, the Supervisory Board determines a performance factor for the entire Board of Executive Directors. This performance factor, which ranges from 0.8 to 1.2, serves as a multiplier for the STI. If members leave before the year ends, the level of target achievement is usually assumed to be 100% if a reliable estimation is not yet available. The targets agreed with the Board of Executive Directors also include strategic targets, such as the development of a new strategy, including a **climate strategy**.

The STI for a given financial year is paid in April of the following year.

CALCULATION OF THE STI PAYMENT AMOUNT:

STI base amount x level of achievement based on K+S GROUP's EBITDA x performance factor

OBJECTIVES AND TARGET ACHIEVEMENT PERFORMANCE FACTOR **B.65**

OBJECTIVE	TARGET ACHIEVEMENT
Successful sale of Americas operating unit by end of Q2/2021	Overachieved; transaction completed in April 2021
Establishment of a joint venture with REMEX bundling waste management activities by the end of Q2/2021	Overachieved; all conditions for completion were already met by K+S during the second quarter; the establishment of the joint venture was delayed due to outstanding antitrust approvals, which was outside the control of the members of the Board of Executive Directors
Development of a vision and strategy for the K+S Group after the successful sale of the Americas operating unit by the end of August 2021	Achieved
Identification and implementation of short-term and long-term measures to strengthen and optimize the K+S production sites in a sustainable manner	Overachieved
Professional monitoring of the FREP enforcement examination	Achieved

SHORT-TERM INCENTIVE – TARGET ACHIEVEMENT

Comparing the EBITDA planned in the annual planning approved by the Supervisory Board for the 2021 financial year (€503.0 million) with the actual EBITDA attained in the 2021 financial year (€969.1 million) results in target achievement of 192.7%. Based on a holistic consideration, the Supervisory Board set the performance factor for the financial year at 1.2.

Table **B.66** shows the individual payment amounts calculated for the financial year based on this data.

TARGET ACHIEVEMENT AND SHORT-TERM INCENTIVE PAYMENT (2021) **B.66**

Members of the Board of Executive Directors in office as of December 31, 2021	Base amount in € thousand	Target achievement in %	Payment in € thousand
Dr. Burkhard Lohr	570.0	231.2[2]	1,318.1
Thorsten Boeckers	380.0	231.2[2]	878.7
Holger Riemensperger	285.0	231.2[2]	659.0
Members of the Board of Executive Directors who left during the 2021 financial year			
Mark Roberts[1]	126.7	100.0	126.7

[1] Mr. Roberts left the Company with effect from April 30, 2021 and his entitlements were paid out as part of his departure. The target achievement levels for K+S Group EBITDA and the performance factor had not yet been finalized at the time of his departure, so target achievement of 100% was agreed for him.
[2] EBITDA plan-actual comparison 192.7% x performance factor 1.2 = 231.2%

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 goals. New rules have been set in this context for **LTI I,** which accounts for 50% of the long-term incentive.

As described on page 43 of the Annual Report, the Company has defined sustainability goals in three fields of action: "Company & Employees," "Environment & Resources," and "Business Ethics & Human Rights." One target was selected from each of these fields of action for LTI I, which is still assessed over three years. Values from Company planning were set as the benchmark for target achievement in each case.

Reducing the lost-time incident rate was chosen as a target for the "Society & Employees" field of action and comes from the "Health & Safety" category. The "Environment & Resources" field goal, coming from the "Resource Efficiency" category, is to reduce saline process water from potash production in Germany, while the "Business Ethics & Human Rights" field goals is associated the "Sustainable Supply Chains" category, which has two 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"

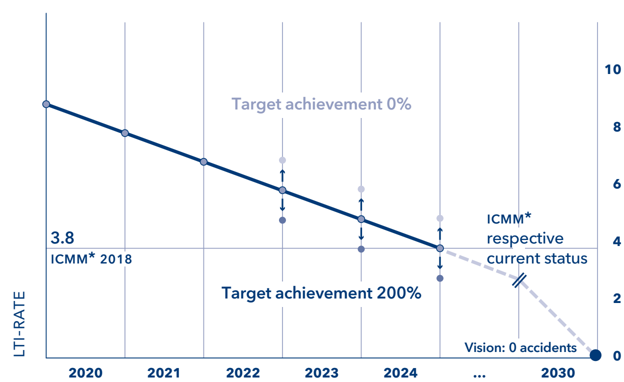
The three primary targets from the three fields of action carry equal weight.

I. Society & Employees: Health & Safety – Lost-Time Incident Rate (LTI Rate)

The LTI rate measures working hours lost per one million hours worked. This rate is 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.67**

As part of the sale of the Americas operating unit during the 2021 financial year, the baseline and target values for the lost-time incident rate were adjusted to account for the working hours lost by the Americas operating unit. This necessitated amendments to the contracts with the Board of Executive Directors' members.

SOCIETY & EMPLOYEES – LOST-TIME INCIDENT RATE (UNTIL 2024) **B.67**



Schematic illustration.
* International Council on Mining and Metals.

Example calculation for the LTI I program:

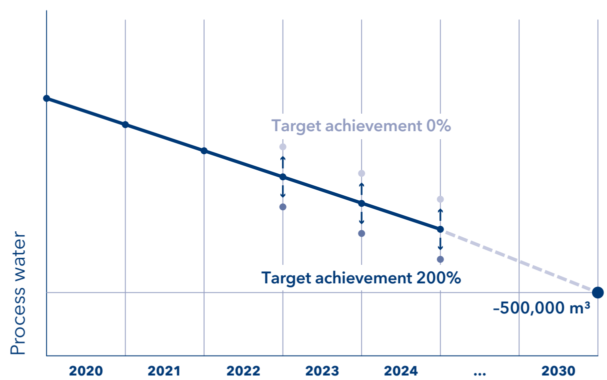
LTI rate 8.7 = 100% target achievement
LTI rate 10.2 = 0% target achievement
LTI rate 7.2 = 200% target achievement

II. Environment & Resources: Resource Efficiency – Reduction of Saline Process Water

In this field of action, the Company has set itself the target of generating 500,000 m³ less saline process water from potash production in Germany per year from 2030 onwards than in 2017. The remuneration for this is based on the logic of "cubic meters per metric ton of product." Accordingly, a reduction of 115,385 m³ of process water must be achieved in a three-year period – assuming the production volume of 2017 – in order to achieve 100% compliance with the target (planned value).

If actual performance is below or above target (comparison of planned and actual values), the percentage increases or decreases to a maximum of 200% or a minimum of 0% on a straight-line basis. **B.68**

ENVIRONMENT & RESOURCES – PROCESS WATER (UNTIL 2024) **B.68**



Schematic illustration.

Example calculation for the LTI I program[1]:

Process water reduction –115,385 m³ = 100% target achievement
Process water reduction –57,692 m³ = 0% target achievement
Process water reduction –173,078 m³ = 200% target achievement

III. Business Ethics & Human Rights: Sustainable Supply Chains – Supplier Code of Conduct

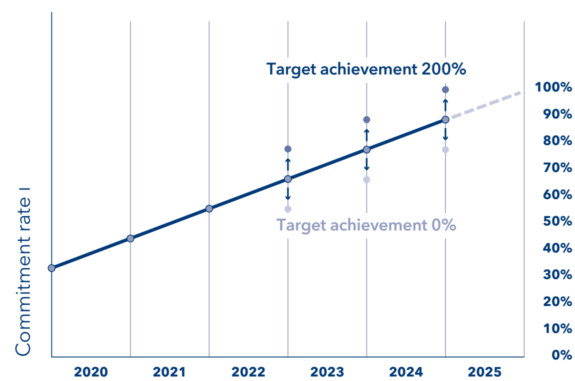
K+S calls for fair, sustainable business practices in supply chains and has established corresponding expectations and requirements in the K+S GROUP Supplier Code of Conduct (the Code). The target is to have a commitment rate to the Code for more than 90% of our purchasing volume by 2025 (commitment rate II). Another target is that 100% of our "critical" suppliers, in other words suppliers with a high sustainability risk, commit to the Code by 2025 (commitment rate I).

[1] Assumption: production volume in 2017.

The two sub-targets in this category carry equal weight.

The achievement of a 100% target for the critical supplier recognition rate requires an increase in the recognition rate of 33.3 percentage points over a three-year period (planned value). If actual performance is below or above target (comparison of planned and actual values), the percentage increases or decreases to a maximum of 200% or a minimum of 0% on a straight-line basis. **B.69**

BUSINESS ETHICS & HUMAN RIGHTS – SUSTAINABLE SUPPLY CHAINS (UNTIL 2024) CRITICAL SUPPLIERS **B.69**



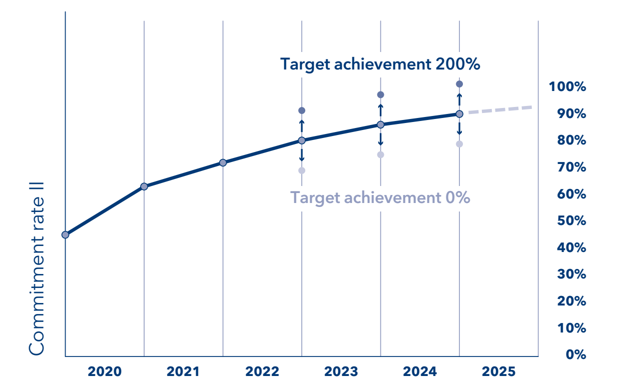
Schematic illustration.

Example calculation for the LTI I program:

Commitment rate I 66.6% = 100% target achievement
Commitment rate I 50.0% = 0% target achievement
Commitment rate I 83.3% = 200% target achievement

A 100% target achievement in purchasing volume coverage requires an increase in the recognition rate presented in the diagram below over a three-year period (plan value). Since the expectation is that the commitment rate will increase at a faster pace at the beginning than at subsequent stages, the shape of the curve is digressive. If actual performance is below or above target (comparison of planned and actual values), the percentage increases or decreases to a maximum of 200% or a minimum of 0%. **B.70**

BUSINESS ETHICS & HUMAN RIGHTS – SUSTAINABLE SUPPLY CHAINS (UNTIL 2024) SPEND COVERAGE **B.70**



Schematic illustration.

Example calculation for the LTI I program:

Commitment rate II 79.0% = 100% target achievement
Commitment rate II 62.0% = 0% target achievement
Commitment rate II 96.1% = 200% target achievement

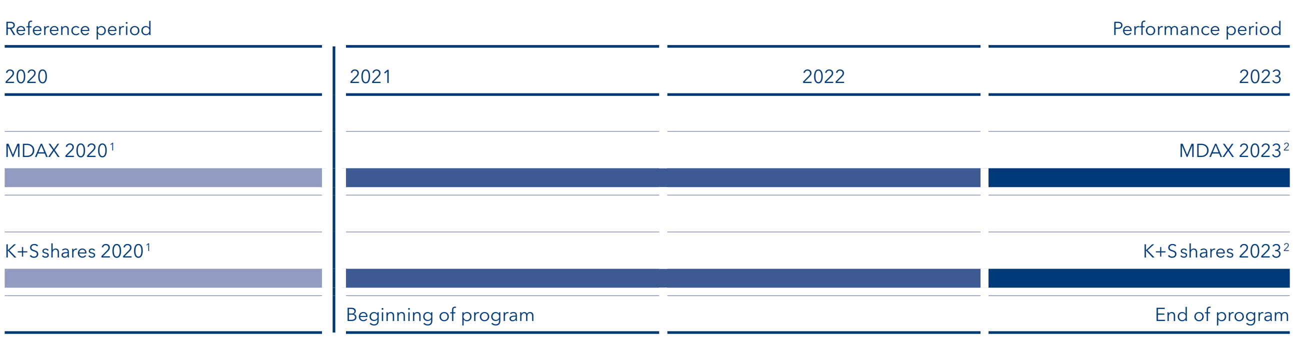
Payment for LTI I is made in April of the year following the end of the program. In the event of termination of a service contract or reaching retirement age, a discounted pro-rata payment for all current tranches is generally made in April of the following year.

LONG-TERM INCENTIVE II (LTI II)

LTI II is based on the K+S share-price performance compared to the performance of the MDAX. The MDAX performance index is used for the calculation while ensuring comparability. If the K+S share price performance is equal to the performance of the MDAX during the reference period, the target achievement is 100%. If the price performance of K+S shares exceeds or falls short of the performance of the MDAX, the percentage rate of target achievement increases or decreases on a straight-line basis by the same percentage. The maximum target achievement is 200% and the minimum achievement is 0% **B.71**. Since LTI II – and, therefore, 50% of long-term remuneration – is linked to the performance of K+S shares, there are no separate additional share ownership guidelines.

Payment of LTI II is made in April of the year following the end of the program. In the event of termination of a service contract or reaching retirement age, a discounted pro-rata payment for all current tranches is generally made in April of the following year.

LONG-TERM INCENTIVE II PROGRAM **B.71**



[1] Average for the stock market year; reference base.
[2] Average for the stock market year 2023; reference base for comparison of performance with 2020.

TARGET ACHIEVEMENT AND PAYMENT FOR LONG-TERM INCENTIVE II (2019–2021) **B.72**

Members of the Board of Executive Directors in office as of December 31, 2021	Base amount in € thousand	Target achievement in %	Payment in € thousand
Dr. Burkhard Lohr	427.5	43.3	185.1
Thorsten Boeckers	285.0	43.3	123.4
Holger Riemensperger	–	–	–
Members of the Board of Executive Directors who left during the 2021 financial year			
Mark Roberts[1]	221.7	100.0	221.7

[1] Mr. Mark Roberts left the Company with effect from April 30, 2021 and his entitlements were paid out as part of his departure. The level of achievement for the LTI II program (2019–2021) had not yet been finalized at the time of his departure, so target achievement of 100% was agreed.

TARGET ACHIEVEMENT FOR LONG-TERM INCENTIVE II (2019–2021)

The target value for K+S shares at 100% target achievement was €27.58 per share. The price for K+S shares averaged €11.93 per share, resulting in target achievement of 43.3%. Table **B.72** shows the individual payment amounts calculated for the financial year based on this data.

FORMER PROGRAM

LTI I PROGRAM UNTIL DECEMBER 31, 2019

Dr. Burkhard Lohr, Mr. Thorsten Boeckers, and Mr. Mark Roberts have entitlements under the LTI I program (2019–2021), which ended on December 31, 2021. The following describes the system for this program:

For the calculation of **LTI I** for 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 value added is calculated as follows:

Value added = (ROCE – weighted average cost of capital before taxes) x (operating assets[1] + working capital[1,2])

The planned value added corresponds to the arithmetic mean of the three figures for value added during the performance period. After the performance period has ended, the actual value added is compared to the planned value added. If the actual and planned value added are the same, the target achievement is 100%. If the actual value added exceeds or falls short of the planned value added, 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%.

[1] Annual average.
[2] Adjusted for the goodwill-influencing deferred taxes from the initial consolidation.

Payment for LTI I (2019–2021) will be made in April 2022. In the event of termination of a service agreement or reaching retirement age, a discounted pro-rata payment for all current tranches is generally made in April of the following year.

TARGET ACHIEVEMENT FOR LONG-TERM INCENTIVE I (2019–2021)

Comparing the planned value added (€-123 million) with the actual value added (€-411 million) results in target achievement of 0%. Based on this data, there were no amounts to be paid to Dr. Burkhard Lohr or Mr. Thorsten Boeckers here. Mr. Mark Roberts left the Company with effect from April 30, 2021 and his entitlements were paid out as part of his departure. The level of target achievement for the LTI I program (2019–2021) had not yet been finalized at the time of his departure, so target achievement of 33.3% was agreed and resulted in a payment of €73.8 thousand.

REMUNERATION GRANTED AND OWED

Table **B.73** below shows the remuneration granted and owed during the financial year to current members of the Board of Executive Directors or members who left during the financial year, in either case provided that their service had already been performed in full as of December 31.

Mark Roberts, who left the Company on April 30, 2021, received his remuneration in euros. For the purpose of limiting exchange-rate risks, a clause had been agreed according to which renumeration is paid for exchange-rate movements 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% on specific occasions or by more than 5% on average for the whole year.

REMUNERATION GRANTED AND OWED TO THE BOARD OF EXECUTIVE DIRECTORS **B.73**

Members of the Board of Executive Directors in office as of December 31, 2021

	Dr. Burkhard Lohr Chief Executive Officer Board member since June 2012				Thorsten Boeckers Chief Financial Officer Board member since May 2017				Holger Riemensperger Chief Operating Officer Board member since April 2021			
	2021		2020		2021		2020		2021		2020	
	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Fixed remuneration	825.0	35	825.0	64	550.0	35	550.0	65	412.5	38	–	–
Fringe benefits	46.9	2	46.1	4	16.0	1	18.2	2	12.7	1	–	–
Total	**871.9**		**871.1**		**566.0**		**568.2**		**425.2**		**–**	**–**
One-year variable remuneration												
– STI (2021)	1,318.1	55	–	–	878.7	56	–	–	659.0	61	–	–
– STI (2020)[1]	–	–	285.0	22	–	–	190.0	22	–	–	–	–
Multi-year variable remuneration												
– LTI (2019–2021)	185.1	8	–	–	123.4	8	–	–	–	–	–	–
– LTI (2018–2020)	–	–	–	0	–	–	–	0	–	–	–	–
– LTI (2017–2020)	–	–	133.4	10	–	–	88.9	10	–	–	–	–
Other	–	0	–	0	–	0	–	0	–	0	–	–
Total	**2,375.1**	**100**	**1,289.5**	**100**	**1,568.1**	**100**	**847.1**	**100**	**1,084.2**	**100**	**–**	**–**

Members of the Board of Executive Directors who left during the 2021 financial year

	Mark Roberts Board member from October 2012 to April 2021			
	2021[2]		2020[2]	
	in € thousand	in %	in € thousand	in %
Fixed remuneration[3]	235.9	14	732.4	66
Fringe benefits	18.4	1	65.3	6
Total	**254.3**		**797.7**	
One-year variable remuneration				
– STI (2021)	135.8	8	–	–
– STI (2020)[1]	–	–	216.9	19
Multi-year variable remuneration				
– LTI (2019–2021)	316.8	19	–	–
– LTI (2018–2020)	–	–	–	0
– LTI (2017–2020)	–	–	101.5	9
Other[4]	975.4	58	–	0
Total	**1,682.4**	**100**	**1,116.1**	**100**

[1] In connection with the KfW loan in 2020, the Board of Executive Directors waived the portion of its entitlement to the bonus (STI) that exceeds 50% of the target achievement.
[2] Including exchange rate compensation.
[3] Additional remuneration (€110 thousand p.a.) due to an additional role as CEO of Morton Salt, Inc. and the associated dual responsibility since March 1, 2020.
[4] Mr. Mark Roberts left the Board of Executive Directors with effect from April 30, 2021 and his entitlements were paid out as part of his departure. The target achievement levels for the LTI (2020–2022) and LTI (2021–2023) programs had not yet been defined at the time of his departure, so target achievement of 100% was agreed for him. This resulted in the following payments: LTI (2020–2022) of €267.4 thousand and LTI (2021–2023) of €63.3 thousand. An incentive was also agreed with Mr. Roberts for the event that the Americas operating unit was successfully sold, with its amount dependent on the purchase price paid. Accordingly, a special bonus of €500 thousand was to be paid if a purchase price of €2.3 billion was attained; with the actual purchase price coming to €2.6 billion, this target was exceeded significantly. In addition, €144.7 thousand was paid as settlement of his vacation entitlement.

MAXIMUM REMUNERATION

The maximum remuneration in accordance with Section 87a (1) Sentence 2 No. 1 AktG is calculated by adding together all maximum remuneration components; it comprises the fixed salary, the cap on fringe benefits, the cap on the bonus (STI), the cap on long-term variable-remuneration components (LTI I and LTI II), as well as estimated service costs. The variable remuneration elements (STI and LTI) are each capped at 200% of the base amount. The Supervisory Board has set a maximum remuneration of €3,500 thousand for ordinary members and €5,250 thousand for the Chairperson for service agreements signed after December 8, 2020. The service agreements for Dr. Burkhard Lohr, Mr. Thorsten Boeckers, and Mr. Mark Roberts were signed prior to this date. The remuneration granted and owed to Mr. Holger Riemensperger during the financial year, including service costs, amounted to €1,340.9 thousand, which was below the maximum remuneration.

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS

The following comparison illustrates the annual change in the remuneration granted and owed to current members of the Board of Executive Directors and members who left during a financial year, the earnings of K+S AKTIENGESELLSCHAFT, and the annual change in the average remuneration for employees in Germany on a full-time equivalent basis for the last five years. **B.74**

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS FOR MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS **B.74**

	Remuneration granted and owed in 2021	Remuneration granted and owed in 2020	2021 vs. 2020 change		2020 vs. 2019 change		2019 vs. 2018 change		2018 vs. 2017 change		2017 vs. 2016 change	
	in € thousand	in € thousand	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Members of the Board of Executive Directors in office as of December 31, 2021												
Dr. Burkhard Lohr	2,375.1	1,289.5	1,085.6	84	38.0	3	25.9	2	73.8	6	187.2	19
Thorsten Boeckers	1,568.1	847.1	721.0	85	20.4	2	8.5	1	303.7	59	514.5	-
Holger Riemensperger (since April 2021)	1,084.2	-	1,084.2	-	-	-	-	-	-	-	-	-
Members of the Board of Executive Directors who left during the 2021 financial year												
Mark Roberts (until April 2021)	1,682.4	1,116.1	566.3	51	104.4	10	74.8	8	-29.4	-3	-26.8	-3
Employees												
Average employee remuneration in Germany (in € thousand)	78.3	73.0	5.3	7	-0.4	0	3.5	5	-0.1	0	6.4	10
Earnings												
K+S AG net income (in € million)	1,152.4	-603.4	1,755.8	-	-891.6	-	213.7	287	186.9	-	-189.2	-
K+S Group EBITDA (in € million)	969.1	266.9	702.2	263	-143.5	-35	-195.9	-32	29.6	5	57.6	11

PENSION COMMITMENTS

The pensions of the active members of the Board of Executive Directors are based on a modular system, i.e., a pension module is created for each year of service as a member of the Board of Executive Directors.

For member agreements signed after December 8, 2020, the basis for calculating the pension modules is 20% of the fixed remuneration of the relevant member of the Board of Executive Directors. For agreements signed prior to this date, the basis for the calculations is 40% of the fixed remuneration. The amount is calculated in accordance with actuarial principles and set aside for retirement; the factors for the creation of the 2021 modules for the members of the Board of Executive Directors are between 9.5% and 16.5%, depending on their age. These factors decline with increasing age. The individual pension modules earned during the respective financial years are totaled and, when the insured event occurs, the respective member of the Board of Executive Directors or, if applicable, his or her surviving dependents, receive the benefit to which they are entitled. There is an upper limit on the total annual pension under this modular system, to avoid disproportionately high pensions resulting from long periods of service (> 15 years). Following a regular review in 2019, the upper limit for the Chairman of the Board of Executive Directors is €340,000 and €255,000 for each other member of the Board. 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 concerning the vesting of pension entitlements. Accordingly, pension entitlements do not vest until after five years of service.

For pension entitlements not covered by the Pension Protection Association, the Company purchases reinsurance policies for the members of the Board of Executive Directors concerned, which are pledged to them in case the Company becomes insolvent.

If the term of office of a member of the Board of Executive Directors ends before the member has reached 60 years of age, the retirement pension starts upon reaching the age of 65 unless it is to be paid on the basis of an occupational or general disability or as a surviving dependent's pension in the event of death. In the event of an occupational or general disability of a member of the Board of Executive Directors prior to reaching pension age, the respective member receives a disability pension commensurate with the pension modules created up to the time the disability occurs. If disability occurs before the age of 55, modules are notionally created on the basis of a minimum value for the years missing up to the age of 55. In the event of the death of an active or former member of the Board of Executive Directors, the surviving spouse receives 60%, each orphan 30%, and each half-orphan 15% of the benefit. The maximum amount of the benefits awarded to surviving dependents may not exceed 100% of the pension payment. If this amount is reached, the benefit is reduced proportionately. If a member of the Board of Executive Directors retires at the age of 60, entitlements can already be claimed in accordance with the pension commitment at that time.

An agreement was made with Mr. Mark Roberts – who left the Company as part of the sale of the Americas operating unit – to keep his pension agreement in effect regardless of him leaving his position on the Board of Executive Directors and his service as a result of the completion of the Americas transaction. It was assumed that his pensionable length of service would continue until the end of his original service contract, September 30, 2023, and this service period would be used as a basis for calculating his pension modules.

In 2021, the amounts shown in **B.75** 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 2021 gives rise to pension expenses, which are calculated in accordance with actuarial principles.

TERMINATION OF SERVICE CONTRACTS WITH THE BOARD OF EXECUTIVE DIRECTORS

If an appointment as a Board member is revoked, the member of the Board of Executive Directors usually receives, at the time of termination, a severance payment of 1.5 times the fixed remuneration, up to a maximum of the total remuneration for the remaining term of the service agreement.

In the event of early termination of an agreement with a member of the Board of Executive Directors as a result of a takeover **("change of control"),** the fixed remuneration and bonuses outstanding until the end of the original term of the appointment will be paid plus a compensatory payment, unless there are reasons justifying a termination of the respective agreement without giving notice. The 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 to make the **combined annual remuneration for two years** the upper limit for service contracts signed after December 8, 2020. In the event of a change of control, members of the Board of Executive Directors enjoy no extraordinary right to terminate their agreement.

For the term of the service agreement and the subsequent two years after its termination, the member of the Board of Executive Directors undertakes not to work in any way for a competitor company of K+S or a company associated with K+S without the approval of K+S or to participate directly or indirectly in such a company or to conduct business for his or her own account or for the account of third parties in the business fields of K+S. The **post-contractual prohibition of competition** does not apply to subordinate activities for a competitor company without reference to the previous position on the Board of Executive Directors. The post-contractual non-competition clause shall be remunerated; income from self-employment, regular employment, 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.

PENSIONS OF THE MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS[1] **B.75**

in € thousand		Age	Fair value as of Jan 1	Pension expenses[2]	Fair value as of Dec 31
Members of the Board of Executive Directors in office as of December 31, 2021					
Dr. Burkhard Lohr	2021	58	8,666.6	1,165.7	8,669.3
Thorsten Boeckers[3]	2021	46	5,373.4	1,385.9	5,413.7
Holger Riemensperger	2021	51	–	256.7	344.4
Members of the Board of Executive Directors who left during the 2021 financial year					
Mark Roberts	2021	58	7,060.0	279.1	8,610.2

[1] Information provided in accordance with IFRS.
[2] Equivalent to service costs.
[3] Includes pension entitlements from his time as Head of Investor Relations of K+S Aktiengesellschaft (total commitment).

CLAW-BACK CLAUSE

The service agreements 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 agreement of service, the Company has the right to demand back or retain any LTI tranches (LTI I and LTI II) that are current at the time of the violation. The claw-back option was not used in the 2021 financial year.

OTHER

For the members of the Board of Executive Directors, the Supervisory Board has introduced an age limit set at the age of 65.

The members of the Board of Executive Directors were not promised or granted benefits by third parties for their work as executive directors during the reporting period – nor did they receive any loans. Apart from the service agreements mentioned, there are no contractual relationships between the Company or its Group companies and members of the Board of Executive Directors or persons closely related to them.

REMUNERATION GRANTED AND OWED TO FORMER MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

Table **B.76** below presents the remuneration granted and owed to former members of the Board of Executive Directors during the 2021 financial year in accordance with Section 162 (1) Sentence 1 AktG. In accordance with Section 162 (5) AktG, personal details were not included for Board members whose last role on a governing body of K+S AKTIENGESELLSCHAFT ended before the 2012 financial year.

Mr. Roberts and K+S AKTIENGESELLSCHAFT signed a severance agreement that governs the settlement for the remaining term of his original employment contract from May 1, 2021 to September 30, 2023.

REMUNERATION GRANTED AND OWED TO FORMER MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS **B.76**

	2021	
	in € thousand	in %
Mark Roberts [1] Member of the Board of Executive Directors until April 2021	3,600.4	
Dr. Thomas Nöcker Member of the Board of Executive Directors until August 2018	285.1	100
Norbert Steiner Chairman of the Board of Executive Directors until May 2017	345.7	100
Gerd Grimmig, Member of the Board of Executive Directors until September 2014	225.3	100
Joachim Felker Member of the Board of Executive Directors until September 2012	147.4	100
Dr. Ralf Bethke Chairman of the Board of Executive Directors until June 2007/ Chairman of the Supervisory Board until May 2017	278.6	100

[1] Mr. Mark Roberts left the Board of Executive Directors with effect from April 30, 2021. He received the following remuneration for the remainder of his original employment contract from May 1, 2021 to September 30, 2023: fixed remuneration of €1,329.2 thousand (around 37%), one-year variable remuneration (STI) of €918.3 thousand (around 25%), and long-term incentive program payments of €1,352.9 thousand (around 38%).

