

FINANCIAL REPORT 2014



Experience growth.

DEVELOPMENT OF FORECASTS FOR THE FULL YEAR 2014

		Actual 2013	Forecast Financial Report 2013	Forecast Q1/14	Forecast H1/14	Forecast Q3/14	Actual 2014
K+S Group							
Revenues	€ billion	3.95	moderate decrease	moderate decrease	3.65 – 3.85	3.70 – 3.90	3.82
EBITDA	€ million	907.2	significantly below previous year's level	significantly below previous year's level	770 – 850	820 – 880	895.5
Operating profit (EBIT I)	€ million	655.9	significantly below previous year's level	significantly below previous year's level	490 – 570	580 – 640	641.3

MILESTONES 2014

February 2014	April 2014	September 2014	October 2014	December 2014
Completion of a first cavern for the extraction of brine containing potash	Pacific Coast Terminals Co. Ltd. (PCT) and K+S Potash Canada signed a long-term exclusive contract for the construction and operation of a new cargo terminal and storage facility	Four-Phase Plan presented for the permanent disposal of saline wastewater in the Werra potash district	K+S is looking back on its history of 125 years Morton Salt celebrates Umbrella Girl's 100 th birthday	"Fit for the Future": Targets for 2014 exceeded

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¹ The Management Report of K+S Aktiengesellschaft and the Group Management Report for the 2014 financial year are combined. The annual financial statements of K+S Aktiengesellschaft in accordance with the German Commercial Code (HGB) and the combined Management Report are published simultaneously in the German Federal Gazette (Bundesanzeiger).

TEN-YEAR SUMMARY K+S GROUP ¹											
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Profit and Loss											
Revenues	€ million	3,821.7	3,950.4	3,935.3	3,996.8	4,632.7	3,573.8	4,794.4	3,344.1	2,957.7	2,815.7
– thereof Potash and Magnesium Products business unit	€ million	1,884.0	2,037.6	2,290.6	2,133.6	1,867.0	1,421.7	2,397.4	1,407.9	1,238.9	1,197.2
– thereof Salt business unit	€ million	1,778.5	1,751.4	1,484.8	1,710.1	1,728.8	1,014.6	618.6	545.1	485.8	398.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA) ²	€ million	895.5	907.2	1,033.3	1,146.0	953.0	411.8	1,484.4	413.9	401.1	383.1
– thereof Potash and Magnesium Products business unit ²	€ million	618.5	667.5	867.2	833.8	567.1	317.2	1,286.3	255.1	235.7	236.1
– thereof Salt business unit	€ million	276.0	235.9	179.5	337.9	369.7	200.3	77.6	76.5	92.0	85.9
EBITDA margin	%	23.4	23.0	26.3	28.7	20.6	11.5	31.0	12.4	13.6	13.6
Depreciation ³	€ million	254.3	251.3	229.2	239.8	238.5	173.8	141.7	128.2	123.1	132.2
Operating earnings (EBIT I)	€ million	641.3	655.9	804.1	906.2	714.5	238.0	1,342.7	285.7	278.0	250.9
– thereof Potash and Magnesium Products business unit	€ million	488.8	552.5	770.9	739.5	475.9	231.7	1,203.2	177.9	158.6	151.8
– thereof Salt business unit	€ million	172.9	117.8	61.6	211.4	238.1	140.4	45.2	47.8	67.6	25.0
EBIT I margin	%	16.8	16.6	20.4	22.7	15.4	6.7	28.0	8.5	9.4	8.9
– Potash and Magnesium Products business unit	%	25.9	27.1	33.7	34.7	25.5	16.3	50.2	12.6	12.8	12.7
– Salt business unit	%	9.7	6.7	4.1	12.4	13.8	13.8	7.3	8.8	13.9	6.3
Group earnings from continued operations, adjusted ⁴	€ million	366.6	437.1	538.1	625.6	453.8	93.6	979.3	175.3	176.2 ⁵	161.3
Earnings per share from continued operations, adjusted ⁴	€	1.92	2.28	2.81	3.27	2.37	0.56	5.94	1.06	1.07 ⁵	0.95
Cash flow											
Operating cash flow	€ million	706.5	755.7	607.2	633.4	826.4	534.8	802.7	-108.3	202.4	220.9
Capital expenditure ³	€ million	1,153.2	742.5	465.5	293.1	188.6	177.6	197.5	171.6	130.5	107.1
Adjusted free cash flow ⁶	€ million	-306.3	48.7	199.1	216.6	667.3	-811.1	605.5	-258.5	-272.4	124.7
Balance Sheet											
Balance sheet total	€ million	7,855.2	7,498.2	6,596.6	6,056.9	5,573.7	5,217.1	3,473.8	2,964.8	2,830.9	2,259.1
Equity	€ million	3,974.5	3,396.6	3,393.9	3,084.6	2,651.6	2,094.6	1,718.3	931.8	1,124.3	942.1
Equity ratio	%	50.6	45.3	51.4	50.9	47.6	40.1	49.5	31.4	39.7	41.7
Net debt as of 31 Dec.	€ million	1,676.0	1,037.0	827.3	610.8	732.5	1,351.3	570.0	1,085.1	718.3	321.4
Net debt/EBITDA	x	1.9	1.1	0.8	0.5	0.8	3.3	0.4	2.6	1.8	0.8
Working capital	€ million	768.1	844.9	1,025.7	840.9	959.4	970.5	962.3	570.6	603.1	456.4
Return on Capital Employed (ROCE)	%	12.7	15.2	19.9	25.2	22.0	9.3	64.0	15.5	17.4	19.5
Employees											
Employees as of 31 Dec. ⁷	number	14,295	14,421	14,362	14,338	14,186	15,208	12,368	12,033	11,873	11,012
Average number of employees ⁷	number	14,295	14,348	14,336	14,155	14,091	13,044	12,214	11,959	11,392	11,017
The Share											
Book value per share	€	20.77	17.75	17.73	15.86	13.85	10.94	10.41	5.65	6.81	5.54
Dividend per share ⁸	€	0.90	0.25	1.40	1.30	1.00	0.20	2.40	0.50	0.50	0.45
Dividend yield ⁸	%	3.9	1.1	4.0	3.7	1.8	0.5	6.0	1.2	2.4	3.5
Closing price as of 31 Dec. ⁹	XETRA, €	22.92	22.38	35.00	34.92	56.36	39.99	39.97	40.69	20.55	12.76
Market capitalisation	€ billion	4.4	4.3	6.7	6.7	10.8	7.7	6.6	6.7	3.4	2.1
Enterprise value as of 31 Dec.	€ billion	6.1	5.3	7.5	7.3	11.5	9.0	7.2	7.8	4.1	2.4
Average number of shares ¹⁰	million	191.40	191.40	191.40	191.33	191.34	166.15	164.95	164.94	164.96	169.24

