H1/2022
Half-Year Financial Report

Q2 and H1/2022 figures: Strong increase in revenues, EBITDA, and free cash flow

+ Q2 revenues: €1,510 million (Q2/21: €664 million); H1: €2,722 million (H1/21: €1,398 million)
+ Q2 EBITDA: €706 million (Q2/21: €112 million); H1: €1,230 million (H1/21: €237 million)
+ Adjusted free cash flow before special effects in H1: €+454 million; after taking into account repayment of factoring and purchase of CO_2 certificates: +€234 million (H1/2021: –€83 million)

2022 outlook:

+ For the first time, outlook assumes a scenario in Q4 for a 25% reduction in natural gas availability at all German sites and increased gas costs (Sec. 26 of the Energy Security of Supply Act) with total impact of low triple-digit million euro amount
+ Full-year EBITDA still expected to range between €2.3 billion and €2.6 billion even with gas shortage scenario (previous outlook: €2.3 billion to €2.6 billion without gas shortage situation; 2021: €969 million)
+ Adjusted free cash flow (operative) still expected to range between €1.0 billion and €1.2 billion despite the inclusion of a scenario for a gas shortage; excluding special effects in the amount of around €0.23 billion (adjusted free cash flow 2021: €93 million)

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KEY FIGURES FOR CONTINUING OPERATIONS

		Q2/2021	Q2/2022	%	H1/2021	H1/2022	%
K+S Group							
Revenues	€ million	664.2	1,509.9	> +100	1,397.5	2,722.2	+94.8
EBITDA [1]	€ million	111.5	706.4	> +100	237.4	1,230.4	> +100
EBITDA margin	%	16.8	46.8	> +100	17.0	45.2	> +100
Depreciation and amortization [2]	€ million	67.0	108.4	+61.8	132.1	209.8	+58.8
Agriculture customer segment [3]							
Revenues	€ million	473.7	1,244.2	> +100	942.7	2,188.3	> +100
Sales volumes	t million	1.89	1.87	-1.1	3.90	3.66	-6.2
Industry+ customer segment [3]							
Revenues	€ million	190.5	265.7	+39.5	454.8	533.9	+17.4
Sales volumes	t million	1.53	1.47	-3.9	3.96	3.30	-16.8
– thereof de-icing salt	t million	0.29	0.31	+6.3	1.64	0.92	-43.9
Capital expenditure (CapEx) [4]	€ million	86.7	76.0	-12.3	134.8	125.2	-7.1
Equity ratio	%	–	–	–	47.9	65.2	+36.0
Return on Capital Employed (LTM) [5]	%	–	–	–	-25.1	45.6	–
ROCE (LTM) without effects from impairment loss/ reversal of impairment loss on property, plant, and equipment and intangible assets	%	–	–	–	0.6	23.5	> +100
Net financial liabilities as of June 30	€ million	–	–	–	695.1	425.7	-38.8
Net financial liabilities/EBITDA (LTM) [5]	x-times	–	–	–	2.0	0.2	-90.0
Market capitalization as of June 30	€ billion	–	–	–	2.20	4.44	> +100
Enterprise value (EV) as of June 30	€ billion	–	–	–	4.06	5.95	+46.7
Book value per share as of June 30	€	–	–	–	17.54	32.48	+85.1
Average number of shares	million	191.4	191.4	–	191.4	191.4	–
Employees on June 30 [6]	number	–	–	–	10,730	10,802	+0.7

KEY FIGURES FOR CONTINUING AND DISCONTINUED OPERATIONS

		Q2/2021	Q2/2022	%	H1/2021	H1/2022	%
Group earnings after tax, adjusted [7]	€ million	**988.6**	**436.3**	**-55.9**	**1,269.4**	**749.0**	**-41.0**
– thereof continuing operations	€ million	157.5	436.3	> +100	386.8	749.0	+93.6
– thereof impairment loss (–)/reversal of impairment loss (+) on property, plant, and equipment and intangible assets	€ million	146.7	–	–	326.7	–	–
– thereof discontinued operations	€ million	831.1	–	–	882.6	–	–
Earnings per share, adjusted [7]	€	**5.17**	**2.28**	**-55.9**	**6.63**	**3.91**	**-41.0**
– thereof continuing operations	€	0.82	2.28	> +100	2.02	3.91	+93.6
– thereof impairment loss (–)/reversal of impairment loss (+) on property, plant, and equipment and intangible assets	€	0.77	–	–	1.71	–	–
– thereof discontinued operations	€	4.34	–	–	4.61	–	–
Net cash flow from operating activities	€ million	**-77.8**	**231.9**	**-**	**69.2**	**484.7**	**> +100**
– thereof continuing operations	€ million	-1.6	232.5	–	80.6	486.2	> +100
– thereof discontinued operations	€ million	-76.2	-0.6	+99.2	-11.4	-1.5	+86.8
Adjusted free cash flow	€ million	**2,511.8**	**130.2**	**-94.8**	**2,549.1**	**232.3**	**-90.9**
– thereof continuing operations	€ million	-68.3	130.8	–	-83.4	233.8	–
– thereof discontinued operations	€ million	2,580.1	-0.6	–	2,632.5	-1.5	–

[1] EBITDA is defined as earnings before income taxes, interest, depreciation and amortization, adjusted for the amount of depreciation and amortization recognized directly in equity in connection with own work capitalized, the result of fluctuations in the fair value of operating forecast hedges still outstanding, and changes in the fair value of realized operating forecast hedges recognized in prior periods.
[2] Relates to scheduled amortization of intangible assets and depreciation of property, plant, and equipment, adjusted for depreciation and amortization of own work capitalized recognized directly in equity.
[3] No segments in accordance with IFRS 8.
[4] Relates to cash payments for investments in 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 the gains/losses from operating forecast 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 Q2/2022: 30.2% (Q2/2021: 30.1%).

MANAGEMENT REPORT

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CORPORATE STRATEGY

For a comprehensive presentation of corporate strategy and governance, please refer to the corresponding chapters "Corporate strategy" starting on page 39 and "Corporate governance and monitoring" starting on page 107 of the 2021 Annual Report.

The focus of our strategy is on optimizing our existing business. At our Werra integrated plant, for example, production processes are being further developed: Our target here is to reduce our ecological footprint and significantly improve our competitiveness. For this purpose, the volume of process water and solid residues from potash production as well as energy consumption and, therefore, CO_2 emissions are being further reduced. The continued ramp-up of production at the Bethune plant in Canada will also optimize our cost position and therefore our existing business.

The planned cooperation with the Swedish company CINIS FERTILIZER AB represents a step towards the expansion and further development of our core business. In the second quarter of 2022, K+S signed a letter of intent on cooperation in the synthetic production of potassium sulfate (SOP) using the Glaserit process in Scandinavia. In this process, SOP and sodium chloride are produced from residues from battery, pulp and paper production. K+S intends to supply the potassium chloride required for this purpose and market SOP exclusively. In the mid-term, K+S could purchase up to 600,000 tonnes of SOP per year from CINIS.

CHANGES IN THE LEGAL CONSOLIDATION STRUCTURE

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

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

The macroeconomic and geopolitical effects following Russia's attack on Ukraine on February 24, 2022, as well as their impact on the K+S GROUP remain difficult to assess. K+S has established strict monitoring, particularly with regard to emerging or occurring changes in energy availability, sanctions, receivables management, supply chains, cyber security, agricultural price changes as well as the potash supply and demand situation. Revenues from Russian and Belarusian customers account for less than 1% of Group revenues. K+S does not own any assets in Russia, Belarus and Ukraine.

Ukraine and Russia produce one-third of the world's wheat, so there were immediate increases in agricultural prices after the attack. A large part of global fertilizer production comes from Russia and Belarus. With regard to our potash fertilizer business, an increase in global potash supply necessary to meet rising demand is already hardly possible in the short term even without sanctions. The sanctions against Belarus will further exacerbate this shortage. Even without direct sanctions against fertilizer deliveries from Russia, some customers continue to refrain from Russian deliveries due to uncertain payment and logistics flows or for reasons of morale. This mixed situation has led to prices rising sharply worldwide in the first half of 2022, as was also reported in the international trade press.

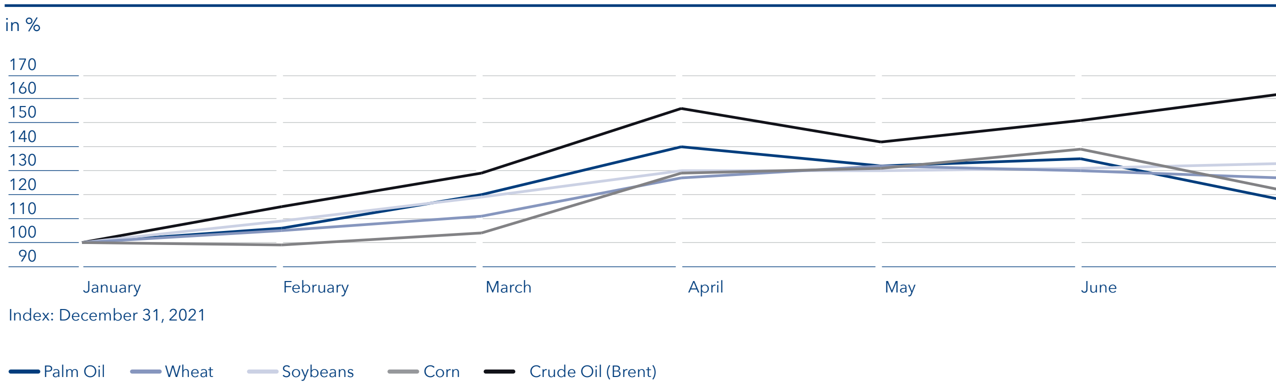
The energy supply is also not secured due to the current geopolitical situation. For explanations relating to the possible gas shortage situation and its impact on the K+S GROUP, we refer to the comments in the Report on Expected Developments and the Report on Risks and Opportunities.

The Supervisory Board of K+S AKTIENGESELLSCHAFT has agreed by mutual consent with the previous Chief Financial Officer, Mr. Thorsten Boeckers, to terminate Mr. Boeckers' service agreement at the end of February 2022. Dr. Burkhard Lohr, Chairman of the Board of Executive Directors, has also assumed the function of Chief Financial Officer on a transitional basis. Mr. Riemensperger, as Labor Director, has taken over responsibility for HR from Dr. Lohr as well as responsibility for Procurement. At the same time, the Supervisory Board of K+S AKTIENGESELLSCHAFT has appointed Dr. Christian H. Meyer as the new Chief Financial Officer as of March 15, 2023. He will be responsible for the management and further development of the finance area at K+S. Further information can be found on page 132 of the 2021 Annual Report.

OVERVIEW OF THE COURSE OF BUSINESS

MACROECONOMIC ENVIRONMENT

DEVELOPMENT OF COMMODITY PRICES BY MONTH IN 2022



Source: World Bank Group

At the end of the second quarter, the prices of key agricultural commodities were significantly higher than at the beginning of the year. Prices for palm oil, wheat, corn, and soybeans rose by around 18%, 22%, 27% or 33%, respectively. Compared to June 30, 2021, the prices of palm oil and wheat were even quoted 49% and 61% higher, respectively, at the end of the second quarter of 2022. Corn and soybean prices increased by 15% and 20%, respectively, compared to the prior-year quarter.