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS

The following comparison illustrates the annual change in the remuneration granted and owed to former members of the Board of Executive Directors, the earnings of K+S AKTIENGESELLSCHAFT, and the annual change in the average remuneration for employees in Germany on a full-time equivalent basis for the last five years. **B.77**

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS DEVELOPMENT FOR FORMER MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS **B.77**

	Remuneration granted and owed in 2021	Remuneration granted and owed in 2020	2021 vs. 2020 change		2020 vs. 2019 change		2019 vs. 2018 change		2018 vs. 2017 change		2017 vs. 2016 change	
	in € thousand	in € thousand	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Former Members of the Board of Executive Directors												
Mark Roberts (until April 2021)	3,600.4	–	3,600.4	–	–	–	–	–	–	–	–	–
Dr. Thomas Nöcker (until August 2018)	285.1	518.4	–233.3	–45	–110.7	–18	420.6	202	208.5	–	–	–
Norbert Steiner (until May 2017)	345.7	356.3	–10.6	–3	–4.8	–1	6.7	2	131.7	59	222.7	–
Gerd Grimmig (until September 2014)	225.3	224.2	1.1	0	3.1	1	–20.8	–9	2.4	1	4.4	2
Joachim Felker (until September 2012)	147.4	158.0	–10.6	–7	4.2	3	–4.8	–3	–37.6	–19	14.7	8
Dr. Ralf Bethke (until June 2007 / May 2017)	278.6	277.2	1.4	1	3.9	1	5.0	2	4.7	2	1.6	1
Employees												
Average employee remuneration in Germany (in € thousand)	78.3	73.0	5.3	7	–0.4	0	3.5	5	–0.1	0	6.4	10
Earnings												
K+S AG net income (in € million)	1,152.4	–603.4	1,755.8	–	–891.6	–	213.7	287	186.9	–	–189.2	–
K+S Group EBITDA (in € million)	969.1	266.9	702.2	263	–143.5	–35	–195.9	–32	29.6	5	57.6	11

REMUNERATION OF THE SUPERVISORY BOARD

OVERVIEW OF THE REMUNERATION SYSTEM

The provisions of the remuneration system for the Supervisory Board, as established in Article 12 of K+S AKTIENGESELLSCHAFT's Articles of Association, were passed at the Annual General Meeting on May 12, 2021 and have been applied in full in the time since January 1, 2021.

REMUNERATION STRUCTURE AND COMPONENTS

An ordinary member of the Supervisory Board receives fixed annual remuneration of €65 thousand. No additional attendance fees are paid. A chair receives twice this amount and a deputy chair 1.5 times this amount.

The members of the Audit Committee receive additional annual remuneration of €20 thousand. Remuneration for membership of the Personnel Committee is €5 thousand. The members of the Nomination Committee receive further annual remuneration of €2.5 thousand if at least two meetings have taken place during the fiscal year. Remuneration for membership of the Strategy Committee is €15 thousand. Each committee chair receives twice this amount and a deputy chair 1.5 times this amount. A resolution was passed during the fiscal year to establish a temporary special committee, which dealt with the FREP examination. The work on this committee was done without any extra remuneration. The members of the Supervisory Board are entitled to reimbursement by the Company of any expenses that are necessary and reasonable for the performance of their duties, as well as to reimbursement of any value added tax (VAT) payable as a consequence of their activities in their capacity as Supervisory Board members, if relevant.

Mr. Gerd Grimmig was appointed as an ordinary member of the Supervisory Board of the consolidated subsidiary K+S MINERALS AND AGRICULTURE GMBH with effect from January 1, 2021. Ms. Jella Benner-Heinacher, Dr. Elke Eller, Mr. Markus Heldt, and Dr. Rainier van Roessel have also been ordinary members of this body since October 1, 2021. Dr. Andreas Kreimeyer took up the chairmanship of the Supervisory Board of K+S MINERALS AND AGRICULTURE GMBH with effect from October 20, 2021.

An ordinary member receives annual remuneration of €5 thousand for a role on the Supervisory Board of the consolidated subsidiary K+S MINERALS AND AGRICULTURE GMBH. A chair receives twice this amount and a deputy chair 1.5 times this amount. In addition, the members receive an attendance fee of €400 per meeting.

Both Supervisory Boards have a rule that any member who was only on the Supervisory Board or one of its committees for part of a year receives one-twelfth of the relevant annual remuneration for each month that began during their membership.

The remuneration of the Supervisory Board is paid at the end of the first month following the close of the fiscal year.

REMUNERATION GRANTED AND OWED

Table **B.78** below shows the remuneration granted and owed during the fiscal year to current members of the Supervisory Board or members who left during the fiscal year, in either case provided that their underlying service had already been performed in full as of December 31.

Due to the coronavirus pandemic, members of the Supervisory Board were reimbursed expenses totaling €10.3 thousand for 2021 (2020: €31.8 thousand). Mr. Markus Heldt received payment of €12 thousand during the 2021 fiscal year through a consultancy agreement, which had ended before he joined the Supervisory Board of K+S AKTIENGESELLSCHAFT. No other remuneration was paid to members of the Supervisory Board for services rendered personally, particularly consultancy or brokerage services, nor were any benefits granted.

In addition to the Supervisory Board remuneration, employee representatives who are employees of the K+S GROUP receive remuneration that is not related to activities performed for the Supervisory Board.

REMUNERATION GRANTED AND OWED TO THE SUPERVISORY BOARD — **B.78**

	Fixed remuneration		Audit Committee		Personnel Committee		Nomination Committee		Strategy Committee		Ad Hoc Special Committee FREP Examination		Remuneration from subsidiaries		Total remuneration	
	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Members of the Supervisory Board in office as of December 31, 2021																
Dr. Andreas Kreimeyer	130.0	66	20.0	10	10.0	5	5.0	2	30.0	15	–	–	3.3	2	198.3	100
Ralf Becker	97.5	71	20.0	15	5.0	3			15.0	11	–	–			137.5	100
Petra Adolph	65.0	76	20.0	24							–	–			85.0	100
André Bahn	65.0	81							15.0	19					80.0	100
Jella S. Benner-Heinacher	65.0	73	20.0	22			2.5	3			–	–	2.1	2	89.6	100
Philip Freiherr von dem Bussche	65.0	79					2.5	3	15.0	18					82.5	100
Dr. Elke Eller	65.0	90			5.0	7							2.1	3	72.1	100
Gerd Grimmig	65.0	88					2.5	3					6.6	9	74.1	100
Axel Hartmann	65.0	76	20.0	24											85.0	100
Markus Heldt (since May 12, 2021)	43.3	95											2.1	5	45.4	100
Michael Knackmuß	65.0	93			5.0	7									70.0	100
Thomas Kölbl	65.0	62	40.0	38											105.0	100
Gerd Kübler	65.0	100													65.0	100
Dr. Rainier van Roessel	65.0	97											2.1	3	67.1	100
Peter Trotha (since August 17, 2021)	27.1	100													27.1	100
Brigitte Weitz	65.0	100													65.0	100
Total	**1,077.9**		**140.0**		**25.0**		**12.5**		**75.0**		**–**		**18.3**		**1,348.7**	
Members of the Supervisory Board who left during the 2021 financial year																
Nevin McDougall (until May 12, 2021)	27.1	100													27.1	100
Anke Roehr (until May 31, 2021)	27.1	100													27.1	100
Total	**54.2**		**–**		**–**		**–**		**–**		**–**		**–**		**54.2**	

A member of the family of a Supervisory Board member is employed by the K+S GROUP. This individual's remuneration is paid in accordance with the internal remuneration guidelines of the K+S GROUP and corresponds to the usual remuneration of individuals in comparable positions.

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS

The following comparison illustrates the annual change in the remuneration granted and owed to current and former members of the Supervisory Board, the earnings of K+S AKTIENGESELLSCHAFT, and the annual change in the average remuneration for employees in Germany on a full-time equivalent basis for the last five years. **B.79**

YEAR-ON-YEAR COMPARISON OF REMUNERATION AND EARNINGS FOR MEMBERS OF THE SUPERVISORY BOARD **B.79**

	Remuneration granted and owed in 2021	Remuneration granted and owed in 2020	2021 vs. 2020 change		2020 vs. 2019[1] change		2019[1] vs. 2018 change		2018 vs. 2017 change		2017 vs. 2016 change	
	in € thousand	in € thousand	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %	in € thousand	in %
Members of the Supervisory Board in office as of December 31, 2021												
Dr. Andreas Kreimeyer	198.3	273.3	–75.0	–27	51.8	23	–26.8	–11	52.3	27	80.9	70
Ralf Becker	137.5	205.0	–67.5	–33	47.5	30	–2.6	–2	38.3	31	–	0
Petra Adolph	85.0	128.5	–43.5	–34	25.3	24	25.1	32	78.2	–	–	–
André Bahn	80.0	125.0	–45.0	–36	41.3	49	14.8	22	68.9	–	–	–
Jella S. Benner-Heinacher	89.6	130.8	–41.2	–32	17.0	15	–15.1	–12	5.1	4	8.0	7
Philip Freiherr von dem Bussche	82.5	125.8	–43.3	–34	30.8	32	–18.5	–16	–2.3	–2	2.3	2
Dr. Elke Eller	72.1	120.3	–48.2	–40	23.8	25	23.3	32	73.2	–	–	–
Gerd Grimmig	74.1	109.8	–35.7	–32	26.0	31	14.8	22	68.9	–	–	–
Axel Hartmann	85.0	129.3	–44.3	–34	26.8	26	–18.5	–15	–0.8	–1	0.8	1
Markus Heldt (since May 12, 2021)	45.4	–	45.4	–	–	–	–	–	–	–	–	–
Michael Knackmuß	70.0	121.8	–51.8	–43	26.0	27	–13.8	–13	5.8	6	–	0
Thomas Kölbl	105.0	144.3	–39.3	–27	26.0	22	–12.0	–9	49.1	60	81.2	–
Gerd Kübler	65.0	109.8	–44.8	–41	6.0	6	–	0	–	0	–0.8	–1
Dr. Rainier van Roessel (since June 10, 2020)	67.1	63.6	3.5	5	63.6	–	–	–	–	–	–	–
Peter Trotha (since August 17, 2021)	27.1	–	27.1	–	–	–	–	–	–	–	–	–
Brigitte Weitz (since August 26, 2020)	65.0	45.4	19.6	43	45.4	–	–	–	–	–	–	–
Members of the Supervisory Board who left during the 2021 financial year												
Nevin McDougall (until May 12, 2021)	27.1	109.0	–81.9	–75	25.3	30	15.6	23	68.2	–	–	–
Anke Roehr (until May 31, 2021)	27.1	109.0	–81.9	–75	26.0	31	–20.8	–20	–	0	25.8	33
Employees												
Average employee remuneration in Germany (in € thousand)	78.3	73.0	5.3	7	–0.4	0	3.5	5	–0.1	0	6.4	10
Earnings												
K+S AG net income (in € million)	1,152.4	–603.4	1,755.8	–	–891.6	–	213.7	287	186.9	–	–189.2	–
K+S Group EBITDA (in € million)	969.1	266.9	702.2	263	–143.5	–35	–195.9	–32	29.6	5	57.6	11

[1] Incorporates a waiver of 20% of fixed remuneration.

AGE LIMIT AND MAXIMUM TERMS OF OFFICE

Candidates for the Supervisory Board may not be older than 70 at the time of election. In addition, members may serve on the Supervisory Board for a maximum of two terms of office – three in exceptional cases. This does not affect the statutory co-determination rules.

ATTENDANCE AT MEETINGS

Table **B.80** below provides an individualized overview of members' attendance of meetings of the Supervisory Board and its committees in 2021.

ATTENDANCE OF MEETINGS BY MEMBERS OF THE SUPERVISORY BOARD OF K+S AKTIENGESELLSCHAFT IN THE 2021 FINANCIAL YEAR **B.80**

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	32	9	9	23	23	100%
Ralf Becker	29	9	9	20	20	100%
Petra Adolph	22	9	8	13	12	91%
André Bahn	11	9	9	2	2	100%
Jella S. Benner-Heinacher	25	9	9	16	16	100%
Philip Freiherr von dem Bussche	14	9	8	5	5	93%
Dr. Elke Eller	14	9	8	5	4	86%
Gerd Grimmig	12	9	9	3	3	100%
Axel Hartmann	15	9	9	6	6	100%
Markus Heldt (since May 12)	4	4	4	–	–	100%
Michael Knackmuß	14	9	8	5	3	79%
Thomas Kölbl	15	9	9	6	6	100%
Gerd Kübler	9	9	9	–	–	100%
Nevin McDougall (until May 12)	5	5	5	–	–	100%
Anke Roehr (until May 31)	5	5	5	–	–	100%
Dr. Rainier van Roessel	9	9	9	–	–	100%
Peter Trotha (since August 17)	4	4	4	–	–	100%
Brigitte Weitz	9	9	9	–	–	100%
Total	**248**	**144**	**97%**	**104**	**96%**	**97%**

CONSOLIDATED FINANCIAL STATEMENTS

C

INCOME STATEMENT[1,3] **C.1**

in € million	Note	2020	2021
Revenues	**(1)**	**2,432.1**	**3,213.1**
Cost of goods sold	(2)	4,158.9	734.0
Gross profit		**–1,726.8**	**2,479.1**
Selling, general, and administrative expenses	(2)	197.1	175.9
Other operating income	(3)	176.3	351.3
Other operating expenses	(4)	191.4	196.0
Share of profit or loss of equity-accounted investments	(15)	–	–1.6
– thereof reversals of impairment losses/impairment losses	(15)	–	–1.3
Income from equity investments, net	(5)	3.2	5.0
Gains/(losses) on operating anticipatory hedges	(6)	42.4	–43.1
Earnings after operating hedges[2]		**–1,893.4**	**2,418.8**
Interest income	(7)	–	10.1
Interest expense	(7)	100.0	23.8
Other financial result	(8)	–5.7	20.7
Financial result		**–105.7**	**7.0**
Earnings before tax		**–1,999.1**	**2,425.8**
Income tax expense	(9)	–108.2	252.8
– thereof deferred taxes		–113.2	148.9
Earnings after tax from continuing operations		**–1,890.8**	**2,173.0**
Earnings after tax from discontinued operations	**(20)**	**176.1**	**810.3**
Earnings for the year		**–1,714.7**	**2,983.2**
Non-controlling interests		0.1	–
Earnings after tax and non-controlling interests		**–1,714.8**	**2,983.2**
– thereof from continuing operations		–1,890.8	2,173.0
– thereof from discontinued operations		176.0	810.3
Earnings per share in € (undiluted = diluted)	**(11)**	**–8.96**	**15.59**
– thereof from continuing operations		–9.88	11.35
– thereof from discontinued operations		0.92	4.23

[1] Rounding differences may arise in percentages and numbers.
[2] Key indicators not defined in IFRS.
[3] 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[1] **C.2**

in € million	Note	2020	2021
Earnings for the year		**–1,714.7**	**2,983.2**
Unrealized currency translation gains/losses		–460.1	–306.2
Reclassification to profit or loss of realized currency translation gains/losses		–	289.9
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods		**–460.1**	**–16.3**
Remeasurement gains/(losses) on net liabilities / assets under defined benefit plans		–45.6	87.5
Gains/(losses) on equity instruments measured at fair value		–12.9	22.1
Items of other comprehensive income not to be reclassified to profit or loss		**–58.5**	**109.6**
Other comprehensive income after tax	**(21)**	**–518.6**	**93.3**
Total comprehensive income for the period		**–2,233.3**	**3,076.5**
Non-controlling interests		0.1	–
Total comprehensive income for the period, net of tax and non-controlling interests		**–2,233.4**	**3,076.5**

[1] Rounding differences may arise in percentages and numbers.

BALANCE SHEET – ASSETS[1] **C.3**

in € million	Note	December 31, 2020	December 31, 2021
Intangible assets	(12)	83.2	79.9
– thereof goodwill from acquisitions of companies	(12)	13.7	13.7
Property, plant, and equipment	(12)	4,109.9	6,406.5
Investment properties	(13)	4.6	4.6
Financial assets	(14)	41.9	76.4
Investments accounted for using the equity method	(15, 5)	27.9	175.9
Other financial assets	(18, 19)	6.1	7.5
Other non-financial assets		19.9	25.3
Securities and other financial assets	(27)	6.0	18.4
Deferred taxes	(16)	176.0	30.2
Non-current assets		**4,475.5**	**6,824.7**
Inventories	(17)	483.5	496.5
Trade receivables	(18)	272.7	569.5
Other financial assets	(18, 19)	203.7	104.7
Other non-financial assets		128.5	92.5
Income tax refund claims		10.8	44.0
Securities and other financial assets	(27)	7.0	213.5
Cash and cash equivalents	(31)	142.3	390.8
Assets held for sale	(20)	2,663.3	–
Current assets		**3,911.9**	**1,911.5**
ASSETS		**8,387.4**	**8,736.2**

[1] Rounding differences may arise in percentages and numbers.

BALANCE SHEET – EQUITY AND LIABILITIES[1] **C.4**

in € million	Note	December 31, 2020	December 31, 2021
Issued capital	(21)	191.4	191.4
Capital reserve	(21)	645.7	645.7
Other reserves and net retained earnings	(21)	1,383.8	4,460.3
Total equity attributable to shareholders of K+S Aktiengesellschaft		2,220.9	5,297.4
Non-controlling interests		1.7	–
Equity		**2,222.6**	**5,297.4**
Financial liabilities	(26)	2,031.5	978.2
Other financial liabilities	(19, 26)	139.3	148.1
Other non-financial liabilities		16.5	15.3
Income tax liabilities		–	–
Provisions for pensions and similar obligations	(22)	110.3	16.0
Provisions for mining obligations	(23)	926.0	1,017.4
Other provisions	(23, 24)	140.3	163.0
Deferred taxes	(16)	63.9	105.3
Non-current liabilities		**3,427.8**	**2,443.3**
Financial liabilities	(26)	1,337.7	212.8
Trade payables	(26)	187.3	186.9
Other financial liabilities	(19, 26)	206.6	175.7
Other non-financial liabilities		77.2	70.3
Income tax liabilities		22.7	63.1
Provisions	(23, 25)	248.5	286.7
Liabilities relating to assets held for sale	(20)	657.0	–
Current liabilities		**2,737.0**	**995.5**
EQUITY AND LIABILITIES		**8,387.4**	**8,736.2**

[1] Rounding differences may arise in percentages and numbers.

STATEMENT OF CASH FLOWS[1] **C.5**

in € million	Note	2020	2021
Earnings after operating hedges (from continuing operations)	(31)	–1,893.4	2,418.8
Earnings after operating hedges (from discontinued operations)		195.2	91.0
Income (–)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges		–116.3	31.0
Elimination of prior-period changes in the fair value of operating anticipatory hedges		–9.5	39.2
Depreciation, amortization, impairment losses (+)/reversals of impairment losses (–)		2,268.6	–1,518.8
Increase (+)/decrease (–) in non-current provisions (excluding interest rate effects)		–11.8	–8.7
Interest received and similar income		3.4	2.4
Realized gains (+)/losses (–) on financial assets/liabilities		–23.6	44.9
Interest paid and similar expense (–)[2]		–119.0	–132.5
Income tax paid (–)[3]		–19.4	–121.9
Other non-cash expenses (+)/income (–) and other expenses and income in connection with the disposal of the OU Americas		5.4	–86.7
Gain (–)/loss (+) on sale of assets and securities		–47.2	–219.3
Increase (–)/decrease (+) in inventories		–77.7	56.8
Increase (–)/decrease (+) in receivables and other operating assets		156.8	–204.1
Increase (+)/decrease (–) in current operating liabilities		89.7	–68.5
Increase (+)/decrease (–) in current provisions		30.5	8.1
Allocations to plan assets		–3.2	–4.8
Net cash flows from operating activities		**428.5**	**326.9**
– thereof from continuing operations		271.4	347.3
– thereof from discontinued operations		157.1	–20.4
Proceeds from sale of assets		21.5	10.6
Purchases of intangible assets		–35.9	–15.1
Purchases of property, plant, and equipment		–500.5	–343.6
Purchases of financial assets		–0.1	–12.8
Proceeds from the sale of consolidated companies, incl. hedging		44.3	2,758.2
Cash and cash equivalents of companies deconsolidated in the year under review		–	–33.3
Proceeds from sale of securities and other financial assets		5.0	222.6
Purchases of securities and other financial assets		–	–487.4
Net cash used in investing activities		**–465.7**	**2,099.3**
– thereof from continuing operations		–376.3	–519.4
– thereof from discontinued operations		–89.4	2,618.7
Dividends paid		–7.7	–
Repayment (–) of borrowings		–1,917.0	–3,694.3
Proceeds (+) from borrowings		1,844.8	1,440.0
Net cash from/(used in) financing activities		**–79.9**	**–2,254.3**
– thereof from continuing operations		77.1	–2,190.9
– thereof from discontinued operations		–157.0	–63.4
Cash change in cash and cash equivalents		**–117.1**	**171.9**
Exchange rate-related change in cash and cash equivalents		–6.8	13.3
Consolidation-related changes in cash and cash equivalents		5.0	–
Net change in cash and cash equivalents		–118.9	185.2
Net cash and cash equivalents as of January 1		**316.3**	**197.4**
Net cash and cash equivalents as of December 31		**197.4**	**382.6**
– thereof cash and cash equivalents[4]		205.2	390.7
– thereof cash received from affiliated companies		–7.8	–8.1

[1] Rounding differences may arise in percentages and numbers.
[2] Interest paid in the reporting period amounted to €100.2 million (2020: €106.6 million).
[3] The item comprises taxes of €135.1 million paid (2020: €38.5 million) and tax refunds of €13.2 million received (2020: €19.1 million).
[4] 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[1] **C.6**

Note (21)

in € million	Issued capital	Capital reserve	Net retained profits/ retained earnings	Currency translation differences	Remeasurement gains/ (losses) on defined benefit plans	Gains/ (losses) on equity instruments measured at fair value	Total equity attributable to shareholders of K+S AG	Non-controlling interests	Equity
As of January 1, 2021	191.4	645.7	1,647.0	–130.2	–156.3	23.3	2,220.9	1.7	2,222.6
Earnings for the year	–	–	2,983.2	–	–	–	2,983.2	–	2,983.2
Other comprehensive income (after tax)	–	–	–	–16.3	87.5	22.1	93.3	–	93.3
Total comprehensive income for the period	**–**	**–**	**2,983.2**	**–16.3**	**87.5**	**22.1**	**3,076.5**	**–**	**3,067.5**
Dividend for the previous year	–	–	–	–	–	–	–	–	–
Changes in the scope of consolidation and other changes in equity	–	–	–	–	–	–	–	–1.7	–1.7
As of December 31, 2021	**191.4**	**645.7**	**4,630.2**	**–146.5**	**–68.8**	**45.4**	**5,297.4**	**–**	**5,297.4**
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
Total comprehensive income for the period	–	–	–1,714.8	–460.1	–45.6	–12.9	–2,233.4	0.1	–2,233.3
Dividend for the previous year	–	–	–7.7	–	–	–	–7.7	–	–7.7
Changes in the scope of consolidation and other changes in equity	–	–	4.3	–	–	–35.8	–31.5	–	–31.5
As of December 31, 2020	**191.4**	**645.7**	**1,647.0**	**–130.2**	**–156.3**	**23.3**	**2,220.9**	**1.7**	**2,222.6**

[1] Rounding differences may arise in percentages and numbers.

NOTES

STATEMENT OF CHANGES IN NON-CURRENT ASSETS

STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2021[1]

C.7

		Gross carrying amounts								Depreciation, amortization, and impairment losses										Net carrying amounts
in € million	Note	As of Jan 1, 2021	Changes in the scope of consolidation	Reclassifications in accordance with IFRS 5	Additions	Disposals	Reclassifi-cations	Exchange differences	As of Dec 31, 2021	As of Jan 1, 2021	Changes in the scope of consolidation	Reclassifications in accordance with IFRS 5	Depreciation, amortization, and impairment losses	Impairment losses	Reversals of impairment losses	Disposals	Reclassifi-cations	Exchange differences	As of Dec 31, 2021	As of Dec 31, 2021
Other acquired concessions, industrial property rights, similar rights and assets, and licenses in such rights and assets		57.1	–	–	3.4	3.8	3.0	1.1	60.8	34.3	–	–	5.5	–	0.8	3.4	–	0.9	36.5	24.3
Customer relations		0.2	–	–	–	–	–	–	0.2		–	–	–	–	–	–	–	–	–	0.2
Brands		9.9	–	–	–	–	–	–	9.9	9.9	–	–	–	–	–	–	–	–	9.9	–
Port concessions		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Goodwill from acquisitions of companies		13.7	–	–	–	–	–	–	13.7	–	–	–	–	–	–	–	–	–	–	13.7
Internally generated intangible assets		32.8	–	–	0.1	0.1	–	–	32.8	31.8	–	–	0.5	–	0.1	0.1	–	–	32.1	0.7
Emission rights		40.1	–	–	10.7	13.6	–	–	37.1	–	–	–	–	–	–	–	–	–	–	37.1
Intangible assets in progress		6.4	–	–	0.9	0.1	-3.4	–	3.9	0.7	–	–	–	–	0.5	–	–	–	–	3.9
Intangible assets	(12)	**160.1**	**–**	**–**	**15.1**	**17.5**	**-0.4**	**1.1**	**158.4**	**76.8**	**–**	**–**	**6.0**	**–**	**1.5**	**3.5**	**–**	**0.9**	**78.5**	**79.9**
Land, land rights, and buildings, including buildings on third-party land		1,965.0	–	–	225.5	21.1	13.1	83.8	2,266.2	1,006.0	–	–	39.0	–	427.0	0.1	1.8	33.1	652.7	1,613.5
Leases for land, land rights, and buildings, including buildings on third-party land		68.5	-0.8	–	13.8	3.8	–	0.7	78.4	22.5	–	–	12.6	–	1.1	0.7	–	0.5	33.9	44.6
Raw material deposits		336.3	–	–				27.3	363.6	139.8	–	–	4.5	–	117.7	–	–	11.1	37.8	325.9
Technical equipment and machinery		5,974.9	–	–	156.0	38.3	260.0	233.7	6,586.3	3,646.2	–	–	194.9	0.1	1,167.2	33.3	45.5	110.5	2,796.7	3,789.6
Leases for technical equipment and machinery		296.2	–	–	11.7	0.4	-44.0	21.0	284.6	106.3	–	–	16.0	–	48.5	–	-5.6	7.1	75.3	209.3
Ships		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Leases for ships		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other equipment, operating and office equipment		378.4	–	–	24.7	10.7	2.5	3.7	398.6	277.1	–	–	19.4	–	8.4	10.1	–	2.3	280.2	118.4
Leases for other equipment, operating and office equipment		20.2	–	–	3.6	0.2	–	–	23.7	9.8	–	–	4.2	–	1.1	0.1	–	–	12.8	10.9
Prepayments and assets under construction[2]		355.7	–	–	159.8	1.5	-231.3	11.7	294.4	77.6	–	–	–	–	38.7	0.1	-41.6	2.9	–	294.3
Property, plant, and equipment		**9,395.2**	**-0.8**	**–**	**595.0**	**75.9**	**0.4**	**382.0**	**10,296.0**	**5,285.3**	**–**	**–**	**290.6**	**0.1**	**1,809.8**	**44.5**	**–**	**167.5**	**3,889.5**	**6,406.5**
– thereof leases		384.9	-0.8	–	29.1	4.4	-44.0	21.7	386.7	138.6	–	–	32.8	–	50.7	0.8	-5.6	7.6	122	264.8
Investment properties	(13)	**8.7**	**–**	**–**	**–**	**–**	**–**	**–**	**8.7**	**4.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4.1**	**4.6**

[1] Rounding differences may arise in percentages and numbers.
[2] Thereof advance payments made €22.1 million.

STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2020[1] C.8

		Gross carrying amounts								Depreciation, amortization, and impairment losses										Net carrying amounts
in € million	Note	As of Jan 1, 2020	Changes in the scope of consolidation	Reclassifications in accordance with IFRS 5	Additions	Disposals	Reclassifi-cations	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[2]	Reversals of impairment losses	Disposals	Reclassifi-cations	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	34.3	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 permits		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
Intangible assets	(12)	**1,264.0**	**–**	**-1,111.2**	**35.9**	**25.6**	**-1.0**	**-2.0**	**160.1**	**265.5**	**–**	**-202.3**	**7.6**	**25.3**	**–**	**18.8**	**–**	**-0.5**	**76.7**	**83.4**
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	44.4	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	112.2	–	–	–	-1.8	139.8	196.5
Technical equipment and machinery[3]		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[4]		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
Property, plant, and equipment		**11,031.1**	**-4.8**	**-1,749.9**	**523.8**	**99.5**	**1.9**	**-307.5**	**9,395.2**	**3,821.1**	**-1.0**	**-581.1**	**332.0**	**1,844.8**	**–**	**85.4**	**0.5**	**-45.5**	**5,285.3**	**4,109.9**
– thereof 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
Investment properties	(13)	**10.9**	**-1.2**	**–**	**–**	**–**	**-0.9**	**–**	**8.7**	**4.6**	**–**	**–**	**–**	**–**	**–**	**–**	**-0.5**	**4.1**	**4.1**	**4.6**

[1] Rounding differences may arise in percentages and numbers.
[2] 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 (thereof €6.9 million in: Other acquired concessions, industrial property rights, similar rights and assets, and licenses in such rights and assets).
[3] Thereof property, plant, and equipment not legally owned amounting to €40.4 million.
[4] Thereof advance payments made €18.4 million.

