

Ad hoc disclosure of K+S Aktiengesellschaft

Kassel/Germany, November 25, 2021

Other

Final FREP findings do not result in adjustments to valuations

The **German Financial Reporting Enforcement Panel e.V.** (FREP - “DPR”) has today issued its final examination findings to K+S Aktiengesellschaft (“**K+S**”) in the procedure for the examination of the consolidated financial statements of K+S as of December 31, 2019, including the associated Group management report, as well as the abbreviated consolidated financial statements as of June 30, 2020, including the associated interim management report.

According to K+S, the final findings do not result in any adjustment requirements for the valuations of the Potash and Magnesium Products cash-generating unit (“**CGU Potash**”) in the respective financial statements. The preliminary findings regarding the consolidated financial statements as of December 31, 2019, that the value in use of the CGU Potash had not been reliably determined and was significantly overstated, and therefore that recoverability had not been demonstrated, are no longer included in the final DPR findings. The preliminary DPR finding regarding the abbreviated consolidated financial statements as of June 30, 2020, that the recoverability of the net assets of the CGU Potash had not been demonstrated, are also no longer included in the final findings.



With respect to the consolidated financial statements as of December 31, 2019, the DPR's findings are as follows:

In the consolidated financial statements of K+S AG as of December 31, 2019, material assumptions, changes in assumptions, discretionary decisions and uncertainties in estimates in connection with the impairment test of the Potash and Magnesium Products cash-generating unit (CGU Potash) were not reported appropriately.

The net assets of the CGU Potash in the amount of 5,428.3 million euros (51.3% of the consolidated balance sheet total) mainly consist of tangible fixed assets of the Bethune potash plant in Canada. In particular, it was not disclosed 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 operating life 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 CGUs are determined by the raw material reserves does not indicate that resources have been considered. 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 an entity to consider additional disclosures if the effects of events and conditions on the financial position would otherwise not be understandable to the readers of the financial statements.



With regard to the abbreviated consolidated financial statements as of June 30, 2020, the DPR's findings are:

- 1. No impairment test was carried out for the interim financial statements of K+S AG as of 30 June 2020 for the net book value of the Potash and Magnesium Products cash-generating unit (in the amount of 5,196.8 million euros, 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 and the further decline in market capitalization below the net assets of the Company. The failure to carry out an impairment test violates IAS 36.9 in conjunction with IAS 36.12 and IAS 34.28.*
- 2. In the interim management report of K+S AG for H1/2020, material events and their effects on the financial position and its development were not presented with sufficient clarity. In particular, it is not reflected 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 is in breach of 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)).*

K+S has been requested by the DPR to indicate whether the Company agrees or disagrees with the findings by December 9, 2021. By agreeing, the proceedings would be terminated.

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