H1/2021
Half-Yearly Financial Report

Sale of Americas operating unit successfully completed

+ Preliminary key figures: Cash inflow of around €2.6 billion; gain on disposal amounting to €742 million
+ Repayment of financial liabilities by around €1.7 billion, termination of KfW credit line
+ Net financial debt in relation to EBITDA sharply reduced to 2.0 times (Dec.31, 2020: 12.3 times)
+ Equity ratio rises to 48% (Dec.31, 2020: 27%)

Q2 figures (continuing operations):

+ K+S Group revenues rise to €664 million (Q2/2020: €590 million)
+ EBITDA of €112 million significantly above previous year's figure (Q2/2020: €53 million)
+ Adjusted free cash flow of € –83 million in H1 (H1/2020: €31 million)

Outlook:

+ EBITDA forecast from continuing operations raised again to a figure of €700 to €800 million (previous forecast: €500 to €600 million).
+ Adjusted free cash flow from continuing and discontinued operations should be significantly over €2 billion including the proceeds generated by the sale of the Americas (2020: € –42.2 million)

KEY FIGURES

		Q2/2020	Q2/2021	%	H1/2020	H1/2021	%
K+S Group							
Revenues	€ million	590.3	664.2	+12.5	1,237.3	1,397.5	+12.9
EBITDA [1]	€ million	52.7	111.5	>+100.0	152.0	237.4	+56.2
EBITDA margin	%	8.9	16.8	+88.0	12.3	17.0	+38.3
Depreciation and amortization [2]	€ million	88.6	67.0	–24.4	174.7	132.1	–24.4
Customer segment Agriculture [3]							
Revenues	€ million	404.6	473.7	+17.1	858.3	942.7	+9.8
Sales volumes	t million	1.75	1.89	+8.3	3.65	3.90	+6.8
Customer segment Industry+ [3]							
Revenues	€ million	185.7	190.5	+2.6	379.0	454.8	+20.0
Sales volumes	t million	1.25	1.53	+22.4	2.55	3.96	+55.7
– thereof de–icing salt	t million	0.22	0.29	+30.6	0.43	1.64	>+100.0
Capital expenditure (CapEx) [4]	€ million	101.6	86.7	–14.7	174.0	134.8	–22.5
Equity ratio	%	–	–	–	42.5	47.9	+12.9
Return on Capital Employed (LTM) [5]	%	–	–	–	–0.6	–25.1	<–100.0
Book value per share as of June 30	€	–	–	–	22.28	17.54	–21.3
Average number of shares	million	191.4	191.4	–	191.4	191.4	–
Employees on June 30 [6]	number	–	–	–	11,116	10,730	–3.5

KEY FIGURES FOR CONTINUING AND DISCONTINUED OPERATIONS

		Q2/2020	Q2/2021	%	H1/2020	H1/2021	%
Group earnings after taxes, adjusted [7]	€ million	–24.1	988.6	>+100.0	–5.6	1,269.4	>+100.0
– thereof continuing operations	€ million	–27.2	157.5	>+100.0	–67.7	386.8	>+100.0
– thereof reversal of impairment losses of property, plant, and equipment	€ million	–	146.5	–	–	326.7	–
– thereof discontinued operations	€ million	3.2	831.1	>+100.0	62.2	882.6	>+100.0
Earnings per share, adjusted [7]	€	–0.13	5.17	>+100.0	–0.03	6.63	>+100.0
– thereof continuing operations	€	–0.14	0.82	>+100.0	–0.35	2.02	>+100.0
– thereof reversal of impairment losses of property, plant, and equipment	€	–	0.77	–	–	1.71	–
– thereof discontinued operations	€	0.01	4.34	>+100.0	0.32	4.61	>+100.0
Net cash flow from operating activities	€ million	68.0	–77.8	<–100.0	323.0	69.2	–78.6
– thereof continuing operations	€ million	44.9	–1.6	<–100.0	169.2	80.6	–52.3
– thereof discontinued operations	€ million	23.1	–76.2	<–100.0	153.8	–11.4	<–100.0
Adjusted free cash flow	€ million	–43.2	2,511.8	>+100.0	161.2	2,549.1	>+100.0
– thereof continuing operations	€ million	–48.9	–68.3	–39.6	31.4	–83.4	<–100.0
– thereof discontinued operations	€ million	5.7	2,580.1	>+100.0	129.8	2,632.5	>+100.0
Net financial debt as of June 30	€ million	–	–	–	–2,979.4 [8]	–695.1	+76.7
Net financial debt/EBITDA ratio (LTM) [5]	x–times	–	–	–	5.6 [8]	2.0	–42.9
Market capitalization as of June 30	€ billion	–	–	–	1.08	2.20	>+100.0
Enterprise value (EV) as of June 30	€ billion	–	–	–	5.52 [8]	4.06	–26.5

[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, and changes in the fair value of operating anticipatory hedges recognized in prior periods.

[2] Relates to amortization of intangible assets and depreciation of property, plant, and equipment, adjusted for depreciation and amortization of own work capitalized recognized directly in equity.

[3] No segments according to IFRS 8.

[4] Relates to cash-effective capital expenditures for property, plant and equipment and intangible assets excluding leases in accordance with IFRS 16.

[5] LTM = last twelve months

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

[7] The adjusted key figures include gains/losses from operating anticipatory hedging transactions in the respective reporting period; effects from fluctuations in the fair value of hedging transactions are eliminated. The effects on deferred and cash taxes are also eliminated; tax rate Q2/2021: 30.1% (Q2/2020: 30.0%).

[8] Relates to continuing and discontinued operations, as no retrospective restatement of the balance sheet as of June 30, 2020 has been made.

MANAGEMENT REPORT

CONTENT

CORPORATE STRATEGY

On April 30, 2021, K+S AKTIENGESELLSCHAFT successfully completed the sale of its American salt business consolidated in the Americas operating unit to STONE CANYON INDUSTRIES HOLDINGS LLC ("SCIH"), Mark Demetree and partners. This represents the most significant milestone from the package of measures aimed at rapidly and significantly reducing K+S' debt. Immediately after the closing and the receipt of the purchase price payment, K+S repaid financial liabilities of more than €1.1 billion. A bond buy-back program reduced outstanding financial liabilities by a further €560 million as of June 30, 2021. Net financial debt to EBITDA significantly improved to 2.0 times.

Following the sale of the Americas operating unit, Mr. Mark Roberts left the company on April 30, 2021. Since April 1, 2021, Mr. Holger Riemensperger has been responsible as Chief Operating Officer (COO) on the Board of Executive Directors for the management and further development of the Agriculture and Industry+ customer segments as well as the areas of Production and Engineering, Supply Chain, Health, Safety, Sustainability, Quality & Management Systems.

After the sale of the American salt business, we are strategically realigning K+S. First of all, we have revised our vision and mission, i. e. our guiding principles. In our "We enrich life for generations" vision, our self-conception of utilizing the riches of nature in a way that is both environmentally friendly and creates value for people becomes clear. We extract vital minerals by mining, which are indispensable for a healthy life. This is a range of services which we will continue to further develop for generations and which provides long-term prospects for both our employees and our shareholders.

These five principles of our mission reflect the implementation of our vision:

+ We ensure nutrition, health, and safety
+ We enable the success of our customers
+ We are committed to sustainable mining
+ We leverage our unique infrastructure for economic efficiency
+ We act as a partner with our communities

We are supported in this by the megatrends: Population growth will continue. The amount of arable land available globally will continue to diminish, also as a result of climatic changes. Sufficient food production in the long term is inconceivable without highly efficient agriculture and the application of fertilizers.

A new corporate strategy is currently being developed on this basis. We aim to complete the strategy process by late summer of this year. In this process, we are concentrating on four key areas:

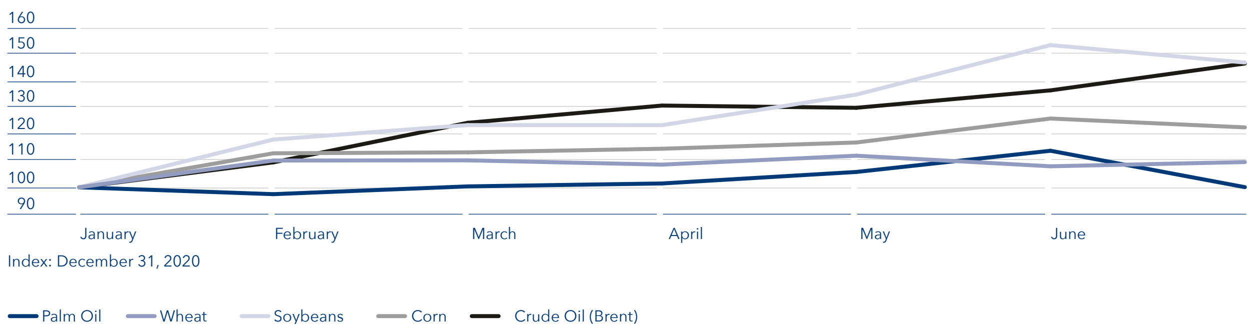
+ Making the existing business even more robust to generate positive free cash flow at every production site from 2023 at the latest, even in the event of low potash prices
+ Further developing growth options in our existing business, e.g. by expanding the specialties portfolio and customer advisory services
+ Developing new business areas, in particular through leveraging our unique infrastructure
+ Our climate strategy

OVERVIEW OF THE COURSE OF BUSINESS

MACROECONOMIC ENVIRONMENT

DEVELOPMENT OF COMMODITY PRICES BY MONTH IN 2021

in %



Source: Worldbank

Prices of key agricultural commodities at the end of the second quarter were in some cases significantly higher than at the beginning of the year. Prices for corn, soybeans, and wheat rose by around 47%, 23%, and 9%, respectively. Compared with June 30, 2020, prices for corn, soybeans, wheat, and palm oil were even 97%, 70%, 37%, and 55% higher, respectively, at the end of the second quarter of 2021.

The Brent crude oil price recorded a significant increase in the course of the first half of the year. At the end of June, the price was around USD 73 per barrel, around 47% above the level at the beginning of the year and 83% above the level for June 30, 2020. The average value of the NCG Natural Gas Year Future, which mainly reflects western and southern Germany, rose from around €17/MWh at the beginning of the year to around €25/MWh. The Henry Hub Natural Gas Future, which mainly reflects the price situation in North America, recorded a significant increase from 2.8 USD/mmBtu at the beginning of the year to 3.7 USD/mmBtu at the end of June 2021.