UNITS AT A GLANCE¹

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

	2014	2013	2012	2011	2010
in € million					
Revenues	1,884.0	2,037.6	2,290.6	2,133.6	1,867.0
EBITDA ²	618.5	667.5	867.2	833.8	567.1
EBIT I	488.8	552.5	770.9	739.5	475.9
Capital expenditure	1,040.4	606.5	332.9	162.1	96.9
Employees (number)	8,299	8,367	8,310	8,188	7,900

Potash and magnesium crude salts are extracted at six mines. We use them to produce a wide range of plant nutrients and, in addition, we process our raw materials into products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and food industries as well as elements for feed. We are currently making investments to develop the Legacy Project – a greenfield project in Saskatchewan, Canada. The commissioning is expected in summer 2016.

COMPLEMENTARY ACTIVITIES

	2014	2013	2012	2011	2010
in € million					
Revenues	158.3	159.4	153.7	150.4	134.0
EBITDA	34.3	31.7	28.3	29.0	27.7
EBIT I	24.2	24.7	21.1	17.9	21.2
Capital expenditure	5.1	3.4	6.3	4.3	4.2
Employees (number)	289	293	293	290	280

In addition to recycling activities and the disposal of waste at potash and rock salt mines as well as the granulation of CATSAN® and THOMAS®, the term 'Complementary Activities' bundles together further activities of importance to the K+S Group. With K+S Transport GmbH, Hamburg, the K+S Group possesses its own logistics service provider. Chemische Fabrik Kalk GmbH (CFK) trades in different basic chemicals.

SALT BUSINESS UNIT

	2014	2013	2012	2011	2010
in € million					
Revenues	1,778.5	1,751.4	1,484.8	1,710.1	1,728.8
EBITDA	276.0	235.9	179.5	337.9	369.7
EBIT I	172.9	117.8	61.6	211.4	238.1
Capital expenditure	87.5	107.4	111.3	112.3	79.0
Employees (number)	5,075	5,091	5,092	5,230	5,235

Salt products of the highest purity and quality are used as food grade salt, industrial salt and salt for chemical use as well as de-icing salt by winter road clearance services to ensure safety on the roads. They are produced in Germany and in other European countries as well as in North and South America.

¹ Information refers to the continued operations of the K+S Group.

² 2014 is adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.

In this Financial Report rounding differences may arise in percentages and numbers.

← Footnotes Ten-Year Summary

¹ Unless stated otherwise, information refers to the continued operations of the K+S Group. The discontinued operations of the COMPO business are also included up to 2009, and also the discontinued operations of the nitrogen business up to 2010. The balance sheet and therefore the key figures working capital, net debt, net debt/EBITDA and book value per share also include in 2010 the discontinued operations of the COMPO business and in 2011 also the discontinued operations of the nitrogen business.

² 2014 is adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.

³ Investments in or earnings-effective depreciation on property, plant and equipment, intangible assets and investment properties as well as depreciation on financial assets.

⁴ The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I (see also 'Notes to the income statement and the statement of comprehensive income' on page 130). In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2014: 28.6% (2013: 28.6%).

⁵ Without non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.

⁶ Adjustment for acquisitions and disposals of securities and other financial investments.

⁷ FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.

⁸ The figure for 2014 corresponds to the dividend proposal; the dividend yield is based on the year-end closing price.

⁹ The price of the K+S share since the capital increase in December 2009 has been traded ex subscription right. Historical values were not adjusted.

¹⁰ Total number of shares less the average number of own shares held by K+S.

LETTER TO OUR SHAREHOLDERS
KASSEL, 27 FEBRUARY 2015

Dear Shareholders,

For 125 years, we at K+S have understood transformation as opportunity, without losing sight of traditional miner values such as solidarity, reliability and a down-to-earth attitude. On behalf of the Board of Executive Directors, I would like to thank everyone who has helped to keep our company on track through generations, and those who have contributed to farsighted decisions for sustained value creation amid changing political, economic, and social frameworks.

125 YEARS K+S

On 3 October 1889 brave entrepreneurs founded the “Aktiengesellschaft für Bergbau und Tiefbohrung”, the earliest predecessor of K+S, in the city of Goslar. Just three years later, those pioneers found rich underground potash reserves in the city of Salzdettfurth. This was the foundation for a success story, and to look back on such a long heritage is something special for any company.