STATEMENT OF CHANGES IN PROVISIONS

STATEMENT OF CHANGES IN PROVISIONS[1] C.9

in € million	Note	As of Jan 1, 2021	Exchange differences	Additions	Interest component	Utilization	Reversals	Reclassification	As of Dec 31, 2021
Backfilling of vacant mines and shafts		422.8	1.8	121.7	3.9	14.3	12.3	–	523.6
Maintenance of tailings piles		409.5	0.3	115.6	–73.7	4.9	75.0	–	371.8
Risk of mining damage		27.5	–	6.1	8.0	0.7	0.1	–	40.8
Other mining obligations		66.2	–	19.9	0.4	4.6	0.7	–	81.2
Provisions for mining obligations	(23)	**926.0**	**2.1**	**263.3**	**–61.4**	**24.5**	**88.1**	**–**	**1,017.4**
Service anniversaries		37.3	–	1.9	–2.4	3.7	0.2	–	32.9
Other personnel obligations		10.1	–	12.1	–	3.0	0.2	–1.4	17.6
Personnel obligations	(24)	**47.4**	**–**	**14.0**	**–2.4**	**6.7**	**0.4**	**–1.4**	**50.5**
Other provisions	(23)	**92.9**	**0.3**	**21.7**	**0.6**	**1.1**	**2.0**	**0.1**	**112.5**
Provisions (non-current liabilities)		**1,066.3**	**2.4**	**299.0**	**–63.2**	**32.3**	**90.5**	**–1.3**	**1,180.4**
Provisions for mining obligations	(23)	5.9	–	–	–	1.7	–	–	4.2
Personnel obligations	(25)	89.8	0.5	100.1	–	82.1	6.3	1.3	103.3
Provisions for obligations from sales transactions	(25)	32.4	–	32.1	–	25.5	5.1	–	33.9
Provisions for obligations from purchase contracts	(25)	70.9	0.8	66.4	–	61.5	6.3	–	70.3
Other provisions		49.5	0.2	51.2	–	24.7	1.2	–	75.0
Provisions (current liabilities)		**248.5**	**1.5**	**249.8**	**–**	**195.5**	**18.9**	**1.3**	**286.7**
Provisions		**1,314.8**	**3.9**	**548.8**	**–63.2**	**227.8**	**109.4**	**–**	**1,467.1**

[1] Rounding differences may arise in percentages and numbers.

GENERAL PRINCIPLES

The consolidated financial statements of the K+S GROUP prepared by K+S AKTIENGESELLSCHAFT as of December 31, 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). This process took account of all IFRS adopted by the European Union for which application was mandatory as of the balance sheet date, as well as the additional requirements of Section 315e of the German Commercial Code (Handelsgesetzbuch, HGB).

K+S AKTIENGESELLSCHAFT is a listed stock corporation (Aktiengesellschaft) registered in the commercial register under HRB 2669 at the Local Court of Kassel. Its registered office is Bertha-von-Suttner-Str. 7, 34131 Kassel, Germany.

The consolidated financial statements are prepared in euros (€). The individual items of the consolidated financial statements are presented in millions of euros (€ million) in the interests of clarity. Rounding differences may arise in percentages and numbers.

The consolidated financial statements were prepared by the Board of Executive Directors on March 8, 2022, and presented to the Supervisory Board for approval on March 9, 2022.

SCOPE OF CONSOLIDATION

The following company is no longer fully consolidated as of the end of the year, but is included in the consolidated financial statements as a joint venture (see statements below):

+ REKS GMBH & CO. KG

As part of the disposal of the Americas operating unit, the following companies left the scope of consolidation:

+ K+S BELGIUM HOLDING B.V.
+ WINDSOR SALT LTD.
+ CANADIAN BRINE, LTD.
+ MONTANA US PARENT INC.
+ K+S MONTANA HOLDINGS, LLC
+ K+S SALT LLC
+ MORTON SALT, INC.
+ WEEKS ISLAND LANDOWNER, LLC
+ GLENDALE SALT DEVELOPMENT, LLC
+ INVERSIONES K+S SAL DE CHILE SPA
+ INVERSIONES COLUMBUS LTDA.
+ K+S CHILE S.A.
+ SERVICIOS MARITIMOS PATILLOS S.A.
+ SERVICIOS PORTUARIOS PATILLOS S.A.
+ EMPRESA DE SERVICIOS LTDA.
+ COMPANIA MINERA PUNTA DE LOBOS LTDA.
+ INVERSIONES EMPREMAR LTDA.
+ EMPRESA MARITIMA S.A.
+ SALINA DIAMANTE BRANCO LTDA.
+ K+S PERÙ S.A.C.
+ MORTON BAHAMAS LTD.
+ INAGUA GENERAL STORE, LTD.

A total of 10 (2020: 11) domestic and 19 (2020: 41) foreign companies were included in the consolidated financial statements. A total of 21 (2020: 21) subsidiaries were not included in the consolidated financial statements and are measured at fair value according to IFRS 9, as they are immaterial to the consolidated financial statements in terms of total assets, revenues, and earnings.

All joint ventures and companies over which companies of the K+S GROUP exercise significant influence (associates) are accounted at equity. Companies for which the potential effect on profit or loss from equity accounting can be deemed immaterial were measured at fair value in accordance with IFRS 9 due to their immateriality to the financial statements as a whole. Two (2020: one) companies were measured using the equity method in the 2021 financial year.

At the end of 2021, K+S economically sold 50% of the shares in its wholly owned subsidiary REKS GMBH & CO. KG to REMEX GMBH. As consideration, REMEX GMBH will pay a provisional purchase price of €95.9 million in cash (of which €92.9 million will be cash-effective in the 2021 financial year) and will additionally contribute, within the framework of a spin-off, a sales unit, and its subsidiary AUREC GMBH to REKS GMBH & CO. KG. Under the contractual agreements, REKS GMBH & CO. KG is to be accounted for as a jointly controlled entity (joint venture) as of the economic transfer date at the end of 2021.

The core business of REKS GMBH & CO. KG is the long-term safe recovery and disposal of hazardous waste. This waste from various disposal companies is recycled underground in former mining areas of K+S as backfill or deposited. K+S continues to be responsible for the implementation of the backfilling measures or the disposal of the waste. Furthermore, REKS GMBH & CO. KG is responsible for procuring the materials needed for covering certain potash tailings piles. Due to the transfer of shares and the resulting joint management, REKS GMBH & CO. KG is to be deconsolidated as a subsidiary and the remaining shares are to be accounted for as a joint venture. The fair value of the retained shares of €149.7 million was recognized as the acquisition cost of the joint venture. Fair value was determined on the basis of an income-based approach using the discounted cash flow method with non-observable inputs (Level 3). Most of the fair value is related to the business of underground waste recovery and management. The material assumptions for measuring this business concern the annual waste volumes, the attainable prices, and the costs payable to K+S for backfilling and depositing the waste. The assumptions made at year end are generally aligned with the business plan, which was the basis for determining the purchase price for the transfer of shares. The calculation was based on a real price increase of 1% p.a. as well as on a period up to 2040 for underground recovery and up to 2070 for underground disposal (landfill). The discount rate used was 6.4%.

The deconsolidation of REKS GMBH & CO. KG resulted in the following gain, which was recognized in other operating income: **C.10**

GAIN ON DECONSOLIDATION **C.10**

in € million	2021
Purchase price	95.9
Fair value of shares retained (50%)	149.7
Assets/liabilities derecognized	24.5
– thereof non-current assets	1
– thereof cash and cash equivalents	4.3
– thereof other current assets	31.3
– thereof non-current liabilities/provisions	1.1
– thereof current liabilities/provisions	10.8
Other expenses	1.9
Gain on disposal	**219.2**

In the 2020 financial year, 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 VERMÖGENSTREUHÄNDER 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 potash residues. 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 at equity. 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 cash flow 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 construction waste 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**

GAIN ON CONTRIBUTION **C.11**

in € million	2020
Value of shares contributed (50%)	27.8
Fair value of shares retained (50%)	27.8
Assets/liabilities derecognized	0.1
– thereof non-current assets (mainly property, plant, and equipment)	4.1
– thereof current assets	0.8
– thereof non-current liabilities	0.3
– thereof current liabilities	4.5
Gain on contribution	**55.6**

A complete summary of equity investments of K+S AKTIENGESELLSCHAFT can be found in the list of shareholdings on page 231.

CONSOLIDATION METHODS

SUBSIDIARIES

Subsidiaries are companies controlled by K+S AKTIENGESELLSCHAFT. Control is presumed to exist when K+S AKTIENGESELLSCHAFT has existing rights granting the Company the present ability to direct the relevant activities. The relevant activities are those activities that materially affect the returns of the Company. As a rule, the ability to exercise control is based on K+S AKTIENGESELLSCHAFT directly or indirectly holding a majority of the voting rights. Consolidation begins at the point in time at which K+S AKTIENGESELLSCHAFT acquires the possibility of control.

The financial statements of the consolidated subsidiaries are prepared as of the same balance sheet date as the consolidated financial statements. The assets and liabilities of the consolidated subsidiaries are recognized and measured uniformly in accordance with the policies described here and in the following notes.

Revenues, expenses, and income generated or incurred between consolidated companies while the companies concerned are members of the K+S GROUP are eliminated in full. Similarly, receivables and liabilities as well as inter-company profits resulting from goods and services supplied between consolidated subsidiaries are eliminated, unless they are immaterial.

In capital consolidation, the acquisition values of the investments are offset against the revalued equity attributable to them at the time of acquisition. Any positive difference that remains after allocating the purchase price to the assets and liabilities is recognized as goodwill. Any negative differences from the purchase price allocation are recognized in profit or loss.

JOINT OPERATIONS, JOINT VENTURES, AND ASSOCIATES

Joint operations and joint ventures are defined by the existence of a contractual arrangement according to which K+S AKTIENGESELLSCHAFT directly or indirectly conducts the respective activities jointly with a non-Group company and decisions about the relevant activities require the unanimous consent of the parties sharing control. In a joint operation, the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The assets and liabilities are included in the consolidated financial statements of the K+S GROUP on the basis of the interest held. In joint ventures, the parties that have joint control have rights to the net assets of the arrangement.

Associates are companies over which K+S AKTIENGESELLSCHAFT directly or indirectly has significant influence.

ACCOUNTING POLICIES

RECOGNITION OF INCOME AND EXPENSES

In the K+S GROUP, revenues include income from the sale of goods and the provision of services, as well as revenues from customer-specific construction contracts. K+S acts as a principal in almost all transactions.

Multiple element arrangements occur in the form of goods supplies and transportation 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 standalone selling prices. Variable components such as discounts or price concessions are estimated reliably in accordance with contractual arrangements and the values currently expected. No directly observable standalone selling prices are available for either the goods supplied or transportation services provided. The standalone selling prices of the transportation services provided are, therefore, determined by applying the adjusted market approach method; the standalone 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). As a rule, the date of transfer of risk corresponds to the date of transfer of control.

Revenues from services and customer-specific construction contracts are recognized over the period in which the service obligation is fulfilled. Revenues from services are recognized on a straight-line basis over the period in which the service is rendered. Revenues from customer-specific construction contracts are recognized based on the ratio of costs incurred to total expected costs (input-oriented method). Due to the nature of the services rendered and the predominance of customer-specific construction contracts, this method is most suitable for providing a true and fair view of the transfer of control to the customer. If the stage of completion cannot be measured reliably, revenues are recognized only to the extent of costs incurred that are expected to be recovered by the Company.

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 includes the net income (dividend payouts, profit transfers) from non-consolidated subsidiaries and joint ventures, associates, and other investments not accounted for at equity for reasons of materiality.

INTANGIBLE ASSETS

Intangible assets are recognized at cost if it is probable that future economic benefits associated with the intangible asset will flow to the Company and the cost of the asset can be measured reliably. Purchased intangible assets are recognized at cost. Internally generated intangible assets are recognized at the development cost attributable to them (production costs). They are subsequently carried at cost less amortization and, if required, impairment losses. The option of subsequent measurement at fair value, which is allowed under certain conditions, is not exercised. If their useful lives can be determined, intangible assets are subject to systematic amortization. If they have indefinite useful lives, they are not amortized, but written down for impairment, if necessary. Whenever there is an indication of impairment, including between reporting dates, the corresponding assets are tested for impairment. Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication of impairment. Goodwill is always assumed to have an indefinite useful life.

Intangible assets with finite useful lives are amortized using the straight-line method based on normal useful lives. These assets are based on standard useful lives that are recognized across the Group. The useful lives of the customer relationships (useful life: 5–20 years), brands (useful life: 20 years) and port concessions (useful life: 250 years) presented as of December 31, 2020 were disposed of with the sale of the Americas operating unit. The remaining intangible assets have useful lives ranging from 2 to 62 years.

The depreciation charges for the financial year are disclosed in the income statement in line with the use of the assets concerned under the following items:

+ Cost of 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. The reversal is recorded on the income statement within the functional area to which the intangible asset was allocated. Impairment losses on goodwill must not be reversed.

Goodwill is tested for impairment at least once a year and whenever there is an indication of impairment. An impairment loss is recognized if necessary. Any need to recognize an impairment loss is determined in accordance with IAS 36 by comparing the carrying amounts of the cash-generating units to which goodwill has been allocated with the recoverable amounts of the units. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Where the recoverable amount is fair value less costs of disposal, the measurement is therefore conducted from the perspective of an independent market participant. The measurement is based on the future net cash flows determined by using a DCF method, since market prices are not normally available for separate units. Since this involves the use of non-observable inputs, the measurements are categorized within Level 3 of the fair value hierarchy.

Where the recoverable amount is value in use, the cash-generating units are measured as currently used. Value in use is determined based on the discounted expected future cash flows from the cash-generating units. If there is a need to recognize an impairment loss, the individual assets whose carrying amounts are to be reduced are written down to fair value less costs of disposal, value in use, or zero, whichever is the highest. Any write-down requirement that remains because of this lower limit is in turn allocated to the other assets of the respective CGU on a proportionate basis, taking into account the lower value limits.

Carbon 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.12**

USEFUL LIVES OF PROPERTY, PLANT, AND EQUIPMENT **C.12**

in years	
Buildings	15–50
Raw material deposits	4–56
Technical equipment and machinery (tunnels and excavations)	12–122
Technical equipment and machinery (other)	8–39
Other equipment, operating and office equipment	7–11

The reduction in the useful lives of raw material deposits from 17–250 years as of December 31, 2020, to 4–56 years as of December 31, 2021, is attributable to the disposal of raw material deposits as part of the sale of the Americas operating unit.

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; see also the explanations in Note (12) Intangible Assets, Property, Plant, and Equipment; and Impairment Tests.

The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Where the recoverable amount is fair value less costs of disposal, the measurement is therefore conducted from the perspective of an independent market participant. The measurement is based on the future net cash flows determined by using a DCF method, since market prices are not normally available for separate units. Since this involves the use of non-observable inputs, the measurements are categorized within Level 3 of the fair value hierarchy.

Where the recoverable amount is value in use, the cash-generating units are measured as currently used. Value in use is determined based on the discounted expected future cash flows from the cash-generating units. If there is a need to recognize an impairment loss, the individual assets whose carrying amounts are to be reduced are written down to fair value less costs of disposal, value in use, or zero, whichever is the highest. Any write-down requirement that remains because of this lower limit is in turn allocated to the other assets of the respective CGU on a proportionate basis, taking into account the lower value limits.

If the reasons for previously recognized impairment losses no longer exist, the impairment loss is reversed as appropriate, although the net carrying amounts must not be exceeded. The reversal is recorded on the income statement within the functional area to which the asset was allocated.

If property, plant, and equipment is sold or decommissioned, the gain or loss calculated as the difference between net realizable value (sale proceeds less cost of disposal) and the net carrying amount is recognized in other operating income or expenses.

CAPITALIZATION OF BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset and should, therefore, be capitalized. A qualifying asset is an asset that takes a period of at least one year to get ready for its intended use or sale. In the statement of cash flows, capitalized borrowing costs are reported under “Interest paid and similar expenses” in “Net cash flow from operating activities.”

LEASES

A lease is defined as a contract that conveys the right to use an asset for a period of time in exchange for consideration. All rights and obligations under leases are recognized as right-of-use assets in the underlying assets and as lease liabilities for the payment obligations assumed in the lessee’s balance sheet.

The lease liability is recognized at the present value of the future lease payments. Present value is determined by discounting the lease payments at the discount rate implicit in the lease. If this cannot be determined, discounting is performed using the lessee’s incremental borrowing rate. K+S uses discounting both at the rate implicit in the lease and at the incremental borrowing rate. The incremental borrowing rate is calculated based on the default-free rate for matching maturities in the payment currency for the lease plus a creditworthiness-dependent spread. In subsequent periods, discounting of the lease liability is unwound and the lease liability reduced by the lease payments made. Unwinding of the discount on the lease liability is presented as interest expense. The lease liabilities are presented as other financial liabilities.

Under certain conditions, K+S remeasures the lease liability and makes a corresponding adjustment to the right-of-use asset. This involves the following cases of remeasurement and modification:

+ The lease term has changed or a significant event or change in circumstances has occurred, and this has led to a reassessment of whether a purchase option will or will not be exercised. In these cases, the lease liability must be remeasured on the basis of the changed lease payments, any change in the lease term, and a newly calculated discount rate.
+ The lease payments may change as a result of changes in an index or because of the dependence on another market price, or because of amounts expected to be paid under the residual value guarantee. In these cases, the lease liability must be remeasured on the basis of the changed lease payments, leaving the discount rate unchanged. As an exception to this rule, a changed discount rate is to be used if the change in the lease payments is based on a change in a variably agreed 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 payments, 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 an exception to this rule, lease assets are depreciated over the useful life of the asset, if the asset is transferred to the lessee at the end of the lease, or it can be assumed with reasonable certainty that a purchase option on the underlying asset will be exercised. As a rule, the depreciation policy for right-of-use assets is the same as for comparable assets to which the Company has legal title (straight-line depreciation). Certain right-of-use assets in the "technical equipment and machinery" group are depreciated according to the 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.

Inter-company receivables, liabilities, expenses, and income between the companies of the discontinued operation and the other Group companies are eliminated in full. For inter-company supplies of goods and services and lending and borrowing arrangements entered into after deconsolidation, all elimination entries arising from expense and income consolidation are allocated to the discontinued operation. If these arrangements are not continued, all elimination entries are made in the continuing operations of the K+S GROUP.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset for one of the parties to such a contract and to a financial liability or equity instrument for the other party. Financial assets and financial liabilities are 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. K+S generally aims to collect 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.

OTHER NON-FINANCIAL ASSETS

This item includes receivables and assets that are not underpinned by a contractual entitlement to payment and that cannot be allocated to any other balance sheet item. Examples include prepayment for the provision of goods and services in the future (e.g., energy supply) and claims for reimbursement of value added tax that has been paid.

CASH AND CASH EQUIVALENTS

This item includes cash on hand and balances with banks. It also includes financial assets with a maturity of generally not more than three months from the date of acquisition.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions and similar obligations are determined in accordance with actuarial principles applying the projected unit credit method. The discount rate is determined on the basis of the returns for high-grade corporate bonds available at the reporting date. The actuarial interest rate was calculated based on the Mercer Yield Curve, published by Mercer, for the first time in the 2021 financial year. In the year before, the Group had used a method of its own. Aspects such as future expected salary and pension increases, cost increases for healthcare benefit commitments, and mortality rates are also taken into account. Any plan assets are offset against the corresponding obligations.

The net interest for a reporting period is determined by multiplying the net liabilities from the defined-benefit pension plans (asset) by the discount factor specified above, taking into consideration expected payments.

Remeasurement gains or losses on the net liabilities from defined benefit pension plans are recognized in other comprehensive income. They include:

+ actuarial gains/losses,
+ income from plan assets, excluding amounts contained in the net interest 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 the amount of the expected utilization for current obligations to third parties resulting from a past event. The utilization must be more likely than unlikely and the amount of the obligations must be reliably estimable. Non-current provisions with a remaining term of more than one year are discounted at a capital market interest rate with an appropriate maturity, taking into account future cost increases, to the extent that the interest effect is material. Adjustments due to changes in the discount rate are recognized in net interest income. When provisions are reversed through profit or loss, the reversal effect is allocated to net interest income and cost of sales (active sites) or other operating income (inactive sites) based on the history of the reporting of the earnings effect from this provision.

K+S' provisions for mining obligations are largely related to two provision categories: maintenance of tailings piles as well as mine and shaft backfill. The latter includes backfilling shafts after a plant closes down as well as the safekeeping of bore holes used for injection, observation, and caverns. Backfilling shafts stops water from penetrating the mine, ensures the shafts' stability, and in doing so protects the surface around the shafts against subsidence.

At K+S, mine backfilling is considered to include all obligations for the backfilling or flooding of former underground mining chambers and drifts. Backfilling activities usually aim to increase the long-term stability of the chambers concerned and reduce subsidence. Moreover, the term is also deemed to include obligations to build dams and perform other underground restoration work.

The provision category "maintenance of tailings piles" is primarily understood to involve the obligation under public law to collect saline tailings pile waters, store them in the interim, and dispose of them in a controlled manner. The aim behind the measures that must be performed by K+S is to prevent or mitigate impacts on the ground and surface waters as far as possible. As a result, the forecast of the expected volumes of tailings pile water and the management plans are extremely important. The provision includes all costs that are payable for these activities after decommissioning of a site. Furthermore, net revenue from covering tailings piles is factored into the calculations for the provision and reduce it in size if the cover has sufficiently detailed specifications and likelihood.

The provisions for mining damage at K+S are recognized primarily for expenses incurred for specific damage that is expected to buildings and other infrastructure from the surface subsidence associated with underground extraction. Furthermore, obligations for monitoring after decommissioning of the sites are also taken into account here.

The obligation to decommission underground production facilities after closure of a site is included in the category of underground restoration. In concrete terms, this includes removing machines, vehicles, and water-polluting substances from the mine and disposing of them properly.

SHARE-BASED PAYMENT

The K+S GROUP's share-based payment program is a cash-settled share-based payment plan that is part of performance-related pay (LTI II program). The fair value of the obligation is charged to the income statement pro rata over the benefit period. Fair value and the associated provision to be recognized are remeasured as of each balance sheet date. Any changes in fair value and the corresponding changes in the amount of the provision are recognized in profit or loss. Fair value is calculated using a recognized option pricing model (CRR option pricing model).

INCOME TAXES

Deferred taxes are determined in accordance with IAS 12 using the 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.

Current income taxes are recognized in the balance sheet at the time they are incurred. They are calculated taking into account the respective local tax legislation and existing case law. The complexity of these regulations and possible differences in their interpretation lead to uncertainties with regard to the tax treatment of individual business transactions. In accordance with IFRIC 23, these uncertain tax positions are measured at the most probable value, i.e., a potential utilization.

ACQUISITIONS

Business combinations are accounted for using the acquisition method. In connection with the remeasurement of the acquiree, all hidden reserves and hidden liabilities of the acquiree are uncovered, and assets, liabilities, and contingent liabilities are recognized at their fair values (with the exceptions specified in IFRS 3). Any resulting positive difference from the cost of the acquiree is recognized as goodwill. Any negative difference is immediately recognized in profit or loss.

JUDGMENT AND ESTIMATES

JUDGMENT IN THE APPLICATION OF ACCOUNTING POLICIES

The carrying amounts of assets and liabilities sometimes depend on judgment on the application of accounting policies. This relates in particular to the following:

+ Determination of the basis of consolidation
+ Definition of cash-generating units
+ Determination of whether a company acts as principal or agent in a sales transaction
+ Determination of whether it is reasonably certain that extension or termination options in a lease within the meaning of IFRS 16 will be exercised or not exercised
+ Determination of whether it is reasonably certain that a purchase option in a lease within the meaning of IFRS 16 will be exercised
+ Determination whether the material opportunities and risks are transferred to the factor under the factoring arrangement
+ The recognition and valuation of uncertain tax positions (risks) and the determination of the recoverability of deferred tax assets, in particular on loss carryforwards

ESTIMATES AND ASSUMPTIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The reasons for, and amount of, some items recognized in the IFRS financial statements are in some cases based on estimates and the definition of certain assumptions. This is particularly necessary in the case of:

+ determining the useful lives of depreciable items of property, plant, and equipment,
+ specifying measurement assumptions and future gains or losses resulting from impairment tests,
+ inventories with inherent measurement uncertainty because of their physical attributes,
+ determining the net realizable value of inventories,
+ determining the inputs necessary for the measurement of pension provisions and similar obligations (e.g., discount rate, future wage/salary and pension trends, mortality rates, healthcare cost trends),
+ determining the parameters required for the measurement of lease liabilities (incremental borrowing rate),
+ determining of the fair value for the valuation of the provisions for share-based payment in accordance with IFRS 2,
+ determining the parameters necessary for measuring the provisions for mining obligations (e.g., amount of the payments expected, cost increase rate, settlement dates, discount rates, and amount of net revenue expected from pile covering),
+ selecting inputs for the model-based measurement of derivatives (e.g., assumptions about volatility and interest rates),
+ determining the accrual of revenues and expenses according to IFRS 15 for services that have not yet been (fully) provided at the 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),
+ 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 associated companies and equity investments as well as when first recognizing joint ventures, 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 Group company operates; it normally corresponds to the local currency. Assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Income and expenses are translated at the average exchange rates for the quarter. The resulting currency translation differences are recognized directly in equity. When Group companies exit the scope of consolidation, the corresponding currency translation difference is reversed and recognized in profit or loss.

At K+S ASIA PACIFIC PTE. LTD., the US dollar is used as the functional currency, in contrast to the local currency, as this company generates most of its cash flows in and out of this currency. K+S FINANCE BELGIUM B.V. changed its functional currency from the US dollar to the euro during the financial year.

In the previous year, 15 Group companies used the US dollar, rather than their local currency, as the functional currency: 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., and SERVICIOS PORTUARIOS PATILLOS S.A.

The translation of significant currencies in the Group was based on the following exchange rates per one euro: **C.13, C.14**

EXCHANGE RATES **C.13**

	2021				
per €1	Spot rate on Dec 31	Quarterly average rate, Q1	Quarterly average rate, Q2	Quarterly average rate, Q3	Quarterly average rate, Q4
US dollar (USD)	1.133	1.205	1.206	1.179	1.144
Canadian dollar (CAD)	1.439	1.526	1.480	1.485	1.441
Czech koruna (CZK)	24.858	26.070	25.638	25.500	25.374
Brazilian real (BRL)	6.310	6.599	6.381	6.159	6.382
Chilean peso (CLP)	964.760	873.700	863.096	911.975	945.139
Pound sterling (GBP)	0.840	0.874	0.862	0.855	0.848

EXCHANGE RATES **C.14**

	2020				
per €1	Spot rate on Dec 31	Quarterly average rate, Q1	Quarterly average rate, Q2	Quarterly average rate, Q3	Quarterly average rate, Q4
US dollar (USD)	1.227	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

In the year under review, net translation differences of €26.5 million (2020: €20.5 million) were recognized in the income statement (e.g., measurement/realization of receivables and liabilities in a foreign currency); they were mainly reported in other operating income or expenses.

NEW OR AMENDED FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

The changes to the financial reporting standards and interpretations will have no material impact on the consolidated financial statements of the K+S GROUP. **C.15**

As part of the IBOR reform, central variable reference interest rates in use will be switched to new, risk-free reference interest rates.

The first reference interest rates, such as the EONIA, were discontinued at the end of 2021. These were replaced by the €STR (Euro Short-Term Rate). At K+S, this mainly relates to the interest on in-house cash (IHC) balances. The interest on IHC balances was already converted by the system in 2019.

The IBOR reform did not affect the K+S balance sheet.

NEW OR AMENDED FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **C.15**

Standard/ interpretation			Date of mandatory application in the K+S Group[1]
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	IFRS 16	COVID-19-Related Rent Concessions after June 30, 2021 – Amendments to IFRS 16	Apr 1, 2021

[1] Initial application for companies whose registered office is in the EU for reporting periods beginning on or after this date. The application of new or amended IFRS standards or interpretations for companies whose registered office is in the EU is subject to endorsement by the European Commission. Occasionally, the date of mandatory application determined by the European Commission may differ from the first-time application date stipulated by the IASB.