IMPACT ON K+S

The changes in the macroeconomic environment mainly had the following effects on the course of business at K+S:

+ The partly significant increase in the prices of important agricultural commodities and the resulting yield prospects, also against the background of favorable currency conditions in certain regions, strengthened the incentive for farmers in the reporting period to increase yield per hectare through the application of plant nutrients and generally expand the area under cultivation.
+ The K+S GROUP's energy costs are affected in particular by the cost of purchasing natural gas. Our long-term purchasing agreements with favorable conditions, however, make us fundamentally more independent of short-term market price developments. Overall, the K+S GROUP's energy costs from primary procurement in the second quarter were significantly higher than the previous year's level as a result of the sharp price increases on the spot markets due to price and volume factors.
+ Freight costs for the K+S GROUP are significantly affected by prices for sea freight, rail freight, inland waterway transportation, and truckload transportation. As a result of higher crude oil prices and a lower availability of freight space, mainly for overseas containers and bulk ships, freight rates have risen significantly. In the second quarter, the freight costs of the K+S GROUP were also significantly higher year-on-year as a result of both price and volume factors.
+ Foreign currency hedging system: As a result of the hedging instruments used, the exchange rate in the second quarter of 2021, including hedging costs, averaged 1.12 €/USD. The average spot rate was 1.21 EUR/USD (Q2/2020: conversion rate 1.14 €/USD with an average spot rate of 1.10 €/USD).

Further information on the foreign currency hedging system can be found in the 2020 Annual Report on page 57.

SECTOR-SPECIFIC ENVIRONMENT

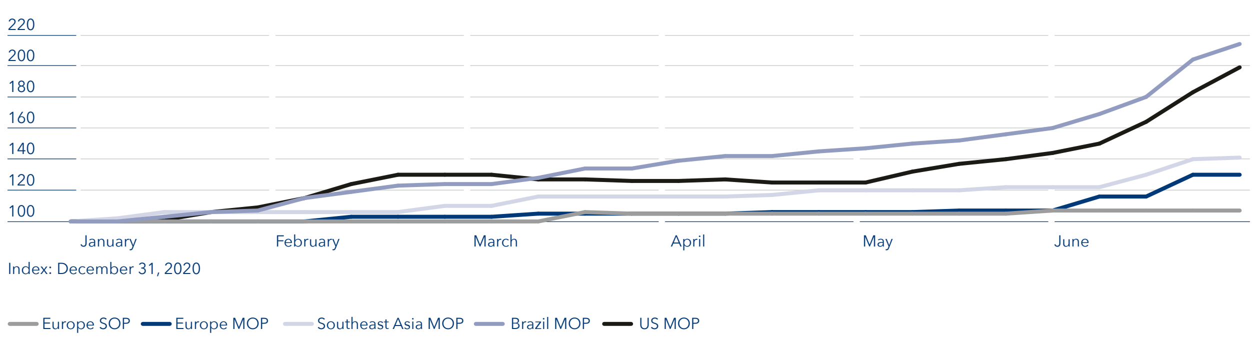
The underlying conditions in the main sales regions and competitive positions described in the 2020 Annual Report starting on page 28 remained virtually unchanged for the individual customer segments.

AGRICULTURE CUSTOMER SEGMENT

Demand in the Agriculture customer segment was very favorable in all sales regions in the reporting period. Producers reported high capacity utilization. At the beginning of June, the North American competitor Mosaic furthermore announced that the Esterhazy K1 and K2 shafts would be decommissioned ahead of schedule, resulting in 1 million tonnes less product being available to the global potash market by March of next year. Moreover, it was unclear at times to what extent sanctions against Belarus could have an impact on the availability of potassium chloride from Belaruskali production on the global potash market. There were price increases in all overseas markets. The sharpest increase was recorded in Brazil and North America, followed by other overseas markets, such as Southeast Asia. Sales prices also rose significantly in Europe. Prices for our fertilizer specialties likewise increased.

DEVELOPMENT OF POTASH PRICES BY MONTH IN 2021

in %



Quelle: Argus FMB

INDUSTRY+ CUSTOMER SEGMENT

Demand for de-icing salt recorded a weather-related increase in the first quarter, which turned into a good early-fills business in the second quarter of 2021 due to low inventories at customers. Due to the economic situation, demand from the chemical industry also recorded a significant increase. Demand for products for the food and feed industry as well as for other commercial applications also rose again significantly after a weaker prior-year quarter due to the pandemic, while demand for products for the pharmaceutical industry remained at a low level due to the COVID-19 pandemic. Demand for consumer products returned to normal after the strong prior-year quarter.

RELATED PARTIES

Please see the relevant sections in the Notes on page 33 for a detailed description of significant transactions with affiliated companies and related parties.

EARNINGS POSITION, FINANCIAL POSITION, AND NET ASSETS

Unless otherwise indicated, the statement on the results of operations, financial position, and net assets relates to the continuing operations of the K+S GROUP. The previous Americas operating unit is reported as "discontinued operations" in accordance with IFRS 5 due to the sale agreement from October 5, 2020. The income statement and the cash flow statement of the respective prior-year period were adjusted accordingly; the values of the balance sheet as of June 30, 2020 were not adjusted.

In the quarter under review, EBITDA from continuing operations was negatively impacted by the efficiency losses associated with the extensive measures to minimize the risks of infection by COVID-19, test offers as well as the K+S vaccination campaign at German sites by about €10 million, similar to the previous year's quarter. As part of the K+S vaccination campaign, more than 3,500 vaccination doses have been administered to employees and relatives at German sites so far. In this way, K+S is making an important social contribution to immunizing the population.

FINANCIAL POSITION

REVENUES

KEY FIGURES FOR THE FINANCIAL POSITION OF CONTINUING OPERATIONS

in € million	Q2/2020	Q2/2021	%	H1/2020	H1/2021	%
Revenues	590.3	664.2	+12.5	1,237.3	1,397.5	+12.9
EBITDA	52.7	111.5	+>100	152.0	237.4	+56.2
Depreciation and amortization [1]	88.6	67.0	–24.4	174.7	132.1	–24.4
Group earnings after taxes, adjusted [2]	–27.2	157.5	+>100	–67.7	386.8	+>100
– thereof reversal of impairment of property, plant and equipment	–	146.5	–	–	326.7	–

[1] 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 in connection with own work capitalized.

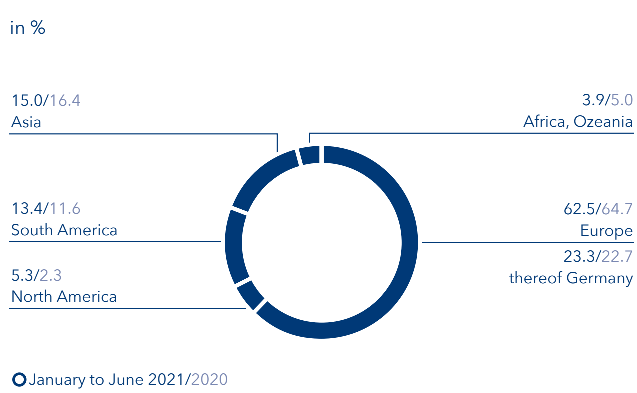
[2] Includes the gains/losses from operating anticipatory hedges for the respective reporting period; effects from fluctuations in the fair value of hedges are eliminated. The effects on deferred and cash taxes are also adjusted; tax rate Q2/2021: 30.1 % (Q2/2020: 30.0%).

Revenues of the K+S GROUP rose by about 13% to €664.2 million in the second quarter of 2021, following €590.3 million in the prior-year period. This was mainly attributable to higher average prices and sales volumes in the Agriculture customer segment and higher sales volumes in the Industry+ customer segment. In the first half of 2021, sales increased by almost 13% to €1,397.5 million (H1/2020: €1,237.3 million) as a result of the aforementioned effects.

VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q2/2021	H1/2021
Change in revenues	**+12.5**	**+12.9**
– volume/structure–related	+7.4	+12.3
– price/pricing–related	+7.8	+3.2
– currency–related	–2.7	–2.6

REVENUES BY REGION



DEVELOPMENT OF SELECTED COST TYPES

Cost of sales decreased to €455.9 million in the second quarter of 2021 (Q2/2020: €553.1 million). Here, the reversal of impairment losses described on page 9 more than offset higher logistics and energy costs. Marketing and general administrative expenses decreased to €30.4 million in the reporting quarter from €44.3 million in the previous year. This improvement was mainly attributable to the restructuring of administrative functions. In the first half of 2021, cost of sales amounted to €894.9 million, compared with €1,104.0 million in the previous year; here, too, the reversal of impairment losses in the first and second quarter had a positive impact. Marketing and general administrative expenses decreased to €75.8 million (H1/2020: €94.7 million); the reasons for the deviation were analogous to those for the second quarter.

Personnel expenses and the costs of freight, materials, and energy are of particular importance for K+S. Personnel expenses amounted to €230.1 million in Q2/2021 (Q2/2020: €226.2 million); a positive effect from the restructuring of administrative functions was offset by higher provisions for vacation. In the first half of the year, personnel expenses amounted to €445.2 million (H1/2020: €441.8 million). Freight costs were significantly higher year-on-year in both the second quarter and the first half of 2021 at €128.4 million and €256.3 million, respectively, in particular due to higher freight rates (Q2/2020: €95.8 million; H1/2020: €202.5 million). The cost of raw materials, consumables, supplies, and purchased goods (cost of materials) increased to €108.4 million in Q2/2021 (Q2/2020: €93.7 million) and to €208.8 million over the entire first half of the year (H1/2020: €196.2 million). For energy, costs increased to €63.5 million in the second quarter (Q2/2020: €49.5 million), in particular due to price factors; in the first half of the year, energy costs rose to €125.9 million compared to €123.7 million in the previous year.

RECONCILIATION TO OPERATING EARNINGS AND EBITDA

in € million	Q2/2020	Q2/2021	H1/2020	H1/2021
Earnings after operating hedges	**−2.2**	**178.3**	**−21.5**	**399.5**
Gain (-)/loss (+) arising from changes in the fair values of outstanding operating anticipatory hedges	−31.8	−4.6	4.8	3.3
Elimination of fair value fluctuations of realized operating anticipatory hedges recognized in prior periods	−1.9	15.5	−6.0	27.2
Earnings before operating hedges	**−35.9**	**189.5**	**−22.7**	**430.0**
Depreciation and amortization (+)/impairment losses (+)/reversals of impairment losses (-) on non−current assets	90.3	9.5	177.9	− 104.2
Capitalized depreciation (−)[1]	− 1.7	− 1.5	− 3.2	− 2.7
Impairment losses (+) / reversals of impairment losses (−) on investments accounted for using the equity method	–	2.0	–	2.0
EBITDA	**52.7**	**111.5**	**152.0**	**237.4**

[1] 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.

DEVELOPMENT OF EARNINGS

EBITDA of the K+S GROUP amounted to €111.5 million in the quarter under review, compared with €52.7 million in the prior-year period. This was mainly due to higher average prices and sales volumes in the Agriculture customer segment and higher sales volumes in the Industry+ customer segment. Price-related higher logistics and freight costs were almost offset by positive effects from currency hedging, savings from the restructuring of administration, and efficiency improvements in production.

Earnings after operating hedges amounted to €178.3 million in the reporting quarter (Q2/2020: €–2.2 million); while the reversal of impairment losses described on page 9 and lower scheduled depreciation had a positive impact here, earnings benefited to a lesser extent than in the prior-year period from changes in the fair value of the anticipatory hedges still outstanding.