Today as then, K+S extracts resources through hard work and refines them into products that benefit people worldwide. Our plant nutrients make an important contribution to achieving good agricultural yields, thus feeding the world population. Our de-icing salt protects roads in the winter. Additionally, both potash and salt are raw materials for diverse industrial applications. They are essential for the production of glass and plastics, and supply us with important nutritional minerals in the form of table salt. High purity salt used for infusion and dialysis solutions meet the particularly demanding requirements of the pharmaceutical industry. Our products are part of the solution for production and value creation.

TOUGH TIMES

The start of 2014 was linked to significant uncertainty in the aftermath of July 30th, 2013 – the so-called “Black Tuesday” of the potash industry, which came along with a substantial drop in prices for potassium chloride. Quite a few had given up hope for K+S at that time. We coped with the situation, as we were and still are convinced of our strengths: a powerful team, long lasting customer relationships, a well-diversified regional and product portfolio, and a strong second pillar – our Salt business.

By relying on these strengths, K+S generated revenues of € 3.82 billion despite the setback mentioned above. In a multi-year comparison, the operating profit still reflects the upheaval on the potash markets. However, with an EBIT of € 641 million we have outperformed some of the initial expectations for 2014, including our own.

Hence, as promised, we will return to our usual dividend policy. The Board of Executive Directors and the Supervisory Board will propose a dividend of € 0.90 per share to the Annual General Meeting (2013: € 0.25). This reflects a payout ratio of 47%.

Nevertheless, great efforts are required to safeguard our edge in an increasingly competitive market. In order to be proactive, we will focus on our “Fit for the Future” programme by increasing efficiency in our processes and by taking full advantage of further synergies in order to

achieve sustainable savings. To put it simply, this means that we have to keep our costs under control.

THE FUTURE OF K+S

The main driver for the future is a world population that is rising by about 80 million people per year, and this growth rate is set to increase further. However, the world itself is not growing and arable land is limited. Nobody wants to be hungry and some of us want improved standards of living. This creates great opportunities for our Potash and Magnesium Products business unit. Our Salt business will also benefit from a growing population as it delivers raw materials for numerous products that are essential for health and nutrition.

To better prepare our business units for future challenges, we have initiated the programmes “Kali 2.0” and “Salt 2020”. In the Potash and Magnesium Products business unit, value added will be increased by focusing on the introduction of state-of-the-art business process management. This will make the business unit more competitive. Our Salt business unit will merge its operations further and enter new markets. Synergies were already achieved in 2014 by integrating de-icing and supply chain activities in the Americas. Further measures for internal and external growth will follow.


Despite awareness and best efforts, the fact remains that our production impacts nature. Our considerable efforts include the investment of millions in environmentally-friendly facilities and

conservation measures. Staff in our research center as well as at our headquarters and sites does its utmost to keep the consequences of production at a minimum. However, demands such as “production without residues” and “a North Sea pipeline crossing four German states” are high. The former is an illusion, as production without residues is simply not feasible anywhere in the world. Even taking the ecological benefits into consideration, the latter is not economically viable. Against this background we have jointly developed a Four-Phase Plan with the Hessian Ministry of the Environment to reconcile economic and ecological feasibilities. This represents our roadmap for future production in the Hesse-Thuringia potash district, even after depletion of resources there.

It is not a new fact that potash resources in Germany are limited. This is the reason we are building a new potash plant in Canada, called the “Legacy Project”. We are firmly rooted in Germany, but we think globally and believe in the long-term confidence of the potash market. The name “Legacy” stands for both our aims: to significantly increase our competitiveness in the mid-term and to pass on a healthy and resilient company to future generations with strong potential for long-term growth. We have invested a lot in planning and organisation and we are well on track to commission the site in summer 2016, as well as to meet the capex budget of CAD 4.1 billion. Once fully operational, the “Legacy Project” will be among the world’s most efficient sites. In addition, K+S will be the only potash producer with flexible production on two continents.

Fellow shareholders, it is true that mining means teamwork. As a team we at K+S laid the foundation for a successful company 125 years ago. Together we have come through tough times and together we will take the right steps toward a prosperous future for your – and our – K+S.

Yours faithfully



NORBERT STEINER
CHAIRMAN
OF THE BOARD OF EXECUTIVE DIRECTORS



TO OUR SHAREHOLDERS

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1.1

VISION

A SOURCE OF GROWTH AND LIFE THROUGH NUTRIENTS AND MINERALS

MISSION

THROUGH COMMITMENT TO OUR CORE VALUES AND PRINCIPLES AND PURSUING OUR VISION WE SEEK:

- + TO ATTAIN SUSTAINABLE ECONOMIC SUCCESS WHILE REMAINING FOCUSED ON THE SOCIAL AND ECOLOGICAL ASPECTS THAT ARE TIED TO OUR BUSINESS MODEL
- + TO MINE AND PROCESS RAW MATERIALS WHILE USING OUR PRODUCTS AND SERVICES TO IMPROVE NUTRITION, HEALTH, AND QUALITY OF LIFE
- + TO ACHIEVE A LEADING POSITION IN THE MARKETS WE SERVE
- + TO BE THE 'GO-TO' PARTNER FOR OUR CUSTOMERS
- + TO STRENGTHEN OUR RAW MATERIAL AND PRODUCTION BASE AND EXPAND IT GLOBALLY
- + TO INCREASE ADDED VALUE BY DEVELOPING NEW PRODUCTS AND MORE EFFICIENT PROCESSES
- + TO BE RECOGNISED AS AN ATTRACTIVE EMPLOYER FOR EMPLOYEES ALL OVER THE WORLD

1.2 THE BOARD OF EXECUTIVE DIRECTORS¹



NORBERT STEINER
LAWYER, CHAIRMAN OF THE BOARD OF
EXECUTIVE DIRECTORS

was born in Siegen in 1954. After studying law in Heidelberg and completing a legal traineeship in the district of the Higher Regional Court of Karlsruhe, Steiner began his professional career in the tax department of BASF AG in 1983, heading the customs and excise duties sub-department from 1988 onwards. He took charge of the legal affairs, tax and insurance department of K+S AKTIENGESELLSCHAFT in 1993. Steiner became a member of the Board of Executive Directors in May 2000. In January 2006, he was appointed Deputy Chairman and afterwards Chairman of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT in July 2007. He is responsible for the Corporate Communications, Corporate Development, Corporate Executive HR, Governance/Risk/Compliance/Corporate Secretary, Internal Audit and Investor Relations departments.