NEW OR AMENDED FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED

The following accounting standards and interpretations had been published by the IASB by the balance sheet date. Their application, however, will only become mandatory for the K+S GROUP at a later date. **C.16**

From today's perspective, the amendments to the accounting standards and interpretations have no material impact on the consolidated financial statements of the K+S GROUP.

NEW OR AMENDED FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED **C.16**

Standard/ interpretation			Date of mandatory application in the K+S Group[1]
Amendment	Collective standard to amend several IFRS (IFRS 3, IAS 16, IAS 37, Annual Improvements 2018–2020)	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	IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	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
Amendment	IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)	Jan 1, 2023

[1] Initial application for companies whose registered office is in the EU for reporting periods beginning on or after this date. The application of new or amended IFRS standards or interpretations for companies whose registered office is in the EU is subject to endorsement by the European Commission. Until then, the date of mandatory application for companies whose registered office is in the EU remains open. Early application of one or more IFRS standards or interpretations (if provided for by the IASB) is subject to EU endorsement. Occasionally, the date of mandatory application determined by the European Commission may differ from the first-time application date stipulated by the IASB.

NOTES TO THE INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

The income statement and statement of comprehensive income are presented on pages 161–162. The income statement has been prepared in accordance with the cost of sales method.

The K+S GROUP uses derivatives to hedge market risk. The hedging strategy is explained in more detail in Note (19). IFRS 9 requires derivatives to be measured at fair value (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., currency derivatives used for liquidity management).

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 changes arising from operating anticipatory hedges are not taken into account if they result from fair value measurements during the term of the hedging instrument as specified in IFRS 9. As a result, the following effects must be eliminated from earnings after operating hedges reported in the income statement:

+ **Income (–)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges**
  Until maturity, the hedging transactions must be measured at fair value as of each balance sheet date. Any difference from the carrying amount is recognized as income or expense.

+ **Elimination of prior-period changes in the fair value of operating anticipatory hedges**
  The carrying amount of the hedging instrument is derecognized at the time it is realized. It is realized when the hedging instrument is exercised/settled, expires, or is sold. The difference between the realized amount and carrying amount is the income or expense recognized in the current period. Since EBITDA is intended to show earnings that exclude the effects of fair value measurement in accordance with IFRS 9, changes in fair value from earlier periods included in the carrying amount are eliminated.

Due to the elimination of all fair value changes during the term, hedging gains or losses included in EBITDA correspond to the value of the hedging transactions at the time of realization (difference between the spot rate and hedging rate); in the case of options, it is reduced by the premium paid or increased by the premium received.

If expected capital expenditures in foreign currencies are hedged, the calculation of EBITDA takes account not only the above items, but all gains or losses. This is because the gains or losses on the hedged capital expenditures denominated in foreign currency (increase or decrease in depreciation or amortization after the acquisition date) are not included in EBITDA. For this reason, due to the non-inclusion of gains or losses on the hedged item, the gains or losses reported on these hedges as of the maturity date would not produce a valid calculation of earnings in EBITDA. **C.17**

RECONCILIATION TO EBITDA[1] **C.17**

in € million	2020 Continuing operations	2020 Discontinued operations	2020 Continuing and discontinued operations	2021 Continuing operations	2021 Discontinued operations	2021 Continuing and discontinued operations
Earnings after operating hedges	**–1,893.4**	**195.2**	**–1,584.4**	**2,418.8**	**90.9**	**2,509.7**
Income (–)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	–37.3	–79.1	–116.3	31.0	–	31.0
Elimination of prior-period changes in the fair value of operating anticipatory hedges	–5.7	–3.8	–9.5	38.1	1.1	39.2
Realized gains (–)/losses (+) on capital expenditure hedges	–	0.3	0.3	–	–	–
Depreciation and amortization (+)/impairment losses (+)/reversals of impairment losses (–) on non-current assets	2,209.6	65.3	2,161.1	–1,514.6	–	–1,514.6
Capitalized depreciation (–)[2]	–6.3	–	–6.3	–5.5	–	–5.5
Impairment losses (+)/reversals of impairment losses (–) on equity-accounted investments	–	–	–	1.3	–	1.3
EBITDA[2]	**266.9**	**177.9**	**444.8**	**969.1**	**92.0**	**1,061.1**

[1] 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.

[2] 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 €3,213.1 million (2020: €2,432.1 million) and can be broken down as follows: **C.18**

Revenues are broken down on the basis of market-related customer segments (Agriculture and Industry+). Industry+ is further broken down into the areas of Industry, Consumer, and Communities on the basis of customer interests. Industry, the largest area, is also broken down into product groups.

REVENUES **C.18**

in € million	2020	2021
Agriculture	**1,701.5**	**2,272.1**
– thereof potassium chloride	956.7	1,349.3
– thereof fertilizer specialties	744.8	922.8
Industry+	730.6	941.0
– thereof Consumers	58.5	60.0
– thereof Communities	50.3	193.2
– thereof Industry	621.8	687.7
– thereof water softening	52.0	52.3
– thereof industrial applications	78.5	92.1
– thereof food processing industry	89.2	96.9
– thereof chemicals	134.3	163.4
– thereof animal nutrition	57.3	63.2
– thereof pharma	26.9	25.9
– thereof complementary activities	162.6	163.0
– thereof other	20.9	31.1
Total	**2,432.1**	**3,213.1**

OPENING AND CLOSING CARRYING AMOUNTS **C.19**

in € million	Opening carrying amount as of Jan 1, 2020	Reclassifi-cations 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

OPENING AND CLOSING CARRYING AMOUNTS **C.20**

in € million	Opening carrying amount as of Jan 1, 2021	Closing carrying amount as of Dec 31, 2021
Trade receivables	272.7	569.5
Receivables from customer-specific construction contracts	1.5	1.4
Contract liabilities	3.9	6.2

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 (33).

Tables **C.19** and **C.20** show the opening and closing carrying amounts of trade receivables, receivables from customer-specific construction contracts, and contract liabilities.

The accumulated transaction price of all performance obligations still to be satisfied was €6.2 million (2020: €3.9 million) as of December 31, 2021. It is expected that the resulting revenues will be realized in full within the next reporting period.

In addition, revenues included prior-period revenues of €5.1 million (2020: €17.5 million), which resulted 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 financial year amounted to €734.0 million (2020: €4,158.9 million). A total of €1,811.3 million of the decrease in cost of sales is attributable to reversals of 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 "Reversals of impairment losses." Some €1,854.4 million of the increase in cost of sales in the previous year 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 was shown in the column headed "Impairment losses." Adjusted for the impact of the reversals of impairment losses, cost of sales amounted to €2,545.3 million (2020, adjusted for the impact of the impairment losses: €2,304.5 million).

Cost of sales includes freight costs of €529.6 million (2020: €404.8 million). Marketing costs amounted to €60.0 million (2020: €72.4 million) and general and administrative expenses stood at €115.9 million (2020: €124.7 million). **C.21**

COST OF MATERIALS **C.21**

in € million	2020	2021
Costs for raw materials and supplies and for purchased goods	387.1	446.1
Cost of purchased services	414.8	423.7
Energy costs	236.6	294.0
Cost of materials	**1,038.5**	**1,163.8**

(3) OTHER OPERATING INCOME

Other operating income includes the following material items: **C.22**

The Information refers to the continuing operations of the K+S GROUP.

The income from the deconsolidation of subsidiaries is attributable to the economic transfer of 50% of the shares in REKS GMBH & CO. KG (see section "Scope of consolidation"). In the previous year, these were attributable to the contribution 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.

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.23**

Information refers to the continuing operations of the K+S GROUP.

OTHER OPERATING INCOME **C.22**

in € million	2020	2021
Gains on exchange rate differences/currency hedging transactions	62.2	62.7
Income from the disposal of property, plant, and equipment, and intangible assets	0.7	0.5
Income from the deconsolidation of subsidiaries	55.6	219.5
Reversals of provisions	6.9	15.7
Rental and leasing income	4.0	3.9
– thereof from investment properties	1.0	0.9
Compensation and refunds received	5.4	1.5
Reversals of allowances for receivables	0.2	–
Other income	41.3	47.7
Other operating income	**176.3**	**351.5**

OTHER OPERATING EXPENSES **C.23**

in € million	2020	2021
Losses on exchange rate differences/currency hedging transactions	70.8	70.1
Expenses for disused plant and preservation of Merkers	13.7	54.4
Ancillary capital expenditure costs	20.3	15.0
Research and development costs	11.1	10.0
Prior-period expenses	19.3	9.5
Expenses for consultancy, assessments, and attorney's fees	9.1	1.1
Depreciation, amortization, and impairment losses	20.9	4.2
– thereof impairment losses	15.7	–
Losses on the disposal of non-current assets	6.6	3.7
Other expenses	19.6	28.0
Other operating expenses	**191.4**	**196.0**

(5) NET INCOME FROM EQUITY INVESTMENTS

In the financial year under review, investment income of €5.0 million (2020: €3.8 million) was generated, mainly from dividends paid by non-consolidated companies. Expenses from losses assumed amounted to zero (2020: €0.6 million). The share of profit or loss of equity-accounted investments rounded to €–1.6 million in the financial year under review (2020: €0.0 million).

(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 184. **C.24**

(7) NET INTEREST

In determining the borrowing costs to be capitalized, a weighted cost of capital of 3.1% was applied (2020: 2.9%). **C.25**

GAINS/(LOSSES) ON OPERATING ANTICIPATORY HEDGES **C.24**

in € million	2020	2021
Gain/loss on the realization of currency hedging transactions	**5.1**	**–12.1**
– thereof positive contributions to profit or loss	30.2	17.3
– thereof negative contributions to profit or loss	–25.1	–29.4
Changes in the fair value of hedging transactions not yet due	**37.3**	**–31.0**
– thereof positive fair value changes	37.8	3.4
– thereof negative fair value changes	–0.5	–34.4
Gains/(losses) on operating anticipatory hedges	**42.4**	**–43.1**

NET INTEREST **C.25**

in € million	2020	2021
Other interest and similar income	5.4	12.1
Elimination of interest against discontinued operation (2020: net negative)	–5.4	–2.0
Interest income	**–**	**10.1**
Interest expense on bonds/promissory note loans	–78.8	–65.2
Interest component from measurement of provisions for mining obligations	–12.7	61.4
Interest expense on pension provisions	–1.1	–0.6
Capitalization of borrowing costs	11.2	12.1
Interest expense from leasing	–8.7	–8.8
Other interest and similar expenses	–24.6	–27.0
Elimination of interest against discontinued operation	14.7	4.3
Interest expense	**–100.0**	**–23.8**
Net interest	**–100.0**	**–13.7**

The "Interest component from measurement of provisions for mining obligations" consists of the net balance of the following items: **C.26**

INTEREST COMPONENT OF PROVISIONS FOR MINING OBLIGATIONS **C.26**

in € million	2020	2021
Interest rate effect from the change in the discount rate for provisions for mining obligations	-11.3	-28.2
Increase in provisions for mining obligations due to passage of time (interest cost)	-7.4	-8.6
Interest rate effect from the reversal of provisions for mining obligations	6.0	98.2
Interest component from measurement of provisions for mining obligations	**-12.7**	**61.4**

The elimination of interest income/expense from loan and in-house cash receivables and liabilities between the continuing operations and the discontinued operation, the Americas operating unit, was fully allocated to continuing operations, because these arrangements will cease after the closing of the sale. The negative balance of interest income of €5.4 million in the previous year resulted from the elimination of interest expenses against the discontinued operation, the Americas operating unit, and was reclassified to interest expense. In the reporting period, elimination of these interest expenses does not lead to any negative balance of interest income and hence to no reclassification to interest expense.

The "Settlement of interest with discontinued operation" item under interest income contains the interest expenses eliminated against the discontinued operation, the Americas operating unit, in the amount of €2.0 million (2020: €7.6 million). The "Settlement of interest with discontinued operation" item under interest expense contains the interest income eliminated against the discontinued operation, the Americas operating unit, in the amount of €4.3 million (2020: €20.1 million).

(8) OTHER FINANCIAL RESULT

Gains or losses on derivatives result mainly from derivatives used to manage liquidity in foreign currency holdings. Gains or losses from foreign currency exposures include foreign currency effects from internal loans and receivables/liabilities from in-house cash, as well as bank balances and cash deposits (in each case in foreign currencies). Gains or losses on the repurchase of issued bonds and promissory note loans result from the difference between the repurchase price and the carrying amount at the time of repurchase. **C.27**

OTHER FINANCIAL RESULT **C.27**

in € million	2020	2021
Gains or losses on derivatives	-58.4	42.9
– thereof income from realization	29.2	65.5
– thereof expenses from realization	-49.4	-23.3
– thereof income from remeasurement	1.0	0.8
– thereof expenses from remeasurement	-39.2	-0.1
Gains or losses from foreign currency exposures	54.3	5.5
– thereof income from realization	9.1	77.7
– thereof expenses from realization	-7.7	-75.6
– thereof income from remeasurement	83.6	19.7
– thereof expenses from remeasurement	-30.7	-16.3
Gains or losses on repurchase of issued bonds/promissory note loans	0.9	-22.3
– thereof income	0.9	–
– thereof expenses	–	-22.3
Other finance income	0.2	0.1
Other finance expenses	-2.7	-5.5
Other financial result	**-5.7**	**20.7**

(9) INCOME TAX EXPENSE

Deferred taxes in Germany were calculated using a tax rate of 30.2% (2020: 30.1%). In addition to an unchanged corporate income tax rate of 15.0% and an unchanged solidarity surcharge of 5.5%, an average trade tax rate of 14.4% (2020: 14.3%) was taken into account. Deferred taxes in other countries are calculated applying the respective national income tax rates for profit retention. **C.28**.

INCOME TAX EXPENSE **C.28**

in € million	2020	2021
Current taxes	5.0	104.0
– in Germany	0.8	95.2
– other countries	4.2	8.8
Deferred taxes	-113.2	148.8
– in Germany	13.9	19.2
– other countries	-127.1	129.6
– thereof from loss carryforwards and tax credits	-26.5	45.3
– thereof attributable to temporary differences	-86.7	103.5
Income tax expense	**-108.2**	**252.8**

RECONCILIATION OF TAXES ON INCOME **C.29**

in € million	2020	2021
Earnings before tax	-1,999.1	2,425.8
Expected income tax expense (Group income tax rate 30.2%; previous year: 30.1%)	**-601.7**	**732.6**
Changes in expected tax expense:		
Reduction in tax resulting from tax-free income and other items	-4.3	-21.0
Trade tax additions/deductions	3.5	3.5
Increases in tax resulting from non-deductible expenses and other items	9.8	5.6
Permanent differences	-0.3	0.1
Increases/reductions in tax resulting from the measurement of deferred tax assets	351.0	-430.2
Reclassifications in connection with discontinued operations	88.1	–
Effects of tax rate differences	43.0	-46.9
Effects of tax rate changes	1.0	1.0
Taxes for prior years	-0.1	5.3
Other effects	1.8	2.8
Actual tax expense	**-108.2**	**252.8**
Tax rate[1]	**5.4%**	**10.4%**

[1] Based on consolidated earnings before tax.

Table **C.29** reconciles expected to actual tax expense. The expected income tax expense was calculated based on a domestic Group income tax rate of 30.2% (2020: 30.1%). **C.29**

(10) PERSONNEL EXPENSES/EMPLOYEES

C.30, C.31

- Employees
- Remuneration Report

Information refers to the continuing operations of the K+S GROUP.

PERSONNEL EXPENSES **C.30**

in € million	2020	2021
Wages and salaries	720.5	706.8
Social security costs	160.8	164.7
Pension	13.9	13.8
Personnel expenses	**895.2**	**885.3**

EMPLOYEES INCLUDING TEMPORARY EMPLOYEES **C.31**

Annual average (FTE)	2020	2021
Germany	10,123	9,848
Other countries	1,022	926
Total	**11,145**	**10,776**
– thereof trainees	561	553

(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.32**

EARNINGS PER SHARE[1] **C.32**

in € million	2020	2021
Earnings after tax and non-controlling interests	**-1,714.8**	**2,983.2**
– thereof from continuing operations	-1,890.8	2,173.0
– thereof from discontinued operations	176.0	810.3
Average number of shares (in millions)	191.4	191.4
Earnings per share in € (undiluted = diluted)	**-8.96**	**15.59**
– thereof from continuing operations	-9.88	11.35
– thereof from discontinued operations	0.92	4.23

[1] Adjusted earnings per share as well as its calculation are described in the combined management report on page 53.

If the authorized capital is utilized or a conditional capital increase is implemented (see Note (21), page 204), earnings per share could be diluted in the future.

NOTES TO THE BALANCE SHEET

The balance sheet is presented on pages 163–164. 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 167–168.

(12) INTANGIBLE ASSETS, PROPERTY, PLANT, AND EQUIPMENT, AND IMPAIRMENT TESTS

The goodwill from acquisitions of companies that is recognized on the Group's balance sheet is €13.7 million (2020: €13.7 million) and is fully allocated to the Salt Europe cash-generating unit (CGU).

The Potash and Magnesium Products CGU comprises the global business with potash and magnesium products from our sites in Germany and our Canadian Bethune site. The Salt Europe CGU covers the European salt activities.

An impairment test must be carried out for all assets within the IAS 36 area of application if there are indicators of potential impairment as at the reporting date. Goodwill must be impairment-tested each year regardless of the existence of such indicators. An asset is considered impaired when the carrying amount of a cash-generating unit (CGU) is higher than the CGU's recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Both methods use the present values of the future cash flows of the cash-generating units as their basis. Fair value less costs of disposal is the price at which an orderly transaction to sell a CGU would take place between business partners who are knowledgeable, willing to enter a contract, and independent of each other, less the costs of disposal. As both options are generally available at any time for an investment decision, the higher amount is the relevant one.

The cash-flow forecast is based on the latest mid-term planning of the K+S GROUP 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 forecasts may be adjusted for expectations of market participants for the purpose of determining fair value less costs of disposal.

POTASH AND MAGNESIUM PRODUCTS CGU

An impairment loss was identified as part of the impairment test for September 30 and December 31, 2020, and the carrying amount for the Potash and Magnesium Products CGU was written down to the fair value less costs of disposal at that time. The goodwill still existing for the CGU was fully eliminated as part of this. In the periods following the identification of the impairment loss, there will need to be a check on each reporting date to see that the triggering event, i.e., the indicators of impairment, is not present. Despite an increased cost of capital (6.9% instead of 6.7% as of December 31, 2020), the impairment tests carried out for the Potash and Magnesium Products CGU during the year 2021 already resulted in a partial reversal of the carrying amount as of March 31 and June 30, 2021, respectively, due to higher price assumptions compared with December 31, 2020. As of September 30 and December 31, 2021, the book value was fully recovered, due in particular to a higher growth rate and a better USD/EUR exchange rate.

In total, the reversal for December 31, 2021, compared with December 31, 2020, is mainly attributable to the following changes in assumptions, with the positive effects (marked with a +) outweighing the negative ones (marked with a –):

+ Significantly improved potash prices throughout the observation period (+)
+ Changed expectations of exchange-rate development (1.16 for USD/EUR instead of the previous 1.20 USD/EUR) (+)
+ Higher annual growth and inflation rate due to changed price indexes (1.5% vs 1.3% in the previous year) (+)
+ Longer lifetimes for German sites based on an updated calculation of reserves and lifetimes associated with them (+)
+ Increased costs due to higher prices throughout the observation period (particularly for energy and freight) (–)
+ Increased cost of capital (6.8% instead of the previous year's 6.7%) (–)

As impairment losses can only be reversed to the historic carrying amounts, a total impairment loss of €1,811.3 million was reversed at year end in 2021. The reversal is attributable to property, plant, and equipment (€1,809.8 million) and intangible assets (€1.5 million), and was recognized in cost of sales. Comparing the fair value less costs of disposal, which is €6,828.0 million, with the CGU's carrying amount of €5,696.3 million (after the reversal of the impairment loss) produces a surplus of €1,131.7 million (prior year shortfall of €1,863.0 million).

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 2022–2024 and the longer-term horizon based on it for the period until the end of the plants' lifetime as of the measurement date on December 31, 2021. The lifetime of the German plants is determined as the sum of the raw-material reserves and annual production. The production volume for this period is extrapolated based on the most recent year for mid-term planning. For the Bethune production facility in Canada, this takes account of the gradual ramp-up of production capacity to 4 million tonnes per year in line with the expansion of secondary mining, combined with positive effects on average production costs as well as a corresponding increase in planned sales volumes. The lifetime is determined based on reserves and proportional resources. A further 60% hedge is applied to the published resources that are already stated in tonnes of end product less mining losses. This results in a lifetime of almost 150 years. For simplification purposes, a perpetual annuity was therefore used for the impairment test (previous year analogous). The price planning for 2022–2024 is based on the mid-term planning. After this time, we rely on the real-price development in the external Argus Potash Analytics study by information provider ARGUS MEDIA LTD. (updated November/December 2021) for the years 2025–2035, which we convert into nominal prices for reasons of consistency with our own inflation assumptions. After 2035, the prices are only increased in line with an inflation rate of 1.5% (2020: 1.3%). The expected inflation rate is based on published price indexes for capital-goods producers and gross employee pay. Based on a realized average price for granulated MOP in Brazil of 382 USD/t in 2021, we are expecting a strong increase in MOP prices in 2022 compared to 2021. Subsequently, the price level will gradually decline at an average rate of 9% per year until 2028 (in nominal terms), with the biggest downturn expected as early as 2023. After 2028, prices increase slightly by around 3% (nominal) per year until 2035. From 2036, the nominal price increase of 1.5% per year (2020: 1.3%) is assumed unchanged. Based on inflation expectations, revenues for the remaining product portfolio are adjusted by 1.5% per year from 2025 (2020: 1.3%). Costs are extrapolated by 1.5% per year (2020: 1.3%) for the entire product portfolio from 2025 onwards for inflationary expectations.

Sensitivity analyses were carried out to take account of estimation uncertainties. This was done by changing one assumption in the calculation while leaving the other assumptions unchanged compared with the original calculation.

+ A 5% decrease (increase) in the planned MOP price over the entire planning period would result in the recoverable amount of the Potash and Magnesium Products CGU decreasing by €1.1 billion (increasing by €1.1 billion).
+ An increase (decrease) in the discount rate by 0.5 percentage points would result in the recoverable amount decreasing by €0.6 billion (increasing by €0.7 billion).
+ A decrease (increase) in the growth and inflation rate by 0.5 percentage points over the entire planning period would result in the recoverable amount decreasing by €1.1 billion (increasing by €1.3 billion).
+ A decrease (increase) in the lifetime of the German potash plants by 5 years would result in the recoverable amount decreasing by €0.2 billion (increasing by €0.2 billion).
+ An increase (decrease) of 5 cents in the USD/EUR exchange rates would result in the recoverable amount decreasing by €0.9 billion (increasing by €1.0 billion) (not including opposite effects from currency hedges in either case).

When factoring in the above sensitivities for the MOP price and the growth and inflation rate, there would be an impairment loss in these cases corresponding to the change in the recoverable amount. Any reduction of the planned MOP price level by 5.0% or decline of the growth and inflation rate from 1.5% to 1.0% p.a. would result in the fair value less costs of disposal being equal to the carrying amount of the CGU provided that the other parameters remained stable.

SALT EUROPE CGU

There were no indicators of potential impairment for the Salt Europe CGU in 2021. Accordingly, the goodwill was routinely tested for impairment as at December 31, 2021. The impairment tests conducted on the basis of value in use confirm that the goodwill allocated to the Salt Europe CGU was not impaired. The surplus for the Salt Europe CGU has decreased in comparison to December 31, 2020. This is mainly attributable to the following assumptions, with the negative effects (marked with a –) outweighing the positive ones (marked with a +):

+ Rising prices in sales (+)
+ Increased costs due to higher prices throughout the observation period (particularly for packaging material, energy, and freight) (–)
+ Higher annual growth and inflation rate (1.5% vs 1.3% in the previous year) (+)
+ Increased cost of capital (6.8% instead of the previous year's 6.7%) (–)
+ Shorter lifetimes for sites based on an updated calculation of reserves and lifetimes associated with them (–)

The calculation of the value in use is based on the mid-term planning, which includes a detailed forecast period for the years from 2022 to 2024. For years beyond the detailed forecast period, a growth rate of 1.5% (2020: 1.3%) has been assumed for costs and revenues and, as a consequence, also for cash flows. The mid-term planning for the Salt Europe CGU is strongly influenced by assumptions for the winter. In this context, we are forecasting a normalization of winter conditions (normal winters based on the average sales volumes of the last ten years). This means that lower sales and production volumes are assumed for 2022 through 2024 compared to an unusually good 2021, however, there is a slightly upward trend (especially from the sectors of chemistry, pharmaceuticals, and industry). The price forecast assumes that prices will rise slightly. The impairment tests conducted on the basis of value in use at the end of the 2021 fiscal 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.33** shows the discount rates applied as of the end of the relevant financial year. **C.33**

IMPAIRMENT TEST DISCOUNT RATES **C.33**

	2020	2020	2021	2021
Interest rates in %	Before tax	After tax	Before tax	After tax
CGU Potash and Magnesium Products	–	6.7	9.7	6.8
CGU Salt Europe	9.4	6.7	9.7	6.8

The interest rates of the cash-generating units correspond to the cost of capital of the K+S GROUP calculated on the basis of a representative peer group.

Economic Report, Calculation of Cost of Capital

(13) INVESTMENT PROPERTIES

Investment properties are primarily leased properties. As of December 31, 2021, the fair values of investment properties amounted to €12.6 million (2020: €12.4 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 increase is mainly attributable to the year-on-year rise in the fair-value measurement of the shares in non-consolidated subsidiaries.

(15) SHARES IN EQUITY-ACCOUNTED INVESTMENTS

K+S BAUSTOFFRECYCLING GMBH, a joint venture, has its accounts prepared using the equity method. K+S holds 50% of the capital and the voting rights of the company. The purpose of the company is to accept non-hazardous soil and building materials used to cover and recultivate former tailings piles of potash residue. As part of the REKS transaction (see section "Scope of consolidation"), 50% of the shares in K+S BAUSTOFFRECYCLING GMBH were sold to REMEX GMBH at a contractually agreed purchase price. The closing of the transaction is subject, among other things, to the acquisition of the shares in K+S BAUSTOFFRECYCLING GMBH currently held by K+S VERMÖGENSTREUHÄNDER E.V.

REKS GMBH & CO. KG is accounted for as a joint venture at equity for the first time in the 2021 financial year (see comments in the section "Scope of consolidation"). The purpose of the company is the management and further development of waste management activities in the business areas of underground mining, secondary aluminum industry, and tailings piles covering.

The tables below summarize the financial information of K+S BAUSTOFFRECYCLING GMBH and REKS GMBH & CO. KG, as disclosed in their own financial statements, modified for adjustments to fair value at the acquisition date and differences in accounting policies. The hidden reserves of K+S BAUSTOFFRECYCLING GMBH mostly relate to the right to use the Wathlingen tailings pile. For REKS GMBH & CO. KG, the hidden reserves according to the preliminary purchase price allocation mostly relate to the cooperation agreement between REKS and K+S that provides for capacity for underground waste disposal. The tables also show a reconciliation of the summarized financial information to the carrying amount of the Group's interest in K+S BAUSTOFFRECYCLING GMBH and REKS GMBH & CO. KG. **C.34, C.35, C.36, C.37**

FINANCIAL INFORMATION OF K+S BAUSTOFFRECYCLING GMBH – BALANCE SHEET **C.34**

in € million	2020	2021
Ownership share	**50%**	**50%**
Non-current assets	64.5	63.5
– thereof goodwill from fair value adjustments	20.1	20.1
Current assets	1.1	1.9
– thereof cash and cash equivalents	–	1.6
Assets (100%)	**65.6**	**65.4**
Equity	55.7	55.4
Non-current liabilities	4.9	4.7
– thereof financial liabilities (excluding trade accounts payable and other operating liabilities)	–	–
Current liabilities	5.0	5.3
– thereof financial liabilities (excluding trade accounts payable and other operating liabilities)	3.4	4.2
Equity and liabilities (100%)	**65.6**	**65.4**

FINANCIAL INFORMATION OF K+S BAUSTOFFRECYCLING GMBH – INCOME STATEMENT **C.35**

in € million	2020	2021
Income statement from January 1, 2021 to December 31, 2021, previous year October 1, 2020 to December 31, 2020		
Revenues	1.1	3.5
Depreciation, amortization, and impairment losses	-0.4	-1.4
Income tax expense	0.3	0.2
Earnings for the year	–	-0.4
Comprehensive income	–	-0.4
Investment carrying amount based on the equity method on January 1, 2021, previous year September 30, 2020 (initial recognition at fair value)	**27.8**	**27.8**
Share of comprehensive income	–	-0.2
Fair-value measurement	–	-1.4
Investment carrying amount based on the equity method at year end	**27.8**	**26.3**

FINANCIAL INFORMATION OF REKS GMBH & CO. KG – BALANCE SHEET (PRELIMINARY) **C.36**

in € million	2021
Ownership share	**50%**
Non-current assets	294.5
– of which goodwill from fair value adjustments	33.7
Current assets	56.7
– of which cash and cash equivalents	4.3
Assets (100%)	**351.2**
Equity	299.3
Non-current liabilities	21.6
– thereof financial liabilities (excluding trade accounts payable and other operating liabilities)	0.7
Current liabilities	30.3
– thereof financial liabilities (excluding trade accounts payable and other operating liabilities)	0.1
Equity and liabilities (100%)	**351.2**

FINANCIAL INFORMATION OF REKS GMBH & CO. KG – INCOME STATEMENT **C.37**

in € million	2021
Ownership share	**50%**
Income statement for period from January 1, 2021 to December 31, 2021	
Revenues	67.1
Income tax expense	1.2
Earnings for the year	6.4
Comprehensive income	6.4
Investment carrying amount based on the equity method as at December 31, 2021 (initial recognition at fair value)	**149.7**

As REKS GMBH & CO. KG was deconsolidated as a subsidiary and recognized as a joint venture for the first time at the end of the year, the total comprehensive income presented in the table is not included in the reconciliation to the carrying amount of the investment in REKS GMBH & CO. KG. The income relates to the period prior to classification as a joint venture and is included in full in the income statement for the 2021 financial year.