Brent crude oil prices recorded an even stronger increase over the course of the first half of the year. At the end of June, the price was around USD 120 per barrel, around 62% above the level at the start of the year and 64% above the level at June 30, 2021. The average value of the NCG Natural Gas Year Future, which mainly reflects western and southern Germany, rose from around €70/MWh at the start of the year to €117/MWh. The Henry Hub Natural Gas Future, which mainly reflects the price situation in North America, recorded a significant increase from 3.7 USD/mmBtu at the beginning of the year to 5.4 USD/mmBtu at the end of June 2022.

IMPACT ON K+S

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

- Despite higher input costs, the significant rise in the prices of key agricultural commodities and the resulting yield prospects provided farmers with an incentive to increase yields per hectare by using plant nutrients and to increase the area under cultivation overall during the reporting period.
- The K+S GROUP's energy costs are influenced in particular by the cost of purchasing natural gas. Our long-term purchasing agreements with comparatively favorable conditions, however, make us fundamentally more independent of short-term market price developments. Overall, the K+S GROUP's energy costs from primary sources nevertheless rose significantly year-on-year in the second quarter as a result of price factors. This is attributable to higher rates compared with the previous year, which are, however, far below the current spot price.
- The freight costs of the K+S GROUP are influenced to a significant extent by the prices for sea freight, rail freight, inland waterway transportation as well as truckload traffic. 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 price factors.
- Foreign currency hedging system: As a result of the hedging instruments used, the exchange rate in the second quarter of 2022 including hedging costs averaged 1.16 EUR/USD. The average spot rate was 1.06 EUR/USD (Q2/2021: conversion rate 1.12 EUR/USD with an average spot rate of 1.21 EUR/USD).

Further information on the foreign currency hedging system can be found in the 2021 Annual Report on page 58.

INDUSTRY-SPECIFIC ENVIRONMENT

The conditions in the main sales regions and competitive positions described in the 2021 Annual Report from page 45 onwards remained largely unchanged for the Industry+ customer segment. For the Agriculture customer segment, there are shifts due to the low export volumes from Russia and Belarus, which are explained in more detail under "Future industry situation".

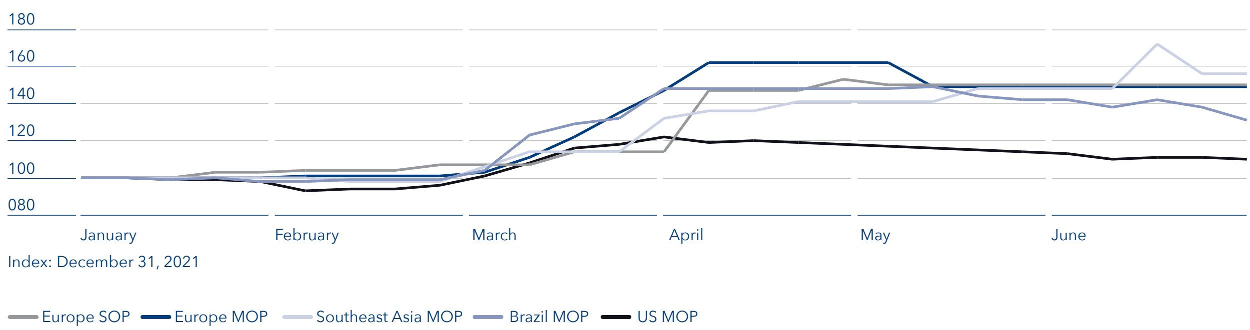
AGRICULTURE CUSTOMER SEGMENT

The Agriculture customer segment experienced favorable demand worldwide in the reporting period. Although potash fertilizers were largely unaffected by European and US sanctions against Russia, Russian potash exports fell sharply in the second quarter. This is likely to have been caused in particular by the uncertainty of some logistics partners as well as restrictions in payment transactions against the background of geopolitical developments, which primarily affected the availability of sea-going vessels. Furthermore, sanctions prevented BELARUSKALI from accessing the majority of its sales channels, resulting in only small volumes being exported and production being discontinued at some sites. In Northern and Eastern Europe in particular, where the market share of these producers was high, demand, therefore, shifted towards the remaining competitors, more than compensating for price-related declines in demand in Western Europe.

Prices rose in all markets in the first half of the year. The strongest increase, at around 50%, was recorded in Southeast Asia and Europe. In Brazil, selling prices rose by a further 30%, following an already very strong performance in the second half of 2021. Prices for our fertilizer specialties also increased significantly.

DEVELOPMENT OF POTASH PRICES BY MONTH IN 2022

in %



Source: Argus FMB

INDUSTRY+ CUSTOMER SEGMENT

Demand for de-icing salt in the first half of the year was down compared with the above-average demand of the prior year due to weather conditions. Demand for products for the pharmaceutical industry increased significantly again, particularly for dialysis solutions, following the two weaker previous years due to the pandemic, while demand for consumer products remained roughly at the level of the strong prior-year period. Demand for products for the food and animal feed industries, as well as for other industrial and chemical applications, recorded a slight increase.

RELATED PARTIES

For a comprehensive presentation of significant transactions with related parties, please refer to the corresponding comments in the Notes on page 36.

EARNINGS POSITION, FINANCIAL POSITION, AND NET ASSETS

In the quarter under review, EBITDA was negatively impacted by the efficiency losses and test offers associated with the extensive measures to minimize infection risks from COVID-19 by a good €10 million, similar to the prior-year quarter. In the first half of 2022, the EBITDA effect amounted to a good €20 million.

EARNINGS POSITION

REVENUES

KEY FIGURES FOR EARNINGS FROM CONTINUING OPERATIONS

in € million	Q2/2021	Q2/2022	%	H1/2021	H1/2022	%
Revenues	664.2	1,509.9	> +100	1,397.5	2,722.2	+94.8
EBITDA	111.5	706.4	> +100	237.4	1,230.4	> +100
Depreciation and amortization [1]	67.0	108.4	+61.8	132.1	209.8	+58.8
Group earnings after tax, adjusted [2]	157.5	436.3	> +100	386.8	749.0	+93.6
– thereof impairment loss (–)/reversal of impairment loss (+) on property, plant, and equipment and intangible assets	146.7	–	–	326.7	–	–

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

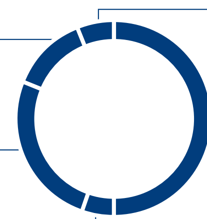
[2] The adjusted key figures include the gains/losses from operating anticipatory hedges for the respective reporting period; effects from fluctuations in the fair value of hedges are eliminated. The effects on deferred and cash taxes are also adjusted; tax rate Q2/2022: 30.2% (Q2/2021: 30.1%).

Revenues of the K+S GROUP more than doubled to €1,509.9 million in the second quarter of 2022, compared with €664.2 million in the prior-year period. This was mainly attributable to higher average prices, a better regional mix as well as positive currency effects. In the first half of 2022, revenues rose by almost 95% to €2,722.2 million (H1/2021: €1,397.5 million) as a result of the aforementioned effects.

VARIANCE COMPARED TO PREVIOUS YEAR

in %	Q2/2022	H1/2022
Change in revenues	**+127.3**	**+94.8**
– volume/structures-related	+6.8	+0.7
– price/pricing-related	+115.3	+90.6
– currency-related	+4.7	+3.1
– consolidation-related	+0.5	+0.4

REVENUES BY REGION



DEVELOPMENT OF SELECTED COST TYPES

Cost of sales increased to €802.9 million in Q2/2022 (Q2/2021: €455.9 million, benefiting from a non-cash reversal of impairment losses on property, plant, and equipment and intangible assets amounting to €146.7 million). This was particularly attributable to higher costs of materials, logistics, and energy. Marketing and general administrative expenses increased to €45.2 million in the reporting quarter from €30.4 million in the previous year. The prior-year quarter benefited significantly from a reversal of provisions for the project on restructuring the administrative functions; excluding this one-off effect, marketing and general administrative expenses decreased slightly compared with the prior-year quarter. In the first half of 2022, cost of sales amounted to €1,510.5 million compared to €894.9 million in the previous year (benefiting from the reversal of impairment losses in the first and second quarter amounting to €326.7 million). Marketing and general administrative expenses increased to €94.9 million (H1/2021: €75.8 million) due to the effect described in the prior-year period.

Personnel expenses and the costs of freight, materials and energy are of particular importance for K+S. Personnel expenses declined to € 207.8 million in Q2/2022 (Q2/2021: € 230.1 million) as a result of the positive effect from the restructuring of administrative functions. In the first half of the year, personnel expenses amounted to €450.8 million (H1/2021: €445.2 million). At €164.8 million and €310.7 million, freight costs were significantly higher year-on-year in both the second quarter and first half of 2022 (Q2/2021: €128.4 million; H1/2021: €256.3 million), particularly due to the increase in freight rates. The cost of raw materials, consumables, supplies and purchased goods (cost of materials) increased to €179.0 million in Q2/2022 (Q2/2021: €108.4 million) and to €337.3 million over the entire first half of the year (H1/2021: €208.8 million). For energy, costs rose to €103.8 million in the second quarter (Q2/2021: €63.5 million), in particular due to price factors, while in the first half of the year energy costs increased to €208.5 million compared with €125.9 million in the previous year. Despite our long-term purchasing contracts, this was attributable to higher rates compared with the prior year, although these are well below the current spot price.

RECONCILIATION OF OPERATING EARNINGS AND EBITDA

in € million	Q2/2021	Q2/2022	H1/2021	H1/2022
Earnings after operating hedges	**178.3**	**497.3**	**399.5**	**917.4**
Income (–)/expense (+) arising from changes in the fair value of outstanding operating anticipatory hedges	–4.6	103.2	3.3	116.6
Elimination of prior-period changes in the fair value of operating anticipatory hedges	15.5	–8.6	27.2	–19.5
Earnings before operating hedges	**189.2**	**591.9**	**430.0**	**1,014.5**
Depreciation and amortization (+)/impairment losses (+)/reversals of impairment losses (–) on non-current assets	–78.2	110.4	–191.9	213.5
Capitalized depreciation (–) [1]	–1.5	–2.0	–2.7	–3.7
Impairment losses (+)/reversals of impairment losses (–) of investments accounted for using the equity method	2.0	6.1	2.0	6.1
EBITDA	**111.5**	**706.4**	**237.4**	**1,230.4**

[1] This relates to depreciation of assets used in the production of other items of property, plant, and equipment. Depreciation is capitalized as part of cost of production and is not recognized in profit or loss.

DEVELOPMENT OF EARNINGS

EBITDA of the K+S GROUP amounted to €706.4 million in the quarter under review, compared with €111.5 million in the prior-year period. This was mainly attributable to higher average prices in both customer segments. The effects described in the development of revenues more than compensated for higher costs, especially for energy, materials, and freight, negative effects from currency hedging transactions as well as largely inflation-related additions to mining provisions.

Earnings after operating hedges amounted to €497.3 million in the reporting quarter (Q2/2021: €178.3 million, benefiting from a non-cash reversal of impairment losses on property, plant, and equipment and intangible assets of €146.7 million). Due to the strong increase in the value of the US dollar against the euro, earnings were significantly negatively impacted by changes in the fair value of the anticipatory hedges still outstanding, in contrast to the prior-year period.

In the first half of the year, EBITDA increased more than fivefold to €1,230.4 million compared with €237.4 million in the prior-year period. Earnings after operating hedges did not record the same increase in the first half of 2022, in particular due to the change in fair value of operating hedges, and amounted to €917.4 million (H1/2021: €399.5 million; benefiting from the reversal of impairment losses totaling €326.7 million in the first and second quarters).