In the first half of the year, EBITDA increased to €237.4 million, compared with €152.0 million in the previous year's period. In addition to the effects described in the second quarter, the first quarter also recorded higher sales volumes in both customer segments, especially for de-icing salt, which offset lower average revenues in the Agriculture customer segment as well as higher logistics and energy costs. Earnings after operating hedges increased accordingly to €399.5 million in the first half of 2021 (H1/2020: €–21.5 million); here too, in addition to the operational improvement, the reversal of impairment losses had a particularly positive impact.

Under IFRS, fluctuations in fair value from hedging transactions are recognized in the income statement. Earnings after operating hedges include all earnings from operating hedges, i.e., both measurement effects at the reporting date and earnings from realized operating hedging derivatives. Earnings before operating hedges correspond to operating earnings, including earnings from realized operating hedges, adjusted for fluctuations in the fair value of hedging transactions that have not yet matured. Fluctuations in the fair value of hedging transactions that have not yet matured during their term are therefore eliminated. Effects on earnings from the hedging of underlying transactions of a financing nature are reported in the financial result.

Following the impairment loss recognized in the third quarter of 2020, which related almost entirely to property, plant, and equipment, the impairment test for the Potash and Magnesium Products cash-generating unit, which is to be carried out on a regular basis in accordance with IFRS standards, is very likely to result in significant fluctuations in value in the future due to changes in assumptions about individual 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 taxes and ROCE, but do neither lead to a change in liquidity nor affect EBITDA. In the second quarter, adjusted Group earnings after taxes were positively impacted accordingly by an impairment reversal of €146,5 million. Higher price assumptions more than offset negative effects resulting from a higher cost of capital. In the first half of 2021 adjusted earnings after taxes were positively impacted by a reversal of impairment losses of €386,8 million as a result of higher price assumptions.

Please refer to page 32 of the Notes for further information on the impairment test.

FINANCIAL RESULT

The financial result for the reporting quarter amounted to €–33.4 million (Q2/2020: €–8.2 million) and was mainly impacted by the bond buy-back. The financial result in the first half of 2021 amounted to €–23.1 million (H1/2020: €–57.3 million) and benefited from positive currency effects in the other financial result in the first quarter.

For further information on the financial result and interest on provisions, please refer to page 28 of the Notes.

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

Group earnings after taxes and non-controlling interests reached €149.9 million in the second quarter of 2021 (Q2/2020: € –3.7 million). In addition to the reversal of impairment losses described above, the increase in EBITDA in the second quarter of 2021 contributed to the strong improvement. This results in earnings per share of €0.78 (Q2/2020: €–0.02). An average number of 191.4 million no-par value shares outstanding was used as the basis for the calculation. In the first half of the year, Group earnings after taxes and non-controlling interests increased very significantly to €365.5 million (H1/2020: €–66.9 million). This represents an improvement in earnings per share to €1.91 (H1/2020: €–0.35).

Group earnings after taxes adjusted for changes in the fair value of derivatives rose to €157.5 million in the second quarter of 2021, compared with €–27.2 million in the prior-year period. This results in a value per share of €0.82 (Q2/2020: €–0.14). After the first six months, adjusted Group earnings after taxes improved to €386.8 million (H1/2020: €–67.7 million). In the same period, adjusted earnings per share amounted to €2.02 compared to €–0.35 in the previous year.

RETURN ON CAPITAL EMPLOYED (ROCE)

The return on capital employed as of June 30, 2021 (LTM) was –25.1% compared with –0.6% in the prior-year period; as a result of the LTM consideration, the impairment loss from the third quarter of 2020 in particular had a negative impact here.

FINANCIAL POSITION

FINANCIAL POSITION OF CONTINUING OPERATIONS

in € million	Q2/2020	Q2/2021	%	H1/2020	H1/2021	%
Capital expenditure [1]	101.6	86.7	–14.7	174.0	134.8	–22.5
Cash flow from operating activities	44.9	–1.6	<–100.0	169.2	80.6	–52.3
Cash flow from investing activities [2]	–93.8	–66.7	+28.9	–137.8	–164.0	–19.0
Adjusted free cash flow [2]	**–48.9**	**–68.3**	**–39.6**	**31.4**	**–83.4**	**<–100.0**

[1] Relates to cash payments for investments in property, plant, and equipment and intangible assets, excluding leases in accordance with IFRS 16.
[2] Adjusted for acquisitions/disposals of securities and other financial investments.

DECLINE IN CAPITAL EXPENDITURES IN THE SECOND QUARTER COMPARED TO THE PREVIOUS YEAR

In the second quarter of 2021, the K+S GROUP invested a total of €86.7 million (Q2/2020: €101.6 million). The year-on-year decline is attributable to the completion of the project to brine a new salt cavern in the Netherlands in the fall of 2020. Major projects in the reporting quarter were the tailings pile expansions at three sites, the occupational exposure limits project to reduce pollutant emissions at underground workplaces as required by law, as well as the continuous pad development in Bethune.

In the first half of 2021, capital expenditures also decreased to €134.8 million, compared with €174.0 million in the prior-year period; weather-related postponements of capital expenditures for tailings pile expansions, in addition to the completion of the project to brine a new salt cavern in the Netherlands described above, are the main reasons for the decline.

OPERATING AND FREE CASH FLOW FROM CONTINUING OPERATIONS BELOW PRIOR YEAR

Cash flow from operating activities decreased to €80.6 million in the first half of 2021, compared with €169.2 million in the first half of 2020. The improvement in EBITDA could not fully offset the higher level of funds tied up in working capital and the cash outflow in the mid-double-digit million range as part of the restructuring of the administrative functions.

Cash flow from investing activities adjusted for the acquisitions/disposals of securities and other financial investments amounted to €–164.0 million in the first half of the year, compared with €–137.8 million in the previous year's period, which benefited from the receipt of the purchase price payment from the deconsolidation of K+S REAL ESTATE GMBH & CO. KG.

Adjusted free cash flow therefore reached €–83.4 million in the first half of the year, compared with €31.4 million in the previous year. Adjusted free cash flow from continuing and discontinued operations excluding the special effects from the sale of the Americas operating unit reached €–24.2 million. The operating business of the Americas operating unit therefore made a positive contribution of €59.2 million to adjusted free cash flow in the first four months.

Cash flow from financing activities amounted to €–1.656.9 million in the reporting period (H1/2020: €–110.6 million) on account of the repayment of financial liabilities described above.

As of June 30, 2021, net cash and cash equivalents amounted to €711.7 million (Dec. 31, 2020: €197.4 million; June 30, 2020: €177.8 million). This relates to cash investments, mainly bank deposits, as well as money market paper and comparable securities with maturities of up to three months.

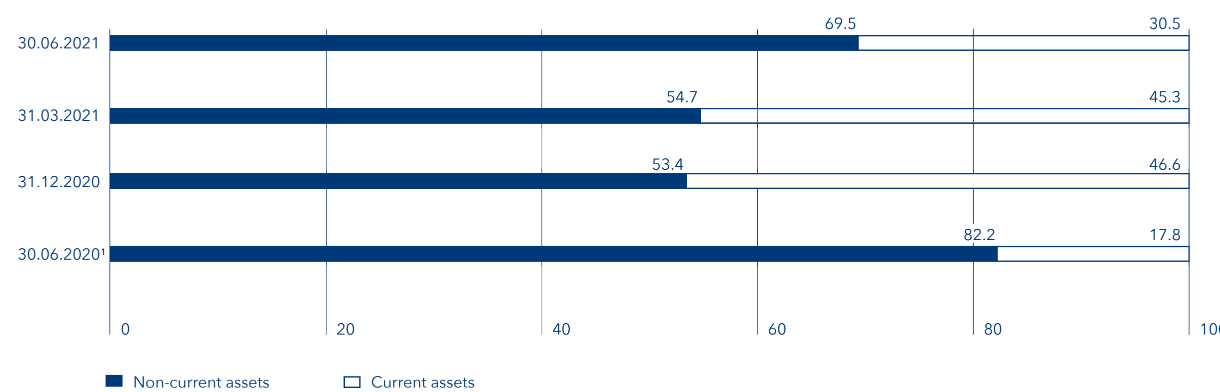
NET ASSETS

The total assets of the K+S GROUP amounted to €7,007.4 million as of June 30, 2021 (12/31/2020: €8,387.4 million). Property, plant, and equipment rose to €4,603.0 million due to the reversal of impairment losses due to higher price assumptions despite a higher cost of capital (Dec. 31, 2020: €4,109.9 million). Cash and cash equivalents, current securities, and other financial investments increased to €1,029.8 million (Dec. 31, 2020: €149.3 million) following the cash inflow from the disposal of the Americas operating unit less the financial liabilities that have since been repaid.

At €3,358.0 million, shareholders' equity was above the level of December 31, 2020 (€2,222.6 million), mainly due to the gain on disposal of the Americas operating unit of €742.0 million and the reversal of impairment losses described above. The equity ratio was 47.9% at the reporting date, compared with 26.5% at December 31, 2020.

ASSETS

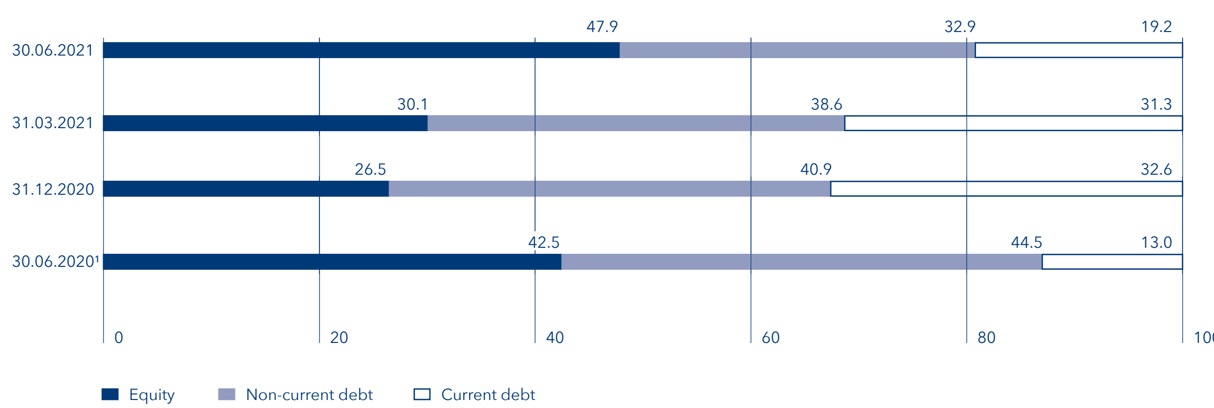
in %



[1] The balance sheet values as of June 30, 2020 have not been adjusted and include continuing operations.

EQUITY AND LIABILITIES

in %



More information on significant changes in selected balance sheet items and in equity can be found on page 32 of the notes.