DR. BURKHARD LOHR
BUSINESS ADMINISTRATION GRADUATE

was born in Essen in 1963. He joined MANNESMANN AG in 1991 after studying business administration at the University of Cologne. From 1993 onwards, he held a number of positions at HOCHTIEF AG, Essen, including as member of the Board of Management of the Munich branch and as CFO of HOCHTIEF CONSTRUCTION AG, Essen. Lohr obtained his Dr. rer. pol. degree from Technische Universität Braunschweig in 2001. As CFO of HOCHTIEF AG, he was responsible for Finance, Investor Relations, Accounting, Controlling and Taxes from 2006 to 2008. Then, he additionally took on the role of Personnel Director. Lohr has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since 1 June 2012 and is responsible for Corporate Controlling, Corporate Finance and Accounting, Corporate Procurement, Corporate Tax, Technical Center (Environment, Geology, Mining, Research and Development, Technics/Energy) as well as CHEMISCHE FABRIK KALK, K+S CONSULTING, MSW CHEMIE and all direct shareholdings of K+S AKTIENGESELLSCHAFT, as far as they are not assigned to another area of responsibility.



DR. ANDREAS RADMACHER
ENGINEERING GRADUATE

was born in Dortmund in 1965. After studying mining in Clausthal-Zellerfeld and Aachen, Radmacher became a research assistant at DMT GMBH in Essen. During this period he also obtained a doctorate in engineering. In 1995, Radmacher joined STEAG AG. After a spell at a power plant site, he worked at the company's head office in Essen. He then joined the US ENRON GROUP, working in various roles in London, Oslo and Frankfurt am Main from 1998 onwards. Radmacher switched to RWE in 2002 and became a member of the Board of Executive Directors of RWE TRANSGAS A.S. in Prague. He was appointed to the Board of Executive Directors of RWE ENERGY AG in 2003 and went on to become CEO of RWE TURKEY HOLDING A.S. in Istanbul in 2009. Dr. Radmacher has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since September 2013. He is responsible for the Potash and Magnesium Products as well as Waste Management and Recycling business units.

¹ Refer to page 37 for the responsibilities of the Board of Executive Directors. The responsibilities are valid until 31 December 2014.



MARK ROBERTS
BACHELOR OF SCIENCE (MARKETING)

was born in New Jersey, USA, in 1963. He began his professional career as a marketing manager at the VICTAULIC CORPORATION OF AMERICA. He then joined the ASHLAND CHEMICAL COMPANY as a sales representative and national account manager in 1988. Roberts joined POTASH IMPORT & CHEMICAL CORPORATION (PICC), the U.S. distribution company of K+S KALI, as a sales manager in 1992 and he subsequently became the company's Vice President. He was appointed President of PICC in 2004 and named CEO of the INTERNATIONAL SALT COMPANY (ISCO) in Clarks Summit, Pennsylvania, USA, in April 2008. Roberts became CEO of MORTON SALT in Chicago, USA, on 1 October 2009. He has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since 1 October 2012. He is responsible for the Salt business unit and for Animal Hygiene Products.



GERD GRIMMIG²
ENGINEERING GRADUATE

was born in Freden in 1953. After studying mining at Clausthal University of Technology, he worked in mining operations at various plants and in the mining division at the head office of KALI UND SALZ AG (NOW K+S AKTIENGESELLSCHAFT). He held several plant manager positions in the mining division between 1990 and 1996. Grimmig was Managing Director of KALI UND SALZ GMBH from January 1997 to September 2001 and responsible for the mining department. He has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since October 2000. Before retiring on 30 September 2014, he was responsible for the Waste Management and Recycling business unit as well as the K+S CONSULTING, MSW CHEMIE, Technical Center (Mining, Geology, Technics/Energy, Research & Development, Environment & Safety, Inactive Plants) and Animal Hygiene Products divisions.

² Member of the Board of Executive Directors until 30 September 2014.



DR. THOMAS NÖCKER
LAWYER

was born in Neukirchen-Vluyn in 1958. After studying law and subsequently obtaining a doctorate from the University of Münster, Nöcker completed his legal training in Düsseldorf and Montreal, Canada, among other places. He began his professional career in 1991 at RAG AG, where he held a range of different positions. He was appointed as a member of the Board of Executive Directors of RAG SAARBERG AG in 1998 and was responsible for human resources, legal affairs and IT management/organisation. Dr. Thomas Nöcker has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since August 2003. He is the Personnel Director and is responsible for K+S TRANSPORT GMBH, Corporate HR, Corporate IT and the Business Center with the sub-units of Communication Services, Financial Accounting, HR Services, Insurances, IT Services, Legal, Logistics Europe, Procurement/Materials Management Europe, Project Management, Real Estate and Facility Management.

1.3 SUPERVISORY BOARD REPORT

Dear Shareholders,

The following Supervisory Board report provides information about the activities of the Supervisory Board during the 2014 financial year and the findings of the audit of the 2014 annual financial statements and consolidated financial statements.