The regular impairment test carried out for the Potash and Magnesium Products and Salt Europe cash-generating units in accordance with IFRS is described on pages 47, 192, and 193 of the Annual Report. In the quarter under review, no impairment losses had to be recognized.

For further information on the impairment test, please refer to the Notes starting on page 34.

FINANCIAL RESULT

The financial result for the quarter under review amounted to €+25.3 million (Q2/2021: €–33.4 million); in particular, lower interest expenses for financial liabilities and interest income from the evaluation of mining provisions led to the positive result following the figure for the prior-year quarter, which was burdened by the bond buy-back. The financial result in the first half of 2022 amounted to €+46.2 million (H1/2021: €–23.1 million) and was influenced by the same effects as the second quarter.

For further information on the financial result and interest on provisions, please refer to the Notes starting on page 30.

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

Group earnings after tax and non-controlling interests reached €370.3 million in Q2/2022 (Q2/2021: €149.9 million, benefiting from a non-cash reversal of impairment losses on property, plant, and equipment and intangible assets amounting to €146.7 million). The increase in EBITDA in particular contributed to the strong improvement. This resulted in earnings per share of €1.93 (Q2/2021: €0.78). The calculation was based on an average number of 191.4 million no-par value shares outstanding.
In the first half of the year, Group earnings after tax and non-controlling interests increased very significantly to €681.2 million (H1/2021: €365.5 million, benefiting from a non-cash reversal of impairment losses on property, plant, and equipment and intangible assets amounting to €326.7 million). For earnings per share, this translates into an improvement to €3.56 (H1/2021: €1.91).

Group earnings after tax adjusted for changes in the fair value of derivatives rose to €436.3 million in Q2/2022, compared with €157.5 million in the prior-year period (benefiting from a non-cash reversal of impairment losses on property, plant, and equipment and intangible assets amounting to €146.7 million). This resulted in a value per share of €2.28 (Q2/2021: €0.82). After the first six months, adjusted Group earnings after tax improved to €749.0 million (H1/2021: €386.8 million, benefiting from a non-cash reversal of impairment losses on property, plant, and equipment and intangible assets amounting to €326.7 million). Adjusted earnings per share in the same period amounted to €3.91, compared with €2.02 in the previous year.

RETURN ON CAPITAL EMPLOYED (ROCE)

The return on capital employed as of June 30, 2022 (LTM) was 45.6% compared to –25.1% in the prior-year period. As a result of the LTM consideration, the return values are significantly influenced by the impairment loss from the second half of 2020 and the reversals of impairment losses in 2021. Excluding impairment effects, ROCE as of June 30, 2022 (LTM) is 23.5% (prior-year period: 0.6%).

FINANCIAL POSITION

FINANCIAL POSITION OF CONTINUING OPERATIONS

in € million	Q2/2021	Q2/2022	%	H1/2021	H1/2022	%
Capital expenditures [1]	86.7	76.0	-12.3	134.8	125.2	-7.1
Net cash flow from operating activities	-1.6	232.5	–	80.6	486.2	> +100
Net cash flow from investing activities	-400.4	-130.9	+67.3	-497.7	-299.3	+39.9
Free cash flow	**-402.0**	**101.6**	**-**	**-417.1**	**186.9**	**-**
Adjustment for acquisitions/disposals of securities and other financial investments	333.7	29.2	+91.2	333.7	46.9	+85.9
Adjusted free cash flow	**-68.3**	**130.8**	**-**	**-83.4**	**233.8**	**-**

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

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

In the second quarter of 2022, the K+S GROUP invested a total of €76.0 million (Q2/2021: €86.7 million). The year-on-year decline is attributable to the completion of various projects. As in the same period of the previous year, the main projects in the quarter under review were the occupational exposure limits project aimed at reducing pollutant emissions at underground workplaces, as required by law, and the ongoing cavern development in Bethune.

Capital expenditures also decreased in the first half of 2022 to €125.2 million from €134.8 million in the comparable period; availability-related postponements of capital expenditures as well as the completion of a project to recover saline water at the Sigmundshall site are the main reasons for the decline.

OPERATING AND FREE CASH FLOW SIGNIFICANTLY ABOVE PRIOR YEAR

Cash flow from operating activities increased to €486.2 million in the first half of 2022, compared with €80.6 million in the first half of 2021. The improvement in EBITDA and lower interest payments more than offset the higher level of funds tied up in working capital and higher tax payments. Excluding the negative special effect from the repayment of factoring, cash flow from operating activities would have amounted to €595.2 million in the first half of 2022.

Cash flows from investing activities adjusted for acquisitions/disposals of securities and other financial investments amounted to €-252.4 million in the first half of the year, compared with €-164.0 million in the prior-year period. The higher expenditures compared with the prior-year period resulted in particular from the purchase of further CO_2 certificates in the amount of €111.2 million.

Despite the sharp increase in funds tied up in working capital, adjusted free cash flow reached €233.8 million in the first half of the year, compared with €-83.4 million in the prior-year period. Excluding the repayment of the factoring volume and the acquisition of the CO_2 certificates, adjusted free cash flow would have increased to €454.0 million.

Cash flow from financing activities amounted to €-380.5 million in the reporting period (H1/2021: €-1,656.9 million), mainly due to the repayment of further bond liabilities.

NET ASSETS

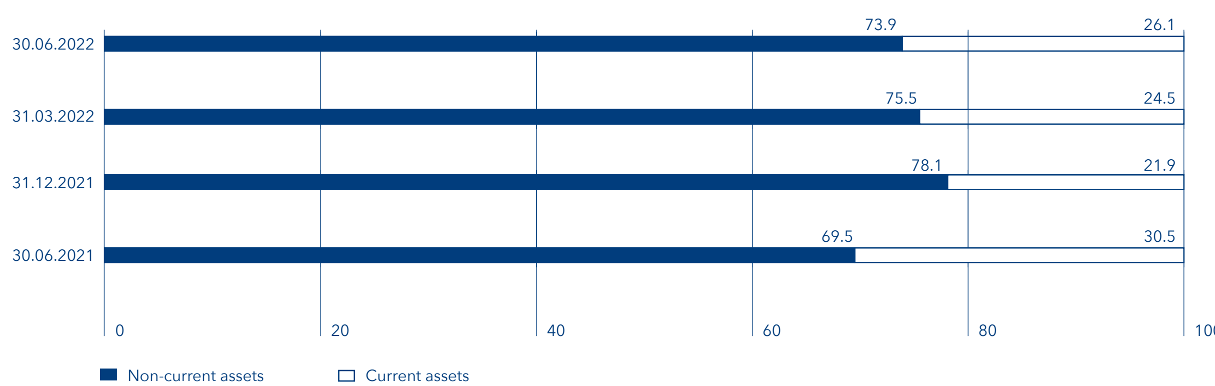
As of June 30, 2022, net cash and cash equivalents amounted to €202.3 million (Dec. 31, 2021: €382.7 million; June 30, 2021: €711.7 million). These are cash investments, mainly bank deposits as well as money market paper and comparable securities with maturities of up to three months. The decline in net cash and cash equivalents is attributable in particular to the repayment of financial liabilities.

The total assets of the K+S GROUP amounted to €9,540.4 million as of June 30, 2022 (Dec. 31, 2021: €8,736.2 million). Property, plant, and equipment increased to € 6,495.2 million (Dec. 31, 2021: € 6,406.5 million). Cash and cash equivalents, current and non-current securities and other financial investments decreased to €487.2 million (Dec. 31, 2021: €622.7 million) due to the repayment of financial liabilities.

At €6,217.3 million, equity was significantly above the level of December 31, 2021 (€5,297.4 million). The equity ratio was 65.2% as of the reporting date, compared with 60.6% as of December 31, 2021.

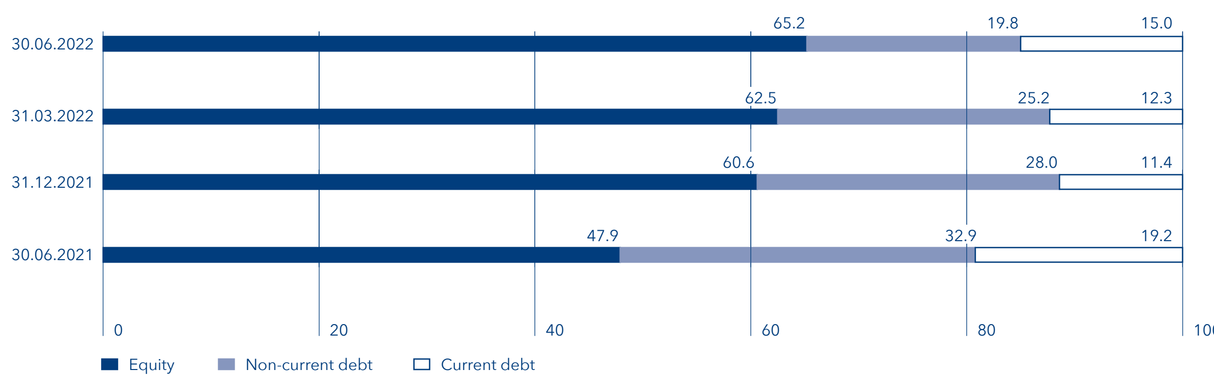
ASSETS

in %



EQUITY AND LIABILITIES

in %



For further information on significant changes in individual balance sheet items and in equity, please refer to the Notes starting on page 36.

NET FINANCIAL LIABILITIES AND NET DEBT FROM CONTINUING OPERATIONS

in € million	June 30, 2021	December 31, 2021	June 30, 2022
Cash and cash equivalents	701.1	390.8	208.5
Non-current securities and other financial investments	18.3	18.4	20.8
Current securities and other financial investments	328.7	213.5	257.9
Financial liabilities	-1,676.1	-1,191.0	-886.7
Lease liabilities from finance lease contracts	-67.1	-38.0	-26.2
Net financial liabilities	**-695.1**	**-606.3**	**-425.7**
Lease liabilities excluding liabilities from finance lease contracts	-166.8	-168.3	-162.5
Net financial liabilities (including all lease liabilities)	**-861.9**	**-774.6**	**-588.2**
Provisions for pensions and similar obligations	-70.3	-16.0	-3.5
Provisions for mining obligations	-928.9	-1,017.4	-923.4
Net debt	**-1,861.1**	**-1,808.0**	**-1,515.1**

As of the reporting date, the K+S GROUP had net financial liabilities of €425.7 million (December 31, 2021: €606.3 million; June 30, 2021: € 695.1 million). The reason for the decrease compared with December 31, 2021 was the very strong performance of the operating business.

The indebtedness ratio (net financial liabilities/EBITDA from continuing operations) has been further reduced since December 31, 2021, from 0.6 times (LTM) to 0.2 times as of June 30, 2022.

CUSTOMER SEGMENTS (NO SEGMENTS ACCORDING TO IFRS 8)

AGRICULTURE CUSTOMER SEGMENT

KEY FIGURES FOR THE AGRICULTURE CUSTOMER SEGMENT

in € million	Q2/2021	Q2/2022	%	H1/2021	H1/2022	%
Revenues	**473.7**	**1,244.2**	**> +100**	**942.7**	**2,188.3**	**> +100**
– thereof potassium chloride	278.1	849.2	> +100	530.6	1,474.5	> +100
– thereof fertilizer specialties	195.6	395.0	> +100	412.1	713.8	+73.2
Sales volumes (in million tonnes)	**1.89**	**1.87**	**-1.1**	**3.90**	**3.66**	**-6.2**
– thereof potassium chloride	1.21	1.18	-2.4	2.45	2.29	-6.6
– thereof fertilizer specialties	0.68	0.69	+1.3	1.45	1.37	-5.5

For a description of the market environment in the Agriculture customer segment, please refer to 'Industry-specific environment' from page 6 onwards.