NET FINANCIAL DEBT AND NET DEBT

in € million	June 30, 2020 [1]	December 31, 2020	June 30, 2021
Cash and cash equivalents	184.6	142.3	701.1
Non–current securities and other financial investments	–	6.0	18.3
Current securities and other financial investments	12.9	7.0	328.7
Financial liabilities	–3,101.2	–3,369.2	–1,676.1
Lease liabilities from finance lease contracts	–75.7	–66.3	–67.1
Net financial debt	**–2,979.4**	**–3,280.3**	**–695.1**
Leasing obligations excluding liabilities from finance lease contracts	–289.1	–174.9	–166.8
Provisions for pensions and similar obligations	–243.0	–110.3	–70.3
Provisions for mining obligations	–931.8	–926.0	–928.9
Net debt	**–4,443.2**	**–4,491.4**	**–1,861.1**

[1] The balance sheet values as of June 30, 2020 have not been adjusted and include continuing operations.

As of the reporting date, the K+S GROUP had net financial liabilities of €695.1 million (December 31, 2020: €3,280.3 million (continuing operations); June 30, 2020: €2,979.4 million (continuing and discontinued operations)). The reason for the decrease compared with December 31, 2020 was the receipt of the purchase price payment from the sale of the Americas operating unit.

The net debt/EBITDA ratio has been sharply reduced since December 31, 2020, from 12.3 times to 2.0 times as of June 30, 2021.

CUSTOMER SEGMENTS (NO SEGMENTS ACCORDING TO IFRS 8)

CUSTOMER SEGMENT AGRICULTURE

KEY FIGURES FOR THE CUSTOMER SEGMENT AGRICULTURE

in € million	Q2/2020	Q2/2021	%	H1/2020	H1/2021	%
Revenues	**404.6**	**473.7**	**+17.1**	**858.3**	**942.7**	**+9.8**
– thereof potassium chloride	232.8	278.1	+19.5	478.7	530.6	+10.8
– thereof fertilizer specialties	171.8	195.6	+13.8	379.6	412.1	+8.6
Sales volume (in million tonnes)	**1.75**	**1.89**	**+8.3**	**3.65**	**3.90**	**+6.8**
– thereof potassium chloride	1.15	1.21	+5.3	2.37	2.45	+3.4
– thereof fertilizer specialties	0.60	0.68	+14.0	1.28	1.45	+13.1

Please refer to 'Sector-specific environment' on page 6 for a description of the market environment in the Agriculture customer segment.

In the Agriculture customer segment, revenues increased significantly in the second quarter to €473.7 million (Q2/2020: €404.6 million), in particular due to volume and price factors. In the quarter under review, revenues in Europe amounted to €202.1 million (Q2/2020: €195.6 million), and overseas to €271.6 million (Q2/2020: €209.0 million). In total, potassium chloride accounted for €278.1 million of revenues (Q2/2019: €232.8 million) and fertilizer specialties for €195.6 million (Q2/2020: €171.8 million). In the first half of the year, revenues increased to €942.7 million, compared with €858.3 million in the previous year.

Sales volumes increased noticeably in the second quarter to a total of 1.89 million tonnes, compared with 1.75 million tonnes in the prior-year quarter. The further improvement in operating performance at the German sites and the continued ramp-up of production at the Bethune site as planned ensured higher product availability for meeting the very good demand.

In the quarter under review, 0.77 million tonnes were sold in Europe (Q2/2019: 0.76 million tonnes) and 1.12 million tonnes overseas (Q2/2020: 0.99 million tonnes). In total, potassium chloride accounted for 1.21 million t of the sales volume (Q2/2020: 1.15 million t) and fertilizer specialties for 0.68 million t (Q2/2020: 0.60 million t). In the first half of the year, sales volumes amounted to 3.90 million tonnes, compared with 3.65 million tonnes in the previous year.

VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q2/2021	H1/2021
Change in revenues	**+17.1**	**+9.8**
– volume/structure – related	+8.7	+8.2
– price/pricing – related	+12.0	+5.0
– currency – related	–3.6	–3.4

CUSTOMER SEGMENT AGRICULTURE: DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION

		Q1/2020	Q2/2020	H1/2020	Q3/2020	Q4/2020	2020	Q1/2021	Q2/2021	H1/2021
Revenues	**€ million**	**453.7**	**404.6**	**858.3**	**373.0**	**470.2**	**1,701.5**	**469.0**	**473.7**	**942.7**
Europe	€ million	263.6	195.6	459.2	176.2	196.2	831.6	250.6	202.1	452.7
Overseas	USD million	209.7	230.2	448.0	229.9	326.8	996.6	263.1	327.5	590.6
Sales volume	**t million**	**1.90**	**1.75**	**3.65**	**1.66**	**1.99**	**7.30**	**2.01**	**1.89**	**3.90**
Europe	t million	0.93	0.76	1.69	0.69	0.78	3.16	0.97	0.77	1.74
Overseas	t million	0.97	0.99	1.96	0.97	1.21	4.14	1.04	1.12	2.16
Average price	**€/t**	**239.2**	**230.9**	**235.2**	**225.0**	**235.5**	**233.1**	**233.3**	**250.0**	**241.8**
Europe	€/t	283.8	258.5	272.4	255.4	251.2	263.2	258.4	263.8	260.7
Overseas	USD/t	216.6	231.1	228.1	237.7	268.8	240.3	253.0	292.8	273.3

CUSTOMER SEGMENT INDUSTRY+

KEY FIGURES FOR THE CUSTOMER SEGMENT INDUSTRY+

in € million	Q2/2020	Q2/2021	%	H1/2020	H1/2021	%
Revenues	185.7	190.5	+2.6	379.0	454.8	+20.0
Sales volume (in million tonnes)	1.25	1.53	+22.4	2.55	3.96	+55.7
– thereof de–icing salt	0.22	0.29	+30.6	0.43	1.64	+>100,0

Please refer to 'Sector-specific environment' on page 6 for a description of the market environment in the Industry+ customer segment.

In the Industry+ customer segment, revenues of €190.5 million in the quarter under review were slightly higher than in the prior-year quarter (Q2/2020: €185.7 million). While revenues in the de-icing salt segment increased significantly due to the wintry weather conditions persisting into April, revenues from industrial and chemical salts recorded a moderate or slight increase compared with the previous year's quarter as a result of the economic situation. Revenues from products for the pharmaceutical industry were significantly lower compared to the second quarter of 2020 due to the COVID-19 pandemic, and revenues from consumer products normalized compared to the strong comparative quarter. In the first half of the year, revenues increased to €454.8 million (H1/2020: €379.0 million) mainly due to the favorable de-icing salt business.

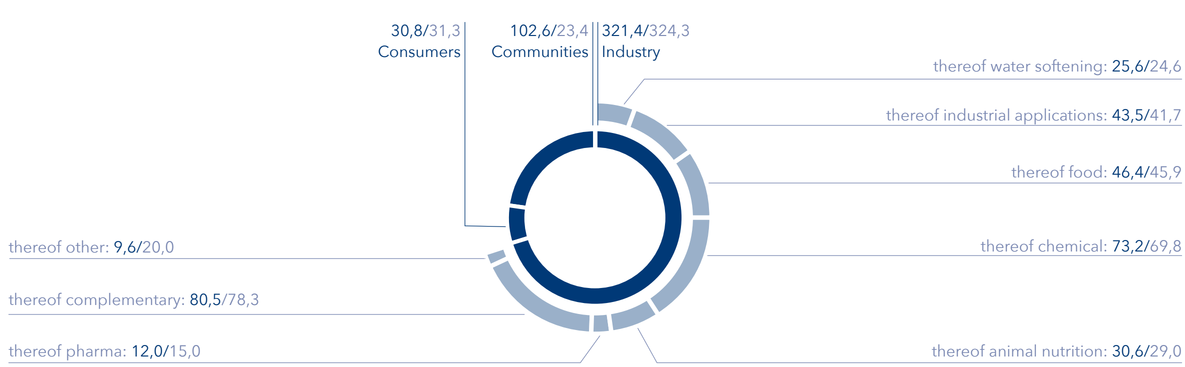
Overall, sales volumes of 1.53 million tonnes were significantly above the level of the previous year (Q2/2020: 1.25 million tonnes). This was mainly attributable to the strong de-icing salt business and the normalization of demand for salts for chemical and industrial applications, following the negative impact of the first lock down in the prior-year quarter. Sales volumes of products for the pharmaceutical industry and in the consumer sector followed the revenue trend and fell short of the sales volumes in the second quarter of 2020. In the first half of the year, sales volumes amounted to 3.96 million tonnes (H1/2020: 2.55 million tonnes).

VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q2/2021	H1/2021
Change in revenues	**+2.6**	**+20.0**
– volume/structure–related	+4.8	+21.7
– price/pricing–related	–1.4	–0.9
– currency–related	–0.8	–0.8

REVENUES BY PRODUCT GROUP

in € million



January to June 2021/2020

DISCONTINUED OPERATIONS

KEY FIGURES FOR DISCONTINUED OPERATIONS

in € million	Q2/2020	Q2/2021	H1/2020	H1/2021
Revenues	251.4	85.8	694.9	544.5
EBITDA	37.8	15.8	139.7	88.5
Earnings after taxes, adjusted [1]	3.2	831.1	62.2	882.6
Cash flow from operating activities	23.1	–76.2	153.8	–11.4
Cash flow from investing activities	–17.4	2,656.3	–24.0	2,643.8
Adjusted free cash flow	5.7	2,580.1	129.8	2,632.5

[1] The adjusted key figures include gains/losses from operating anticipatory hedging transactions in the respective reporting period; effects from fluctuations in the fair value of hedging transactions are eliminated. The effects on deferred and cash taxes are also eliminated; tax rate Q2/2021: 30.1% (Q2/2020: 30.0%).

The sale of the Americas operating unit was completed on April 30, 2021. Therefore, the reported figures for revenues and EBITDA in Q2/2021 relate only to the month of April, whereas the prior-year figures cover the full quarter. In the reporting quarter or the month of April respectively, revenues from discontinued operations amounted to €85.8 million (full Q2/2020: €251.4 million). In the first four months of 2021, revenues amounted to €544.5 million (full H1/2020: €694.9 million). EBITDA reached €15.8 million in the second quarter or the month of April (full Q2/2020: €37.8 million). Adjusted net income after taxes reached €831.1 million in the second quarter or the month of April, respectively, due to the gain on the disposal (full Q2/2020: €3.2 million); this results in a value per share of €4.34 (full Q2/2020: €0.02). In the first half of the year, the effects described above resulted in EBITDA of €88.5 million (full H1/2020: €139.7 million) and adjusted net income after taxes of €882.6 million (full H1/2020: €62.2 million).

Please refer to page 27 of the Notes for further information on the gain on disposal.

Cash flow from operating activities of discontinued operations amounted to € –11.4 million in the first four months of 2021, compared with €153.8 million in the first half of 2020. Cash flow from investing activities of discontinued operations totaled €2,643.8 million following the cash inflow from the sale of consolidated companies in the amount of €2.661.2 million, cash flow from investing activities from discontinued operations totaled €2,643.8 million in the first four months of 2021, compared with € –24.0 million in the first half of 2020. Free cash flow reached €2,632.5 million in the first four months (full H1/2020: €129.8 million). Excluding the special effects from the sale, adjusted free cash flow from discontinued operations amounted to €59.2 million in the first four months.