The Board's meetings and discussions primarily focused on the following items:

- + The business situation of the K+S GROUP
- + The K+S GROUP strategy
- + The progress of the Legacy Project and the disposal of saline wastewater
- + Contract extensions for three members of the Board of Executive Directors and
- + The selection of suitable candidates for Board of Executive Directors and Supervisory Board appointments

ADVICE TO THE BOARD OF EXECUTIVE DIRECTORS AND MONITORING OF MANAGEMENT

The Supervisory Board diligently performed the control and consultancy tasks imposed on it by law, the Articles of Association and its bylaws during the 2014 financial year. Numerous matters were discussed in depth and resolutions were adopted regarding transactions requiring approval. We advised the Board of Executive Directors on an ongoing basis on the management of the Company and monitored the latter's executive management. We were always involved in decisions of fundamental importance in a timely and appropriate manner. The Board of Executive Directors informed us on a regular basis, promptly and comprehensively, via conference calls, for example, about the course of business, the earnings and financial position, the employment situation, the progress of important investment projects (primarily the Legacy Project), the planning and, in particular, the further strategic development of

the Company. Deviations from plans were explained to the Supervisory Board in detail. The risk situation and risk management were always carefully considered. The Supervisory Board regularly received written reports from the Board of Executive Directors in order to prepare for meetings. The Chairman of the Supervisory Board also remained in close communication with the Board of Executive Directors outside of meetings and discussed significant events and upcoming decisions with it. The shareholder and employee representatives discussed important agenda items at separate meetings prior to meetings of the Supervisory Board.

The average attendance of the 16 Supervisory Board members at the four Supervisory Board meetings was 97% during the reporting period. Two Supervisory Board members respectively were unable to attend one meeting. Thus, in 2014 too, no Supervisory Board member attended fewer than half of the meetings. With the exception of one meeting of the Audit Committee and Personnel Committee respectively, there was full attendance at all committee meetings.

COMPOSITION OF THE SUPERVISORY BOARD AND BOARD OF EXECUTIVE DIRECTORS

The following changes were made to personnel on the Supervisory Board and Board of Executive Directors during the 2014 financial year:

In August, the Supervisory Board extended the term of office of the Chairman, Norbert Steiner, to 11 May 2017. At the same time, Chief Financial Officer, Dr. Burkhard Lohr, was appointed for a further five years until 31 May 2020. In November 2014, the contract of Mark Roberts, who is responsible on the Board of Executive Directors for the Salt business unit and Animal Hygiene Products, was extended for five years until 30 September 2020.

The term of office of Board of Executive Directors member, Gerd Grimmig, ended after 32 years of successful service, since October 2000 on the Board of Executive Directors of K+S AKTIENGESELLSCHAFT, upon his retirement on 30 September 2014. The Supervisory Board expresses its thanks and appreciation to Mr. Grimmig and wishes him all the best for his retirement.

His responsibilities have been assigned to the other members of the Board of Executive Directors. The total number of Board of Executive Directors members has therefore dropped from six to five.

The following changes were made to the Supervisory Board: Mr. Klaus Krüger retired from the Supervisory Board on 31 May 2014. The Supervisory Board would like to express its gratitude to Mr. Krüger for many years of constructive cooperation and wishes him all the best as he enters retirement. With effect from 11 July 2014, Mr. Michael Knackmuß, Chairman of the Works Council of K+S KALI GMBH's Zielitz plant, was officially appointed to the Supervisory Board as employee representative until the end of the 2018 Annual General Meeting.

SUPERVISORY BOARD MEETINGS

A total of four ordinary Supervisory Board meetings were held during the 2014 financial year.

At the meeting held on 12 March 2014, the Supervisory Board, in the presence of the auditor, reviewed the annual financial statements, the consolidated financial statements and the management reports, approved the financial statements on the recommendation of the Audit Committee and agreed to the proposal of the Board of Executive Directors for the appropriation of profits for the 2013 financial year following extensive discussions. The business situation and the outlook for the current year were discussed in depth and the proposed resolutions for the 2014 Annual General Meeting approved.

At the meeting held on 13 May 2014, the Board of Executive Directors provided comprehensive information about the results and business situation developments in the first quarter.

At the Supervisory Board meeting held on 19 and 20 August 2014, the Board of Executive Directors' report on the strategic orientation of the Potash and Magnesium Products and Salt business units was discussed in detail. The Board of Executive Directors' report on the results of recent talks with the Hessian Ministry for the Environment and the discussion on

a long-term concept for the disposal of saline wastewater at K+S KALI GMBH's Werra and Neuhoef-Ellers sites represented a further focal point.

At the last ordinary meeting of the year, on 26 November 2014, the Board of Executive Directors first discussed the current business situation in the individual business units and provided a forecast of the anticipated revenues and earnings of the K+S GROUP in 2014. The Board of Executive Directors subsequently presented selected key initiatives from the business units. The Supervisory Board dealt with the Legacy Project and was informed of the project's progress and further development by Dr. Lamp, the project manager working in Saskatoon. K+S GROUP planning for 2015, including the investment and financing framework conditions, was examined in depth (also in terms of conformity with strategic objectives) and then approved. Finally, the Board of Executive Directors reported again on the aforementioned subject of the disposal of saline wastewater at the Werra and Neuhoef-Ellers sites.

Furthermore, approval was given to the 2014/2015 joint declaration on conformity by the Board of Executive Directors and the Supervisory Board concerning the German Corporate Governance Code.