In the Agriculture customer segment, second-quarter revenues rose significantly to €1,244.2 million (Q2/2021: €473.7 million), due to price factors, in particular. In the quarter under review, revenues in Europe amounted to €543.0 million (Q2/2021: €202.1 million), and overseas to €701.2 million (Q2/2021: €271.6 million). In total, potassium chloride accounted for €849.2 million of revenues (Q2/2021: €278.1 million) and fertilizer specialties for €395.0 million (Q2/2021: €195.6 million). In the first half of the year, revenues more than doubled to €2,188.3 million, compared with €942.7 million in the previous year.

Sales volumes in the second quarter amounted to 1.87 million tonnes, compared with 1.89 million tonnes in the prior-year quarter. Despite continuing constraints in logistics, sales volumes were, therefore, kept more or less stable. In the quarter under review, 0.84 million tonnes were sold in Europe (Q2/2021: 0.77 million tonnes) and 1.03 million tonnes overseas (Q2/2021: 1.12 million tonnes); price-related declines in demand in Western Europe were more than offset by higher sales volumes in Northern and Eastern Europe. In total, potassium chloride accounted for 1.18 million tonnes of the sales volume (Q2/2021: 1.21 million tonnes) and fertilizer specialties for 0.69 million tonnes (Q2/2021: 0.68 million tonnes). In the first half of the year, sales volumes amounted to 3.66 million tonnes, compared with 3.90 million tonnes in the previous year. The decline is mainly attributable to time shifts in logistics.

VARIANCE COMPARED TO PREVIOUS YEAR

in %	Q2/2022	H1/2022
Change in revenues	**+162.7**	**+132.1**
– volume/structures-related	+8.2	+4.1
– price/pricing-related	+147.8	+123.2
– currency-related	+6.1	+4.3
– consolidation-related	+0.6	+0.5

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

		Q1/2021	Q2/2021	H1/2021	Q3/2021	Q4/2021	2021	Q1/2022	Q2/2022	H1/2022
Revenues	**€ million**	**469.0**	**473.7**	**942.7**	**529.1**	**800.3**	**2,272.1**	**944.1**	**1,244.2**	**2,188.3**
Europe	€ million	250.6	202.1	452.7	200.5	302.9	956.1	349.9	543.0	892.9
Overseas	USD million	263.1	327.5	590.6	387.4	568.7	1,546.7	666.5	746.5	1,413.0
Sales volumes	**million t. eff.**	**2.01**	**1.89**	**3.90**	**1.76**	**1.96**	**7.62**	**1.79**	**1.87**	**3.66**
Europe	million t. eff.	0.97	0.77	1.74	0.69	0.80	3.23	0.76	0.84	1.60
Overseas	million t. eff.	1.04	1.12	2.16	1.07	1.16	4.39	1.03	1.03	2.06
Average price	**€/tonne eff.**	**233.3**	**250.0**	**241.8**	**300.6**	**407.6**	**298.0**	**527.0**	**663.9**	**597.0**
Europe	€/tonne eff.	258.4	263.8	260.7	289.9	376.8	295.7	462.1	640.7	556.4
Overseas	USD/tonne eff.	253.0	292.8	273.3	362.6	490.4	352.4	644.3	727.2	685.6

INDUSTRY+ CUSTOMER SEGMENT

KEY FIGURES FOR THE INDUSTRY+ CUSTOMER SEGMENT

in € million	Q2/2021	Q2/2022	%	H1/2021	H1/2022	%
Revenues	190.5	265.7	+39.5	454.8	533.9	+17.4
Sales volumes (in million tonnes)	1.53	1.47	–3.9	3.96	3.30	–16.8
– thereof de-icing salt	0.29	0.31	+6.3	1.64	0.92	–43.8

For a description of the market environment in the Industry+ customer segment, please refer to 'Industry-specific environment' from page 6 onwards.

In the Industry+ customer segment, revenues of €265.7 million in the quarter under review were significantly higher than in the same quarter of the previous year (Q2/2021: €190.5 million). Despite below-average demand for de-icing salt in the first few months of the year due to weather conditions, revenues were up on the same quarter of the previous year as a result of favorable early-fills business, particularly in Eastern and Northern Europe. Growth was also recorded in the remaining sales areas, with revenues from products for the chemical industry in particular more than doubling compared with the second quarter of 2021 due to higher prices. In the first half of the year, revenues rose to €533.9 million (H1/2021: €454.8 million), mainly due to the positive price trend for chemical and industrial products.

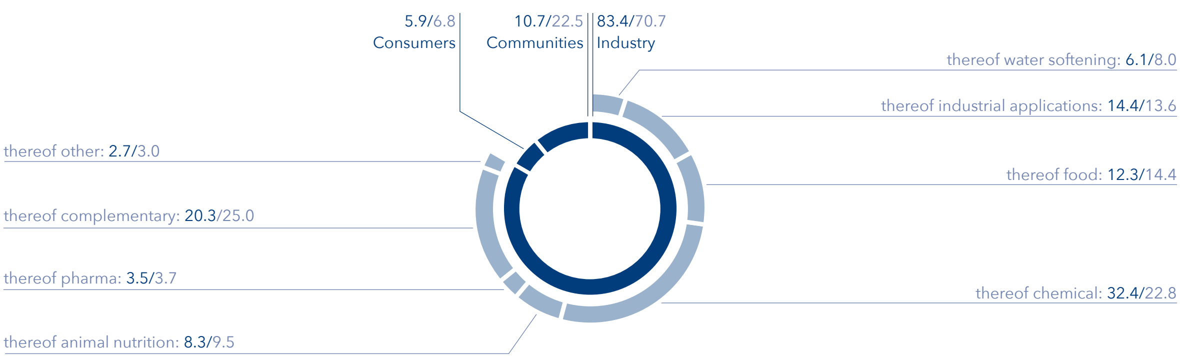
Overall, sales volumes in the second quarter were slightly below the level of the previous year at 1.47 million tonnes (Q2/2021: 1.53 million tonnes). Higher de-icing salt volumes were offset by slightly lower sales in the remaining application areas, also against the background of limited logistics availability. In the first half of the year, sales volumes amounted to 3.30 million tonnes (H1/2021: 3.96 million tonnes). In particular, the mild winter at the beginning of the year resulted in a decline in sales volumes of de-icing salt of 0.72 million tonnes in the first half of the year.

VARIANCE COMPARED TO PREVIOUS YEAR

in %	Q2/2022	H1/2022
Change in revenues	**+39.5**	**+17.4**
– volume/structures-related	+3.5	–6.3
– price/pricing-related	+34.8	+22.9
– currency-related	+1.1	+0.7
– consolidation-related	+0.1	+0.1

REVENUES BY PRODUCT GROUP

in %



January to June 2022/2021

EMPLOYEES

NUMBER OF EMPLOYEES AT PREVIOUS YEAR'S LEVEL

As of June 30, 2022, the K+S GROUP employed a total of 10,802 employees (full-time equivalents). Compared with June 30, 2021 (10,730 employees), the number therefore remained stable. The quarterly average number of employees was 10,779 (Q2/2021: 10,774); more than 90% of these were employed within Germany. The number of trainees in Germany as of June 30, 2022 was 458 compared to 496 on June 30, 2021.

REPORT ON RISKS AND OPPORTUNITIES

For a detailed presentation of the risk and opportunity management system as well as potential risks and opportunities, please refer to the relevant sections of our 2021 Annual Report starting on page 117. The risks and opportunities described there have changed as follows as of June 30, 2022:

The FEDERAL MINISTRY OF ECONOMIC AFFAIRS AND CLIMATE ACTION (BMWK) declared the alert level of the Gas Emergency Plan in Germany on June 23, 2022. The alert level was declared against the background of the ongoing curtailment of gas supplies from Russia since June 14, 2022. It follows the early warning stage declared on March 30, 2022. The Gas Crisis Team, chaired by the BMWK and the FEDERAL NETWORK AGENCY, has already been active since the early warning stage in preparation for potential gas supply restrictions or outages. At the alert level, there are no shutdowns ordered by the FEDERAL NETWORK AGENCY.

According to the FEDERAL NETWORK AGENCY, security of supply continues to be guaranteed despite the substantial cut in supplies from Russia through Nord Stream 1. Missing volumes can currently still be procured elsewhere on the market, but at significantly higher prices. K+S is currently only affected by the price increases to a limited extent, as the price of natural gas for more than 90% of the gas volumes required at European sites in 2022 was already hedged before the outbreak of the war; for 2023 and 2024, more than 70% of the natural gas requirement has been fixed in terms of price.

Nevertheless, there could be significant increases in production costs in Germany if the price adjustment mechanism created by the German Energy Security of Supply Act (Section 24 or Section 26 EnSiG) were to be enacted, which enables energy utilities to pass on increased gas purchase prices to their customers to the extent of the additional costs for replacement procurement in the event of extremely high prices – irrespective of any contractual agreements to the contrary. The prerequisite is that the FEDERAL NETWORK AGENCY determines that there is a significant reduction in total gas import volumes to Germany or that such a reduction is imminent and, therefore, considers security of supply to be at risk. None of these sections has yet been activated by the German government, as of August 8, 2022. Since Chancellor Olaf Scholz's press conference on July 22, 2022 anticipated a call-out of Section 26 EnSiG from October 1, 2022, with a levy on all gas consumers, we have assumed this scenario in our forecast for 2022. We cannot, however, rule out the possibility that a modified levy or, alternatively, Section 24 EnSiG could be activated at a later date.

In the event of a declaration of an emergency, the FEDERAL NETWORK AGENCY becomes the so-called federal load distributor. In the crisis, it assumes sovereign responsibility for the distribution and allocation of scarce gas volumes. This is accomplished in close coordination with the gas network operators. The scope of the producing companies considered systemically relevant – i.e. indispensable for the basic supply of our population and important industries – has not yet been decided by the state. We are in exchange with authorities as well as ministries and currently assume that the politicians correctly assess the relevance of K+S and will provide us with at least part of the necessary energy even in the event of a gas shortage.

K+S depends on the reliable supply of natural gas for its production. Crude salt processing as well as heat and electricity generation at the potash sites are based almost entirely on natural gas. Only the Wintershall site of the Werra plant receives energy from a waste incineration plant. We have also been working for decades to increase the energy efficiency of our plants, also through the consistent expansion of combined heat and power (CHP) generation. We have examined the extent to which natural gas can be replaced by other fuels, such as heating oil or diesel. In the short term, we can only switch to alternatives to a limited extent. If there were to be a gas shortage in Germany as gas volumes from Russia continue to be curtailed, this would have a negative impact on the energy supply to German sites and, therefore, lead to production cutbacks.

In our forecast for 2022, we have taken into account both a scenario for restricted gas availability at the German sites with a gas reduction of 25% and the activation of Section 26 of the German Energy Security of Supply Act (EnSiG) in accordance with the BMWK's draft ordinance for the fourth quarter with a corresponding negative impact on earnings totaling a low triple-digit million euro amount. Due to the prevailing uncertainties regarding the parameters of a gas shortage situation, it is currently not possible to make reliable statements about the probability of occurrence and more precise information about the amount of damage. K+S continues to work on alternatives for securing the energy supply and on various risk scenarios. In this connection, the "Gas Shortage" crisis team has been set up.