EMPLOYEES

NUMBER OF EMPLOYEES DOWN SLIGHTLY YEAR ON YEAR

As of 30 June 2021, the K+S GROUP employed a total of 10.730 employees (full-time equivalents). Compared to June 30, 2020 (11.116 employees), the number has decreased by about 3% as planned in the context of the restructuring of the administrative functions. The quarterly average number of employees was 10,774 (Q2/2020: 11,101); more than 90% of them within Germany. The number of trainees in Germany was 496 as of June 30, 2021, roughly on a par with the previous year (June 30, 2020: 502).

REPORT ON RISKS AND OPPORTUNITIES

For a comprehensive presentation of the risk and opportunity management system and potential risks and opportunities, please refer to the corresponding sections of our 2020 Annual Report starting on page 106. The risks and opportunities described there have changed as follows as of June 30, 2021:

On April 30, 2021, we successfully sold our American salt activities. As is usual in transactions of this kind, there are risks such as transaction price adjustments, risks from contractual clauses as well as tax risks, which have a moderate extent and are classified as potential.

K+S and REMEX GMBH, a subsidiary of the REMONDIS GROUP, are bundling their waste management activities in the new "REKS" joint venture. The transaction is expected to be completed in the fourth quarter of 2021 after all necessary approvals have been brought forward. The resulting one-off gain of around €200 million is included in our EBITDA guidance, and the cash inflow is expected to be around €90 million before taxes. We consider a failure or postponement of the transaction to be unlikely, but at ocurrence this would reduce the earnings and cash flow forecast for the current financial year by the corresponding amount.

The risks to which the K+S GROUP is exposed, both individually and in interaction with other risks, are limited and, according to current assessments, do not jeopardize the continued existence of the Company. Opportunities and risks as well as their positive and negative changes are not offset against each other.

REPORT ON EXPECTED DEVELOPMENTS

FUTURE MACROECONOMIC SITUATION

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT

in %; in real terms	2017	2018	2019	2020	2021e
Germany	+ 2.2	+ 1.5	+ 0.6	– 4.8	+ 3.6
European Union (EU–28)	+ 2.4	+ 1.8	+ 1.3	– 6.0	+ 4.7
World	+ 3.8	+ 3.7	+ 2.9	– 3.2	+ 6.0

Source: IWF

The following statements on the future macroeconomic situation are based on forecasts by the INTERNATIONAL MONETARY FUND (IMF).

The INTERNATIONAL MONETARY FUND forecasts strong growth of 6.0% in global GDP in 2021 following the slump of -3.2% in 2020. For the second half of the year, a sustained reduction in the risk of infection and a progressive normalization of general conditions are expected as vaccination against COVID-19 increases.

FUTURE INDUSTRY SITUATION

The medium- to long-term trends for the future industry situation described in the 2020 Annual Report on page 123 largely remain valid.

CUSTOMER SEGMENT AGRICULTURE

In the Agriculture customer segment, we expect demand to be very favorable in 2021. Overall, we expect that in 2021 as a whole, the record global potash sales volume from 2020 of about 76 million tonnes (including just under 5 million tonnes of potassium sulfate and potash grades with lower recycled content; previous forecast: 74 to 76 million tonnes) can be achieved once again.

Following the fact that the production volume available worldwide already required the consumption of inventories in 2020 to meet the high demand, we consider a further increase in global sales volume in 2021 to be hardly possible. We expect demand for the fertilizer specialty potassium sulfate to increase slightly. After the favorable market conditions in the first half of the year led to a significant increase in potassium chloride prices in all sales regions, which will have a positive impact on earnings in the second half of the year in particular, we now expect the average overseas price for potassium chloride to be strongly higher than a year ago (previously: significantly higher) and the price of potassium chloride in Europe to be moderately higher. For fertilizer specialties, we now also expect a slight increase on average for the year.

CUSTOMER SEGMENT INDUSTRY+

In 2021, demand for products in the Industry+ customer segment should develop positively overall. We expect demand for products for the chemical industry to return to normal levels of economic activity in the downstream industries, resulting in strong demand in the second half of the year. Demand for industrial salts should also recover in the second half of the year from the COVID-19 effects of the previous year. While demand for consumer products is largely expected to be stable, demand for pharmaceutical products should gradually improve in the second half of the year, but remain below the previous year's level. The wintry weather in the first quarter, which in part extended into April, resulted in above-average demand for de-icing salt and should continue to have a positive impact on the early-fills business. For the fourth quarter, we expect sales volumes to be at the average level of the past ten years.

REPORT ON EXPECTED DEVELOPMENTS

The price recovery for potassium chloride, the above-average de-icing salt business, our measures to streamline administration as well as the one-off gain on the closing of the REKS joint venture of about €200 million in the fourth quarter should lead to a significant improvement in EBITDA from continuing operations. We meanwhile expect earnings to improve to €700 million to €800 million (previous forecast: €500 million to €600 million; 2020: €266.9 million).

Our assessment for the full year 2021 is mainly based on the following assumptions:

+ Closing of the REKS joint venture is now expected in the fourth quarter of 2021 following completion of the review by the antitrust authorities (previous forecast: summer 2021). The resulting one-off gain of around €200 million is included in our EBITDA guidance, and the cash inflow is expected to be around €90 million before taxes.
+ In accordance with our assessment of the market environment in the Agriculture customer segment, we meanwhile assume a significantly higher average price for potash and magnesium fertilizers in our product portfolio in 2021 overall compared to the year 2020 (2020: €233; previous forecast: moderately higher average price than in 2020). This assumes the market price development described above for the Agriculture customer segment.
+ The expected sales volume of all products in the Agriculture customer segment is expected to exceed 7.5 million tonnes (2020: 7.30 million tonnes), in particular due to the further ramp-up of production in Bethune.
+ Due to the favorable start of the de-icing salt business, we expect sales volumes of over 2.6 million tonnes in the 2021 financial year following the historically mild winter in the previous year (2020: 0.9 million tonnes; normal year: 2.0 to 2.5 million tonnes).
+ With regard to the EUR/USD exchange rate, an average spot rate of 1.20 EUR/USD (2020: 1.14 EUR/USD) is assumed. Including currency hedging, this corresponds to an annual average exchange rate of 1.17 EUR/USD (2020: 1.15 EUR/USD).
+ Beyond the aforementioned COVID 19-related efficiency losses, which we expect for the remainder of the year per quarter at the level of the first and second quarters, no significant negative effects on our business are assumed as a result of the COVID-19 pandemic.

We expect adjusted Group earnings after taxes from continuing and discontinued operations to increase sharply to more than €1 billion due to the preliminary gain on the disposal of the Americas operating unit of €742.0 million (2020: €–1,802.5 million; previous forecast: strong increase to a mid three-digit million euro amount). Adjusted Group earnings after taxes from continuing operations are also expected to rise sharply to a figure in the mid three-digit million range after the impairment loss in 2020 (2020: €–1,920.9 million; previous forecast: sharp increase to a positive figure).

ANTICIPATED FINANCIAL POSITION AND PLANNED CAPITAL EXPENDITURE

Adjusted free cash flow from continuing and discontinued operations will be significantly higher than €2 billion due to the cash inflow from the disposal of the Americas operating unit in the preliminary amount of €2.6 billion (2020: -€42.2 million); without this cash inflow, despite the improved EBITDA forecast, a negative adjusted free cash flow from continuing operations, close to the level of 2020, is still to be expected in 2021 as a result of the high environmental capital expenditure as well as a higher level of funds tied up in working capital (2020: €-109.9 million; previous forecast: negative adjusted free cash flow, below the level of 2020).

At the same time, the volume of capital expenditure of the K+S GROUP in 2021 should once again be on the level of 2020 (€427.6 million), in particular due to ongoing expansions of our tailings pile capacities in Germany. Return on capital employed (ROCE) from continuing operations is expected to increase sharply to a positive value again after the impairment in 2020 (2020: -33.5%).

CHANGES IN FORECASTS FOR FULL–YEAR 2021

		2020 ACTUAL	Forecast 2020 Annual Report	Forecast Q1/2021	Forecast Q2/2021
K+S Group					
EBITDA [1]	€ million	266.9	440 to 540; of which: around 200 REKS (one–off)	500 to 600; of which: around 200 REKS (one–off)	700 to 800; of which: around 200 REKS (one–off)
Capital expenditure [2]	€ million	427.6	unchanged	unchanged	unchanged
Group earnings after taxes, 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
Group earnings after taxes, including discontinued operations, adjusted	€ million	–1,920.9	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 significantly more than €1 billion
Adjusted free cash flow	€ million	–109.9	significantly negative, below 2020 level	negative, below 2020 level	negative, close to the level of 2020
Adjusted free cash flow, including discontinued operations	€ million	–42.2	> €2 billion	significantly > €2 billion	significantly > €2 billion
ROCE	%	–33.5	significant increase, positive	significant increase, positive	significant increase, positive
€/USD exchange rate	€/USD	1.14	1.20	1.20	1.20
Sales volume customer segment Agriculture	t million	7.3	> 7.5	> 7.5	> 7.5
Average price customer segment Agriculture	€/t	233.1	slight increase vs. FY 2020	moderate increase vs. FY 2020	significant increase vs. FY 2020
Sales volume customer segment Communities	t million	0.93	> 2.5	> 2.6	> 2.6

[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 and changes in the fair value of operating anticipatory hedges recognized in prior periods.

[2] Relates to cash payments for investments in property, plant, and equipment and intangible assets, excluding leases in accordance with IFRS 16.

[3] The adjusted key figures include gains/losses from operating anticipatory hedges for the respective reporting period; effects from fluctuations in the fair value of hedges are eliminated. The effects on deferred and cash taxes are also adjusted; tax rate 2020: 30.1%.

FINANCIAL STATEMENTS

CONTENT

INCOME STATEMENT[1]

in € million	Q2/2020	Q2/2021	H1/2020	H1/2021
Revenues	**590.3**	**664.2**	**1,237.3**	**1,397.5**
Cost of goods sold	553.1	455.9	1,104.0	894.9
Gross profit	**37.2**	**208.3**	**133.3**	**502.6**
Marketing and general administrative expenses	44.3	30.4	94.7	75.8
Other operating income	14.5	17.0	35.2	61.0
Other operating expenses	38.8	24.2	85.2	85.2
Income from equity–accounted investments	–	–2.0	–	–2.3
– thereof impairment losses	–	–2.0	–	–2.0
Income from equity investments,net	2.8	3.2	2.8	3.4
Gains/(losses) on operating anticipatory hedges	26.4	6.4	–12.9	–4.2
Earnings after operating hedges[2]	**–2.2**	**178.3**	**–21.5**	**399.5**
Interest income	–	8.9	–	8.9
Interest expenses	22.0	27.4	48.0	54.2
Other financial result	13.8	–14.9	–9.3	22.2
Financial result	**–8.2**	**–33.4**	**–57.3**	**–23.1**
Earnings before tax	**–10.4**	**144.8**	**–78.8**	**376.4**
Income tax expense	–6.6	–5.1	–11.9	10.8
– thereof deferred taxes	–5.6	–13.4	–12.5	–1.0
Earnings after tax from continuing operations	**–3.7**	**149.9**	**–66.9**	**365.5**
Earnings after tax from discontinued operations	**–0.5**	**861.1**	**60.9**	**827.6**
Earnings for the period	**–4.2**	**1,011.0**	**–6.0**	**1,193.1**
Non–controlling interests in earnings	–	–	–	–
Group earnings after tax and non–controlling interests	–4.2	1,011.0	–6.0	1,193.1
– thereof from continuing operations	–3.7	149.9	–66.9	365.5
– thereof from discontinued operations	–0.5	861.1	60.9	827.6
Earnings per share in € (basic diluted)	**–0.02**	**5.28**	**–0.03**	**6.23**
– thereof from continuing operations	–0.02	0.78	–0.35	1.91
– thereof from discontinued operations	–	4.50	0.32	4.32

[1] Rounding differences may arise in percentages and figures.
[2] Key indicators not defined in IFRS.