(16) DEFERRED TAXES

The following deferred tax assets and liabilities recognized in the balance sheet relate to recognition and measurement differences for individual balance sheet line items and to tax loss carryforwards: **C.38**

No deferred tax assets were recognized for deductible temporary differences of €2.0 million (2020: €392.5 million) and tax loss carryforwards of €5.8 million (2020: €6.7 million), because it is not considered sufficiently probable that positive taxable income will be realized in future. The underlying loss carryforwards amount to €25.0 million (2020: €28.8 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.39**

For companies with a tax loss in the current year or in the previous year, deferred tax assets exceeded deferred tax liabilities by €2.7 million (2020: €13.1 million). The basis for the development of these deferred taxes is the assessment that tax profits will be achieved in future fiscal years.

DEFERRED TAXES **C.38**

	Deferred tax assets		Deferred tax liabilities	
in € million	2020	2021	2020	2021
Intangible assets	4.1	14.1	2.0	3.5
Property, plant, and equipment	287.2	13.7	–	427.7
Shares in subsidiaries (outside basis differences)	–	–	45.1	–
Shares in investments accounted for at equity	–	–	–	17.0
Inventories	1.7	2.6	0.3	0.3
Trade receivables	1.8	–	1.6	6.1
Other assets	6.2	6.2	43.5	9.7
– thereof derivative financial instruments	–	–	38.9	1.7
Provisions	232.7	280.2	5.8	7.5
Trade payables	0.1	–	5.5	–
Other liabilities	33.4	72.6	14.1	13.4
– thereof derivative financial instruments	12.7	11.1	–	–
Gross amount	**567.2**	**389.4**	**117.9**	**485.2**
– thereof non-current	523.9	308.0	14.5	455.7
Amount not recognized as realizability not sufficiently probable	-392.5	-2.0	–	–
Tax loss carryforwards	47.9	11.1	–	–
Consolidations	5.7	9.2	-1.7	-2.4
Netting	-52.3	-377.5	-52.3	-377.5
Carrying amount (net)	**176.0**	**30.2**	**63.9**	**105.3**

EXPIRY OF UNRECOGNIZED LOSS CARRYFORWARDS **C.39**

in € million	2020	2021
Unrecognized loss carryforwards	**28.8**	**25.0**
– thereof loss carryforwards expiring within one year	–	–
– thereof loss carryforwards expiring between two and five years	–	–
– thereof loss carryforwards expiring after five years	0.2	0.9
– thereof loss carryforwards that do not expire	28.6	24.1

In the year under review, deferred taxes of €-31.0 million (2020: €-20.1 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, 2021 changed by €-187.2 million (2020: €219.1 million); this change is made up of a decrease in deferred tax assets of €145.8 million (2020: €-80.6 million) and an increase in deferred tax liabilities of €41.4 million (2020: €-138.5 million). Taking into account deferred taxes of €-31.0 million (2020: €-20.1 million), currency translation effects of €-0.5 million (2020: €6.9 million) recognized in other comprehensive income, and deferred taxes of €-68.8 million (2020: €119.0 million) allocated to discontinued operations in the year under review, this results in a deferred tax expense of €148.9 million disclosed in the income statement (2020: €-113.2 million).

Temporary differences of €214.2 million (2020: €66.7 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 €23.0 million (2020: €28.7 million) were recognized in the period under review. **C.40**

INVENTORIES **C.40**

in € million	2020	2021
Raw materials, consumables, and supplies	250.0	261.8
Work in progress	27.7	33.5
Finished goods and merchandise	205.8	195.1
Inventories	**483.5**	**496.5**

(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.41**

K+S entered into factoring agreements with factors for the sale of trade receivables. The receivables relevant for factoring arrangements are allocated to the "hold and sell" business model under IFRS 9. The factoring agreements are designed in such a way that the material opportunities and risks are transferred to the factor. The factored trade receivables are, therefore, derecognized in full. Trade receivables of €120.7 million (2020: €191.2 million) were sold under factoring arrangements as at the reporting date.

TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS **C.41**

in € million	2020	thereof due in more than 1 year	2021	thereof due in more than 1 year
Trade receivables	272.7	–	569.5	–
Other financial assets	209.8	6.1	112.2	7.5
– thereof derivative financial instruments	129.4	–	12.0	6.4
– thereof receivables from affiliated companies	5.0	–	13.2	–
– thereof to companies in which an investment exists	7.2	–	17.2	–
Trade receivables and other financial assets	**482.5**	**6.1**	**681.7**	**7.5**

The increase in trade accounts receivable as of December 31, 2021, compared to December 31, 2020, is attributable, among other things, to increased revenues and lower utilization of factoring.

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 amounting to €6.4 million (2020: €24.7 million). On the one hand, the cash collateral was deposited with banks to grant sureties and guarantees to suppliers (2021: €1.8 million; 2020: €19.3 million). On the other hand, the collateral results from retentions from the purchase price under factoring agreements (2021: €4.6 million; 2020: €5.4 million).

Allowances on trade receivables are recognized in the amount of lifetime expected credit losses. K+S, however, 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, €477.0 million, or 95%, (2020: €331.9 million, or 89%) 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 €26.6 million, or 5%, (2020: €40.0 million, or 11%) 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. The previous year's information relates to continuing and discontinued operations of the K+S GROUP. **C.42**

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, 2021, the maximum amount in default in the highly unlikely event of a simultaneous default on all unsecured receivables was €103.5 million (2020: €153.4 million). The previous year's information relates to continuing and discontinued operations of the K+S GROUP.

BREAKDOWN OF CARRYING AMOUNTS OF TRADE RECEIVABLES **C.42**

in € million	2020 Continuing operations	2020 Discontinued operations	2020 Continuing and discontinued operations	2021
Secured	220.1	111.8	331.9	477.0
Securable but unsecured	23.6	16.4	40.0	26.6
Total securable receivables	**243.7**	**128.2**	**371.9**	**503.6**
Not securable	36.8	76.6	113.4	76.9
Total gross carrying amounts	**280.5**	**204.8**	**485.3**	**580.5**
Valuation allowances	7.8	1.7	9.5	11.0
Net carrying amounts	**272.7**	**203.1**	**475.8**	**569.5**

The following table presents the reconciliation of valuation allowances recognized on 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 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.43**

VALUATION ALLOWANCES ON TRADE RECEIVABLES **C.43**

in € million	2020	2021
As of January 1	11.3	7.8
IFRS 5 reclassifications/ changes in the scope of consolidation	–1.9	-0.1
Additions	0.1	3.4
Reversals	0.2	–
Utilization	1.5	0.1
As of December 31	**7.8**	**11.0**

For items measured at amortized cost that are included in current or non-current financial assets, allowances are also recognized in the amount of expected credit losses. Based on the good credit ratings of the counterparties, no evidence of material impairment was identified. Similar to trade receivables, expected losses have therefore only been recognized for cases with objective evidence of impairment. There was no such impairment as at the reporting date, similarly to the previous year.

In addition, the "other financial assets" item includes assets already impaired on acquisition with a carrying amount of €4.2 million (2020: €3.3 million) and a nominal repayment amount of €7.0 million (2020: €5.8 million). As in the previous year, no impairment losses were recognized on receivables from customer-specific construction contracts.

If receivables have a residual term of more than one year, they are discounted applying interest rates as of the balance sheet date.

As of December 31, 2021, no non-interest-bearing and low-interest receivables were discounted (2020: €0.0 million).

Table **C.44** provides information about the extent of the risk of default contained in "trade receivables". **C.44**

As of the balance sheet date, an amount of €1.3 million (2020: €1.5 million) of the unimpaired other financial assets was overdue.

Receivables management is aimed at collecting all outstanding accounts punctually and in full, as well as of avoiding the loss of receivables. Invoices are issued on a daily basis and invoice data is transferred to debtor accounts online. Accounts receivable are monitored on an ongoing basis with system support, in accordance with the payment terms agreed with the customers. Most payment terms range from 10 to 180 days, with longer terms being customary in some markets. In the case of late payment, reminders are issued at regular two-week intervals. Impaired receivables (2021: €19.5 million; 2020: €16.5 million; excluding credit insurances) are generally subject to enforcement measures.

RISK OF DEFAULT **C.44**

	Carrying amount	thereof neither overdue nor impaired as of the reporting date	thereof not impaired but overdue as of the reporting date for			
in € million			≤ 30 days	> 31 and ≤ 90 days	> 91 and ≤ 180 days	> 180 days
2021						
Trade receivables	569.5	543.4	2.4	3.1	0	1.3
2020						
Trade receivables	272.7	252.6	2.5	1.2	0.7	0.1

(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 with a good credit rating; they are monitored continually by means of appropriate instruments. As a rule, the entire portfolio of derivative financial instruments is distributed among several banks to reduce the risk of default. The level of default risk is limited to the amount of derivative financial assets.

The aim of interest rate management is to mitigate the risks arising from rising interest expense for financial liabilities as well as the risks arising from declining interest income from financial assets as a result of changes in the general level of interest rates. Interest caps were purchased in the past to mitigate a large part of the risk of higher interest expenses that existed because of outstanding promissory notes with floating interest rates at those times. It was no longer necessary to purchase these instruments on the reporting date of December 31, 2021. 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 to limit the risks to which operating activities can be exposed as a result of changes in exchange rates. Exchange rate risks exist mainly with respect to the US dollar and the Canadian dollar, and, to a lesser extent, pound sterling. Hedging transactions are entered into for invoiced receivables and anticipated net positions on the basis of projected revenues. In this context, the net positions are determined on the basis of revenue and cost planning using safety margins and updated continuously to avoid excess hedging or hedging shortfalls.

The hedging transactions used for hedging of anticipated positions can have maturities of up to three years. The main objective is to hedge a worst-case scenario. Here, forwards and plain vanilla options are used, although participation in favorable market developments is, as a rule, limited by the sale of simple options. This also serves to reduce premium expenses.

Based on the agreed payment terms, the maturities of instruments used to hedge invoiced receivables are less than one year.

The hedges of anticipated net positions described above are used for US dollar positions as well as for Canadian dollar positions for production in Canada.

All the above-mentioned derivatives are traded over the counter only. Forward exchange and option contracts are always transacted via a trading platform through which quotations are obtained from several banks, so that a transaction can be entered into with the bank providing the best quotation.

Forward exchange contracts are subject to market risk on the respective reporting date. This is, however, offset by the opposite effects of currency-based measurement of receivables, which uses derivatives to hedge foreign currency receivables.

For hedging exchange rate risks due to the expected purchase price payment from the planned sale of the Americas operating unit, a series of transaction-dependent EUR/USD foreign currency forward contracts (so-called "deal contingent forwards") were concluded in October 2020. The fair value of the transactions amounted to €77.5 million as of December 31, 2020. The deal contingent forwards were exercised upon completion of the underlying sales transaction (exercise income: €18.2 million). Overall, there is an effect of €–59.4 million recognized in profit or loss for 2021, which is allocated to profit/loss from discontinued operations (see Note (20) "Discontinued Operations and Disposal Groups"), as the economic purpose of the hedging transactions was to hedge the exchange rate risks from the expected disposal of the Americas operating unit.

The fair values of derivative financial instruments determined in this process correspond to the hypothetical value they would have on premature transfer on the balance sheet date. The values are determined using recognized financial methods generally used by market participants. These calculations were based, in particular, on the following inputs that applied on the balance sheet date:

+ 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, 2021 (previous year including discontinued operations): **C.45**

DERIVATIVE FINANCIAL INSTRUMENTS[1] **C.45**

	2020		2021	
in € million	Nominal amount[2]	Fair value	Nominal amount[2]	Fair value
GBP/EUR forward exchange contracts				
– thereof maturing in 2021	5.8	-0.1	–	–
– thereof maturing in 2022	–	–	6.2	-0.1
CAD/EUR forward exchange contracts				
– thereof maturing in 2021	47.6	-0.3	–	–
– thereof maturing in 2022	–	–	48.3	0.3
USD/EUR forward exchange contracts				
– thereof maturing in 2021	1,079.3	-16.0	–	–
– thereof maturing in 2022	–	–	899.9	-23.3
– thereof maturing in 2023	–	–	104.2	-0.3
Deal-contingent USD/EUR forwards				
– thereof maturing in 2021	2,503.1	77.5	–	–
USD/CAD forward exchange contracts				
– thereof maturing in 2021	119.0	8.9	–	–
– thereof maturing in 2022	–	–	123.5	–
– thereof maturing in 2023	–	–	41.4	0.2
USD/CLP forward exchange contracts				
– thereof maturing in 2021	27.5	3.1	–	–
Plain vanilla currency options purchased (USD/EUR)				
– thereof maturing in 2021	368.8	15.3	–	–
– thereof maturing in 2022	–	–	517.8	1.8
– thereof maturing in 2023	–	–	189.3	3.8
Plain vanilla currency options sold (USD/EUR)				
– thereof maturing in 2021	377.0	-2.8	–	–
– thereof maturing in 2022	–	–	541.6	-11.1
– thereof maturing in 2023	–	–	198.4	-2.6
Plain vanilla currency options purchased (CAD/USD)				
– thereof maturing in 2021	97.8	4.9	–	–
– thereof maturing in 2022	–	–	211.3	2.4
– thereof maturing in 2023	–	–	68.9	2.1
Plain vanilla currency options sold (CAD/USD)				
– thereof maturing in 2021	94.1	-0.1	–	–
– thereof maturing in 2022	–	–	199.1	-1.1
– thereof maturing in 2023	–	–	65.9	-0.9
Interest caps purchased				
– thereof maturing in 2021	118.0	–	–	–
Total derivative financial instruments	**4,838.2**	**90.4**	**3,215.8**	**-28.7**

[1] This information relates to continuing and discontinued operations of the K+S Group in the previous year.
[2] 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 PARTNERS. The selling price amounts to approx. €2.7 billion (before purchase price adjustment). The transaction closed on April 30, 2021 and the purchase price was paid in cash at that time.

The criteria of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" were met following the conclusion of the sale agreement, and the Americas operating unit was, therefore, recognized as a disposal group held for sale until closing and accounted for as a discontinued operation. The Americas operating unit was reported as a separate segment within the meaning of IFRS 8 until the conclusion of the sale agreement. The fair value less costs of disposal between the end of the preceding reporting period and the closing of the transaction were higher than the carrying amount for the Americas operating unit. Consequently, no impairment losses were recognized on the discontinued operation in accordance with IFRS 5.

As of the time of classification in accordance with IFRS 5 through to the closing of the transaction, the assets and liabilities of the Americas operating unit were accounted for as separate balance sheet items: "assets held for sale" and "liabilities relating to assets held for sale".

In the income statement, all income and expenses of the business classified as a discontinued operation were recognized as a separate item, "earnings after tax from discontinued operations".

In addition to operating income and expenses of the discontinued operation, expenses and income directly related to the sale are also reported under "earnings after tax from discontinued operations". They relate to the following items allocated to the discontinued operation: disposal costs of €21.2 million (2020: €29.2 million; other operating income/expenses), expenses for purchase-price hedging transactions of €59.4 million (2020: gains of €72.1 million; other operating income/expenses), and tax expenses totaling €111.3 million (2020: deferred tax income of €43.5 million; income tax expense). The tax expenses mainly comprise remitted withholding taxes as well as deferred taxes from using tax attributes.

The above expenses for purchase price hedging transactions result from the fulfillment of deal-contingent forwards with a principal volume of USD 3.0 billion that were entered into with a number of banks to hedge the foreign currency risk in connection with the purchase price. The fulfillment of the deal contingent forwards led to an expense of €59.4 million at the time the transaction closed.

The earnings of the discontinued operation are as follows: **C.46**

EARNINGS FROM DISCONTINUED OPERATIONS (OPERATING UNIT AMERICAS) **C.46**

in € million	2020	2021
Revenues	1,266.3	544.5
Other operating income/expenses	-1,071.1	-453.5
Earnings after operating hedges	195.2	91.0
Financial result	-28.3	-2.6
Earnings before tax	166.9	88.4
– thereof from ordinary activities	124.0	88.4
Income tax expense	9.2	-2.7
– thereof from ordinary activities	-34.4	-2.7
Earnings after tax from discontinued operations	176.1	85.7
Net gain on disposal	–	724.6
Earnings after tax from discontinued operations	**176.1**	**810.3**

The carrying amounts for the assets and liabilities at the time of disposal are made up as follows: **C.47, C.48**

ASSET CARRYING AMOUNTS AT TIME OF DISPOSAL (OPERATING UNIT AMERICAS) **C.47**

in € million	Dec. 31, 2020	April 30, 2021
Intangible assets	828.5	845.4
– thereof goodwill from acquisitions of companies	626.5	639.9
Property, plant, and equipment	1,133.9	1,171.7
Financial assets	5.6	5.5
Other financial assets	0.6	0.3
Other non-financial assets	8.8	10.1
Deferred taxes	43	35.8
Non-current assets	**2,020.4**	**2,068.9**
Inventories	348.9	295.8
Trade receivables	195.2	190.0
Other financial assets	10.2	11.2
Other non-financial assets	7	11.0
Income tax refund claims	10.6	4.7
Cash and cash equivalents	**54.6**	**29.0**
Current assets	**626.5**	**541.7**

DEBT CARRYING AMOUNTS AT TIME OF DISPOSAL (OPERATING UNIT AMERICAS) **C.48**

in € million	Dec. 31, 2020	April 30, 2021
Other financial liabilities	73.6	66.2
Other non-financial liabilities	2.9	3.0
Income tax liabilities	23.6	24.0
Provisions for pensions and similar obligations	114.5	104.5
Provisions for mining obligations	20.9	20.1
Other provisions	40.1	37.4
Deferred taxes	131.0	128.1
Non-current liabilities	**406.6**	**383.2**
Trade payables	117.7	87.6
Other financial liabilities	28.3	31.7
Other non-financial liabilities	9.5	9.3
Income tax liabilities	4.2	3.2
Provisions	88.9	64.9
Current liabilities	**248.6**	**196.6**

Accumulated expenses and income attributable to discontinued operations and recognized in other comprehensive income amounted to €1.1 million in the financial year under review.

The gain on the disposal of the Americas operating unit is as follows: **C.49**

GAIN ON DISPOSAL (OPERATING UNIT AMERICAS) **C.49**

in € million	Dec. 31, 2021
Purchase price (after hedges and costs of disposal)	2,575.0
Carrying amount for net assets disposed of	2,030.8
– thereof non-current assets	2,068.8
– goodwill	639.9
– property, plant, and equipment	1,171.7
– thereof current assets	541.7
– thereof non-current liabilities	383.2
– thereof current liabilities	196.6
Derecognition of non-controlling interests	1.7
Reclassification of currency translation differences	289.9
Attributable tax expenses	–111.3
Gain on disposal after income taxes	**724.5**

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 transaction closed in late 2021. Please refer to the "Scope of Consolidation" section for explanations.

Since the agreement was signed, the company was classified as a disposal group in accordance with IFRS 5 in the 2020 financial year, and the carrying amounts 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. 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.50, C.51**

The amount of accumulated expenses and income recognized in other comprehensive income were rounded off to zero for the 2020 fiscal year.

ASSETS HELD FOR SALE (REKS) **C.50**

in € million	Dec. 31, 2020
Deferred taxes	0.1
Non-current assets	**0.1**
Trade receivables	7.9
Cash and cash equivalents	8.4
Current assets	**16.3**
Assets held for sale	**16.4**

LIABILITIES RELATING TO ASSETS HELD FOR SALE (REKS) **C.51**

in € million	Dec. 31, 2020
Provisions for pensions and similar obligations	0.2
Other provisions	0.2
Non-current liabilities	**0.4**
Trade payables	0.6
Income tax liabilities	0.3
Provisions	0.6
Current liabilities	**1.5**
Liabilities relating to assets held for sale	**1.9**

(21) EQUITY

The changes in individual equity items are shown separately on page 166.

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.52**

Corporate Governance and Monitoring, Disclosures in Accordance with Section 289a (1) and Section 315a (1) HGB as well as the Explanatory Report of the Board of Executive Directors in Accordance with Section 176 (1) Sentence 1 AktG

ISSUED CAPITAL **C.52**

in € million	Outstanding shares on issue	Issued capital
Dec. 31, 2019	191.4	191.4
Dec. 31, 2020	191.4	191.4
Dec. 31, 2021	**191.4**	**191.4**

SHARE BUY-BACK

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 2021 financial year.

AUTHORIZED CAPITAL

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 new registered shares (authorized capital) until June 9, 2025.

On May 12, 2021, 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 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 II) until May 11, 2026.

K+S AKTIENGESELLSCHAFT did not make use of the authorizations in the 2021 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 2021 financial year.

OTHER COMPREHENSIVE INCOME **C.53**

	2020			2021		
in € million	Before tax	Tax effect	Net	Before tax	Tax effect	Net
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods	-467.6	7.5	-460.1	-8.6	-7.7	-16.3
Exchange differences on translation of foreign currency	-467.6	7.5	-460.1	-8.6	-7.7	-16.3
– thereof change in unrealized gains/losses	-467.6	7.5	-460.1	-298.5	-7.7	-306.2
– thereof realized gains/losses	–	–	–	289.9	–	289.9
Items of other comprehensive income not to be reclassified to profit or loss	-30.9	-27.6	-58.5	88.4	21.2	109.6
Gains/(losses) on equity instruments measured at fair value	-12.9	–	-12.9	22.1	–	22.1
Remeasurement gains/(losses) on net liabilities/assets under defined-benefit plans	-18.0	-27.6	-45.6	66.3	21.2	87.5
Other comprehensive income	**-498.5**	**-20.1**	**-518.6**	**79.8**	**13.5**	**93.3**

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.53**

NET RETAINED PROFITS/NET ACCUMULATED LOSSES REPORTED IN THE ANNUAL FINANCIAL STATEMENTS OF K+S AKTIENGESELLSCHAFT (HGB)

The dividend distribution is based on the annual financial statements of K+S AKTIENGESELLSCHAFT as prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB). It is intended to make a proposal at the Annual General Meeting to distribute a dividend of €0.20 per share, i.e., €38.3 million in total, to shareholders and to transfer the remaining amount of €236.2 million to retained earnings.

As of the balance sheet date, the following net retained profits were reported in the annual financial statements of K+S AKTIENGESELLSCHAFT: **C.54**

NET RETAINED PROFITS/NET ACCUMULATED LOSSES REPORTED IN THE SINGLE-ENTITY FINANCIAL STATEMENTS OF K+S AKTIENGESELLSCHAFT (HGB) **C.54**

in € million	2020	2021
Net retained profits of K+S Aktiengesellschaft as of January 1	170.7	-603.4
Dividend distributed for previous year	-7.7	–
Appropriation to other revenue reserves (resolution of Annual General Meeting)	-163.0	–
Profit carried forward	–	–
Earnings/(loss) of K+S Aktiengesellschaft for the year	-603.4	1,152.4
Appropriation to other revenue reserves from earnings for the year	–	-274.5
Net retained profits/net accumulated losses of K+S Aktiengesellschaft as of December 31	-603.4	274.5

(22) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The K+S GROUP has made a number of defined benefit pension commitments. Most of these commitments relate to Germany, with only a small number of commitments existing in foreign countries.

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 and the sum of all notional contributions. Supplementary benefits II are a final salary plan under which the entitlement is based on certain percentages of salary components above statutory and miners' insurance, multiplied by the number of pensionable years of service. Fixed euro amounts or vested rights to final-salary percentages were granted for periods of service before the introduction of the basic pension and supplementary benefits II. This pension plan has since been discontinued, so that no additional employees are eligible to acquire benefits.

Alongside the K+S pension scheme, numerous individual commitments were made, especially to members of the Board of Executive Directors and senior management. They are generally based on a modular system under which a certain percentage of pensionable annual income is converted into a lifelong pension applying an age-related factor. The total entitlement corresponds to the sum of the individual year-based modules. In some contracts, a predefined benefit level may not be exceeded.

In addition, there are other company-specific pension commitments in Germany, which were already discontinued some years ago. Most of the beneficiaries are already drawing pensions.

In Germany, all the pension obligations described above are covered by a contractual trust arrangement (CTA). K+S VERMÖGENSTREUHÄNDER E.V. serves as the contractual entity, which manages the assets earmarked for servicing the pension obligations as a trustee. While the pension payments continue to be made by the respective company, the payments are normally reimbursed by the CTA as they occur. There are no minimum funding requirements.

Moreover, there are deferred compensation arrangements and commitments that will be met through a provident fund. These obligations are largely covered by reinsurance policies.

COMMITMENTS OF THE AMERICAS OPERATING UNIT

The commitments of the America operating unit, described below, pertain to Canada, the Bahamas, and the United States. These commitments were fully disposed of with the sale of the Americas operating unit in the 2021 financial year.

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)". An independent actuarial valuation is generally performed at least every three years to meet these requirements. The aim is 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.

Furthermore, the Americas operating unit has pension-related benefit commitments in the United States and Bahamas. No plan assets were established for these commitments and there were no minimum funding requirements.

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 (Americas operating unit) 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 (Americas operating unit, in particular Canada): 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.

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 in the previous year as "liabilities relating to assets held for sale" in the balance sheet. This concerns all pension-related plans in Canada, the Bahamas, and the US, 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 listed below for the balance sheet date in the previous year relate to this provision.

ACTUARIAL ASSUMPTIONS – MEASUREMENT OF PENSION COMMITMENTS **C.55**

	2020		2021	
In % (weighted average)	Germany	Other countries	Germany	Other countries
Pension commitments				
Discount rate	0.6	2.5	1.3	–
Expected annual rise in income[1]	1.8	2.8	2.8	–
Expected annual rise in pensions	1.6	1.0	1.6	–
Other pension-related benefit commitments				
Discount rate	–	3.6	–	–

[1] 2021, including career trend of 1.0% p.a. (until 50 years of age).

The following assumptions have been made in calculating provisions for pensions and similar obligations as of the balance sheet date: **C.55**

The actuarial interest rate in previous years was calculated using the Company's own method. For reasons of simplification and objectification, the actuarial interest rate was calculated based on the Mercer Yield Curve, published by MERCER, for the first time in 2021. Using the former rate calculation methodology would have produced an actuarial interest rate of 1.1% and increased the recognized provisions for pensions and similar obligations by €9.7 million.

For the determination of pension expenses for 2021, the actuarial assumptions in table **C.56** – defined at the end of the 2020 financial year – were used.

As of December 31, 2021, the Heubeck mortality tables 2018 G were used to determine mortality probabilities in Germany, as in the previous year.