The risks to which the K+S GROUP is exposed, both in isolation 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 netted against each other.

REPORT ON EXPECTED DEVELOPMENTS

FUTURE MACROECONOMIC SITUATION

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

The INTERNATIONAL MONETARY FUND forecasts growth in global GDP of 3.2% in 2022, following the strong growth of 6.1% in 2021. The reasons for the lower expected growth are, apart from the high inflation levels and the worse than expected economic development of China, the economic damage caused by the war in Ukraine, especially in Germany and the remaining countries of the euro area, which are highly dependent on energy imports from Russia.

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT

in %; real	2018	2019	2020	2021	2022e
Germany	+1,1	+1,1	–4,6	+2,9	+1,2
Euro area	+1,8	+1,6	–6,4	+5,4	+2,6
World	+3,6	+2,9	–3,1	+6,1	+3,2

Source: IMF

FUTURE INDUSTRY SITUATION

The medium- to long-term trends regarding the future developments of the industry described in the 2021 Annual Report on page 134 largely remain valid.

AGRICULTURE CUSTOMER SEGMENT

For the Agriculture customer segment, we expect that, due to lower export volumes from Russia and Belarus, the record global potash sales of about 77 million tonnes (including about 5 million tonnes of potassium sulfate and potash grades with lower mineral contents) of the two previous years cannot be achieved and will be significantly lower due to availability. With regard to the fertilizer specialty potassium sulfate, we assume slightly lower global demand due to the high price level, as profitability for agricultural products requiring potassium sulfate has not increased to the same extent as for wheat and corn, for example. Following the further increase in agricultural prices, the tightening of sanctions against Belarus and the geopolitical situation concerning Russia, which led to a significant increase in potassium chloride prices in all sales regions in the first half of the year, we also anticipate strongly higher prices for potassium chloride in the second half of the year compared with the previous year. We also continue to expect a significant increase in fertilizer specialties on average for the year compared with the previous year.

INDUSTRY+ CUSTOMER SEGMENT

In 2022, demand for products in the Industry+ customer segment should develop positively overall. We expect demand for products for the chemical industry to increase tangibly. Demand for industrial salts and consumer products is assessed as robust in the second half of the year. We also anticipate continued good demand for pharmaceutical products in the second half of the year, up from the prior-year level. Due to weather conditions, demand for de-icing salt was below average in the first quarter. For the second half of the year, we expect winter weather conditions to be on average for the past ten years. Due to the anticipated lack of supply volumes from Belarus and Ukraine, the sales volumes of the remaining de-icing salt suppliers in Northern and Eastern Europe should be correspondingly higher in the second half of the year.

EXPECTED EARNINGS PERFORMANCE

The sharp rise in the average price in the Agriculture customer segment should significantly exceed expected cost increases, especially for energy, logistics, and materials. Even assuming a scenario defined below for production restrictions due to shortages in the availability of natural gas and higher costs for natural gas in Germany due to activation of the Section 26 of the German Energy Security of Supply Act in the fourth quarter, we continue to expect a strong increase in EBITDA in the 2022 financial year to between €2.3 billion to €2.6 billion (previous forecast: €2.3 billion to €2.6 billion assuming no production restrictions at the German plants due to shortages in the availability of natural gas; 2021: €969.1 million, including €219.2 million one-off effect from the REKS transaction). Against the background of the prevailing uncertainties regarding the supply of natural gas from Russia to Europe, we also refer to our explanations in the Report on Risks and Opportunities.

Our estimate for the full year 2022 is largely based on the following assumptions:

+ Reduction of gas availability at German sites by 25% in the fourth quarter (assumption: certain compensation opportunities with electricity or other energy sources at individual sites and no availability constraints on these).
+ Section 26 of the German Energy Security of Supply Act will be activated as of October 1, 2022, in accordance with the BMWK's draft ordinance (assumption: existing long-term contracts remain valid, additional €50/MWh levy on total gas consumption in the fourth quarter).
+ The combination of both factors (reduction in gas availability and Section 26 EnSiG) in the fourth quarter will have a negative impact on EBITDA in the low triple-digit million euro range.
+ For the full year 2022, cost increases in the higher triple-digit million euro range are, therefore, assumed in total compared with the cost level in 2021, in particular for energy, logistics, and materials.
+ Beyond the aforementioned COVID-19-related efficiency losses, which we expect to be at the level of the first half of the year for the remainder of the year, we do not foresee any material adverse effects on our business as a result of the COVID-19 pandemic.
+ In accordance with our assessment of the market environment in the Agriculture customer segment, we continue to assume a strong increase in the average price for potash and magnesium fertilizers in our product portfolio for 2022 as a whole compared with 2021 as well as a moderately higher average price for the second half of 2022 compared with the second quarter of 2022 (2021: €298; Q2/2022: €664).
+ The sales volumes of all products in the Agriculture customer segment is expected to be around 7.5 million tonnes, in particular due to the assumed scenario for gas availability in the fourth quarter, ongoing restrictions on logistics availability and comparatively high sickness rates at our Company and our business partners (previous forecast: around 7.7 million tonnes; 2021: 7.62 million tonnes).
+ As a result of the below-average first quarter due to weather conditions, we expect sales volumes in the de-icing salt business of a good 2.0 million tonnes in the 2022 financial year, following the historically strong winter in the previous year (previous forecast: just under 2.0 million t; 2021: 3.2 million t; normal year: 2.0 to 2.3 million t).
+ With regard to the EUR/USD currency relation, an average spot rate of 1.05 EUR/USD (previous forecast: 1.16 EUR/USD; 2021: 1.18 EUR/USD) is assumed for the remainder of the year. Including currency hedging, this corresponds to an annual average exchange rate of 1.13 EUR/USD (2021: 1.15 EUR/USD).

We continue to expect a strong year-on-year increase in adjusted Group earnings after tax from continuing operations excluding impairment effects (2021: €525.0 million).

EXPECTED FINANCIAL POSITION AND PLANNED CAPITAL EXPENDITURES

Adjusted free cash flow from continuing operations, excluding the one-off effect from the repayment of factoring and the purchase of CO_2 certificates totaling around €0.23 billion, is still expected to range between €1.0 billion and €1.2 billion (adjusted free cash flow 2021: €92.7 million) despite the inclusion of the gas scenario described. Taking into account this use of funds, the forecast for adjusted free cash flow is, therefore, €770 million to €970 million. The volume of capital expenditure of the K+S GROUP in 2022 is expected to remain unchanged at a good €400 million (2021: €334.3 million).

The return on capital employed (ROCE) from continuing operations, excluding impairment effects, is still expected to increase sharply in 2022 (2021: 11.2%).

CHANGES IN THE FORECAST FOR THE FULL YEAR 2022

K+S Group		2021 Actual (continuing operations)	2022 Forecast in 2021 Annual Report	2022 Forecast Q1/2022	2022 Forecast Q2/2022
EBITDA [1]	€ million	969; thereof 219 REKS (one-off)	1,600 to 1,900	2,300 to 2,600 excl. gas shortage	2,300 to 2,600 incl. gas shortage
Capital expenditures [2]	€ million	334.3	400	a good 400	a good 400
Group earnings after tax, adjusted, excluding impairment effects [3]	€ million	525.0	strong increase	strong increase	strong increase
Adjusted free cash flow	€ million	92.7	600 to 800	1,000 to 1,200 [4] excl. gas shortage	1,000 to 1,200 [4] incl. gas shortage
ROCE, excluding impairment effects	%	11.2	strong increase	strong increase	strong increase
EUR/USD exchange rate for remaining months	EUR/USD	1.18	1.16	1.16	1.05
Sales volumes in Agriculture customer segment	t million	7.6	a good 7.7	a good 7.7	around 7.5
Average price in Agriculture customer segment	€/t	298.0	strong increase compared to FY 2021	strong increase compared to FY 2021	strong increase compared to FY 2021; H2 moderately above Q2/2022 (664)
Sales volumes de-icing salt	t million	3.20	a good 2.0	just under 2.0	a good 2.0

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

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

[3] The adjusted key figures include the gains/losses from operating forecast 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 2021: 30.2%.

[4] Taking into account the one-off effect from the almost full repayment of factoring and the purchase of CO_2 certificates totaling around €230 million, the expected adjusted free cash flow should range between €770 million and €970 million.

FINANCIAL STATEMENTS

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INCOME STATEMENT[1]

in € million	Q2/2021	Q2/2022	H1/2021	H1/2022
Revenues	**664.2**	**1,509.9**	**1,397.5**	**2,722.2**
Costs of goods sold	455.9	802.9	894.9	1,510.5
Gross profit	**208.3**	**707.0**	**502.6**	**1,211.7**
Selling, general, and administrative expenses	30.4	45.2	75.8	94.9
Other operating income	17.0	75.3	61.0	116.7
Other operating expenses	24.2	101.3	85.2	159.2
Share of profit or loss of equity-accounted investments	-2.0	-6.6	-2.3	-7.1
– thereof impairment losses	-2.0	-6.1	-2.0	-6.1
Income from equity investments, net	3.2	1.7	3.4	2.0
Gains/(losses) on operating anticipatory hedges	6.4	-133.6	-4.2	-151.8
Earnings after operating hedges[2]	**178.3**	**497.3**	**399.5**	**917.4**
Interest income	8.9	32.8	8.9	54.1
Interest expenses	27.4	7.5	54.2	16.1
Other financial result	-14.9	–	22.2	8.2
Financial result	**-33.4**	**25.3**	**-23.1**	**46.2**
Earnings before tax	**144.8**	**522.6**	**376.4**	**963.7**
Income tax expense	-5.1	152.3	10.8	282.4
– thereof deferred taxes	-13.4	27.5	-1.0	41.0
Earnings after tax from continuing operations	**149.9**	**370.3**	**365.5**	**681.2**
Income after tax from discontinued operations	**861.1**	**–**	**827.6**	**–**
Earnings for the period	**1,011.0**	**370.3**	**1,193.1**	**681.2**
Non-controlling interests	–	–	–	–
Earnings after tax and non-controlling interests	**1,011.0**	**370.3**	**1,193.1**	**681.2**
– thereof from continuing operations	149.9	370.3	365.5	681.2
– thereof from discontinued operations	861.1	–	827.6	–
Earnings per share in € (undiluted = diluted)	**5.28**	**1.93**	**6.23**	**3.56**
– thereof from continuing operations	0.78	1.93	1.91	3.56
– thereof from discontinued operations	4.50	–	4.32	–

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

STATEMENT OF COMPREHENSIVE INCOME[1]

in € million	Q2/2021	Q2/2022	H1/2021	H1/2022
Earnings for the period	**1,011.0**	**370.3**	**1,193.1**	**681.2**
Unrealized gains/losses from currency translation	–33.5	140.6	190.5	269.1
Reclassifications to profit or loss of realized gains/losses from currency translation	**–289.9**	**–**	**–289.9**	**–**
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods	**–323.4**	**140.6**	**–99.4**	**269.1**
Remeasurement gains/(losses) on net liabilities/assets under defined benefit plans	33.8	23.0	44.3	42.1
Disposal/measurement gains/(losses) on equity instruments at fair value	–1.0	–	–1.0	–
Items of other comprehensive income not to be reclassified to profit or loss	**32.8**	**23.0**	**43.3**	**42.1**
Other comprehensive income after tax	**–290.6**	**163.6**	**–56.1**	**311.2**
Total comprehensive income for the period	**720.4**	**533.9**	**1,137.0**	**992.4**
Non-controlling interests	–	–	–	–
Consolidated total comprehensive income, net of tax and non-controlling interests	**720.4**	**533.9**	**1,137.0**	**992.4**