STATEMENT OF COMPREHENSIVE INCOME[1]

in € million	Q2/2020	Q2/2021	H1/2020	H1/2021
Earnings for the period	**–4.2**	**1,011.0**	**–6.0**	**1,193.1**
Unrealized gains/losses from currency translation	20.1	–33.5	–189.5	190.5
Reclassifications to profit or loss of realized gains/losses on foreign currency translation	**–**	**–289.9**	**–**	**–289.9**
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods	**20.1**	**–323.4**	**–189.5**	**–99.4**
Re–measurement gains/(losses) on net liabilities/assets under defined benefit plans	–8.4	33.8	3.6	44.3
Disposal/measurement gains/(losses) on equity instruments at fair value	–	–1.0	–35.6	–1.0
Items of other comprehensive income not to be reclassified to profit or loss	**–8.4**	**32.8**	**–32.0**	**43.3**
Other comprehensive income (after tax)	**11.7**	**–290.6**	**–221.5**	**–56.1**
Total comprehensive income for the period	**7.5**	**720.4**	**–227.5**	**1,137.0**
Non–controlling interests	–	–	–	–
Consolidated total comprehensive income, net of tax and non–controlling interests	**7.5**	**720.4**	**–227.5**	**1,137.0**

[1] Rounding differences may arise in percentages and figures.

BALANCE SHEET — ASSETS [1]

in € million	June 30, 2020	Dec. 31, 2020	June 30, 2021
Intangible assets	986.4	83.2	78.0
– thereof goodwill from acquisitions of companies	708.0	13.7	13.7
Property, plant, and equipment	7,045.3	4,109.9	4,603.0
Investment properties	5.5	4.6	4.6
Financial assets	61.3	41.9	44.3
Investments accounted for using the equity method	—	27.8	25.6
Other financial assets	10.0	6.1	6.1
Other non–financial assets	38.6	19.9	22.0
Securities and other financial investments	—	6.0	18.3
Deferred taxes	111.0	176.0	69.1
Income tax refund claims	—	—	—
Non–current assets	**8,258.1**	**4,475.5**	**4,871.0**
Inventories	858.1	483.5	481.6
Trade receivables	538.7	272.7	343.1
Other financial assets	61.7	203.7	97.7
Other non–financial assets	113.1	128.5	119.0
Income tax refund claims	18.5	10.8	35.5
Securities and other financial investments	12.9	7.0	328.7
Cash and cash equivalents	184.6	142.3	701.1
Assets held for sale	—	2,663.3	29.7
Current assets	**1,787.8**	**3,911.9**	**2,136.4**
TOTAL ASSETS	**10,045.9**	**8,387.4**	**7,007.4**

[1] Rounding differences may arise in percentages and numbers.

BALANCE SHEET — EQUITY AND LIABILITIES[1]

in € million	June 30, 2020	Dec. 31, 2020	June 30, 2021
Issued capital	191.4	191.4	191.4
Share premium	645.7	645.7	645.7
Other reserves and net retained earnings	3,425.8	1,383.8	2,520.9
Total equity attributable to shareholders of K+S Aktiengesellschaft	4,262.9	2,220.9	3,358.0
Non–controlling interests	1.6	1.7	—
Equity	**4,264.5**	**2,222.6**	**3,358.0**
Financial liabilities	2,633.9	2,031.5	981.0
Other financial liabilities	240.0	139.3	146.6
Other non–financial liabilities	16.7	16.5	15.6
Income tax liabilities	23.9	—	—
Provisions for pensions and similar obligations	243.0	110.3	70.3
Provisions for mining obligations	931.8	926.0	928.9
Other provisions	178.8	140.3	143.8
Deferred taxes	203.8	63.9	20.8
Non– current liabilities	**4,471.9**	**3,427.8**	**2,307.0**
Financial liabilities	467.3	1,337.7	695.1
Trade payables	237.3	187.3	143.9
Other financial liabilities	228.7	206.6	171.2
Other non–financial liabilities	77.8	77.2	99.9
Income tax liabilities	25.5	22.7	24.2
Provisions	272.7	248.5	206.8
Liabilities associated with assets held for sale	—	657.0	1.3
Current liabilities	**1,309.5**	**2,737.0**	**1,342.4**
TOTAL EQUITY AND LIABILITIES	**10,045.9**	**8,387.4**	**7,007.4**

[1] Rounding differences may arise in percentages and figures.

STATEMENT OF CASH FLOWS [1]

in € million	Q2/2020	Q2/2021	H1/2020	H1/2021
Earnings after operating hedges (from continuing operations)	–2.2	178.2	–21.5	399.5
Earnings after operating hedges (from discontinued operations)	10.1	139.5	84.6	90.9
Gains (-)/losses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	–35.0	–125.2	8.4	3.3
Elimination of prior–period changes in the fair values of operating anticipatory hedges	–3.0	15.8	–8.2	28.3
Realized gains (-)/losses (+) on investment hedges	0.2	–	0.3	–
Depreciation, amortization, impairment losses (+)/reversals of impairment losses (-)	117.6	–77.7	225.3	–192.6
Increase (+) / decrease (–) in non–current provisions (excluding interest rate effects)	0.2	–0.9	–3.1	–0.2
Interest received and similar income	0.6	0.2	2.2	0.7
Realized gains (+)/losses (-) on financial assets/liabilities	–1.3	8.4	2.1	40.8
Interest paid and similar expense (-)	–42.5	–76.4	–50.8	–86.9
Income tax paid (–)	–0.4	–69.0	–8.4	–73.5
Other non–cash expenses (+)/income (–) and other expenses and income associated with the sale of the OU Americas	4.8	–93.8	2.8	–99.4
Gains (-)/losses (+) on sale of assets and securities	2.5	1.2	3.3	2.6
Increase (–) / decrease (+) in inventories	–78.0	–51.5	–75.5	68.4
Increase (-)/decrease (+) in receivables and other operating assets	150.2	133.9	188.5	–11.0
Increase (+)/decrease (-) in current operating liabilities	–17.6	–22.3	4.7	–47.6
Increase (+)/decrease (-) in current provisions	–38.3	–38.3	–31.7	–54.0
Net cash flows from operating activities	**68.0**	**–77.9**	**323.0**	**69.2**
– thereof from continuing operations	44.9	–1.6	169.2	80.6
– thereof from discontinued operations	23.1	–76.2	153.8	–11.4
Proceeds from sale of assets	2.4	5.8	16.8	8.3
Purchases of intangible assets	–4.8	–1.5	–7.4	–11.0
Purchases of property, plant, and equipment	–108.7	–72.5	–215.4	–175.3
Purchases of financial assets	–0.1	–3.4	–0.1	–3.4
Proceeds from the sale of consolidated companies, less cash and cash equivalents sold including hedging effects	–	2,661.2	44.3	2,661.2
Proceeds from sale of securities and other financial assets	5.0	–	5.0	–
Purchases of securities and other financial assets	–	–333.7	–	–333.7
Net cash flows used in investing activities	**–106.2**	**2,255.9**	**–156.8**	**2,146.1**
– thereof from continuing operations	–88.8	–400.4	–132.8	–497.7
– thereof from discontinued operations	–17.4	2,656.3	–24.0	2,643.8
Dividends paid	–7.7	–	–7.7	–
Repayment (–) of financial liabilities	–419.0	–2,116.0	–983.1	–3,160.3
Proceeds (+) from financial liabilities	290.2	407.5	677.9	1,440.0
Cash flow from financing activities	**–136.5**	**–1,708.5**	**–312.9**	**–1,720.3**
– thereof from continuing operations	–65.6	–1,670.6	–110.6	–1,656.9
– thereof from discontinued operations	–70.9	–37.9	–202.3	–63.4
Cash change in cash and cash equivalents	**–174.7**	**469.6**	**–146.7**	**495.1**
Exchange rate–related change in cash and cash equivalents	1.4	11.4	3.2	19.2
Consolidation–related changes	–	–	5.0	–
Net change in cash and cash equivalents	**–173.3**	**481.0**	**–138.5**	**514.3**
Net cash and cash equivalents on January 01			**316.3**	**197.4**
Net cash and cash equivalents on June 30			**177.8**	**711.7**
– thereof cash and cash equivalents [2]			184.6	720.5
– thereof cash received from affiliated companies			–6.8	–8.8

[1] Rounding differences may arise in percentages and numbers.

[2] In 2021, cash and cash equivalents in the statement of cash flows differ from the figure in the statement of financial position because cash and cash equivalents from disposal groups (€19.4 million) have been reclassified to "Assets held for sale" in 2021.

STATEMENT OF CHANGES IN EQUITY[1]

in € million	Issued capital	Share premium	Net retained profits/ revenue reserves	Currency translation differences	Re-mea-surement gains/ (losses) on defined benefit plans	Disposal/ measurement gains/(losses) on equity instruments at fair value	Total equity attributable to share-holders 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 period	–	–	1,193.1	–	–	–	1,193.1	–	1,193.1
Other comprehensive income (after tax)	–	–	–	–99.4	44.3	–1.0	–56.1	–	–56.1
Total comprehensive income for the period	–	–	1,193.1	–99.4	44.3	–1.0	1,137.0	–	1,137.0
Dividend for the previous year	–	–	–	–	–	–	–	–	–
Change in scope of consolidation and other changes in equity	–	–	0.1	–	–	–	0.1	–1.7	–1.6
As of June 30, 2021	**191.4**	**645.7**	**2,840.2**	**–229.6**	**–112.0**	**22.3**	**3,358.0**	**–**	**3,358.0**
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 period	–	–	–6.0	–	–	–	–6.0	–	–6.0
Other comprehensive income (after tax)	–	–	–	–189.5	3.6	–35.6	–221.5	–	–221.5
Total comprehensive income for the period	–	–	–6.0	–189.5	3.6	–35.6	–227.5	–	–227.5
Dividend for the previous year	–	–	–7.7	–	–	–	–7.7	–	–7.7
Other changes in equity	–	–	4.6	–	–	–	4.6	–	4.6
As of June 30, 2020	**191.4**	**645.7**	**3,356.1**	**140.4**	**–107.1**	**36.4**	**4,262.9**	**1.6**	**4,264.5**

[1] Rounding differences may arise in percentages and figures.