COMMITTEE MEETINGS

In addition to the Mediation Committee required by law, the Supervisory Board has established three further committees to support its tasks and responsibilities: the Audit Committee, the Personnel Committee and the Nomination Committee. An overview of these committees and their composition can be found in the Management Report on page 37 and on the K+S AKTIENGESELLSCHAFT website under 'Corporate Governance'.

The Audit Committee met three times in 2014. On 28 February 2014, in the presence of the auditor as well as the Chairman of the Board of Executive Directors and the Chief Financial Officer, the committee examined the 2013 annual financial statements of K+S AKTIENGESELLSCHAFT, the 2013 consolidated financial statements, the combined management report as well as the proposal of the Board of Executive Directors for the appropriation of profits and recommended

proposal to the Annual General Meeting that DELOITTE & TOUCHE GMBH be elected as auditor. On 20 August 2014, the committee discussed the K+S GROUP's internal control system in detail with the Chairman of the Board of Executive Directors and the Chief Financial Officer. Moreover, the committee acknowledged and approved the report delivered by the Chairman of the Board of Executive Directors on the status of the compliance organisation and the compliance programme of the K+S GROUP. Finally, the committee discussed the key areas of the 2014 audit. At the meeting of the Audit Committee on 26 November 2014, the Board of Executive Directors reported on developments with respect to donations, consultancy fees and other non-recurring costs. The committee also acknowledged and approved the report prepared by the Chairman of the Board of Executive Directors on internal audit work within the K+S GROUP. The respective Quarterly Financial Reports awaiting publication were discussed by the members of the Audit Committee, the Chairman of the Board of Executive Directors and the Chief Financial Officer outside of meetings, in conference calls held on 6 May, 6 August and 5 November 2014.

The Personnel Committee, which prepares personnel decisions made by the Supervisory Board and is responsible for other matters concerning the Board of Executive Directors, met a total of five times in 2014. During the meetings, it dealt in particular with the structure and long-term succession planning of the Board of Executive Directors. It also focused on agreeing targets and their attainment by members of the Board of Executive Directors, the appropriateness of the remuneration of the Board of Executive Directors in relation to senior management and the total workforce as well as the issue of the gender quota. Preparations were also made for the extension of the terms of office of Mr. Steiner, Dr. Lohr and Mr. Roberts. Detailed information about the level of remuneration of the Board of Executive Directors in 2014 as well as the structure of the remuneration system, which has not changed significantly since its approval by the Annual General Meeting on 11 May 2010, can be found on pages 47 – 54.

The members of the Nomination Committee met on three occasions in 2014. The subjects of discussions held related mainly to the Supervisory Board's long-term succession planning.

The Mediation Committee did not meet in the past financial year.

CONFLICTS OF INTERESTS

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

AUDIT OF THE 2014 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

DELOITTE & TOUCHE GMBH, Hanover, audited the annual financial statements of K+S AKTIENGESELLSCHAFT, which were prepared by the Board of Executive Directors in accordance with the rules set out in the German Commercial Code (HGB), and the consolidated financial statements, which were prepared on the basis of the IFRS INTERNATIONAL FINANCIAL REPORTING STANDARDS, as well as the combined management report and Group management report for the 2014 financial year, and issued unqualified audit certificates in each case. The aforementioned documents, the Board of Executive Directors' recommendation concerning the appropriation of the accumulated profit and the audit reports of DELOITTE & TOUCHE GMBH, each of which had been submitted to the members of the Audit Committee and the Supervisory Board on time, were each dealt with comprehensively at the Audit Committee meeting held on 27 February 2015, as well as at the Supervisory Board meeting held on 11 March 2015, in the presence of the auditor. All questions raised at the meetings were answered satisfactorily by the Board of Executive Directors and the auditor. Following its own examination of the annual financial statements, the consolidated financial statements, the combined management report and Group management report, the Supervisory Board did not raise any objections. It agreed with the Board of Executive Directors in its assessment of the position of K+S AKTIENGESELLSCHAFT and of the Group and, at the suggestion of the Audit Committee, approved the financial statements for the 2014 financial year thereby ratifying the 2014 annual financial statements of K+S AKTIENGESELLSCHAFT. The Supervisory Board also concurred with the proposal of the Board of Executive Directors for the Corporate Governance Report. The resolution on the appropriation of profits proposed by the Board of Executive Directors was also examined, particularly with regard to the present and the expected future financial situation of the K+S GROUP. Following

extensive discussions, the Supervisory Board approved the proposal made by the Board of Executive Directors.

The Supervisory Board expresses its thanks to the members of the Board of Executive Directors, all employees and employee representatives for their continued high level of commitment and the successful work done during the past financial year.

ON BEHALF OF THE SUPERVISORY BOARD



DR. RALF BETHKE
CHAIRMAN OF THE SUPERVISORY BOARD

KASSEL, 11 MARCH 2015



1.4 K+S ON THE CAPITAL MARKET

K+S SHARE KEY INDICATORS		TAB: 1.4.1				
		2014	2013	2012	2011	2010
Year-end closing price (XETRA)	€	22.92	22.38	35.00	34.92	56.36
Highest price (XETRA)	€	26.60	37.53	40.86	58.60	56.65
Lowest price (XETRA)	€	19.44	15.92	30.40	33.35	35.94
Average number of shares ¹	million	191.40	191.40	191.40	191.33	191.34
Year-end market capitalisation	€ billion	4.4	4.3	6.7	6.7	10.8
Average daily trading volume	million units	1.92	2.75	1.27	1.42	1.50
Enterprise value (EV) as of 31 December	€ billion	6.1	5.3	7.5	7.3	11.5
Enterprise value to revenue (EV/revenue)	x	1.6	1.4	1.9	1.8	2.5
Enterprise value to EBITDA (EV/EBITDA) ²	x	6.8	5.9	7.3	6.4	12.1
Enterprise value to EBIT I (EV/EBIT I)	x	9.5	8.1	9.3	8.0	16.1
Book value per share	€/share	20.77	17.75	17.73	16.12	13.85
Earnings per share, adjusted ^{3,4}	€/share	1.92	2.27	3.33	3.04	2.33
Dividend per share ⁵	€/share	0.90	0.25	1.40	1.30	1.00
Total dividend payment ⁵	€ million	172.3	47.9	268.0	248.8	191.4
Payout ratio ^{5,6}	%	47.0	11.0	42.0	42.8	43.0
Dividend yield (closing price) ⁵	%	3.9	1.1	4.0	3.7	1.8

¹ Total number of shares less the average number of own shares held by K+S.