For the OU Americas, the following mortality tables were applied:

+ Canada: CPM 2014 Private Scale B with adjustment factor
+ USA: PRI 2012 Scale MP-2020
+ Bahamas: PRI 2012 Scale MP-2019

For pension-related commitments for healthcare benefits, the following annual cost increases were assumed for the OU Americas:

+ Canada (medicines): 5.9%, declining to 4.0% from 2040
+ Bahamas: 5.5%

ACTUARIAL ASSUMPTIONS – PENSION COMMITMENT EXPENSES **C.56**

	2020		2021	
In % (weighted average)	Germany	Other countries	Germany	Other countries
Pension commitments				
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
Other pension-related benefit commitments				
Discount rate	–	3.9	–	3.6

The following tables show the changes in the projected benefit obligation and plan assets. **C.57, C.58**

CHANGES IN PROJECTED BENEFIT OBLIGATION **C.57**

	2020				2021			
	Total	Germany	Other countries	Other countries	Total	Germany	Other countries	Other countries
in € million		Pensions	Pensions	Pension-related obligations		Pensions	Pensions	Pension-related obligations
Projected benefit obligation on Jan. 1	677.2	329.9	238.7	108.6	352.0	348.0	4.0	–
Changes in the scope of consolidation	-0.2	-0.2	–	–	–	–	–	–
Reclassification in accordance with IFRS 5	-342.9	-0.1	-234.2	-108.6	–	–	–	–
Service costs	9.4	9.2	0.2	–	10.0	10.0	–	–
Interest expense	3.2	3.2	–	–	2.0	2.0	–	–
Remeasurement	19.9	19.9	–	–	-37.9	-37.9	–	–
– thereof actuarial gains (–)/losses (+) from changes in demographic assumptions	–	–	–	–	–	–	–	–
– thereof actuarial gains (–)/losses (+) from changes in financial assumptions	26.4	26.4	–	–	-34.3	-34.3	–	–
– thereof actuarial gains (–)/losses (+) based on experience-based adjustments	-6.5	-6.5	–	–	-3.6	-3.6	–	–
Pension payments	-14.2	-13.9	-0.3	–	-13.7	-13.3	-0.4	–
Plan amendments/settlements	-0.4	–	-0.4	–	–	–	–	–
Changes in exchange rates	–	–	–	–	–	–	–	–
Projected benefit obligation on Dec. 31	**352.0**	**348.0**	**4.0**	**–**	**312.4**	**308.8**	**3.6**	**–**

CHANGES IN PLAN ASSETS **C.58**

	2020			2021		
	Total	Germany	Other countries	Total	Germany	Other countries
in € million		Pensions	Pensions		Pensions	Pensions
Plan assets on Jan. 1	448.1	221.3	226.8	244.2	244.2	–
Changes in the scope of consolidation	-0.2	-0.2	–	–	–	–
Reclassification in accordance with IFRS 5	-226.8	–	-226.8	–	–	–
Interest income	2.2	2.2	–	1.4	1.4	–
Employer contributions	31.0	31.0	–	54.7	54.7	–
Gains (+)/losses (–) from remeasurement of plan assets (excluding amounts recognized in interest income)	3.7	3.7	–	13.3	13.3	–
Pension payments	-13.8	-13.8	–	-13.3	-13.3	–
Changes in exchange rates	–	–	–	–	–	–
Plan assets on Dec. 31	**244.2**	**244.2**	**–**	**300.3**	**300.3**	**–**

For reconciliation to the carrying amounts, the projected benefit obligation must be offset against plan assets: **C.59**

The amounts in table **C.60** were recognized in the statement of comprehensive income. **C.60**

RECONCILIATION TO CARRYING AMOUNTS OF PENSIONS AND SIMILAR OBLIGATIONS **C.59**

				2020				2021
	Total	Germany	Other countries	Other countries	Total	Germany	Other countries	Other countries
in € million		Pensions	Pensions	Pension-related obligations		Pensions	Pensions	Pension-related obligations
Projected benefit obligation on Dec. 31	352.0	348.0	4.0	–	312.4	308.8	3.6	–
Plan assets on Dec. 31	244.2	244.2	–	–	300.3	300.3	–	–
Carrying amounts on Dec. 31	**107.8**	**103.8**	**4.0**	**–**	**12.1**	**8.5**	**3.6**	**–**
– thereof provisions for pensions and similar obligations (+)	110.3	106.3	4.0	–	16.0	12.4	3.6	–
– thereof assets (–)	–2.5	–2.5	–	–	–3.9	–3.9	–	–

EFFECTS ON THE STATEMENT OF COMPREHENSIVE INCOME **C.60**

			2020			2021
	Total	Germany	Other countries	Total	Germany	Other countries
in € million		Pensions	Pensions		Pensions	Pensions
Service costs	9.4	9.2	0.2	10.0	10.0	–
Past service costs	–	–	–	–	–	–
Net interest cost (+)/income (–)	1.0	1.0	–	0.6	0.6	–
Expenses (+)/income (–) from plan amendments/settlements	–0.4	–	–0.4	–	–	–
Amounts recognized in the income statement	**10.0**	**10.2**	**–0.2**	**10.6**	**10.6**	**–**
Gains (–)/losses (+) on remeasurement of plan assets (excluding amounts recognized in interest income)	–3.7	–3.7	–	–13.3	–13.3	–
Actuarial gains (–)/losses (+) from changes in demographic assumptions	–	–	–	–	–	–
Actuarial gains (–)/losses (+) from changes in financial assumptions	26.4	26.4	–	–34.3	–34.3	–
Actuarial gains (–)/losses (+) based on experience-based adjustments	–6.5	–6.5	–	–3.6	–3.6	–
Amounts recognized in other comprehensive income	**16.2**	**16.2**	**–**	**–51.2**	**–51.2**	**–**
Total (amounts recognized in statement of comprehensive income)	**26.2**	**26.4**	**–0.2**	**–40.6**	**–40.6**	**–**

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 the plan assets is spread across the following asset classes: **C.61**

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 €18.5 million (2020: €24.2 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 were contributed to K+S VERMÖGENSTREUHÄNDER E.V. in the previous year (allocation). The shares in K+S REAL ESTATE GMBH & CO. KG had been acquired by K+S VERMÖGENSTREUHÄNDER E.V. from K+S AKTIENGESELLSCHAFT in 2019. The main assets held by the Company are administrative buildings in Germany that are used by K+S under a long-term lease on an arm's length basis.

The Group did not hold financial instruments of its own during the financial year (previous year: €5.0 million).

BREAKDOWN OF PLAN ASSETS BY ASSET CLASS **C.61**

	2020			2021		
	Total	Germany	Other countries	Total	Germany	Other countries
in € million		Pensions	Pensions		Pensions	Pensions
Other equity investments	72.4	72.4	–	73.4	73.4	–
Shares	62.5	62.5	–	68.3	68.3	–
Bonds	60.9	60.9	–	100.4	100.4	–
– Government bonds	–	–	–	–	–	–
– Corporate bonds	60.9	60.9	–	100.4	100.4	–
Reinsurance arrangements	43.3	43.3	–	45.3	45.3	–
Cash and cash equivalents	6.7	6.7	–	16.2	16.2	–
Liabilities	-8.3	-8.3	–	-7.5	-7.5	–
Other	6.7	6.7	–	4.2	4.2	–
Plan assets on Dec. 31	**244.2**	**244.2**	**–**	**300.3**	**300.3**	**–**

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.62**

The figures for the previous year are as follows: **C.63**

SENSITIVITY ANALYSIS AS OF DEC. 31, 2021 **C.62**

		Change in present value of obligations			
		Total	Germany	Other countries	Other countries
in € million	Change in assumption		Pensions	Pensions	Pension-related obligations
Discount rate	+100 basis points	-42.3	-41.8	-0.5	–
Discount rate	-100 basis points	54.9	54.3	0.6	–
Expected annual rise in income	+50 basis points	0.3	0.3	–	–
Expected annual rise in income	-50 basis points	-0.3	-0.3	–	–
Expected annual rise in pensions	+50 basis points	18.5	18.3	0.2	–
Expected annual rise in pensions	-50 basis points	-16.8	-16.6	-0.2	–
Medical cost trend	+50 basis points	–	–	–	–
Medical cost trend	-50 basis points	–	–	–	–
Life expectancy	+1 year	12.4	12.3	0.1	–
Life expectancy	-1 year	-12.1	-12.0	-0.1	–

SENSITIVITY ANALYSIS AS OF DEC. 31, 2020 **C.63**

		Change in present value of obligations			
		Total	Germany	Other countries	Other countries
in € million	Change in assumption		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	-	-	-	-
Medical cost trend	-50 basis points	-	-	-	-
Life expectancy	+1 year	16.1	15.9	0.2	-
Life expectancy	-1 year	-15.0	-14.8	-0.2	-

Table **C.64** shows the maturities of non-discounted payments of pensions and similar obligations that are expected in subsequent years: **C.64**

EXPECTED PAYMENTS OF PENSIONS AND SIMILAR OBLIGATIONS **C.64**

in € million	Dec. 31, 2020	Dec. 31, 2021
Up to 1 year	14.8	14.5
Between 1 and 4 years	55.3	54.8
Between 5 and 10 years	63.9	63.3
More than 10 years	292.0	283.3
Total	**426.0**	**415.9**

As of December 31, 2021, the weighted average duration of obligations was 16 years (previous year: 16 years). 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. The aim is to service the pension payments from current plan asset income.

There are no cash outflows expected for pension and similar commitments in the 2022 financial year, as was the case in the previous year. Outflows are considered as including allocations to plan assets and pension payments that are not covered by corresponding reimbursements from plan assets.

In addition, there are other pension plans for which no provisions need to be recognized, since there are no obligations other than contribution payments (defined contribution plans). These comprise both benefits funded solely by the employer and deferred compensation subsidies for employees.

Employers and employees made contributions under the – now closed – pension plan operated via the BASF pension fund. In 2011, the BASF pension fund terminated the regular memberships for K+S employees, so that, since then, only extraordinary membership is available for the employees concerned and those memberships are continued as vested pension rights. In addition, the BASF pension fund makes regular pension scheme payments to (former) K+S employees. K+S Group 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 multi-employer plan within the meaning of IAS 19.32 et seq. The plan is classified as a defined benefit plan. Since reliable information, in particular on plan assets, is only available for the pension fund as a whole and not specifically for the units attributable to the K+S GROUP, insufficient information is available for reporting the plan on the balance sheet. That is why the plan is accounted for as a defined-contribution plan in accordance with IAS 19.34.

As a result of the termination of regular memberships, no further contributions are 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 2022.

In total, pension expenses are as follows for the period under review: **C.65**

In addition, contributions of €79.9 million (2020: €80.9 million) were paid to government pension funds.

PENSION EXPENSE **C.65**

			2020			2021
in € million	Total	Germany	Other countries	Total	Germany	Other countries
Defined-contribution expenses	4.9	2.7	2.2	4.1	1.8	2.3
Defined-benefit expenses	9.0	9.2	-0.2	10.0	10.0	–
Pension expense (recognized in earnings after operating hedges)	**13.9**	**11.9**	**2.0**	**14.1**	**11.8**	**2.3**

(23) PROVISIONS FOR MINING OBLIGATIONS

Provisions for mining obligations are recognized as a result of legal and contractual requirements as well as conditions imposed by the authorities; details are primarily provided in operating plans and water permit decisions. These obligations, most of which are subject to public law, require surface securing and renaturation measures. Any obligations arising as a result are covered by provisions. **C.66**

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% p.a. is assumed (2020: 1.5% p.a.).

The default-free zero-coupon bond yields from 1 to 30 years, calculated using the Svensson method and published by the German Bundesbank as at the reporting date, are used as the basis for discounting German obligations that mature within 30 years. No euro interest rates for matching maturities are available on the capital market for obligations maturing in more than 30 years. For this reason, the long-term average of the nominal yields on 30-year federal bonds is calculated and converted into an average real rate by subtracting the historic inflation rates in Germany. A figure of 2% is applied for the expected inflation, analogously to the ECB's inflation target. Adding together the long-term average real rate (2.2%) and expected inflation (2.0%) produces an ultimate forward rate of 4.2% (previous year: 5.1%), which approximates a nominal discount rate that can be expected over the long term. The ultimate forward rate is applied when maturity is in 50 years or more (previous year: maturity in 31 years or more). The drop in the ultimate forward rate is mainly attributable to estimates changing

PROVISIONS FOR MINING OBLIGATIONS **C.66**

	2020		2021	
in € million	Total	of which current	Total	of which current
Mine and shaft backfilling	423.8	1.0	523.6	–
Maintenance of tailings piles	409.5	–	371.8	–
Mining damage	32.4	4.9	45.0	4.2
Renaturation	52.3	–	66.2	–
Other	13.9	–	15.1	–
Provisions for mining obligations	**931.9**	**5.9**	**1,021.7**	**4.2**

EFFECTS OF OFFSETTING TAILINGS PILE MAINTENANCE REVENUES AND MODIFYING DISCOUNT RATE CALCULATION METHODOLOGY **C.67**

	Offset of tailings pile revenue	Modification of discount rate calculation methodology	Total
Mining provisions (– = decrease/+ = increase)	–157.4	203.5	46.1
Property, plant, and equipment (+ = decrease/– = increase)	11.9	–175.3	–163.4
Net interest income (+ = income/– = expense)	87.6	–28.2	59.4
Cost of sales (+ = income/– = expense)	53.7	–	53.7
Other operating income (+ = income/– = expense)	4.2	–	4.2

as a result of a modified calculation technique and the input factors for it. For maturities between 31 and 50 years, a rate is calculated by converging the most recently available capital-market discount rate for year 30 toward the ultimate forward rate. An increase in the discount rate by 0.1 percentage points across all maturities would reduce the provision by around €45 million, while a corresponding decrease would increase it by around €46 million.

Expected net revenue from tailings pile covering was taken into consideration for the first time when calculating the settlement values for provisions for tailings pile maintenance as at the balance sheet date (covering revenues minus covering costs). The expected revenue pertains to two tailings piles in the 2021 financial year for which the covering has sufficiently detailed specifications and likelihood due to such things as the finalization of feasibility studies. The amount of revenues gained from the reception of the covering material was calculated based on the covering volume required as well as the composition and pricing of the cover material. Average inflation of 1.9% p.a. was assumed for the attainable prices during the period that the piles are covered. The cover costs were calculated, in particular, on basis of past experience in tailings pile covering and inflated with a price increase rate of 1.5% p.a. As a result of the consideration of the expected revenues of the tailings piles covering, the provisions for the two tailings piles were reversed in full, as the amount of the discounted future expected net revenues exceeds the present value of the obligations for tailings pile covering after the end of operations. The assessment of the amount of the covering revenues and the covering costs is subject to corresponding uncertainties, in particular as the covering of the affected tailings piles is not expected to start in 5 to 6 years and the covering will extend over a period of up to 50 years. A 10% reduction in expected revenues from tailings pile covering would increase the provision by around €20 million. A 10% increase in expected covering costs would lead to an increase in the provision of around €7 million.

The above two influencing factors (modified calculation methodology for the discount rate and offsetting of revenue against the pile provisions) had the following cumulative effect on the current financial statements.

To calculate the effects presented in the table, the net revenue from covering the two tailings piles concerned was offset (applying the previous discounting methodology) and the modified discounting methodology was then applied to the remaining provisions. If the former discounting methodology were maintained and all other measurement parameters remained constant (i.e., including when factoring in the offset revenue), the mining provision would be €203.5 million smaller than presented in the table for the balance sheet date. In return, property, plant, and equipment would lower by €175.3 million and net interest income would improve by €28.2 million.

If the net revenue were not to be factored into the provision calculation and all other measurement parameters remained constant (i.e., including when applying the new discounting methodology), the provisions for pile maintenance would be €233.2 million higher on the balance sheet date. In return, property, plant, and equipment would increase by €71 million, cost of sales by €53.7 million, and other operating expenses by €13.8 million. Simultaneously, net interest income would reduce by €90.6 million and other operating income by €4.2 million.

In the following periods, the changes explained here (revenue offset and discounting methodology) will lead, in particular, to a rise in depreciation due to the increased property, plant, and equipment.

(24) OTHER NON-CURRENT PROVISIONS

Other non-current provisions include non-current above-ground restoration obligations and personnel obligations (mainly provisions for anniversary bonuses and lifetime work accounts).

The carrying amount of provisions for anniversary bonuses is €32.9 million (2020: €37.3 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 1.1% (2020: 0.4%), an anticipated annual increase in salaries and wages of 1.8% (2020: 1.8%), and a career trend of 1.0% (2020: 0.0%) to up to 50 years of age. In addition, there are obligations from working-lifetime accounts amounting to €44.8 million (2020: €43.3 million), which are financed by plan assets amounting to €51.7 million (2020: €46.2 million). Calculations were based on a discount rate of 1.1% (2020: 0.4%). Credit balances in long-term accounts accrue interest at a rate of 1.8% each year.

The provisions for above-ground restoration obligations amounted to €83.8 million (2020: €68.9 million) at year end. This measurement uses the same discount rates that are applied for measuring mining provisions. Because of a change in estimation due to a modified calculation technique for the discount rate and the input factors for it (see Note (23) Mining Provisions), the above-ground restoration provisions have risen. If the former calculation technique for maturities in more than 30 years' time were maintained and all other measurement parameters remained constant, the provision would be €5.6 million smaller on the balance sheet date.

(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 outstanding vacation leave and non-working shifts.

Employees
Remuneration Report

(26) FINANCIAL LIABILITIES

The following tables show the liquidity analysis of financial liabilities in the form of contractually agreed, non-discounted cash flows: **C.68, C.69**

LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES IN 2021 **C.68**

		Cash flows			
in € million	2021 carrying amount	Total future cash flows anticipated	Due within ≤ 1 year	Due within > 1 year and ≤ 5 years	Due after > 5 years
Financial liabilities	1,190.9	1,269.3	246.8	1,022.5	–
– thereof bonds	1,134.2	1,212.2	240.8	971.4	–
– thereof promissory note loans	13.0	13.4	0.2	13.2	–
– thereof commercial paper	–	–	–	–	–
– thereof liabilities to banks	43.7	43.7	5.8	37.9	–
Trade payables	186.8	186.8	185.8	0.1	0.9
Lease liabilities	206.3	264.7	55.7	149.4	59.6
Other non-derivative financial liabilities	76.9	76.3	76.3	–	–
Non-derivative financial liabilities	**1,660.9**	**1,797.1**	**564.6**	**1,172.0**	**60.5**

LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES IN 2020 **C.69**

		Cash flows			
in € million	2020 carrying amount	Total future cash flows anticipated	Due within ≤ 1 year	Due within > 1 year and ≤ 5 years	Due after > 5 years
Financial liabilities	3,369.2	3,526.1	1,413.3	2,112.8	–
– thereof bonds	2,220.6	2,369.8	569.9	1,799.9	–
– thereof promissory note loans	424.3	431.4	324.1	107.3	–
– thereof commercial paper	154.0	154.0	154.0	–	–
– thereof 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	–	–
Non-derivative financial liabilities	**3,860.2**	**4,040.0**	**1,750.3**	**2,237.6**	**52.1**

ISSUED BONDS AND PROMISSORY NOTE LOANS **C.70**

	2020		2021	
	Principal amount	Nominal interest rate	Principal amount	Nominal interest rate
	in € million	p.a.	in € million	p.a.
2012/22 bond	500	3.000%	207	3.000%
2013/21 bond	500	4.125%	–	–
2017/23 bond	623	2.625%	443	2.625%
2018/24 bond	600	3.250%	485	3.250%
Promissory note loans (fixed, mature 2021–23)	327	Average approx. 1.2%	13	1.520%
Promissory note loans (floating, mature 2022)	98	Basis EURIBOR	–	–

The bonds and promissory note loans issued break down as follows: **C.70**

Tables **C.71** and **C.72** show the Group's liquidity analysis for derivative financial liabilities. The table is based on non-discounted gross cash flows which are settled on a gross basis. **C.71, C.72**

The decrease in financial liabilities in the 2021 financial year is mainly attributable to the buy-back as well as the repayment of the Group's own bonds and promissory note loans as well as the repayment of borrowings to financial institutions following the sale of the Americas operating unit.

LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL LIABILITIES IN 2021 **C.71**

		Cash flows			
in € million	2021 carrying amount	2021 total	Due within ≤ 1 year	Due after > 1 year and ≤ 5 years	Due after > 5 years
Currency derivatives	-40.7	-34.7	-33.3	-1.5	–
Payment obligation [1]		-1,351.4	-1,231.5	-119.9	–
Payment claim [1]		1,316.7	1,198.3	118.4	–

[1] Translation of payment transactions in foreign currency at the spot rate.

LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL LIABILITIES IN 2020 **C.72**

		Cash flows			
in € million	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 [1]		-903.1	-903.1	–	–
Payment claim [1]		867.0	867.0	–	–

[1] Translation of payment transactions in foreign currency at the spot rate.

As a precautionary measure to secure liquidity during the COVID-19 crisis, the K+S GROUP agreed an additional syndicated credit line under a special KFW program (KFW syndicated credit line) in the 2020 financial year with a volume of €350 million on arm's length terms; €280 million of this additional credit line was attributable to KfW and €70 million to the consortium banks. K+S terminated the KfW syndicated credit line in the first half of 2021 after not drawing down on it during its term.

The obligations agreed for the syndicated credit line of €600 million included a standard financial covenant to maintain a specific financial performance indicator, in this case a ratio of net financial liabilities (including all lease liabilities) to EBITDA. If this specific ratio is exceeded as at the agreed reporting date, 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 indicator, the lenders did not have the right to call the loans for repayment in the period up to the balance sheet date.

(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.

The following table shows the carrying amounts and fair values of the Group's financial instruments: **C.73**

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS — **C.73**

in € million	Measurement category in accordance with IFRS 9	Dec. 31, 2020 Carrying amount	Dec. 31, 2020 Fair value	Dec. 31, 2021 Carrying amount	Dec. 31, 2021 Fair value
Shares in associated companies and other equity investments	Fair value through other comprehensive income	42.3	42.3	71.0	71.0
Equity investments	Fair value through profit or loss	5.0	5.0	5.3	5.3
Loans	Amortized cost	0.2	0.2	0.2	0.2
Financial assets		**47.5**	**47.5**	**76.4**	**76.4**
Trade receivables	**Amortized cost**	**420.1**	**420.1**	**408.3**	**408.3**
Trade receivables	**Fair value through other comprehensive income (with recycling)**	**55.7**	**55.7**	**161.2**	**161.2**
Derivatives with positive fair values	Fair value through profit or loss	132.5	132.5	12.0	12.0
Other non-derivative financial assets	Amortized cost	88.1	88.1	100.3	100.3
Other financial assets		**220.6**	**220.6**	**112.3**	**112.3**
Securities and other financial assets	**Amortized cost**	**6.0**	**6.0**	**194.9**	**194.9**
Securities and other financial assets	**Fair value through other comprehensive income**	**7.0**	**7.0**	**7.0**	**7.0**
Securities and other financial assets	**Fair value through profit or loss**	**-**	**-**	**30.0**	**30.0**
Cash and cash equivalents	**Amortized cost**	**205.2**	**205.2**	**390.8**	**390.8**
Assets		**962.1**	**962.1**	**1,380.9**	**1,380.9**
Financial liabilities [1]	**Amortized cost**	**3,369.2**	**3,357.1**	**1,190.9**	**1,225.1**
Trade payables	**Amortized cost**	**305.6**	**305.6**	**186.9**	**186.9**
Derivatives with negative fair values	Fair value through profit or loss	42.1	42.1	40.7	40.7
Other non-derivative financial liabilities	Amortized cost	70.6	70.6	76.9	76.9
Lease liabilities	Separate category (IFRS 7)	335.2	335.2	206.3	206.3
Other financial liabilities		**447.9**	**447.9**	**323.9**	**323.9**
Equity and liabilities		**4,122.7**	**4,110.6**	**1,701.7**	**1,735.9**

[1] The fair value for the financial liabilities, which varies from their carrying amount, relates solely to issued bonds and can be categorized as Level 1 on the fair value hierarchy.

The item "Securities and other financial assets" includes cash investments with a remaining maturity of more than three months at the time of acquisition and not included in cash and cash equivalents. The increase compared with the previous year is particularly attributable to the investment of part of the cash resulting from the sale of OU Americas. Various types of bonds (€181.9 million, previous year: €13.0 million) and term deposits (€50.0 million, previous year: €0 million) were held as of the balance sheet date.

The carrying amounts of the financial instruments, aggregated according to IFRS 9 measurement categories, are 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.

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AGGREGATED BY MEASUREMENT CATEGORY **C.74**

in € million	2020	2021
Measurement category in accordance with IFRS 9		
Fair value through other comprehensive income	49.3	78.0
Fair value through other comprehensive income (with recycling)	55.7	161.2
Amortized cost (financial assets)	719.6	1,094.5
Fair value through profit or loss (financial assets)	137.5	47.3
Amortized cost (financial liabilities)	3,745.4	1,454.7
Fair value through profit or loss (financial liabilities)	42.1	40.7

Level 1 financial instruments are measured on the basis of quoted prices in active markets for identical assets and liabilities. Level 2 financial instruments are measured on the basis of inputs that can be derived from observable market data, or on the basis of market prices for similar instruments. Level 3 financial instruments are calculated on the basis of inputs that cannot be derived from observable market data.

Tables **C.75** and **C.76** show the assets and liabilities measured at fair value of the K+S GROUP.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE **C.75**

	Measurement category in accordance with IFRS 9				2021
in € million		Level 1	Level 2	Level 3	Total
Assets		**–**	**49.0**	**237.5**	**286.5**
Shares in associated companies and other equity investments	Fair value through other comprehensive income	–	–	71.0	71.0
Equity investments	Fair value through profit or loss	–	–	5.3	5.3
Trade receivables	Fair value through other comprehensive income (with recycling)	–	–	161.2	161.2
Derivative financial instruments	Fair value through profit or loss	–	12.0	–	12.0
Securities and other financial assets	Fair value through other comprehensive income	–	7.0	–	7.0
Securities and other financial assets	Fair value through profit or loss	–	30.0	–	30.0
Equity and liabilities		**–**	**40.7**	**–**	**40.7**
Derivative financial instruments	Fair value through profit or loss	–	40.7	–	40.7

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE **C.76**

in € million	Measurement category in accordance with IFRS 9	Level 1	Level 2	Level 3	Total 2020
Assets		**–**	**62.0**	**180.5**	**242.5**
Shares in associated 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
Equity and liabilities		**–**	**42.1**	**–**	**42.1**
Derivative financial instruments	Fair value through profit or loss	–	42.1	–	42.1

The shares in associated companies and other long-term equity investments shown in the tables have not been consolidated due to immateriality. They are always held for the long-term and not for trading. For this reason, when permitted, the OCI option was exercised, which allows changes in fair value to be recognized in other comprehensive income without reclassifying them to the income statement on disposal. Fair value was calculated as the present value of the figures in the latest three-year results planning (mid-term planning) and a subsequent perpetual annuity. The Company's cost of capital has been used for discounting purposes. Changes in future results, the growth rate in the perpetual annuity, 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 ASSOCIATED COMPANIES AND OTHER EQUITY INVESTMENTS (LEVEL 3) **C.77**

in € million	2020	2021
As of Jan. 1	106.0	47.3
Changes in the scope of consolidation	–44.9	–5.4
Additions	0.1	12.8
Disposals	1.0	0.7
Measurement gains/losses (other comprehensive income)[1]	–13.2	22.1
Measurement gains/losses (through profit or loss)	–	0.3
Disposal gains/losses (other comprehensive income)	0.3	–
As of Dec. 31	**47.3**	**76.4**

[1] See "Other Comprehensive Income" table in Note (21) Equity.

As of December 31, 2020, €41.9 million of the shares in non-consolidated associated companies and other equity investments was attributable to continuing operations and €5.4 million to discontinued operations of the K+S GROUP.

The disposals during the financial year relate solely to the liquidation of shares in OOO K+S RUS.

The fair values of shares in associated companies and other equity investments break down as follows: **C.78**

BREAKDOWN OF NON-CONSOLIDATED SHARES IN ASSOCIATED COMPANIES AND OTHER EQUITY INVESTMENTS **C.78**

in € million	2020	2021
Subsidiaries in Germany	7.4	18.3
Subsidiaries in Europe (excluding Germany)	24.0	18.1
Subsidiaries in rest of world	9.0	34.0
Joint ventures, associates, and other equity investments	7.0	6.0
Total	**47.3**	**76.3**

The derivative financial instruments primarily consist of currency derivatives (forward exchange contracts, options). The fair value of forward exchange contracts is calculated by discounting the anticipated future gross cash flows from the contract based on the quoted forward exchange rates as at the reporting date and the agreed forward exchange rates, which are subsequently discounted at a rate matching the respective maturities and currencies. Recognized option pricing models are applied when determining the fair value of currency options, using inputs observed in the market on the reporting date (in particular, exchange rate, interest rate, volatility). In addition, the risk of counterparty default is taken into account when performing the calculations.

Derivatives constituting a financial asset or financial liability that may only be offset on condition of a breach of contract or the insolvency of one of the contracting parties do not comply, or only partially comply, with the criteria for offsetting in the statement of financial position under IAS 32. The value of these derivatives with positive fair values amounted to €12.0 million (2020: €132.5 million) and those with negative fair values to €40.7 million (2020: €42.1 million). Thereof, positive and negative fair values exist with respect to the same contractual partner in the amount of €9.0 million (2020: €42.1 million). Net amounts of €3.0 million (2020: €90.4 million) would result for derivatives with positive fair values and €31.8 million (2020: €0 million) for derivatives with negative fair values.

In the case of trade receivables, other non-derivative financial assets and cash and cash equivalents, the carrying amounts correspond to their fair values, because these instruments mostly have short maturities.

Trade receivables that could potentially be sold through existing factoring agreements can be categorized as "fair value through other comprehensive income (with recycling)". The carrying amount is assumed to be equivalent to the fair value due to the short payment terms. The items recognized in this category at the start of the year are usually paid or sold throughout the course of the financial year.