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

BALANCE SHEET – ASSETS[1]

in € million	June 30, 2021	Dec. 31, 2021	June 30, 2022
Intangible assets	78.0	79.9	179.2
– thereof goodwill from acquisitions of companies	13.7	13.7	13.7
Property, plant and equipment	4,603.0	6,406.5	6,495.2
Investment properties	4.6	4.6	4.6
Financial assets	44.3	76.4	39.3
Investments accounted for using the equity method	25.6	175.9	168.8
Other financial assets	6.1	7.5	6.1
Other non-financial assets	22.0	25.3	69.9
Securities and other financial assets	18.3	18.4	20.8
Deferred taxes	69.1	30.2	70.1
Non-current assets	**4,871.0**	**6,824.7**	**7,054.0**
Inventories	481.6	496.5	623.3
Trade receivables	343.1	569.5	1,142.0
Other financial assets	97.7	104.7	99.6
Other non-financial assets	119.0	92.5	114.3
Income tax refund claims	35.5	44.0	40.8
Securities and other financial assets	328.7	213.5	257.9
Cash and cash equivalents	701.1	390.8	208.5
Assets held for sale	29.7	–	–
Current assets	**2,136.4**	**1,911.5**	**2,486.4**
TOTAL ASSETS	**7,007.4**	**8,736.2**	**9,540.4**

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

BALANCE SHEET – EQUITY AND LIABILITIES[1]

in € million	June 30, 2021	Dec. 31, 2021	June 30, 2022
Issued capital	191.4	191.4	191.4
Capital reserve	645.7	645.7	646.0
Other reserves and net retained earnings	2,520.9	4,460.3	5,379.9
Equity	**3,358.0**	**5,297.4**	**6,217.3**
Financial liabilities	981.0	978.2	456.2
Other financial liabilities	146.6	148.1	136.1
Other non-financial liabilities	15.6	15.3	14.7
Provisions for pensions and similar obligations	70.3	16.0	3.5
Provisions for mining obligations	928.9	1,017.4	923.4
Other provisions	143.8	163.0	143.4
Deferred taxes	20.8	105.3	210.2
Non-current liabilities	**2,307.0**	**2,443.3**	**1,887.5**
Financial liabilities	695.1	212.8	430.5
Trade payable	143.9	186.9	198.6
Other financial liabilities	171.2	175.7	257.5
Other non-financial liabilities	99.9	70.3	94.9
Income tax liabilities	24.2	63.1	186.7
Provisions	206.8	286.7	267.4
Liabilities relating to assets held for sale	1.3	–	–
Current liabilities	**1,342.4**	**995.5**	**1,435.6**
TOTAL LIABILITIES AND EQUITY	**7,007.4**	**8,736.2**	**9,540.4**

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

STATEMENT OF CASH FLOWS[1]

in € million	Q2/2021	Q2/2022	H1/2021	H1/2022
Earnings after operating hedges (from continuing operations)	178.2	497.3	399.5	917.4
Earnings after operating hedges (from discontinued operations)	139.5	–	90.9	–
Income (–)/expenses (+) arising from changes in fair value of outstanding operating forecast hedges	–125.2	103.1	3.3	116.6
Elimination of prior-period changes in fair value of operating anticipatory hedges	15.8	–8.6	28.3	–19.5
Depreciation, amortization, impairment losses (+)/reversals of impairment losses (–)	–77.7	114.4	–192.6	215.8
Increase (+)/decrease (–) in non-current provisions (excluding interest rate effects)	–0.9	43.6	–0.2	40.3
Interest received and similar income	0.2	1.6	0.7	2.4
Realized gains (+)/losses (–) on financial assets/liabilities	8.4	13.6	40.8	16.7
Interest paid and similar expense (–)	–76.4	–23.8	–86.9	–29.8
Income tax paid (–)	–69.0	–98.5	–73.5	–115.2
Other non-cash expenses (+)/income (–) and other expenses and income in connection with the sale of the OU Americas	–93.8	–9.5	–99.4	–12.0
Gains (–)/losses (+) on sale of assets and securities	1.2	1.1	2.6	2.5
Increase (–)/decrease (+) in inventories	–51.5	–61.8	68.4	–117.4
Increase (–)/decrease (+) in receivables and other operating assets	133.9	–360.2	–11.0	–582.9
Increase (+)/decrease (–) of current operating liabilities	–22.3	51.3	–47.6	50.1
Increase (+)/decrease (–) in current provisions	–38.3	–31.7	–54.0	–0.2
Net cash flow from operating activities	**–77.9**	**231.9**	**69.2**	**484.7**
– thereof from continuing operations	–1.6	232.5	80.6	486.2
– thereof from discontinued operations	–76.2	–0.6	–11.4	–1.5
Proceeds from sale of assets	5.8	0.7	8.3	1.1
Purchases of intangible assets	–1.5	–30.3	–11.0	–113.1
Purchases of property, plant, and equipment	–72.5	–70.1	–175.3	–138.2
Purchases of financial assets	–3.4	–2.0	–3.4	–2.0
Proceeds from the sale of consolidated companies, less cash and cash equivalents sold including hedging	2,661.2	–	2,661.2	–
Cash and cash equivalents of companies deconsolidated in the period under review	–	–	–	–0.2
Proceeds from sale of securities and other financial assets	–	236.3	–	296.3
Purchases of securities and other financial assets	–333.7	–265.5	–333.7	–343.2
Net cash used in investing activities	**2,255.9**	**–130.9**	**2,146.1**	**–299.3**
– thereof from continuing operations	–400.4	–130.9	–497.7	–299.3
– thereof from discontinued operations	2,656.3	–	2,643.8	–
Dividends paid	–	–38.3	–	–38.3
Proceeds from other contributions to equity	–	1.6	–	1.6
Purchase of treasury shares	–	–2.1	–	–2.1
Sale of treasury shares	–	0.4	–	0.4
Repayment (–) of financial liabilities	–2,116.0	–267.7	–3,160.3	–359.8
Proceeds (+) from financial liabilities	407.5	7.7	1,440.0	17.7
Net cash flow from financing activities	**–1,708.5**	**–298.4**	**–1,720.3**	**–380.5**
– thereof from continuing operations	–1,670.6	–298.4	–1,656.9	–380.5
– thereof from discontinued operations	–37.9	–	–63.4	–
Cash change in cash and cash equivalents	**469.6**	**–197.4**	**495.1**	**–195.1**
Exchange rate-related change in cash and cash equivalents	11.4	4.2	19.2	11.3
Consolidation-related changes	–	–	–	3.4
Net change in cash and cash equivalents	**481.0**	**–193.2**	**514.3**	**–180.4**
Net cash and cash equivalents as of January 1			**197.4**	**382.7**
Net cash and cash equivalents as of June 30			**711.7**	**202.3**
– thereof cash and cash equivalents [2]			720.5	208.5
– thereof cash received from associated companies			–8.8	–6.2

[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 as in 2021 cash and cash equivalents from disposal groups (€19.4 million) have been reclassified to the item "Assets held for sale."

STATEMENT OF CHANGES IN EQUITY[1]

in € million	Issued Capital	Capital reserve	Net retained profits/ retained earnings	Currency translation differences	Remeasurement gains/ (losses) on defined benefit plans	Disposal/ measurement gains/(losses) on equity instruments at fair value	Total equity attributable to shareholders of K+S AG	Non-controlling interests	Equity
As of January 1, 2022	191.4	645.7	4,630.2	-146.5	-68.8	45.4	5,297.4	–	5,297.4
Earnings for the period	–	–	681.2	–	–	–	681.2	–	681.2
Other comprehensive income (after tax)	–	–	–	269.1	42.1	–	311.2	–	311.2
Total comprehensive income for the period	–	–	681.2	269.1	42.1	–	992.4	–	992.4
Dividend for the previous year	–	–	-38.3	–	–	–	-38.3	–	-38.3
Purchase of employee shares	–	0.3	–	–	–	–	0.3	–	0.3
Change in scope of consolidation and other changes in equity	–	–	1.3	–	–	-35.8	-34.5	–	-34.5
As of June 30, 2022	**191.4**	**646.0**	**5,274.4**	**122.6**	**-26.7**	**9.6**	**6,217.3**	**–**	**6,217.3**
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
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**

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

NOTES

EXPLANATORY DISCLOSURES

The interim report as of June 30, 2022 has been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EUROPEAN UNION. It is presented as condensed financial statements with selected explanatory notes in accordance with IAS 34. With the exception of the changes listed below, the accounting policies applied in the interim report are the same as those applied in the consolidated financial statements for the 2021 financial year. In the current reporting period, some amendments to standards became effective, but did not have any impact on the Group's accounting policies or the need for retrospective adjustments.

In 2021, 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. Therefore, there is no part of our Company constituting an operating segment under IFRS 8. Consequently, K+S has had a single operating segment since the 2021 financial year.

For information on 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.

The interim financial statements and 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 ACCOUNTING AND VALUATION METHODS

Certificates issued by the GERMAN EMISSIONS TRADING AUTHORITY (DEHSt) are recognized in the balance sheet at a value of zero. Emission certificates purchased on the market are capitalized as intangible assets at cost. A provision is recognized for the obligation to surrender emission certificates to the DEHSt, provided that the CO_2 emissions generated up to the balance sheet date are not covered by emission certificates granted free of charge.

Until December 31, 2021, the FiFo method was used as the consumption sequence method for the stock of emission certificates acquired in return for payment. As of 2022, the average method will be used for the first time. K+S is of the opinion that the changeover will lead to a smoothing of the expenses for the consumption of emission certificates, which are constantly increasing as a result of price factors, and will, therefore, provide a more accurate presentation of the earnings position in the future. Furthermore, emission rights are not physical assets. There is no actual (physical) withdrawal.

If the current consumption method were to be retained, the cost of sales in the first half of 2022 would be €11.8 million lower. Taking into account tax effects, net income would be €8.2 million higher. The previous year's figures have not been adjusted as the effects are immaterial.

CHANGES IN THE SCOPE OF CONSOLIDATION

The following companies have been included in the scope of consolidation since January 1, 2022:

+ K+S MINERALS AND AGRICULTURE (PANAMA) S.A.
+ K+S FERTILIZERS (INDIA) PTY LTD.
+ MSW-CHEMIE LIMITED LIABILITY COMPANY

K+S (HULUDAO) MAGNESIUM PRODUCTS CO., LTD. has been deconsolidated as of January 1, 2022.

As part of the package of measures for the reduction of debt announced in December 2019, K+S AKTIENGESELLSCHAFT made the announcement 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 sale of the Americas operating unit was completed on April 30, 2021. Taking into account debt and cash, the preliminary selling price (before purchase price adjustment) at June 30, 2021 was around €2.7 billion. The purchase price was paid in cash at the closing of the transaction. Further information on the final sale price is provided in Note (20) - Discontinued operations and disposal groups in the consolidated financial statements of the K+S GROUP as of December 31, 2021.

In the income statement of the comparative period, all income and expenditures of the business classified as discontinued operations have been reclassified and presented in a separate line item "Earnings after tax from discontinued operations."

Earnings of the discontinued operations in the comparative period are presented below. There were no significant reportable transactions in the current reporting period.