² 2014 is adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.

³ The adjusted key figures only include the return from anticipatory hedges in the respective reporting period reported under EBIT I (see also

'Notes to the income statement and the statement of comprehensive income' on page 130). Related effects on deferred and cash taxes are also eliminated; tax rate in 2014: 28.6% (2013: 28.6%).

⁴ This information refers to continued and discontinued operations of the K+S Group.

⁵ The figure for 2014 corresponds to the dividend proposal; the dividend yield is based on the year-end closing price.

⁶ Based on adjusted Group earnings after taxes.

K+S SHARE

Share type: no-par value shares
 Total number of shares: 191,400,000 units
 WKN/ISIN: KSAG88/DE000KSAG888
 Market segment: Prime Standard
 Prime industry: Chemicals
 Industrial group: Chemicals, commodities
 Listing: All stock exchanges in Germany
 Bloomberg ticker symbol: SDF GY
 Reuters ticker symbol: SDFG
 ADR CUSIP: 48265W108

K+S BOND (JUNE 2022)

WKN/ISIN: A1P GZ8/DE000A1PGZ82
 Stock exchange admission/listing:
 Luxembourg Stock Exchange
 Issue volume: € 500 million
 Denomination: € 100,000
 Issue price: 99.422%
 Interest coupon: 3.000%
 Due: 20 June 2022
 Bond rating: S&P: BBB; Moody's: Ba1

K+S BOND (DECEMBER 2018)

WKN/ISIN: A1Y CR4/XS0997941199
 Stock exchange admission/listing:
 Luxembourg Stock Exchange
 Issue volume: € 500 million
 Denomination: € 1,000
 Issue price: 99.777%
 Interest coupon: 3.125%
 Due: 6 December 2018
 Bond rating: S&P: BBB

K+S BOND (DECEMBER 2021)

WKN/ISIN: A1Y CR5/XS0997941355
 Stock exchange admission/listing:
 Luxembourg Stock Exchange
 Issue volume: € 500 million
 Denomination: € 1,000
 Issue price: 99.539%
 Interest coupon: 4.125%
 Due: 6 December 2021
 Bond rating: S&P: BBB

COMPANY RATING:

S&P: BBB (Outlook: negative)

THE SHARE

POLITICAL CRISES PUT PRESSURE ON INTERNATIONAL STOCK EXCHANGES

In spite of persistently low interest rates, share prices on the international stock exchanges only achieved slight growth. Numerous political conflicts, such as those in the Ukraine and the Near East as well as the drop in the price of oil, put pressure on the capital markets worldwide. The impact of the European sovereign debt crisis was also felt during the reporting period. The German DAX index posted a slight increase of 2.7% in 2014, reaching 9,806 points at the end of the year. The European stock index DJ STOXX EUROPE 600 rose by 4.4% to 343 points and the global MSCI WORLD index by 2.9% to 1,710 points. / FIG: 1.4.1, 1.4.2

K+S SHARE PRICE SHOWS SIGNIFICANT RECOVERY AT THE END OF THE YEAR

At the beginning of 2014 the K+S share benefitted from the strong de-icing salt business in North America and unexpectedly good growth in the potash market. Falling soft commodity prices on account of higher harvesting expectations led to fears of a negative impact on demand for fertilizers in the summer; a significant drop in our share price was recorded. Shares were also put under pressure in the autumn as a result of profit warnings issued by several competitors. The K+S share made a significant recovery at the end of the year. The reasons for this were the stabilisation of agricultural prices as well as speculation that global potash production capacity could

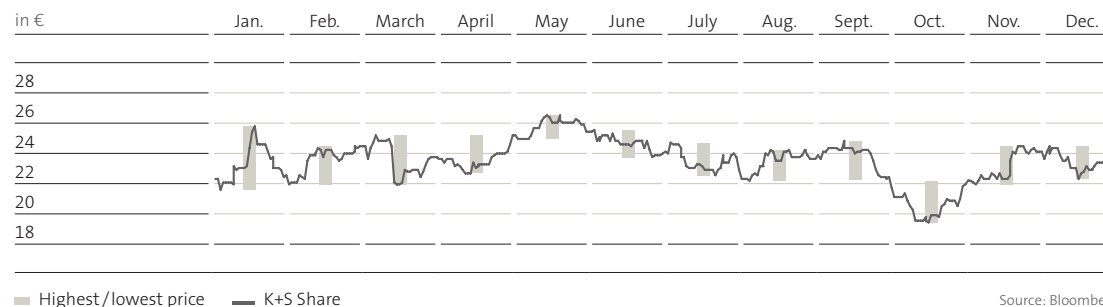
K+S SHARE PRICE PERFORMANCE IN COMPARISON WITH THE DAX, DJ STOXX EUROPE 600 AND MSCI WORLD