The fair values of securities and other financial assets correspond to the present values of the cash flows associated with these balance sheet items (Level 2).

In the case of financial liabilities, fair value is based on market prices, if active markets exist (Level 1); if not, the present value of future cash flows is used (Level 2). They are discounted using market interest rates with matching maturities.

In the case of trade payables and other non-derivative financial liabilities, it is assumed that the carrying amounts correspond to the fair values of these instruments, because these instruments mostly have short maturities.

For loans and lease liabilities, we assume that carrying amounts correspond to fair values, because differences between market interest rates and discount rates are not material.

Table **C.79** shows the net gains or losses on financial instruments of the K+S GROUP: **C.79**

NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS **C.79**

Measurement category in accordance with IFRS 9		
in € million	2020	2021
Fair value through other comprehensive income	-9.7	27.1
Amortized cost (financial assets)	-39.6	13.1
Fair value through profit or loss	0.8	-28.5
Amortized cost (financial liabilities)	59.1	14.7

Net gains/losses on financial assets measured at fair value through other comprehensive income primarily comprise dividend distributions (see Note (5) Net Income from Equity Investments) and measurement gains or losses (see Table **C.77**) 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 K+S GROUP: **C.80**

NET INTEREST INCOME/EXPENSE FROM FINANCIAL INSTRUMENTS **C.80**

in € million	2020	2021
Interest income	–	1.1
Interest expenses before capitalization of borrowing costs	95.8	98.5
Capitalized borrowing costs	11.2	12.1
Interest expenses after capitalization of borrowing costs	84.6	86.4

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 €1,445.1 million as of December 31, 2021 (2020: €1,013.9 million); it consisted of short-term investments, cash and cash equivalents, the undrawn portion of the factoring facilities, and the syndicated credit line maturing in 2024.

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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.

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Default risks also exist regarding partners with which we have concluded hedging transactions, credit lines exist, or money was invested. A potential default of a bank or other party could have an adverse effect on the financial position.

MARKET 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.

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There were no floating-rate liabilities on the balance sheet date.

Accordingly, an increase of the reference interest rate by one percentage point would not have led to further interest expenses (2020: €0.8 million). As in the previous year, a decrease in the reference interest rate by one percentage point would have had no impact on interest expenses.

In addition to receivables and liabilities denominated in the Group currency (euro), there are also items in foreign currency. Under IFRS 7, exchange rate risks must be presented a using sensitivity analysis. If the euro had been 10% stronger or weaker against foreign currencies (mainly the US dollar), the carrying amount of the net position of foreign-currency receivables and liabilities would have increased or decreased by €24.6 million (2020: €18.1 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.

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The financial policy instruments for meeting these aims include financing measures that involve both equity and liabilities. All financing measures in the Company, which also include cash, currency, and interest rate management, are coordinated and managed by the central Treasury unit.

Capital management is guided by a number of key financial indicators, such as 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[1] **C.81**

in € million	2020	2021
Net financial liabilities (incl. lease liabilities)/EBITDA ratio[2,3]	7.8	0.8
Net debt/equity (%)	209.5	34.1
Equity ratio (%)	26.5	60.6

[1] The figures for 2020 relate to the continuing and discontinued operations of the K+S Group. For 2021, the figures relate to the continuing operations of the K+S Group.
[2] The calculation of EBITDA is presented in the "Notes to the Income Statement and Statement of Comprehensive Income" on page 185.
[3] 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.

NET DEBT[1] **C.82**

in € million	Dec. 31, 2020	Dec. 31, 2021
Cash and cash equivalents	205.2	390.8
Non-current securities and other financial assets	6.0	18.4
Current securities and other financial assets	7.0	213.5
Financial liabilities	-3,369.2	-1,191.0
Lease liabilities from finance lease contracts	-66.3	-38.0
Net financial liabilities	**-3,217.4**	**-606.3**
Lease liabilities excluding liabilities from finance lease contracts	-267.6	-168.3
Provisions for pensions and similar obligations	-224.9	-16.0
Non-current provisions for mining obligations	-946.9	-1,017.4
Net debt	**-4,656.8**	**-1,808.0**

[1] The figures for 2020 relate to the continuing and discontinued operations of the K+S Group. For 2021, the figures relate to the continuing operations of the K+S Group.

The capital structure was as follows as of the reporting date: **C.83**

CAPITAL STRUCTURE **C.83**

in € million	2020	2021
Equity	2,336.4	5,297.4
Non-current liabilities	3,427.8	2,443.3
Current liabilities	2,737.0	995.5
Total equity and liabilities	**8,501.2**	**8,736.2**

(29) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

In the K+S GROUP, general business activities are associated with a number of risks, for which provisions have been recognized, provided that the conditions for recognition according to IAS 37 have been met. In addition, there is an obligation to disclose contingent liabilities. Contingent liabilities are possible obligations that are not recognized in the balance sheet as it is less likely that they will be used. In 2021, contingent liabilities amounted to around €8.9 million (2020: around €8.2 million), resulting mainly from legal risks. Contingent liabilities for taxes of an amount of €166 million should be assumed for corporate transactions and cross-border matters whose relevance cannot be ruled out.

Report on Risks and Opportunities, Financial Risks and Opportunities

In 2021, liabilities from uncompleted capital expenditure projects totaled €117.1 million (2020: €119.9 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 167 and 168. Disclosures on lease expenses and the accounting disclosures from the previous year relate to continuing operations. The maturity breakdown of the corresponding lease liabilities is provided in Note (26).

In the 2021 financial year, the impairment test conducted on the Potash and Magnesium Products CGU gave rise to reversals of impairment losses of €50.7 million (2020: impairment loss of €55.2 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	2020	2021
Depreciation of right-of-use assets	36.1	32.8
Interest expenses on lease liabilities	8.7	8.8
Expenses for short-term leases	7.8	4.9
Expenses for low-value leases	0.5	1.1
Variable lease expenses	3.0	1.6

In the 2021 financial year, cash outflows for leases totaled €88.4 million (2020: €57.9 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 2.01% (2020: 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 €12.9 million (2020: €12.5 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 165.

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(31) OTHER CASH FLOW STATEMENT DISCLOSURES

Cash and cash equivalents include cash on hand and balances with banks, as well as financial assets with a maturity that generally does not exceed three months from the date of acquisition. These financial assets consist predominantly of short-term deposits at credit institutions and other cash-equivalent investments.

The inflows and outflows from securities transactions in the cash flow from investing activities result from the investment during the year or the repayment of cash deposits with residual maturity > three months.

Cash deposits with associated companies are reported under "Other financial assets" (current) and cash deposits received from associated 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, 2021	Cash flows from financing activities (net)	Reclassifi-cations in accordance with IFRS 5	Lease additions/ disposals	Exchange rate changes	Other effects	Carrying amount Dec 31, 2021
Bonds	2,220.6	–1,087.4	–	–	–	1.0	1,134.2
Promissory note loans	424.3	–411.5	–	–	–	0.2	13.0
Commercial paper	154.0	–154.0	–	–		–	–
Liabilities to banks	570.3	–525.2	–	–	0.3	–1.7	43.7
Total financial liabilities (as recognized in balance sheet)	3,369.2	–2,178.1	–	–	0.3	–0.5	1,190.9
Lease liabilities	335.2	–76.2	–94.0	24.7	11.4	5.2	206.3
Total	**3,704.4**	**–2,254.3**	**–94.0**	**24.7**	**11.7**	**4.7**	**1,397.2**

RECONCILIATION OF NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES C.86

in € million	Carrying amount Jan 1, 2020	Cash flows from financing activities (net)	Reclassifi-cations in accordance with IFRS 5	Lease additions/ disposals	Exchange rate changes	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	–
Total	**3,765.2**	**–72.2**	**–109.6**	**29.2**	**–20.3**	**18.2**	**3,610.4**

NET CASH AND CASH EQUIVALENTS C.87

in € million	2020	2021
Cash and cash equivalents (as recognized in balance sheet)	142.3	390.7
Cash and cash equivalents attributable to discontinued operations and disposal groups	62.9	–
Cash deposits received from affiliated companies	-7.8	-8.1
Net cash and cash equivalents	**197.4**	**382.6**

Dividend payments and profit transfers from non-consolidated companies totaled €4.8 million in the reporting period (2020: €2.5 million).

As of the balance sheet date, there were liabilities from leases as well as trade payables and current provisions totaling €79.9 million (2020: €103.5 million) resulting from non-cash 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 €120.3 million (2020: €184.2 million).

SEGMENT REPORTING DISCLOSURES

(32) DEFINITION OF SEGMENTS

Following the sale of the Americas operating unit, the remaining operating unit Europe+ and the holding company were merged to form a leaner, and, in our view, more powerful K+S. As part of this streamlining, hierarchical levels were eliminated and the management level reporting directly to the Board of Executive Directors was significantly streamlined. The Board of Executive Directors performs the economic analysis and assessment, takes operational decisions, and allocates overall resources for this purpose. Therefore, there is no part of our Company that comprises an operating segment under IFRS 8. As a result, starting in the 2021 financial year, K+S only has a single business segment.

(33) REVENUES BY REGION

The breakdown of the K+S GROUP's revenues by region is as follows: **C.88**

REVENUES BY REGION C.88

in € million	2020	2021
Europe	1,500.1	1,816.8
– thereof Germany	528.7	667.3
North America	90.1	209.6
South America	305.6	621.1
Asia	413.0	413.1
Africa, Oceania	123.3	152.5
Total revenues	**2,432.1**	**3,213.1**

The allocation is based on the registered office of customers. No single customer accounted for more than 10% of total revenues in the 2021 and 2020 financial years.

(34) NON-CURRENT ASSETS BY REGION

The non-current assets of the K+S GROUP comprise intangible assets, property, plant, and equipment and investment properties. The regional breakdown is as follows: **C.89**

NON-CURRENT ASSETS BY REGION C.89

in € million	2020	2021
Europe	1,699.2	2,507.9
– thereof Germany	1,588.8	2,393.9
North America	2,488.0	3,970.4
– thereof US	0.5	0.8
– thereof Canada	2,487.5	3,969.6
South America	–	–
Asia	1.7	1.9
Africa, Oceania	8.8	10.8
Total assets	**4,197.7**	**6,491.0**

The allocation is based on the location of the relevant assets.

OTHER DISCLOSURES

IMPACT OF COVID-19

In the second year of the COVID-19 pandemic, K+S also set up crisis teams (task forces) to permanently monitor and assess the current situation as well as coordinate the necessary measures. At the producing sites, we maintained the measures introduced in 2020 aimed at minimizing the risks of infection. Elevators to the mines, for example, were operated with significantly fewer people to ensure a greater distance between miners. Shifts were also shortened or staggered to prevent crowding. In relevant areas, medical mouth and nose masks are used to minimize the risk of infection. As part of the K+S vaccination campaigns, several thousand vaccination doses have been administered to employees and their relatives at the German sites.

During the reporting period, EBITDA was impacted by comprehensive measures to minimize the risk of infection by COVID-19 associated with the efficiency losses, testing offers, and K+S vaccination campaigns at the German sites in the same way as in the previous year, recording a figure in the mid-double-digit million euros range.

Efficiency losses were determined on the basis of production volume losses. Overall, production was not noticeably impaired, and supply chains remained stable.

GOVERNMENT GRANTS

The investment grants/subsidies and reimbursements under the Infection Protection Act recorded relate to amounts in the Federal Republic of Germany's funding area. **C.90**

GOVERNMENT GRANTS **C.90**

in € million	2020	2021
Investment grants/subsidies	1.1	0.9
Performance-related grants	0.1	–
Refunds under the Infection Protection Act	–	1.1
Government grants	**1.2**	**2.0**

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 participate in the respective program are certain non-tariff professionals and executives who are in active employment as of the respective January 1, as well as all members of the Board of Executive Directors.

LTI II is based on the K+S share price performance compared to the performance of the MDAX. The calculation is based on the performance index for the MDAX and comparability is ensured. If the K+S share price performance is equal to the performance of the MDAX during the reference period, target achievement is 100%. If the price performance of the K+S share exceeds or falls short of the performance of the MDAX, the percentage rate of target achievement increases or decreases on a straight-line basis by the same percentage. The maximum target achievement is 200% and the minimum achievement is 0%. The amount to be paid is determined by multiplying the individual target amount of the eligible beneficiary at the start of the program by the degree of target achievement of the respective completed program.
Remuneration Report

Payment is made in April of the year following the end of the program. In the event of termination of a service agreement 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 €8.6 million (2020: €6.1 million) were recognized as of December 31, 2021. Personnel expenses from additions to provisions in 2021 amounted to €4.4 million (2020: €2.4 million). The intrinsic value of the liabilities at the end of the period that the beneficiaries can have remunerated to them was €1.3 million (2020: €2.9 million).

RELATED PARTIES

RELATED COMPANIES

The K+S GROUP has relationships with further associated companies besides the subsidiaries included in the consolidated financial statements; these include non-consolidated subsidiaries, joint ventures, as well as companies over which the K+S GROUP can exercise a significant influence (associated companies). A complete overview of all related companies can be found in the list of all shareholdings on page 231.

The following table shows K+S GROUP transactions with non-consolidated subsidiaries in the reporting period. The transactions were conducted at arm's length. **C.91**

TRANSACTIONS WITH NON-CONSOLIDATED SUBSIDIARIES **C.91**

in € million	2020	2021
Trade revenues	13.7	30.4
Goods and services received	17.9	19.1
Income from dividend payments and profit transfers	3.8	5.0
Other income	0.1	–
Other expenses	11.4	12.1

The revenues from goods and services mainly result from sales of goods by consolidated companies to foreign sales companies. The goods and services received mainly relate to supplies of explosives and chemical products of a domestic subsidiary as well as commissions invoiced by foreign sales companies.

As of December 31, 2021, the outstanding balances with non-consolidated subsidiaries were as follows: **C.92**

BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES **C.92**

in € million	2020	2021
Receivables from associated companies	5.0	13.2
– thereof banking receivables	–	–
Liabilities to associated companies	8.6	9.4
– thereof banking receivables	7.8	8.1

As in the previous year, there were no allowances on receivables from associated 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 with a total carrying amount of €4.1 million (2020: €0.0 million), other financial receivables of €8.1 million (2020: €3.3 million), and other financial liabilities of €24.0 million (2020: €0.6 million) existed at the reporting date. In addition, transactions with joint ventures generated income of €1.2 million (2020: €0.0 million) and expenses of €0.1 million (2020: €0.9 million).

There were no non-current loans (2020: €3.3 million) or other financial receivables (2020: €0.0 million) from associated companies as of the balance sheet date. Other financial liabilities amounted to €0.2 million (2020: €0.1 million). Furthermore, transactions with associated companies resulted in income of €0.1 million (2020: €0.9 million) and expenses of €5.5 million (2020: €5.0 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 for the members of the Board of Executive Directors consists of annual components and those with a long-term incentive character. The annual remuneration components include both those not related to performance (fixed) and performance-related components (variable). The components that are not related to performance comprise fixed remuneration, non-cash remuneration, other benefits, and pension commitments. The variable performance-related portion consists of two components: the bonus (STI and performance factor) as well as two variable remuneration components, based on key indicators, with a long-term incentive character (LTI I and LTI II).

The short-term incentive (STI) relates to the current financial year. It is calculated based on the achievement of the K+S GROUP's planned EBITDA and of targets agreed between the entire Board of Executive Directors and the Supervisory Board. If the EBITDA value of the annual planning approved by the Supervisory Board is achieved, the achievement level of the first STI component 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 signs a target agreement with the entire Board of Executive Directors at the start of each financial year and this agreement acts as a second component of the STI. After the end of the relevant financial year, the Supervisory Board determines a performance factor for the entire Board of Executive Directors. This serves as the STI multiplier. The performance factor is between 0.8 and 1.2. Provisions for the short-term incentive as of December 31, 2021, amount to €2.6 million (2020: €1.2 million).

The long-term incentive (LTI) consists of two equally weighted components. Both components are measured over a three-year period.

Since January 1, 2020, one component (LTI I) has been measured by the achievement of sustainability targets. For this purpose, the Company has set itself sustainability goals in the three areas of action of "Society & Employees", "Environment & Resources", and "Business Ethics & Human Rights". A target was selected for each area of action. For the "Society & Employees" area of action, the reduction in the lost time incident rate is a target from the topic of "Occupational Health & Safety". For the "Environment & Resources" area of action, the target of additionally reducing saline process water from potash production in Germany was selected from the topic of "Resource efficiency", and the topic of "Sustainable supply chains" was selected for the "Business Ethics & Human Rights" area of action. Plan values were set as the benchmark for target achievement in each case.

For determining the LTI I up to 2019 (former program), the Supervisory Board used the mid-term planning to define the value added for each year of the performance period before a performance period began. 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%. As of December 31, 2021, provisions for LTI I amounted to €0.6 million (2020: €0.3 million).

The second component (LTI II) is based on share price performance. Further information can be found in the disclosures on the share-based payment program (IFRS 2) on page 179. As of December 31, 2021, provisions for LTI II amounted to €2.1 million (2020: €1.6 million).

The total remuneration of the Board of Executive Directors was attributable to four members in the reporting period. Mr. Holger Riemensperger assumed his position on the K+S AKTIENGESELLSCHAFT Board of Executive Directors on April 1, 2021. Mr. Mark Roberts left the Company as a member of the Board of Executive Directors of the K+S GROUP in the course of the sale of the Americas operating unit at the end of April 30, 2021. In the previous year, the Board of Executive Directors had three members, all of whom were in office for the whole year. The pension provisions of active members of the Board of Executive Directors amount to €14.4 million (2020: €21.1 million). **C.93**

Remuneration Report

DISCLOSURES ON REMUNERATION IN ACCORDANCE WITH SECTION 314 (1) NO. 6 A HGB **C.93**

in € million	2020	2021
Total remuneration of the Supervisory Board[1]	**2.2**	**1.3**
– thereof fixed	2.2	1.3
Total remuneration of the Board of Executive Directors	**3.3**	**6.7**
– thereof fixed	2.3	3.1
– thereof STI	0.7	3.0
– thereof LTI I	0.3	–
– thereof LTI II	–	0.6
Total remuneration of former members of the Board of Executive Directors and their surviving dependents	**2.3**	**1.9**

[1] In May 2020, Supervisory Board members waived 20% of their fixed remuneration for 2019 in favor of charitable purposes.

The remuneration of the members of the Board of Executive Directors and Supervisory Board active in the 2021 financial year is shown in table **C.94**. There were no other material transactions with related persons. **C.94**

RELATED PARTY DISCLOSURES (IAS 24) **C.94**

in € million	2020	2021
Short-term benefits	2.9	5.1
Long-term benefits (LTI I)	0.3	0.4
Share-based payment (LTI II)	0.3	1.1
Termination benefits of the employment relationship	–	3.6
Service expenses	3.3	3.1
Supervisory Board remuneration	2.2	1.4
Total remuneration for Board of Executive Directors and Supervisory Board	**8.9**	**14.7**

The remuneration system for the Supervisory Board has the following elements:

+ Fixed remuneration
+ Additional fixed remuneration, depending on membership of one or more committees

In addition to the Supervisory Board remuneration, employee representatives who are employees of the K+S GROUP receive remuneration that is not related to activities performed for the Supervisory Board.

A member of the family of a Supervisory Board member is employed by the K+S GROUP. Remuneration is paid in accordance with the internal remuneration guidelines of the K+S GROUP and corresponds to the usual remuneration of individuals in comparable positions.

MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

A list of members of the Board of Executive Directors and their responsibilities can be found in the management report starting on page 102; 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 starting on page 99; this list is also part of the Notes to the consolidated financial statements.

SHARES HELD IN K+S AKTIENGESELLSCHAFT

On March 3, 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 3.49% of the Company. In a notice dated June 18, 2021, BLACKROCK, INC., Wilmington (USA) notified us that its share of voting rights was 3.25%. THE GOLDMAN SACHS GROUP, INC., Wilmington (USA), notified us on June 8, 2021 that it held a 4.84% share of the voting rights. Until the end of February 2021, no other shareholder notified us of shareholdings above the legal reporting threshold of 3%.

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB

The figures in table **C.95** also apply to the previous year. If there are any deviations, these are commented on in a footnote on the company concerned. **C.95**

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB **C.95**

in %	Company's registered office		Interest held	Share of voting rights
Fully consolidated German companies (10 companies)				
K+S Aktiengesellschaft	Kassel	Germany	–	–
Chemische Fabrik Kalk GmbH	Cologne	Germany	100.00	100.00
Deutscher Straßen-Dienst GmbH[2]	Kassel	Germany	100.00	100.00
esco international GmbH[1,2]	Kassel	Germany	100.00	100.00
K+S Beteiligungs GmbH[1,2]	Kassel	Germany	100.00	100.00
K+S Holding GmbH[1,2]	Kassel	Germany	100.00	100.00
K+S Minerals and Agriculture GmbH[1,2]	Kassel	Germany	100.00	100.00
K+S North America Asset Management GmbH	Kassel	Germany	100.00	100.00
K+S Versicherungsvermittlungs GmbH[2]	Kassel	Germany	100.00	100.00
Kali-Union Verwaltungsgesellschaft mbH[1,2]	Kassel	Germany	100.00	100.00
Consolidated foreign companies (19 companies)				
Frisia Zout B.V.	Harlingen	Netherlands	100.00	100.00
K plus S Middle East FZE DMCC	Dubai	United Arab Emirates	100.00	100.00
K+S Minerals Spain S.L.	Barcelona	Spain	100.00	100.00
K plus S Salt Australia Pty Ltd	Perth	Australia	100.00	100.00
K+S Asia Pacific Pte. Ltd.	Singapore	Singapore	100.00	100.00
K+S Benelux NV/SA	Diegem	Belgium	100.00	100.00
K+S Canada Holdings Ltd.	Vancouver	Canada	100.00	100.00
K+S Canadian Potash Holding Ltd.	Vancouver	Canada	100.00	100.00
K+S Czech Republic a.s.	Prague	Czech Republic	100.00	100.00
K+S Finance Belgium B.V.	Diegem	Belgium	100.00	100.00
K+S Finance Ltd.	St. Julians	Malta	100.00	100.00
K+S France S.A.S.	Reims	France	100.00	100.00
K+S (Huludao) Magnesium Products Co. Ltd.	Huludao	China	100.00	100.00
K+S Investments Ltd.	St. Julians	Malta	100.00	100.00
K+S Netherlands Holding B.V.	Harlingen	Netherlands	100.00	100.00
K+S North America Corporation	Aurora	USA	100.00	100.00
K+S Potash Canada General Partnership	Vancouver	Canada	100.00	100.00
Shenzhen K+S Trading Co. Ltd.	Shenzhen	China	100.00	100.00
VATEL Companhia de Produtos Alimentares S.A.	Alverca	Portugal	100.00	100.00

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB **C.95**

in %	Company's registered office		Interest held	Share of voting rights
Equity-accounted companies (2 companies)				
K+S Baustoffrecycling GmbH	Sehnde	Germany	50.00	50.00
REKS GmbH & Co. KG[3]	Düsseldorf	Germany	61.99	50.00
Non-consolidated German companies (6 companies)[4]				
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
Wohnbau Salzdetfurth GmbH	Bad Salzdetfurth	Germany	100.00	100.00
Non-consolidated foreign companies (15 companies)[4]				
Akorion Company Limited	Kampala	Uganda	65.25	65.25
EzyAgric B.V.	Amsterdam	Netherlands	51.00	51.00
Grainpulse Limited	Kampala	Uganda	75.00	75.00
K plus S Africa (Pty) Ltd.	Johannesburg	South Africa	100.00	100.00
KplusS Fertilizers Kenya Limited	Mombasa	Kenya	100.00	100.00
K+S Brasileira Fertilizantes e Produtos Industriais Ltda.	São Paulo	Brazil	100.00	100.00
K+S 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 Transição Gestão de Imóveis Ltda	São Paulo	Brazil	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

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB **C.95**

in %	Company's registered office		Interest held	Share of voting rights
Joint Ventures (1 company)[5]				
REKS Verwaltungs GmbH	Hanover	Germany	50.00	50.00
Associates and Joint Ventures (2 companies)[5]				
Al Biariq for Fertilizer Plant Co. Ltd.	Riyadh	Saudi Arabia	30.00	30.00
modal 3 Logistik GmbH	Hamburg	Germany	33.33	33.33
Other equity investments (6 companies)				
Fachschule f. Wirtschaft und Technik Gem. GmbH	Clausthal	Germany	9.40	9.40
K+S Real Estate GmbH & Co. KG	Kassel	Germany	10.10	10.10
Lehrter Wohnungsbau GmbH	Lehrte	Germany	6.67	6.67
Poldergemeinschaft Hohe Schaar	Hamburg	Germany	8.66	8.66
Pristav Pardubice a.s.	Pardubice	Czech Republic	0.41	0.41
Zoll Pool Hamburg AG	Hamburg	Germany	1.43	1.43

[1] Exemption of Section 291 HGB applied.
[2] Exemption of Section 264 (3) HGB applied.
[3] After the balance sheet date (February 2022), the share of capital decreased to 50% due to the registration of the assets to be demerged from REMEX GmbH in the commercial register. The spin-off was already registered with the commercial registers in December 2021. Due to the contractual agreements, the share of voting rights already amounted to 50% in economic terms at the balance sheet date (for a description of the transaction, please refer to the "Scope of Consolidation" section).
[4] Not consolidated due to immateriality.
[5] Not equity-accounted due to immateriality.

AUDITOR'S FEES

The audit services include the audit of the consolidated financial statements and annual financial statements of all consolidated German Group companies. The tax advisory services provided consist of advice for the preparation of tax returns, support with regard to (the preparation of) tax audits, and the provision of tax advisory services, in particular with regard to the disposal of the Americas operating unit. The auditor provided tax advisory services amounting to approximately €2.6 million in 2021. Of this total, services amounting to approximately €1.4 million were provided by network companies. **C.96**

AUDITOR'S FEES **C.96**

in million €	2021
Audit services	1.4
Other assurance services	0.1
Tax advisory services	2.6
Auditor's fees	**4.1**

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) with the recommendations of the Government Commission on the German Corporate Governance Code was issued by the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT for 2021/2022. It is available to shareholders on the K+S GROUP's website (www.kpluss.com) and also published in the declaration on corporate governance on page 96.

EVENTS AFTER THE BALANCE SHEET DATE

The Supervisory Board of K+S AKTIENGESELLSCHAFT has mutually agreed with the previous Chief Financial Officer, Mr. Thorsten Boeckers, to terminate Mr. Boeckers' service agreement at the end of February 2022. A termination agreement was concluded between Mr. Boeckers and K+S AKTIENGESELLSCHAFT in this regard, in which the settlement of his contractual claims was stipulated. The severance payment amounts to €4.8 million plus pension benefits. Dr. Burkhard Lohr, Chairman of the Board of Executive Directors, will temporarily also assume the function of Chief Financial Officer. At the same time, the Supervisory Board of K+S AKTIENGESELLSCHAFT has appointed Dr. Christian H. Meyer as the new Chief Financial Officer. He will take over the management and further development of the finance area at K+S in spring 2023. Against this background, we would like to point out that the Company will resolve and publish an update of the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act on March 9, 2022.

The macroeconomic and geopolitical effects following Russia's attack on Ukraine on February 24, 2022, as well as their impact on the K+S GROUP cannot be estimated at present. K+S has established an intensive monitoring system, in particular with regard to emerging or occurring changes in energy availability, sanctions, receivables management, supply chains, cyber security, changes in agricultural prices, as well as the potash supply and demand situation.

No further 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 8, 2022

K+S AKTIENGESELLSCHAFT
BOARD OF EXECUTIVE DIRECTORS

INDEPENDENT AUDITOR'S REPORT

To K+S AKTIENGESELLSCHAFT, Kassel

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of K+S AKTIENGESELLSCHAFT, Kassel, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, which are combined with the notes to the annual financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of K+S AKTIENGESELLSCHAFT, which is combined with the Company's management report, – which comprise the content included to comply with the German legal requirements as well as the remuneration report pursuant to § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act], including the related disclosures, included in section "Remuneration Report" of the group management report – for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

+ the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
+ the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Mining obligations
2. Measurement of non-current assets of the cash-generating unit "Potash and Magnesium Products"

Our presentation of these key audit matters has been structured in each case as follows:

a) Matter and issue
b) Audit approach and findings
c) Reference to further information

Hereinafter we present the key audit matters:

1. MINING OBLIGATIONS

a) In the Company's consolidated financial statements, mining provisions in the amount of EUR 1,017.4 million are recognized under non-current provisions and in the amount of EUR 4.2 million under current provisions. These provisions primarily relate to obligations for mine and shaft backfilling, the storage of tailings piles, mining damage and dismantling. Interest rate changes arising from the long-term nature of the obligations could have a significant influence on the measurement of this material mining provision, which is recognized at present value and calculated based on a measurement model in accordance with the discounted cash flow method. Furthermore, the provisions are, due to their long-term nature and large volume, based on estimations and assumptions of the executive directors regarding future cost developments and the inclusion of future income, wastewater volumes, technological developments, especially methods for covering tailings piles, as well as the lifespans of the mines. Statutory, contractual and official requirements have a material influence on the recognition and the amount of the provisions.