EARNINGS FROM DISCONTINUED OPERATIONS (AMERICAS OPERATING UNIT)

in € million	H1/2021	H1/2022
Revenues	544.5	–
Other operating income/expenses	–453.6	–
Net earnings after operating hedges	90.9	–
Financial result	–2.6	–
Earnings before tax	88.3	–
Income tax expense	–2.7	–
Earnings after tax from discontinued operations (excluding net disposal gains/losses)	**85.6**	–
Net disposal gains/losses	742.0	–
Earnings after tax from discontinued operations	**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 as of June 30, 2021. Further information on the discontinued operations is provided in Note (20) – Discontinued operations and disposal groups in the consolidated financial statements of the K+S GROUP as of December 31, 2021.

The preliminary gain on disposal as of June 30, 2021 is as follows:

GAIN ON DISPOSAL (AMERICAS OPERATING UNIT)

in € million	H1/2021
Purchase price (after hedges and costs of disposal)	2,585.9
Book value of net assets disposed of	–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 expenses	–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 subdivided into the areas of Industry, Consumers and Communities on the basis of customer interests. The largest segment, Industry, is also broken down into product groups.

REVENUES

in € million	Q2/2021	Q2/2022	H1/2021	H1/2022
Agriculture	473.7	1,244.2	942.7	2,188.3
– thereof potassium chloride	278.1	849.2	530.6	1,474.5
– thereof fertilizer specialties	195.6	395.0	412.1	713.8
Industry+	190.5	265.7	454.8	533.9
– thereof Consumers	14.4	15.1	30.8	31.6
– thereof Communities	15.7	17.6	102.6	56.7
– thereof Industry	160.4	233.0	321.4	445.5
– thereof water softening	13.0	12.8	25.6	27.2
– thereof industrial applications	22.6	33.9	43.5	64.4
– thereof food processing industry	24.2	27.2	46.4	54.6
– thereof chemicals	37.9	80.9	73.2	144.2
– thereof animal nutrition	14.5	18.2	30.6	36.9
– thereof pharma	6.0	8.4	12.0	15.4
– thereof complementary activities	37.8	49.2	80.5	90.6
– thereof other	4.4	2.3	9.6	12.3
Total	**664.2**	**1,509.9**	**1,397.5**	**2,722.2**

For further information on revenues, please refer to the Management Report starting on page 8.

OTHER OPERATING INCOME/EXPENSES

Other operating income and expenses include the following key items:

OTHER OPERATING INCOME/EXPENSES

in € million	Q2/2021	Q2/2022	H1/2021	H1/2022
Exchange rate gains/losses	–1.7	–1.8	–6.0	–8.5
Change in provisions	4.4	–20.4	5.1	–16.5
Other	–9.9	–3.9	–23.3	–17.5
Other operating income/expenses	**–7.2**	**–26.1**	**–24.2**	**–42.5**

FINANCIAL RESULT

The buy-back of issued bonds with a nominal value of around €104.5 million (June 30, 2021: €638.0 million, including buy-backs of promissory note loans) resulted in an expense of €2.1 million (June 30, 2021: €21.9 million), which was recognized in other financial result.

The financial result includes the following key items:

FINANCIAL RESULT

in € million	Q2/2021	Q2/2022	H1/2021	H1/2022
Interest component from measurement of provisions for mining obligations	–	23.5	–	38.7
Interest component and measurement gains/losses from the measurement of provisions for anniversaries/long-service accounts	9.8	8.0	9.8	13.4
Other interest and similar income	–0.9	1.3	–0.9	2.0
Interest income	**8.9**	**32.8**	**8.9**	**54.1**
Interest expense on bonds/promissory note loans	–20.4	–7.8	–39.8	–16.0
Interest component from measurement of provisions for mining obligations	–2.1	–	–4.7	–
Interest expense on pension provisions	–0.2	–	–0.3	–0.4
Capitalization of borrowing costs	2.9	3.6	5.6	6.9
Interest expense from leasing	–2.2	–1.7	–4.2	–3.5
Other interest and similar expenses	–5.4	–1.6	–10.8	–3.1
Interest expenses	**–27.4**	**–7.5**	**–54.2**	**–16.1**
Net interest	**–18.5**	**25.3**	**–45.3**	**38.0**
Gains or losses on derivatives	3.9	8.5	28.0	14.0
Gains or losses from foreign currency exposures	6.2	–7.4	20.0	–2.9
Gains or losses on repurchase of issued bonds/promissory note loans	–21.9	–0.7	–21.9	–2.1
Other financial income	–	–	0.1	0.1
Other financial expenses	–3.1	–0.4	–4.0	–0.9
Other financial result	**–14.9**	**–**	**22.2**	**8.2**
Financial result	**–33.4**	**25.3**	**–23.1**	**46.2**

For further information on the financial result, please refer to the Management Report on page 10.

The interest income from the valuation of mining provisions and provisions for anniversaries/long-service accounts results from the increase in interest rates used for discounting.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The actuarial valuation of provisions for pensions and similar obligations is based on the projected unit credit method in accordance with IAS 19. The average discount rate at the reporting date was 3.4% (Dec. 31, 2021: 1.3%; June 30, 2021: 1.4%). The increase in expected average pension increases to 1.8% (Dec. 31, 2021: 1.6%; June 30, 2021: 1.6%) resulted in an increase in the provision of €7.3 million.

PROVISIONS FOR MINING OBLIGATIONS

As in the previous year, a price increase of 1.5% p.a. is assumed for the provisions for mining obligations. The expected higher price increases for the years 2022 and 2023 were reflected by applying a one-off cost surcharge of 5.7% to account for the current high inflation rates. This resulted in an increase in provisions of €49.3 million, of which €22.0 million was recognized in profit or loss and €27.3 million increased property, plant, and equipment.

The market interest rates used for discounting purposes for remaining terms of up to 30 years increased significantly as of the balance sheet date. By contrast, the perpetuity interest rate used for remaining terms of 50 years or more decreased slightly to 4.0% (December 31, 2021: 4.2%). Overall, the change in interest rates reduced provisions for mining obligations by €157.7 million, of which €114.2 million were recognized as a reduction in property, plant, and equipment and €43.5 million as an increase in net interest expense.

INCOME TAX EXPENSE

Income tax includes the following key items:

INCOME TAX EXPENSE

in € million	Q2/2021	Q2/2022	H1/2021	H1/2022
Corporate income tax	5.5	62.7	6.4	123.0
Trade income tax	–1.4	61.4	–0.2	115.6
Foreign income taxes	4.2	0.7	5.6	2.8
Deferred taxes	–13.4	27.5	–1.0	41.0
Income tax expense	**–5.1**	**152.3**	**10.8**	**282.4**

FINANCIAL INSTRUMENTS

BOOK VALUES AND FAIR VALUES OF FINANCIAL INSTRUMENTS

in € million	Measurement category in accordance with IFRS 9	December 31, 2021 Book value	December 31, 2021 Fair value	June 30, 2022 Book value	June 30, 2022 Fair value
Assets		**1,380.9**	**1,380.9**	**1,774.2**	**1,774.2**
Shares in associated companies and other equity interests	Fair value through other comprehensive income	71.0	71.0	33.9	33.9
Equity investments	Fair value through profit or loss	5.3	5.3	5.3	5.3
Loans	Amortized cost	0.2	0.2	0.1	0.1
Financial assets		**76.4**	**76.4**	**39.3**	**39.3**
Trade receivables	**Amortized cost**	**408.3**	**408.3**	**586.8**	**586.8**
Trade receivables	**Fair value through other comprehensive income (with recycling)**	**161.2**	**161.2**	**555.2**	**555.2**
Derivatives with positive fair values	Fair value through profit or loss	12.0	12.0	11.7	11.7
Other non-derivative financial assets	Amortized cost	100.3	100.3	94.0	94.0
Other financial assets		**112.3**	**112.3**	**105.7**	**105.7**
Securities and other financial assets	**Amortized cost**	**194.9**	**194.9**	**271.7**	**271.7**
Securities and other financial asssets	**Fair value through other comprehensive income**	**7.0**	**7.0**	**7.0**	**7.0**
Securities and other financial assets	**Fair value through profit or loss**	**30.0**	**30.0**	**-**	**-**
Cash and cash equivalents	**Amortized cost**	**390.8**	**390.8**	**208.5**	**208.5**
Equity and liabilities		**1,701.7**	**1,735.9**	**1,478.9**	**1,454.5**
Financial liabilities	**Amortized cost**	**1,190.9**	**1,225.1**	**886.7**	**862.3**
Trade payables	**Amortized cost**	**186.9**	**186.9**	**198.6**	**198.6**
Derivatives with negative fair values	Fair value through profit or loss	40.7	40.7	152.7	152.7
Other non-derivative financial liabilities	Amortized cost	76.9	76.9	52.2	52.2
Lease liabilities	Separate category (IFRS 7)	206.3	206.3	188.7	188.7
Other financial liabilities		**323.9**	**323.9**	**393.6**	**393.6**

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 based on 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

					June 30, 2022
in € million	Measurement category in accordance with IFRS 9	Level 1	Level 2	Level 3	Total
Assets		**–**	**18.7**	**594.4**	**613.1**
Shares in associated companies and other equity investments	Fair value through other comprehensive income	–	–	33.9	33.9
Equity investments	Fair value through profit or loss	–	–	5.3	5.3
Trade receivables	Fair value through other comprehensive income (with recycling)	–	–	555.2	555.2
Derivative financial instruments	Fair value through profit or loss	–	11.7	–	11.7
Securities and other financial assets	Fair value through other comprehensive income	–	7.0	–	7.0
Equity and liabilities		**–**	**152.7**	**–**	**152.7**
Derivative financial instruments	Fair value through profit or loss	–	152.7	–	152.7

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

					December 31, 2021
in € million	Measurement category in accordance with IFRS 9	Level 1	Level 2	Level 3	Total
Assets		**–**	**49.0**	**237.5**	**286.5**
Shares in associated companies and other equity investments	Fair value through other comprehensive income	–	–	71.0	71.0
Equity investments	Fair value through profit or loss	–	–	5.3	5.3
Trade receivables	Fair value through other comprehensive income (with recycling)	–	–	161.2	161.2
Derivative financial instruments	Fair value through profit or loss	–	12.0	–	12.0
Securities and other financial assets	Fair value through other comprehensive income	–	7.0	–	7.0
Securities and other financial assets	Fair value through profit or loss	–	30.0	–	30.0
Equity and liabilities		**–**	**40.7**	**–**	**40.7**
Derivative financial instruments	Fair value through profit or loss	–	40.7	–	40.7

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

in € million	H1/2021	H1/2022
As of January 1	41.7	76.4
Change in the scope of consolidation	–	–39.5
Additions	3.4	2.4
Disposals	–	–
Measurement gains/losses (other comprehensive income)	–1.0	–
Disposal gains/losses (other comprehensive income)	–	–
Transfers (from Level 3/to Level 3)	–	–
As of June 30	**44.1**	**39.3**

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 carrying amount 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

An impairment test must be performed for all assets within the scope of IAS 36 if there are indications of possible impairment at the reporting date. The after-tax discount rate to be applied for the impairment test has increased from 6.8% to 7.3% as of June 30, 2022 compared to December 31, 2021. Furthermore, price-related cost increases (in particular for energy and freight) due to the effects of the war in Ukraine have risen significantly compared to previous assumptions.

Against this background, an assessment regarding the necessity for impairment losses for the Potash and Magnesium Products and Salt Europe cash-generating units (CGU) was carried out.