NOTES

EXPLANATORY DISCLOSURES

The interim report as of June 30, 2021 has been compiled in accordance with International Financial Reporting Standards (IFRS), insofar as these have been endorsed by the European Union. It has been presented as condensed financial statements with selected explanatory disclosures in accordance with IAS 34. The accounting policies applied in the interim report are basically the same as those applied in the consolidated financial statements for the 2020 financial year. Some amendments to standards became effective in the current reporting period, but these have no impact on the Group's accounting policies or the need for retrospective adjustments.

Amendments were made with regard to segment reporting. Following the sale of the Americas operating unit, the remaining Europe+ operating unit and the holding company were merged into a leaner and, in our view, more efficient K+S. As part of this streamlining, hierarchical levels were discontinued and the management level, which reports directly to the Board of Executive Directors, was significantly tightened. The Board of Executive Directors performs the economic analysis and assessment, takes the operating decisions, and allocates the resources for this entirety. There is therefore no part of our Company constituting an operating segment under IFRS 8. Consequently, K+S will have a single business segment as of the 2021 financial year.

The modified determination of the discount rate for pensions and similar obligations is described in the "Discount rate for provisions" section. For information about the impact of the COVID-19 pandemic on the K+S GROUP, please refer to the management report.

Assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date. Expenses and income are translated at quarterly average rates.

Neither the interim financial statements nor the interim management report have not been reviewed by an auditor in accordance with Sec. 115 Para. 5 of the German Securities Trading Act (WpHG).

CHANGES IN THE SCOPE OF CONSOLIDATION

The following companies have no longer been included in the scope of consolidation since April 30, 2021 (date of disposal of the Americas operating unit):

+ 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.

As part of the package of measures for the reduction of debt announced in December 2019, K+S AKTIENGESELLSCHAFT announced on March 11, 2020 that it would sell the Americas operating unit, in which the North and South American salt business is bundled, in its entirety. On October 5, 2020, the agreement on the sale of the Americas operating unit was signed. The buyer is Stone Canyon Industries Holdings LLC ("SCIH"), Mark Demetree and partners.

The final sale of the Americas operating unit was completed on April 30, 2021. Taking into account debt and cash, the preliminary selling price is around €2.6 billion. The purchase price was paid in cash.

In the income statement, all income and expenditures of the business classified as discontinued operations have been reclassified and presented in a separate line item "Revenues after taxes from discontinued operations". The comparative periods have been adjusted in accordance with IFRS 5.

Revenues of the discontinued operation are presented below. For further information on the discontinued operations, please refer to Note (20) - Discontinued operations and disposal groups in the consolidated financial statements of the K+S GROUP as of December 31, 2020.

Revenues from discontinued operations can be broken down as follows.

REVENUES FROM DISCONTINUED OPERATIONS (AMERICAS OPERATING UNIT)

in € million	H1/2020	H1/2021
Revenues	692.0	544.5
Other operating income/expenses	–607.4	–453.6
Net earnings after operating hedges	84.6	90.9
Financial result	–14.4	–2.6
Earnings before tax	70.2	88.3
Income tax expense	–9.3	–2.7
Earnings from discontinued operations after tax (excluding net disposal gains/losses)	**60.9**	**85.6**
Net disposal gains/losses	–	742.0
Earnings from discontinued operations after tax	**60.9**	**827.6**

The cumulative income and expense recognized in other comprehensive income (excluding currency translation differences) attributable to discontinued operations amounted to €1.1 million in the current financial year.

The preliminary gain on disposal is as follows:

GAIN ON DISPOSAL (AMERICAS OPERATING UNIT)

in € million	H1/2021
Purchase price (after hedging transactions and costs of disposal)	2,585.9
Book value of net assets sold	–2,032.3
– thereof non–current assets	2,068.9
– goodwill	639.9
– property, plant, and equipment	1,171.6
– thereof current assets	542.3
– thereof non–current liabilities	383.2
– thereof current liabilities	195.6
Derecognition of non–controlling interests	1.7
Reclassification of currency translation differences	289.9
Attributable tax expense	–103.2
Gain on disposal after income taxes	**742.0**

REVENUES

Revenues are broken down on the basis of market-oriented customer segments (Agriculture and Industry+). Industry+ is broken down into Industrial, Consumer and Communities based on customer interests. The largest segment, Industry, is also broken down into product groups.

REVENUES

in € million	Q2/2020	Q2/2021	H1/2020	H1/2021
Agriculture	404.6	473.7	858.3	942.7
– thereof potassium chloride	232.8	278.1	478.7	530.6
– thereof fertilizer specialties	171.8	195.6	379.6	412.1
Industry+	185.7	190.5	379.0	454.8
– thereof Consumers	16.1	14.4	31.3	30.8
– thereof Communities	11.1	15.7	23.4	102.6
– thereof Industry	158.5	160.4	324.3	321.4
– thereof water softening	11.4	13.0	24.6	25.6
– thereof industrial applications	19.7	22.6	41.7	43.5
– thereof food industry	21.9	24.2	45.9	46.4
– thereof chemistry	35.8	37.9	69.8	73.2
– thereof animal nutrition	14.1	14.5	29.0	30.6
– thereof pharmaceuticals	7.5	6.0	15.0	12.0
– thereof complementary activities	36.3	37.8	78.3	80.5
– thereof other	11.8	4.4	20.0	9.6
Total	**590.3**	**664.2**	**1,237.3**	**1,397.5**

For further information on revenues, please refer to the management report starting on page 7.

OTHER OPERATING INCOME/EXPENSES

Other operating income and expenses include the following key items:

OTHER OPERATING INCOME/EXPENSES

in € million	Q2/2020	Q2/2021	H1/2020	H1/2021
Exchange rate gains/losses	–2.9	–1.7	–6.1	–6.0
Change in provisions	2.3	4.4	4.8	5.1
Other	–23.6	–9.9	–48.7	–23.3
Other operating income/expenses	**–24.2**	**–7.2**	**–50.0**	**–24.2**

FINANCIAL RESULT

The buy-back of issued bonds and promissory note loans with a nominal value of around €638.0 million resulted in an expense of €21.9 million, which was recognized in other financial result.

The financial result includes the following key items:

FINANCIAL RESULT

in € million	Q2/2020	Q2/2021	H1/2020	H1/2021
Interest income	–	8.9	–	8.9
Interest expense	–22.0	–27.4	–48.0	–54.2
– thereof interest expense on provisions for pensions	–0.3	–0.2	–0.5	–0.3
– thereof interest expense on provisions for mining obligations	–4.7	–2.1	–9.4	–4.7
Net interest	–22.0	–18.5	–48.0	–45.3
Income from the realization of financial assets/liabilities	–2.1	–16.6	3.7	15.4
Net gain/loss from the measurement of financial assets/liabilities	15.9	1.8	–13.0	6.8
Other financial result	13.8	–14.9	–9.3	22.2
Financial result	**–8.2**	**–33.4**	**–57.3**	**–23.1**

For further information on the financial result, please refer to the management report on page 9.

ACTUARIAL INTEREST RATE FOR PROVISIONS

The actuarial valuation of pension provisions and similar obligations is based on the projected unit credit method in accordance with IAS 19. Following the sale of the Americas operating unit, these obligations relate for the most part to commitments in Germany. The weighted average discount rate as of the reporting date was 1.4% (December 31, 2020: 0.6%; June 30, 2020: 2.1%). For reasons of simplification and objectification, the discount rate was determined for the first time in 2021 on the basis of the interest rate recommendation published by Mercer. If the previous interest calculation method had been retained, provisions for pensions and similar obligations would have been €18.3 million higher.

The standard euro discount rate for long-term mining and similar obligations, which was calculated retrospectively for all payment dates, is 3.4% as of the reporting date (December 31, 2020: 3.4%; June 30, 2020: 3.4%) for all remaining maturities.

INCOME TAX

Income tax includes the following material items:

INCOME TAX EXPENSE

in € million	Q2/2020	Q2/2021	H1/2020	H1/2021
Corporate income tax	0.2	5.5	0.4	6.4
Trade income tax	0.9	–1.4	0.9	–0.2
Foreign income taxes	–2.2	4.2	–0.7	5.6
Deferred taxes	–5.6	–13.4	–12.5	–1.0
Income tax expense	**–6.6**	**–5.1**	**–11.9**	**10.8**

FINANCIAL INSTRUMENTS

BOOK VALUES AND FAIR VALUES OF FINANCIAL INSTRUMENTS

in € million		December 31, 2020		June 30, 2021	
	IFRS 9 measurement category	Book value	Fair value	Book value	Fair value
Shares in affiliated companies and other equity interests	Fair value through other comprehensive income	42.3	42.3	39.1	39.1
Equity investments	Fair value through profit or loss	5.0	5.0	5.0	5.0
Loans	Amortized cost	0.2	0.2	0.2	0.2
Financial assets		**47.5**	**47.5**	**44.3**	**44.3**
Trade receivables	**Amortized cost**	**420.1**	**420.1**	**252.1**	**252.1**
Trade receivables	**Fair value through other comprehensive income (with recycling)**	**55.7**	**55.7**	**91.0**	**91.0**
Derivatives with positive fair values	Fair value through profit or loss	132.5	132.5	24.7	24.7
Other non–derivative financial assets	Amortized cost	88.1	88.1	79.1	79.1
Other financial assets		**220.6**	**220.6**	**103.8**	**103.8**
Securities and other financial investments	**Amortized cost**	**6.0**	**6.0**	**260.6**	**260.6**
Securities and other financial investments	**Fair value through other comprehensive income**	**7.0**	**7.0**	**7.0**	**7.0**
Securities and other financial investments	**Fair value through profit or loss**	**—**	**—**	**79.5**	**79.5**
Cash and cash equivalents	**Amortized cost**	**205.2**	**205.2**	**701.1**	**701.1**
Financial liabilities	**Amortized cost**	**3,369.2**	**3,357.1**	**1,676.1**	**1,723.5**
Trade accounts payable	**Amortized cost**	**305.6**	**305.6**	**143.9**	**143.9**
Derivatives with negative fair value	Fair value through profit or loss	42.1	42.1	10.1	10.1
Other non–derivative financial liabilities	Amortized cost	70.6	70.6	73.8	73.8
Liabilities from leasing	IFRS 7	335.2	335.2	233.9	233.9
Other financial liabilities		**447.9**	**447.9**	**317.8**	**317.8**