   Against this backdrop, in our view, these matters were of particular significance in the context of our audit because the recognition and measurement of these items that are significant in terms of their amount are subject to considerable scopes of judgment on the part of the executive directors and have a direct and significant effect on the consolidated financial statements.

b) As part of our audit, we analyzed the measures of the executive directors for assessing the completeness and measurement of the mining obligations. In this context, we reviewed the organizational and procedural structures of the process for the recognition of mining provisions with a view to their appropriateness and the effectiveness of the audit-relevant controls. In doing so, we adapted our analysis to our knowledge of the statutory, contractual and official requirements and the up-to-dateness of the respective storage concepts and assessed the current state of the official requirements and storage concepts based on evidence in the form of correspondence with mining authorities and itemized lists of facts in terms of amount. A further area of focus was the assessment of the underlying storage concepts, the underlying cost assumptions and the offset income. Furthermore, we verified that the cost increase rates and maturity-matched interest rates were properly derived from market data. We assessed the reliability of the assumptions of the executive directors by comparing actual cost rates for the financial year with the planning of the prior year. As part of our audit, we also evaluated the results of experts and the professional qualifications of the experts. For the assessment of the discount rate, we reviewed and assessed evidence relating to the parameters used. Furthermore, we verified the time planning for the utilization of the provisions. In the event of changes in the estimates previously made, we obtained evidence in order to assess whether these adjustments were proper.

   We were able to satisfy ourselves that the estimates and assumptions made by the executive directors for the recognition and measurement of the mining provisions were sufficiently substantiated and documented.

c) The disclosures regarding the mining provisions are contained in section "(23) Provisions for mining obligations" of the notes to the consolidated financial statements.

2. MEASUREMENT OF NON-CURRENT ASSETS OF THE CASH-GENERATING UNIT "POTASH AND MAGNESIUM PRODUCTS"

a) In financial year 2020, the executive directors of the Company recognized an impairment of the non-current assets of the cash-generating unit "Potash and Magnesium Products". The basis for this measurement was the negative development at that time of the decisive measurement factors for the potash business, especially the medium-term price development, the potash price achievable in the long term and the capital cost rate. The impairment losses recognized in 2020 amounted to € 1.9 billion and primarily related to property, plant and equipment (€ 1.8 billion).

In financial year 2021, the executive directors of K+S AG, due to the positive development of the decisive measurement factors, identified indicators pursuant to IAS 36.110 according to which the need for impairment no longer exists and fully reversed the impairment recognized in financial year 2020 on non-current assets with the exception of goodwill.

The measurement of property plant and equipment was reviewed based on their fair value less costs of disposal that exceed their value in use. The recoverable amount, as the larger value from fair value less costs of disposal and value in use, was calculated based on a measurement model in accordance with the discounted cash flow method. In this context, the planning calculations for the coming three years (medium-term planning) prepared by the executive directors and acknowledged by the supervisory board were taken as a basis and extrapolated based on long-term assumptions regarding potash prices, the planned utilization levels and production capacities of the plants, their expected lifespans and the planned costs.

The outcome of these valuations is dependent to a large extent on the estimates made by the executive directors of the future cash flows and on the discount rates, rates of growth and other assumptions applied. The measurements are therefore subject to material uncertainty and scopes for judgment. Against this background and due to the underlying complexity of the valuation, this matter was of particular significance in the context of our audit.

b) For the assessment of the appropriateness of the calculation underlying the valuation, we reconciled the anticipated incoming future cash flows contained therein with the planning adopted by the Board of Directors and approved by the Supervisory Board. Furthermore, with the involvement of our measurement specialists, we assessed the assumptions underlying the planning using general and sector-specific market expectations and current price developments in the potash market. To achieve greater objectivity regarding the forecast potash price developments, we also took, in particular, market studies by third parties regarding potash price developments into account. In addition, we assessed the appropriate consideration of the costs of Group functions. In light of the fact that even relatively small changes in the discount rate applied can have a material impact on the level of the fair value determined (less costs of disposal), we, together with our measurement specialists, also assessed the parameters taken by K+S as the basis for determining the discount rate applied as well as the assumptions underlying the model for deriving the discount rate. In addition, we verified the calculation models with a view to their consistency and calculation systematics. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. Furthermore, we reviewed the completeness and accuracy of the assumptions in the notes to the consolidated financial statements required in the context of this impairment reversal pursuant to IAS 36 and in so doing took the findings of the audit of the German Financial Reporting Enforcement Panel (FREP) completed in the year under review into account.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

c) The disclosures of the Company regarding the reversal of the impairment of property, plant and equipment are contained in the section “Notes to the income statement under “(12) Intangible assets, propoerty, plant and equipment ans impairment tests”.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

+ the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section “Declaration on corporate governance” of the group management report
+ the non-financial statement pursuant to § 289b Abs. 1 HGB and § 315b Abs. 1 HGB included in section “Combined Non-Financial Statement” of the group management report
+ the information included in the sections “Business model” and “Report on economic position” of the group management report, which are marked as non-audited.

The other information also comprises all other parts of the annual report – without further crossreferences to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

+ is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
+ otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

The executive directors and the supervisory board are further responsible for the preparation of the remuneration report, including the related disclosures, which is included in a separate section of the group management report and complies with the requirements of § 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

+ Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
+ Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
+ Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
+ Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
+ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
+ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
+ Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
+ Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 ABS. 3A HGB

ASSURANCE OPINION

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file 529900YURAYD4IJX2J91-2021-12-31-de (2).zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

BASIS FOR THE ASSURANCE OPINION

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

GROUP AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also

+ Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
+ Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
+ Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
+ Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
+ Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machinereadable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 12 May 2021. We were engaged by the supervisory board on 28 May 2021. We have been the group auditor of the K+S AKTIENGESELLSCHAFT, Kassel, without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Michael Conrad.

Frankfurt am Main, 8 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Conrad Wirtschaftsprüfer	Thorsten Neumann Wirtschaftsprüfer

FURTHER INFORMATION

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INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING[1]

To K+S AKTIENGESELLSCHAFT, Kassel

We have performed a limited assurance engagement on the combined non-financial statement of K+S AG, Kassel, (hereinafter the "Company") for the period from 1 January to 31 December 2021 (hereinafter the "Combined Non-financial Statement") included in section "Combined Non-financial Statement" of the combined management report.

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES

The legal representatives of the Company are responsible for the preparation of the Combined Non-financial Statement in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted there-under, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU Taxonomy" of the Combined Non-financial Statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Company that are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal control as the legal representatives consider necessary to enable the preparation of a Combined Non-financial Statement that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the legal representatives have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy" of the Combined Non-financial Statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

RESPONSIBILITY OF THE ASSURANCE PRACTITIONER

Our responsibility is to express a conclusion with limited assurance on the Combined Non-financial Statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE)

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined non-financial statement and issued an independent practitioner`s report in German language, which is authoritative. The following text is a translation of the independent practitioner`s report.

3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Combined Non-financial Statement, other than the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the legal representatives disclosed in section "EU Taxonomy" of the Combined Non-financial Statement.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

+ Gain an understanding of the structure of the Company's sustainability organization and stakeholder engagement
+ Inquiries of the legal representatives and relevant employees involved in the preparation of the Combined Non-financial Statement about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Non-financial Statement
+ Identification of likely risks of material misstatement in the Combined Non-financial Statement
+ Analytical procedures on selected disclosures in the Combined Non-financial Statement
+ Evaluation of the presentation of the Combined Non-financial Statement
+ Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the Combined Non-financial Statement
+ Inquiries on the relevance of climate risks

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the legal representatives are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

ASSURANCE OPINION

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Combined Non-financial Statement of the Company for the period from 1 January to 31 December is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the legal representatives disclosed in section "EU Taxonomy" of the Combined Non-financial Statement. We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement.

RESTRICTION OF USE

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Kassel, 8 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Conrad
Wirtschaftsprüfer
(German public auditor)

ppa. Elena Ollendiek

SUSTAINABILITY KEY INDICATORS AT THE LEVEL OF CONTINUING OPERATIONS, K+S AG, AND DISCONTINUED OPERATIONS[1] **D.1**

Chapter	Key indicator	Discontinued operations 2020	Discontinued operations Jan 1, 2021– April 30, 2021	Continuing operations 2020	Continuing operations 2021	thereof K+S AG 2020	thereof K+S AG 2021
Society & Employees Health & Occupational Safety	Occupational accidents (number)	45	5	667	749	15	6
	Occupational accidents with lost time	18	2	154	185	1	1
	Accident rate	5.9	5.3	38.1	45.8	11.2	5.5
	LTI rate	2.4	2.1	8.8	11.3	0.7	0.9
	Fatal accidents (number)	0	0	0	0	0	0
Society & Employees Diversity & Inclusion	Positive perception of an inclusive work environment by employees (%)	–	–	54.4	54.4	–	–
	Headcount	3,608	3,592	11,273	10,840	803	645
	Male share in the number of employees (%)	84.7	84.6	88.2	89.0	59.3	57.7
	Female share in the number of employees (%)	15.3	15.4	11.8	11.0	40.7	42.3
	Share of severely disabled employees in Germany (%)	–	–	5.3	5.1	5.2	5.5
	Average age of employees in years	41.7	44.9	42.1	42.0	42.6	42.6
Business Ethics & Human Rights Sustainable Supply Chains	Critical suppliers aligned with the Supplier Code of Conduct of K+S Group (%)	34.8	16.7	77.4	86.6	Values included in continuing operations	Values included in continuing operations
	Coverage of purchasing volume by the Supplier Code of Conduct of K+S Group (%)	80.5	82.7	66.8	80.7	Values included in continuing operations	Values included in continuing operations
Value creation Procurement	Suppliers (number)	5,700	4,000	8,700	8,600	Values included in continuing operations	Values included in continuing operations
	Purchasing volume (€ billion)	0.9	0.3	1.6	1.6	Values included in continuing operations	Values included in continuing operations
	Geographical distribution of material purchasing (%)	– USA 58% – Canada 22% – Chile 11% – United Kingdom 2% – Denmark 2% – Rest of the world 5% – 98% of contract partners are located in OECD countries	– USA 62% – Canada 20% – Chile 11% – Denmark 2% – United Kingdom 1% – Rest of the world 4% – 98% of contract partners are located in OECD countries	– Germany 68% – Canada 15% – Netherlands 5% – France 2% – Belgium 1% – Rest of the world 9% – 99% of contract partners are located in OECD countries	– Germany 69% – Canada 12% – Netherlands 3% – France 2% – USA 1% – Rest of the world 13% – 99% of contract partners are located in OECD countries	Values included in continuing operations	Values included in continuing operations
Business Ethics & Human Rights Compliance & Anti-Corruption	New as of 2020: Coverage of the K+S Group companies with a standardized Compliance Risk Analysis (CRA) (%)	–	–	–	25	–	–
Stakeholder Dialogue Donations and Sponsoring	Total donations for scientific and charitable purposes (€ million)	1.3	0.1	1.0	0.7	0.7	0.3

SUSTAINABILITY KEY INDICATORS AT THE LEVEL OF CONTINUING OPERATIONS, K+S AG, AND DISCONTINUED OPERATIONS[1] D.1

Chapter	Key indicator	Discontinued operations 2020	Discontinued operations Jan 1, 2021– April 30, 2021	Continuing operations 2020	Continuing operations 2021	thereof K+S AG 2020	thereof K+S AG 2021
Employees Our workforce	Number of employees (full-time equivalents)	3,597	3,584	11,135	10,711	757	607
	Number of employees (headcount)	3,608	3,592	11,273	10,840	803	645
	Trade union members worldwide (%)	58.9% Chile 58.0% USA	58.5% Chile 60.4% USA	75.3% Germany	75.9% Germany	24.7% Germany	25.8% Germany
	Employees covered by collective wage agreements (%)	100% tariff	100% tariff	83.6% tariff 5.5% trainees 10.9% non-tariff	84.6% tariff 5.7% trainees 9.7% non-tariff	43.7% tariff 3.7% trainees 52.6% non-tariff	45.9% tariff 3.7% trainees 50.4% non-tariff
	Average period of employment (years)	11.6	11.6	15.2	15.3	13.0	13.2
	Turnover rate (%)	12.5	2.9% as of March 31 (3 months), 11.8% as of Dec 31 (extrapolated to 1 year)	6.0	9.2	7.6	28.2
Employees Remuneration	Personnel expense (€ million)	291.3	–	858.8	885.3	88.8	82.4
	Personnel expense per employee (FTE) (€)	80,620.0	–	77,063.6	82,153.7	113,646.8	126,575.6
	Share of variable remuneration (€ million)	12.7	–	21.7	56.0	7.1	10.6
	Share of variable remuneration (%)	4.4	–	2.5	6.3	8.0	12.9
Employees Education	Trainees (number)	0	0	596	598	30	24
	Newly hired trainees (number)	0	0	167	162	8	4
	Trainee rate (%)	0	0	5.9	6.1	4.0	4.0
	Trainee takeover rate (%)	0	0	84.0	83.0	100.0	100.0
Employees Continuing education and further training	Investment in continuing education and further training (€ million)	1.8	0.7	5.9	6.6	Values included in continuing operations	Values included in continuing operations
	Attended further training days in Germany (number)	–	–	5,375	6,257	Values included in continuing operations	Values included in continuing operations
Governing bodies Target figures first and second level below the Board of Executive Directors	Share of women on the first level below the Board of Executive Directors (%)	–	–	8.7	13.3	8.7	13.3
	Share of women on the second level below the Board of Executive Directors (%)	–	–	20.5	20.6	20.5	20.6
Research and Development Research key indicators	Total research costs (€ million)	2.3	0.8	11.1	10.0	2.2	1.2
	Research intensity (%)	0.2	–	0.4	0.3	Values included in continuing operations	Values included in continuing operations
	Capitalized development-related capital expenditures (€ million)	0	0	0.8	0.6	0.1	–
	Patent families (number)	6	5	64	52	–	–
	Regional/national patent rights (number)	19	18	261	167	–	–
	National or regional trademark rights (number)	approx. 450	487	1,962	1,892	–	–
	Base brands (number)	approx. 200	237	324	356	–	–

SUSTAINABILITY KEY INDICATORS AT THE LEVEL OF CONTINUING OPERATIONS, K+S AG, AND DISCONTINUED OPERATIONS[1] **D.1**

Chapter	Key indicator	Discontinued operations 2020	Discontinued operations Jan 1, 2021–April 30, 2021	Continuing operations 2020	Continuing operations 2021	thereof K+S AG 2020	thereof K+S AG 2021
Environment & Resources Capital expenditures and operating costs for environmental protection	**Capital expenditures for environmental protection (€ million)**	**3.8**	**0.6**	**128.1**	**114.4**	**4.1**	**5.2**
	thereof water protection (€ million)	3.4	0.6	125.0	106.2	4.1	5.2
	thereof air pollution control and climate protection (€ million)	0	0	0.4	3.9	0	0
	thereof waste management (€ million)	0	0	1.3	1.7	0	0
	thereof nature conservation [2] and soil remediation (€ million)	0.2	0	1.3	2.6	0	0
	thereof other (€ million)	0.1	0	0	0	0	0
	Operating costs for environmental protection (€ million)	**11.4**	**3.6**	**229.5**	**252.4**	**1.5**	**1.5**
	thereof water protection (€ million)	3.2	1.1	172.0	187.2	1.3	1.3
	thereof air pollution control and climate protection (€ million)[3]	4.8	1.5	39.6	48.6	0.1	0.1
	thereof waste management (€ million)	2.5	0.8	12.0	10.5	0	0
	thereof nature conservation and soil remediation (€ million)	0.6	0.1	1.0	1.0	0	0
	thereof other (€ million)	0.3	0.1	4.9	5.1	0	0
Environment & Resources Water	**Total water withdrawal (m³ million)**	**257.2**	**92.4**	**139.5**	**144.6**	**–**	**–**
	thereof seawater and other saline water (m³ million)	224.5	81.5	28.0	30.9	–	–
	thereof river water (m³ million)	29.2	9.6	105.7	107.8	–	–
	thereof groundwater (m³ million)	3.2	1.2	4.7	4.8	–	–
	thereof drinking water and water from municipal water supply (m³ million)	0.3	0.1	1.1	1.1	–	–
	Wastewater at municipal wastewater treatment plants (m³ million)[4]	0.2	0.1	0.2	0.2	–	–
	Operating water in river water (m³ million)	24.6	8.0	89.1	87.7	–	–
	Water or wastewater in mines or caverns (m³ million)	–	–	0.1	0.4	–	–
	Injection of saline wastewater (m³ million)	0.2	0.1	8.5	8.2	–	–
	Saline wastewater in mines or caverns (m³ million)	–	–	0.8	0.6	–	–
	Saline wastewater in seawater or other saline waters (m³ million)	20.9	5.8	26.7	29.6	–	–
	Saline wastewater in surface water (m³ million)	**5.1**	**1.3**	**4.7**	**6.0**	**–**	**–**
	thereof saline wastewater in potash production (m³ million)	–	–	4.5	5.8	–	–
	thereof saline wastewater in salt production (m³ million)	5.1	1.3	0.3	0.2	–	–
	Water withdrawal at sites with high water stress (%)	99.3	–	86.6	87.1	–	–
	Additional reduction of saline process waters from potash production in Germany (m³ million p.a.)	–	–	0.2	0.6	–	–

SUSTAINABILITY KEY INDICATORS AT THE LEVEL OF CONTINUING OPERATIONS, K+S AG, AND DISCONTINUED OPERATIONS[1] **D.1**

Chapter	Key indicator	Discontinued operations 2020	Discontinued operations Jan 1, 2021– April 30, 2021	Continuing operations 2020	Continuing operations 2021	thereof K+S AG 2020	thereof K+S AG 2021
Environment & Resources Waste	Amount of residues used for purposes other than tailings piles or avoided by increasing raw material yield (million tonnes p. a.)[5]	–	–	1.2	0.2	–	–
	Additionally covered tailings piles area (ha)	–	–	0.2	1.2	–	–
	Total covered tailings piles area (ha)	–	–	8.9	10.1	–	–
	Amount of residues for tailings piles (million tonnes)	0	0	29.3	30.1	–	–
		Discontinued operations 2020 (location-based)	Discontinued operations Jan1, 2021 – April 30, 2021 (location-based)	Continuing operations 2020 (market-/ location- based)	Continuing operation 2021 (market-/ location- based)	thereof K+S AG 2020	thereof K+S AG 2021
Environment & Resources Energy & Climate	Absolute CO_2 emissions of the K+S Group worldwide (Change to base year in %)	–	–	–	–0.5	–	–
	Direct energy sources (GWh)	**1,675.9**	**597.3**	**10,367.4**	**10,351.3**	**–**	**–**
	Scope 1 (million tonnes CO_2e)[6]	**0.4**	**0.1**	**1.9**	**1.9**	**–**	**–**
	thereof natural gas (GWh)[7]	1,242.1	451.0	10,116.3	10,100.5	–	–
	thereof coal (GWh)	298.9	102.5	–	–	–	–
	thereof diesel (GWh)	117.9	37.8	246.6	244.4	–	–
	thereof heating gas (GWh)	1.0	0.1	–	1.3	–	–
	thereof liquid gas (LPG) (GWh)	8.0	3.4	1.7	1.5	–	–
	thereof gas (GWh)	8.0	2.6	2.8	3.5	–	–
	Indirect energy sources (GWh)	**281.7**	**97.7**	**1,910.1**	**1,971.4**	**–**	**–**
	Scope 2 (million tonnes CO_2e)	**0.1**	**0.03**	**0.3 / 0.1**	**0.2 / 0.1**	**–**	**–**
	thereof externally purchased power (GWh)	281.7	97.7	445.6	437.1	–	–
	thereof externally purchased steam (GWh)	–	–	1,461.7	1,529.8	–	–
	thereof externally purchased heat (GWh)	–	–	2.8	4.5	–	–
	Total energy consumption (GWh)	**1,957.5**	**695.0**	**12,277.5**	**12,322.7**	**–**	**–**
	Scope 1 & 2 (million tonnes CO_2e)[6]	**0.5**	**0.2**	**2.2 / 2.0**	**2.2 / 2.0**	**–**	**–**
	Sold power (GWh)	–	–	42.1	69.4	–	–
	(Scope 3) emissions of outbound transportation (logistics emissions) (million tonnes CO_2e)[8]	0.4	0.1	0.5	0.5	–	–
	Specific greenhouse gas emissions (CO_2) per transported tonne (kg CO_2e/t)	15.5	14.8	23.1	21.3	–	–
	Specific greenhouse gas emissions (CO_2) in logistics (change to base year in %)[9]	-4.5	-9.0	-4.3	-11.6	–	–

[1] The key indicators recorded in the report have been rounded in accordance with standard commercial practice. Accordingly, rounding differences may occur, so that values in this report do not add up exactly to the totals given.
[2] Including landscape maintenance
[3] Subsequent Scope expansion 2020.
[4] Update precipitation amounts Frisia Zout B.V. 2020.
[5] From 2021 excluding a reduction through the existing immediate backfill measure.
[6] Conversion to calorific value-based emission factor for natural gas.
[7] Update on 2020 Bethune natural gas volumes.
[8] Selected portion of Scope 3 emissions for downstream transportation (GHG Protocol, Category 9: Downstream transportation and distribution).
[9] In 2021, consolidation base value of 2017 for continuing operations.

TEN-YEAR SUMMARY OF K+S GROUP[1] **D.2**

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Income statement											
Revenues	€ million	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	3,213.1
EBITDA[2]	€ million	1,033.3	907.2	895.5	1,057.5	519.1	576.7	606.3	640.4	444.8	969.1
EBITDA margin	%	26.3	23.0	23.4	25.3	15.0	15.9	15.0	15.7	12.0	30.2
Depreciation[3]	€ million	229.2	251.3	254.3	275.9	289.8	305.9	379.1	431.9	404.9	292.5
Group earnings, adjusted[4]	€ million	538.1	437.1	366.6	542.3	130.5	145.0	85.4	77.8	-1,802.5	2,221.3
Earnings per share, adjusted[4]	€	2.81	2.28	1.92	2.83	0.68	0.76	0.45	0.41	-9.42	11.61
Cash flow											
Operating cash flow	€ million	607.2	755.7	719.1	669.4	445.4	306.8	308.7	639.8	428.5	347.2
Capital expenditures[5]	€ million	465.5	742.5	1,153.2	1,278.8	1,170.8	810.8	443.2	493.3	526.0	334.3
Adjusted free cash flow	€ million	199.1	48.7	-306.3	-635.9	-776.8	-389.8	-206.3	139.7	-42.2	92.7
Balance sheet											
Balance sheet total	€ million	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	8,736.2
Equity	€ million	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	5,297.4
Equity ratio	%	51.4	45.3	50.6	51.9	47.2	42.7	41.6	42.4	26.5	60.6
Net financial liabilities as of Dec 31[6]	€ million	-39.4	190.4	590.9	1,363.6	2,401.1	2,974.1	3,241.5	3,116.6	3,217.4	-606.3
Debt ratio (Net financial liabilities/EBITDA)[6]	x-times	–	0.2	0.7	1.3	4.6	5.2	5.3	4.9	7.2	0.6
Working capital	€ million	1,025.7	844.9	768.1	945.9	894.6	968.1	1,126.7	1,037.9	747.4	647.4
Return on capital employed (ROCE)	%	19.9	15.2	12.7	12.5	3.0	3.2	2.6	2.3	-22.8	41.3
Employees											
Employees as of Dec 31[7]	number	14,362	14,421	14,295	14,383	14,530	14,793	14,931	14,868	14,732	10,711
Average number of employees[7]	number	14,336	14,348	14,295	14,276	14,446	14,654	14,904	14,693	14,758	10,776
Share											
Book value per share	€	17.7	17.7	20.8	22.4	23.8	21.7	21.7	23.5	11.6	27.7
Dividend per share[8]	€	1.40	0.25	0.90	1.15	0.30	0.35	0.25	0.04	–	0.20
Dividend yield[8]	%	4.0	1.1	3.9	4.9	1.3	1.7	1.6	1.3	–	1.0
Closing price as of Dec 31	XETRA, €	35.00	22.38	22.92	23.62	22.69	20.76	15.72	11.12	7.79	15.19
Market capitalization	€ billion	6.7	4.3	4.4	4.5	4.3	4.0	3.0	2.1	1.5	2.9
Enterprise value (EV) as of Dec 31	€ billion	7.5	5.3	6.1	6.9	7.9	8.1	7.4	6.7	6.1	4.7
Average number of shares[9]	million	191.40	191.40	191.40	191.40	191.40	191.40	191.40	191.40	191.40	191.40

[1] The figures relate to the continuing and discontinued operations of the K+S Group for the years 2012 to 2020. For the year 2021, the figures relate to the continuing operations of the K+S Group.

[2] EBITDA is defined as earnings before interest, taxes, depreciation, and amortization, adjusted for the amount of depreciation and amortization recognized directly in equity relating to own work capitalized, the result of changes in the fair value of operating forecast hedges still outstanding, and changes in the fair value of operating anticipatory hedges recognized in prior periods. A reconciliation can be found on page 52.

[3] Relates to depreciation and amortization of property, plant, and equipment and intangible assets, adjusted for the amount of depreciation and amortization recognized directly in equity relating to own work capitalized.

[4] The adjusted key figures include the result from operating anticipatory hedging transactions in the respective reporting period; effects from changes in the fair value of hedging transactions are eliminated. The effects on deferred and cash taxes are also adjusted; tax rate 2021: 30.2% (2020: 30.1%).

[5] Relates to cash-effective investments in property, plant, and equipment and intangible assets, taking into account reimbursement claims arising from claims management, excluding lease additions in accordance with IFRS 16. The first-time application was effective as of January 1, 2019.

[6] As of January 1, 2019, includes lease liabilities explicitly resulting from finance lease contracts concluded.

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

[8] In 2019, the proposed dividend was adjusted from the previous €0.15 to the minimum dividend to maintain eligibility for funding by KfW. In 2021, the figure corresponds to the dividend proposal.

[9] Total number of shares less the average number of treasury shares held by K+S.

FOUR-YEAR SUMMARY OF THE K+S GROUP ON SUSTAINABILITY KPIS[1] D.3

		2018[2]	2019[2]	2020	2021
Society & Employees					
Injury with lost time	LTI rate	8.5	10.4	8.8	11.3
Positive perception of an inclusive work environment by employees[3]	%	-	54.4	54.4	54.4
Environment & Resources					
Injection of saline wastewater in Germany	m^3 million p.a.	1.0	1.1	1.3	1.0
Additional reduction of saline process water from potash production in Germany[4]	m^3 million p.a.	0.4	0.8	0.2	0.6
Amount of residues used for purposes other than tailings piles or avoided by increasing raw material yield[5]	million tonnes p.a.	1.0	1.5	1.2	0.2
Additionally covered tailings pile area	ha	5.9	8.7	8.9	10.1
Carbon footprint for power consumed (kg CO_2/MWh)	%	–1.5	–1.7	–1.6	New goal as of 2021
New as of 2021: Absolute CO_2 emissions in the K+S Group worldwide[6]	%	–	–	–	–0.5
Specific greenhouse gas emissions (CO_2) in logistics (kg CO_2e/t)	%	–2	–11.1	–4.3	–11.6
Business Ethics & Human Rights					
Percentage of critical suppliers aligned with the Supplier Code of Conduct of the K+S Group	%	14.7	23.2	77.4	86.6
Coverage of the purchasing volume by the Supplier Code of Conduct of the K+S Group	%	29.4	44.9	66.8	80.7
Coverage of K+S Group companies with a standardized Compliance Risk Analysis	%	–	–	–	25

[1] The base year for our non-financial performance indicators is 2017.
[2] Values incl. Americas operating unit, which was sold effective April 30, 2021.
[3] The first data collection was carried out in 2019 (base year). The next collection is planned for 2022.
[4] Excluding a reduction attributable to the KCF plant and the end of production at Sigmundshall in 2018.
[5] From 2021, excluding a reduction through the existing immediate backfill measure.
[6] Deviating base year: 2020.
[7] Deviating base year: 2020.

FINANCIAL CALENDAR, ONLINE SERVICE

FINANCIAL CALENDAR

Quarterly Report as of March 31, 2022	May 11, 2022
Annual General Meeting, virtual	May 12, 2022
Dividend payment	May 17, 2022
Half-Year Financial Report as of June 30, 2022	August 11, 2022
Quarterly Report as of September 30, 2022	November 10, 2022
2022 Annual Report	March 15, 2023

ONLINE SERVICE

Annual Report	www.kpluss.com/ar2021
Annual General Meeting	www.kpluss.com/agm
Other publications	www.kpluss.com/publications

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