As a result of higher market prices in the Potash and Magnesium Products CGU, the earnings situation has developed significantly better than assumed as of December 31, 2021, thereby more than offsetting the negative effects of interest rate and cost effects. The development of the USD/EUR exchange rate also had a positive effect. For the calculation of the recoverable amount, we assume a reduction of 25% in the fourth quarter of 2022 resulting from potential bottlenecks in gas availability at the production sites in Germany. At the same time, we take into account certain compensation opportunities through electricity or other fossil energy sources at individual sites and no availability restriction for these. We also assume increased energy costs due to the activation of Section 26 of the German Energy Security of Supply Act. For further explanations regarding potential gas shortages and their impact, please refer to the statements in the Report on Expected Developments and the Report on Risks and Opportunities. With regard to future business developments, we have no indications of a significant deterioration compared with previous assumptions.

The carrying amount of the Potash and Magnesium Products CGU has increased significantly mainly as a result of the higher volume of receivables due to the higher selling prices. On this basis, the recoverable amount of the Potash and Magnesium Products CGU was determined in accordance with the methods used as of December 31, 2021. In this regard, we refer to the 2021 Annual Report, Note (12) – Intangible assets, property, plant, and equipment, and impairment tests.

Accordingly, there was no need to recognize an impairment loss for the Potash and Magnesium Products CGU, and the recoverable amount again increased significantly compared with December 31, 2021. The surplus compared with the carrying amount has also increased again compared with the annual financial statements for 2021 and amounts to around €1.4 billion.

Sensitivity calculations were performed to account for estimation uncertainties. In each case, the change in one assumption was taken into account, with the other assumptions remaining unchanged compared with the original calculation.

+ A reduction (increase) in the planned MOP price by 5% over the entire planning period would result in the recoverable amount of the Potash and Magnesium Products CGU decreasing by €1.1 billion (increasing by €1.1 billion).
+ A reduction (increase) in the growth or inflation rate by 0.5 percentage points over the entire planning period would result in the recoverable amount of the Potash and Magnesium Products CGU decreasing by €0.9 billion (increasing by €1.1 billion).
+ USD/EUR exchange rates 5 cents higher (lower) would result in a €1.0 billion decrease (€1.1 billion increase) in the recoverable amount (excluding any offsetting effects from currency hedging).

In the Salt Europe CGU, rising prices as well as increases in sales volumes are expected for the years 2023 to 2025, which will compensate for the negative effects from interest rate and cost effects. As with the Potash and Magnesium Products CGU, the recoverable amount of the Salt Europe CGU is determined in accordance with the methods used as of December 31, 2021.

The impairment test carried out on the basis of the value in use confirms the recoverability of the goodwill allocated to the Salt Europe CGU.

A sensitivity calculation was carried out for the key parameter of the discount rate to account for estimation uncertainties; the other assumptions compared with the original calculation have remained unchanged.

+ An increase in the discount rate by 0.5 percentage points would result in an impairment loss in the mid single-digit million range.
+ A decrease in the discount rate by 0.5 percentage points would increase the recoverable amount by a low double-digit million amount.

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 under "Interest paid and similar expenses". Interest paid amounted to €26.5 million in the reporting period (H1/2021: €58.9 million).

SIGNIFICANT CHANGES IN SELECTED BALANCE SHEET ITEMS

On the assets side, non-current assets increased by €229.3 million. The increase is mainly attributable to an increase in intangible assets due to the purchase of emission certificates in the amount of €111.2 million and an increase in property, plant, and equipment of €88.7 million. Current assets increased by €574.9 million, with the change mainly resulting from an increase in trade receivables of €572.5 million. The increase in receivables is attributable to a price-related increase in revenues as well as to the reduction in factoring volumes.

On the equity and liabilities side, cash inflows from the sale of the Americas operating unit reduced financial liabilities by €304.3 million through repayment or buy-back. Furthermore, provisions for mining obligations decreased by €94.0 million and provisions for pensions and similar obligations by €12.5 million, partly due to higher interest rates.

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 2021 annual financial statements, net retained earnings and other reserves increased by €955.4 million. The increase is mainly attributable to the positive net earnings of €681.2 million in the first six months of the 2022 financial year and the changes in equity not recognized in profit or loss 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 increased by €269.1 million as of June 30, 2022. The dividend payment of €38.3 million resulted in a reduction in equity.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent tax liabilities of up to €178.0 million are expected from corporate transactions and cross-border issues (Dec. 31, 2021: €166.0 million), the occurrence of which is not considered entirely unlikely. The other contingent liabilities have not changed significantly compared with the 2021 annual financial statements.

Obligations from uncompleted investments amounted to €245.4 million in the reporting period (Dec. 31, 2021: €117.1 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 €4.8 million were paid to this group of persons in the first half of 2022. There were no other significant transactions with related parties.

FEES FOR THE AUDITOR

In the first quarter of 2022, the auditor, PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, and its network companies completed tax consulting services associated with the sale of the Americas operating unit in 2021 in the amount of €0.02 million, which had been started in the previous year. In accordance with the statutory regulations, PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT and its network companies no longer provided tax consulting services and other non-audit services for German K+S GROUP companies as of the issuance of the audit certificate for the 2021 consolidated financial statements of the K+S GROUP on March 8, 2022.

EVENTS AFTER THE BALANCE SHEET DATE

RISKS ASSOCIATED WITH THE SUPPLY OF NATURAL GAS

K+S depends on the reliable supply of natural gas for its production. Crude salt processing as well as heat and electricity generation at the potash sites are based almost entirely on natural gas. If a gas shortage were to occur in Germany as a result of the continued curtailment of gas volumes from Russia, this would have an adverse effect on the supply of energy to the German sites and, therefore, lead to production restrictions.

K+S is only affected by the current price increases to a limited extent, as the price of natural gas for more than 90% of the gas volumes required at European sites in 2022 had already been secured before the outbreak of the war; for 2023 and 2024, more than 70% of the natural gas requirements have been fixed in terms of price.

Nevertheless, there could be significant increases in production costs if the price adjustment mechanism created by the German Energy Security of Supply Act (Sec. 24 or Sec. 26 EnSiG) were to come into effect, which allows energy utilities to pass on increased gas purchase prices to their customers in the amount of the additional costs for replacement procurement in the event of extremely high prices – regardless of any contractual agreements to the contrary.

In our forecast for 2022, we have taken into account both restricted gas availability at the German sites in the fourth quarter with a gas reduction of 25% and the activation of Section 26 EnSiG in accordance with the BMWK's draft ordinance with a corresponding earnings discount totaling a low triple digit million euro amount.

For a detailed description of the effects, please refer to our statements in the Management Report (in particular the Report on Risks and Opportunities and the Report on Expected Developments).

RESPONSIBILITY STATEMENT FROM THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

We hereby declare that, to the best of our knowledge, and in accordance with the applicable reporting standards for interim financial reporting, the interim consolidated financial statements provide a true and fair view of net assets, financial, and earnings position 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 (Germany), August 8, 2022

K+S AKTIENGESELLSCHAFT

The Board of Executive Directors

KEY FIGURES - CONTINUING OPERATIONS [1]

		Q1/2021	Q2/2021	H1/2021	Q1/2022	Q2/2022	H1/2022
K+S Group							
Revenues	€ million	733.3	664.2	1,397.5	1,212.3	1,509.9	2,722.2
EBITDA [2]	€ million	126.0	111.5	237.4	524.1	706.4	1,230.4
Depreciation and amortization [3]	€ million	65.1	67.0	132.1	101.4	108.4	209.8
Agriculture customer segment [4]							
Revenues	€ million	469.0	473.7	942.7	944.1	1,244.2	2,188.3
Sales volumes	t million	2.01	1.89	3.90	1.79	1.87	3.66
Industry+ customer segment [4]							
Revenues	€ million	264.3	190.5	454.8	268.2	265.7	533.9
Sales volumes	t million	2.43	1.53	3.96	1.83	1.47	3.30
– thereof de-icing salt	t million	1.35	0.29	1.64	0.61	0.31	0.92
Capital expenditures (CapEx) [5]	€ million	48.1	86.7	134.8	49.2	76.0	125.2
Net cash flow from operating activities	€ million	82.2	–1.6	80.6	253.7	232.5	486.2
Net cash flow from investing activities	€ million	–97.3	–400.4	–497.7	–168.4	–130.9	–299.3
Adjusted free cash flow	€ million	–15.1	–68.3	–83.4	103.0	130.8	233.8
Working Capital	€ million	394.4	503.4	503.4	930.7	1,349.3	1,349.3
Net financial liabilities	€ million	–3,275.1	–695.1	–695.1	–520.4	–425.7	–425.7
Net financial liabilities/EBITDA (LTM) [6]	x-times	8.3	2.0	2.0	0.4	0.2	0.2
Group earnings after tax, adjusted [7]	€ million	280.8	988.6	1,269.4	312.7	436.3	749.0
– thereof continuing operations	€ million	229.3	157.5	386.8	312.7	436.3	749.0
– thereof impairment loss (–)/reversal of impairment loss (+) of property, plant, and equipment and intangible assets	€ million	180.0	146.7	326.7	–	–	–
– thereof discontinued operations	€ million	51.5	831.1	882.6	–	–	–
Earnings per share, adjusted [7]	€	1.47	5.17	6.63	1.63	2.28	3.91
– thereof continuing operations	€	1.20	0.82	2.02	1.63	2.28	3.91
– thereof impairment loss (–)/reversal of impairment loss (+) of property, plant, and equipment and intangible assets	€	0.94	0.77	1.71	–	–	–
– thereof discontinued operations	€	0.27	4.34	4.61	–	–	–
Earnings after operating hedges	€ million	221.3	178.3	399.5	420.1	497.3	917.4
Financial result	€ million	10.3	–33.4	–23.1	20.9	25.3	46.2
Income before tax	€ million	231.5	144.8	376.4	441.1	522.6	963.7
Income tax expenses	€ million	15.9	–5.1	10.8	130.1	152.3	282.4
Group earnings after tax and non-controlling interests	€ million	215.6	149.9	365.5	310.9	370.3	681.2

[1] Rounding differences may arise in figures.
[2] EBITDA is defined as earnings before income taxes, interest, depreciation and amortization, adjusted for the amount of depreciation and amortization recognized directly in equity in connection with own work capitalized, the result of fluctuations in the fair value of operating forecast hedges still outstanding, and changes in the fair value of realized operating forecast hedges recognized in prior periods.
[3] Relates to scheduled amortization of intangible assets and depreciation of property, plant, and equipment, adjusted for depreciation and amortization of own work capitalized recognized directly in equity.
[4] No segments in accordance with 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 figures include the gains/losses from operating forecast 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 Q2/2022: 30.2% (Q2/2021: 30.1%).

FINANCIAL CALENDAR

DATES

	2022/2023
Quarterly Report as of September 30, 2022	November 10, 2022
2022 Annual Report	March 15, 2023
Quarterly Report as of March 31, 2023	May 9, 2023
Annual General Meeting	May 10, 2023
Dividend payment	May 15, 2023
Half-Year Financial Report as of June 30, 2023	August 10, 2023

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FORWARD-LOOKING STATEMENTS

This Half-Year Financial Report contains statements and forecasts relating to the future development of the K+S GROUP and its companies. The forecasts represent assessments based on 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 Report on Risks and Opportunities in the current Annual Report – materialize, actual developments and results may deviate from current expectations. The Company assumes no obligation to update the statements contained in this Half-Year Financial Report beyond the disclosure requirements stipulated by law.