The fair values of the financial instruments are always based on the market information available at the balance sheet date and are allocated to one of the three fair value hierarchy levels in accordance with IFRS 13. Level 1 financial instruments are measured on the basis of quoted prices in active markets for identical assets and liabilities. Within Level 2, financial instruments are measured using inputs that are derivable from observable market data or based on market prices for similar instruments. Level 3 financial instruments are measured using inputs not derivable from observable market data.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

in € million					June 30, 2021
	IFRS 9 measurement category	Level 1	Level 2	Level 3	Total
Assets		**—**	**111.2**	**135.1**	**246.3**
Shares in associated companies and other equity investments	Fair value through other comprehensive income	—	—	39.1	39.1
Equity investments	Fair value through profit or loss	—	—	5.0	5.0
Trade receivables	Fair value through other comprehensive income (with recycling)	—	—	91.0	91.0
Derivative financial instruments	Fair value through profit or loss	—	24.7	—	24.7
Securities and other financial investments	Fair value through other comprehensive income	—	7.0	—	7.0
Securities and other financial investments	Fair value through profit or loss	—	79.5	—	79.5
Equity and liabilities		**—**	**10.1**	**—**	**10.1**
Derivative financial instruments	Fair value through profit or loss	—	10.1	—	10.1

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

in € million					Dec. 31,2020
	IFRS 9 measurement category	Level 1	Level 2	Level 3	Total
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 investments	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

RECONCILIATION OF SHARES IN NON—CONSOLIDATED ASSOCIATED COMPANIES AND OTHER EQUITY INVESTMENTS (LEVEL 3)

in € million	H1/2020	H1/2021
As of January [1]	106.0	41.7
Change in scope of consolidation	44.9	—
Additions	—	3.4
Disposals	—	—
Gains/losses on re—measurement (other comprehensive income)	—	—1.0
Gains/losses on disposals (other comprehensive income)	—	—
Transfers (from Level 3/to Level 3)	—	—
As of June 30	**61.1**	**44.1**

Shares in associated companies and other equity interests are not consolidated due to immateriality. The fair value was calculated as the present value of the current three-year earnings plan (mid-term planning) and a subsequent perpetual annuity. The Company's cost of capital was used for discounting. Changes in future earnings or in the cost of capital rate have a corresponding impact on the present value calculation. Shares in associated companies are generally held for the long term and not for trading purposes. Therefore, the option to recognize changes in value in other comprehensive income without reclassifying them to the income statement on disposal (OCI option) has been exercised to the extent permitted.

Trade receivables that could potentially be sold under existing factoring agreements are allocated to the measurement category "fair value through other comprehensive income (with recycling)". Due to the short-term payment terms, the book value is assumed to correspond to the fair value. The inventories in this category reported at the beginning of the year have generally been settled or sold in the first half of the year.

IMPAIRMENT TEST

In the 2020 financial year, impairment losses were recognized for the Potash and Magnesium Products CGU, partly as a result of adjustments to the assumptions regarding the development of potash prices and an increased cost of capital.

As of June 30, 2021, the recoverable amount of the Potash and Magnesium Products CGU was again determined, in particular due to increased potash prices. This was calculated in accordance with the methods used as of December 31, 2020. Please refer to the 2020 Annual Report, Note (12) - Intangible assets, property, plant, and equipment, and impairment test.

The comparison of the fair value less disposal costs of €3,880.2 million with the book value of the CGU of €3,553.5 million resulted in a write-up of property, plant, and equipment (€326.3 million) and intangible assets (€0.4 million) totaling €326.7 million, which was recognized as a reduction in cost of revenues. The main reason for the impairment reversal is an increase in the mid-term potash price assumptions compared with December 31, 2020, counteracted in particular by an increased cost of capital after tax of 6.9% (December 31, 2020: 6.7% after tax).

DISCLOSURES ON THE CASH FLOW STATEMENT

The amount paid for the buy-back of bonds and promissory note loans in excess of the nominal repayment amount is reported in the cash flow statement in the line "Interest paid and similar expenses". Interest paid amounted to €58.9 million in the reporting period (H1/2020: €46.8 million).

SIGNIFICANT CHANGES IN SELECTED BALANCE SHEET ITEMS

Compared with the 2020 financial statements, total assets decreased by €1,380.0 million as of June 30, 2021.

On the assets side, non-current assets increased by €395.5 million. Current assets decreased by €1,775.5 million. The increase in non-current assets is mainly attributable to a €493.1 million increase in property, plant, and equipment and primarily to the impairment reversal in the first half of 2021. The change in current assets is mainly due to the disposal of the Americas operating unit and the associated inflow of proceeds from the sale. Current securities and other financial investments increased by €321.7 million as well as cash and cash equivalents by €558.8 million.

On the equity and liabilities side, equity increased by €1,135.4 million. The increase is mainly attributable to the impairment reversal in the first half of 2021 and the proceeds associated with the disposal of the Americas operating unit. Non-current liabilities decreased by €1,120.8 million and current liabilities by €1,394.6 million. With the cash inflow from the disposal of the Americas operating unit, financial liabilities decreased by €1.693.1 million through repayment or repurchase. Furthermore, trade accounts payable decreased by €43.4 million, current provisions by €41.7 million, and provisions for pensions and similar obligations by €40.0 million.

SIGNIFICANT CHANGES IN EQUITY

Equity is affected by transactions recognized in profit or loss or directly in equity, as well as by capital transactions with shareholders. Compared with the 2020 financial statements, net retained earnings and other reserves have increased by €1.137.1 million. The increase is mainly attributable to the positive net earnings of €1.193.1 million for the first six months of the 2021 financial year. This was reduced by changes in equity directly recognized in equity resulting from the currency translation of subsidiaries in functional foreign currencies (mainly CAD). Differences arising from currency translation are recognized in a separate currency translation reserve; this decreased by €99.4 million as of June 30, 2021. The change mainly includes the realization of currency translation differences from the sale of the Americas operating unit amounting to €+289.9 million. There is an offsetting effect due to exchange rate fluctuations.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent tax liabilities of up to €160 million could arise from corporate transactions and cross-border issues, the occurrence of which is not considered entirely unlikely. The other contingent liabilities have not changed significantly compared with the 2020 financial statements.

Obligations from uncompleted investments amounted to €181.0 million in the reporting period (2020: €119.9 million) and result almost exclusively from uncompleted investments in property, plant, and equipment.

RELATED PARTIES

Within the K+S GROUP, supplies and services are settled on an arm's length basis. In addition to the consolidated companies, the K+S GROUP has relationships with other related companies, including non-consolidated companies, joint ventures and companies over which the K+S GROUP can exercise a significant influence (associated companies). These relationships have no significant influence on the consolidated financial statements of the K+S GROUP.

For the K+S GROUP, the group of related parties mainly comprises the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT. Termination benefits amounting to €3.6 million were paid to this group of persons in the first half of 2021. There were no other significant transactions with related parties.

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and earnings situation of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Kassel, August 9, 2021

K+S AKTIENGESELLSCHAFT

The Board of Executive Directors

KEY FIGURES [1]

K+S Group		Q1/2020	Q2/2020	H1/2020	Q1/2021	Q2/2021	H1/2021
Revenues	€ million	647.0	590.3	1,237.3	733.3	664.2	1,397.5
EBITDA [2]	€ million	99.3	52.7	152.0	126.0	111.5	237.4
Depreciation and amortization [3]	€ million	86.1	88.6	174.7	65.1	67.0	132.1
Customer segment Agriculture [4]							
Revenues	€ million	453.7	404.6	858.3	469.0	473.7	942.7
Sales volumes	t million	1.90	1.75	3.65	2.01	1.89	3.90
Customer segment Industry+ [4]							
Revenues	€ million	193.3	185.7	379.0	264.3	190.5	454.8
Sales volumes	t million	1.30	1.25	2.55	2.43	1.53	3.96
– thereof de–icing salt	t million	0.21	0.22	0.43	1.35	0.29	1.64
Capital expenditures (CapEx) [5]	€ million	72.4	101.6	174.0	48.1	86.7	134.8
Cash flow from operating activities	€ million	124.3	44.9	169.2	82.2	–1.6	80.6
Cash flow from investing activities	€ million	–44.0	–93.8	–137.8	–97.3	–66.7	–164.0
Adjusted free cash flow	€ million	80.3	–48.9	31.4	–15.1	–68.3	–83.4
Working capital	€ million	598.2	576.2	576.2	394.4	503.4	503.4
Net financial debt	€ million	–2,917.2	–2,979.4 [8]	–2,979.4 [8]	–3,185.5	–695.1	–695.1
Net financial debt/EBITDA (LTM) [6]	x– times	5.1	5.6 [8]	5.6 [8]	7.2	2.0	2.0
Group earnings, adjusted [7]	€ million	24.9	–24.1	–5.6	280.8	988.6	1,269.4
– thereof continuing operations	€ million	–40.5	–27.2	–67.7	229.3	157.5	386.8
– thereof discontinued operations	€ million	65.4	3.2	62.2	51.5	831.1	882.6
Adjusted earnings per share [7]	€	0.13	–0.13	–0.03	1.47	5.17	6.63
– thereof continuing operations	€	–0.21	–0.14	–0.35	1.20	0.82	2.02
– thereof discontinued operations	€	0.34	0.01	0.32	0.27	4.34	4.61
Earnings after operating hedges	€ million	–19.3	–2.2	–21.5	221.3	178.3	399.5
Financial result	€ million	–49.1	–8.2	–57.3	10.3	–33.4	–23.1
Income before tax	€ million	–68.4	–10.4	–78.8	231.5	144.8	376.4
Income tax expense	€ million	–5.2	–6.6	–11.9	15.9	–5.1	10.8
Group earnings after tax and non–controlling interests	€ million	–1.8	–4.2	–6.0	182.2	1,011.0	1,193.1

[1] Rounding differences may occur in figures.
[2] EBITDA is defined as earnings before interest, taxes, depreciation, and amortization, adjusted for depreciation and amortization of own work capitalized recognized directly in equity, gains/losses from fair value changes arising from operating anticipatory hedges still outstanding, and changes in the fair value of operating anticipatory hedges recognized in prior periods.
[3] Relates to amortization of intangible assets and depreciation of property, plant, and equipment, adjusted for depreciation and amortization of own work capitalized recognized directly in equity.
[4] No segments according to IFRS 8.
[5] Relates to cash payments for investments in property, plant, and equipment and intangible assets, excluding leases in accordance with IFRS 16.
[6] LTM = last twelve months
[7] The adjusted key indicators include gains/losses on operating anticipatory hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges. Related effects on deferred and current taxes are also eliminated; tax rate in Q2/2021: 30.1% (Q2/2020: 30.0%).
[8] Relates to continuing and discontinued operations, as no retrospective restatement of the balance sheet as of June 30, 2020 has been effected.

FINANCIAL CALENDAR

DATES

	2021/2022
Quarterly Report as of September 30, 2021	November 11, 2021
2021 Annual Report	March 10, 2022
Quarterly Report as of March 31, 2022	May 11, 2022
Annual General Meeting	May 12, 2022
Dividend payment	May 17, 2022
Half–Yearly Financial Report as of June 30, 2022	August 11 , 2022

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FORWARD-LOOKING STATEMENTS

This Half-Yearly Financial Report contains statements and forecasts that relate to the future development of the K+S GROUP and its companies. The forecasts represent estimates 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 of the current annual report - materialize, actual developments and results may differ from current expectations. The Company assumes no obligation to update the statements contained in this Half-Yearly Financial Report other than those required by law.