FIG: 1.4.1



K+S SHARE PRICE PERFORMANCE / MONTHLY HIGHS AND LOWS

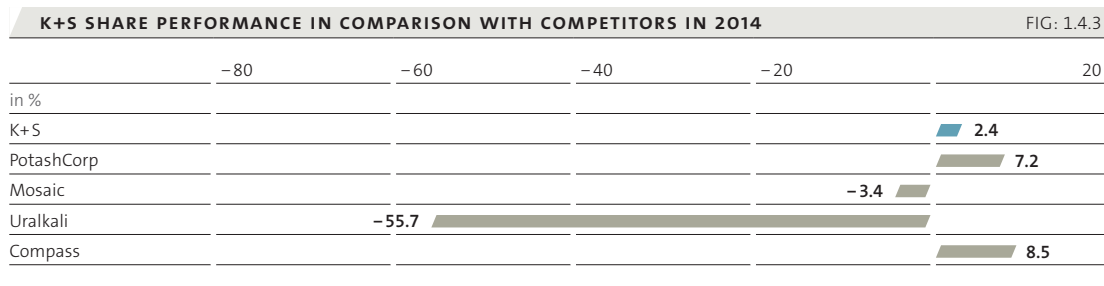
FIG: 1.4.2



fall in connection with a brine inflow in the Solikamsk 2 mine belonging to Russian company, URALKALI.

/ THE CURRENT SHARE PRICE AND FURTHER INFORMATION ON SHARES is available at www.k-plus-s.com/de/ks-aktie

PERFORMANCE		TAB: 1.4.2		
	1 year 2014	5 years 2010–2014	10 years 2005–2014	
in %				
K+S share (excluding dividends)	+2.4	-42.7	+134.4	
K+S share (including dividends)	+3.4	-36.2	+200.1	
DAX (performance index)	+2.7	+64.6	+215.0	
DJ STOXX Europe 600	+4.4	+34.9	+36.4	
MSCI World	+2.9	+46.3	+46.2	



Source: Bloomberg

In a 10 year comparison, the performance of the K+S share still proved extremely strong; including dividends, the value of the share increased by approx. 200 %.

/ TAB: 1.4.2

K+S SHARE PRICE PERFORMANCE IN COMPARISON WITH COMPETITORS

We also track the performance of our share compared with our publicly listed competitors. These include, in

particular, North American fertilizer producers, POTASH-CORP and MOSAIC, Russian potash producer, URALKALI, as well as the primarily salt producing company COMPASS from the USA. / FIG: 1.4.3

The K+S share closed the year at + 2.4 %, slightly above its level in the previous year. The share prices of the company's competitors POTASHCORP and COMPASS

were up approx. 7% and 9% respectively. The price of MOSAIC and URALKALI shares fell by approx. 3% and 56% respectively.

K+S SHARE PRICE OFF TO A VERY GOOD START IN 2015

At the beginning of the year, higher price targets by sell-side analysts due mainly to a strong US dollar as well as the wintry weather in North America resulted in a tangible increase in the K+S share price. End of February 2015, the share price closed just under € 29.

SHAREHOLDER STRUCTURE

End of February 2015, our shareholder structure was as follows: According to the free float definition applied by DEUTSCHE BÖRSE AG, the free float is 100 %.

Shareholders with an interest of more than 3% are:

- + MERITUS TRUST COMPANY LIMITED via EUROCHEM GROUP SE: 4.92% (as announced on 4 February 2015)
- + BLACKROCK INC.: 4.85% (as announced on 20 November 2014)

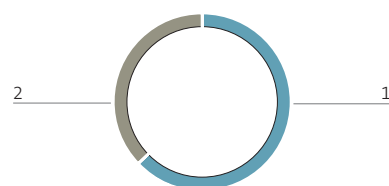
/ FIG: 1.4.4

AMERICAN DEPOSITARY RECEIPTS FOR TRADING IN NORTH AMERICA

In North America, we offer an AMERICAN DEPOSITARY RECEIPTS (ADR) programme to assist investors there in trading in K+S securities and thus expand the international shareholder base. As ADRs are quoted in US dollars and the dividends are also paid in US dollars, their

SHAREHOLDER STRUCTURE

FIG: 1.4.4



		2014
in %		
1	Institutional investors	63
	– of which US	21
	– of which Germany	18
	– of which UK	15
	– of which Switzerland	8
	– of which Luxembourg	7
	– of which Others	31
2	Private investors	37
	Free float	100

BOND PRICES AND YIELDS

TAB: 1.4.3

in %	31.12.2014	
	Price	Yield
K+S bond (December 2018); coupon: 3.125%	108.3	0.9
K+S bond (December 2021); coupon: 4.125%	115.0	1.8
K+S bond (June 2022); coupon: 3.000%	108.1	1.8

Source: Bloomberg

form is essentially similar to that of US stocks. Two ADRs are based on one K+S share. ADRs are traded off the floor on the OTC (over-the-counter) market in the form of a 'level 1' ADR programme. The K+S ADRs are listed on the OTCQX trading platform.

/ **FURTHER INFORMATION** is available on our website at www.k-plus-s.com under 'Investor Relations/Share/ADR Programme' and on the OTCQX trading platform website www.otcqx.com

BONDS AND RATING

K+S BONDS

As a result of the continued high liquidity supply from the ECB and other leading central banks, bond prices for borrowers with good credit ratings remained high on the capital market, while yields were comparatively low.

/ TAB: 1.4.3

The first K+S bond issued in 2009, with a volume of € 750 million (coupon: 5%), matured in September 2014 and was repaid as scheduled.

RATING

We have been the subject of an external rating process since the beginning of 2009. A rating describes the assessment of a company's ability to meet its future interest and repayment obligations in a timely manner. On 29 April and 29 October 2014 respectively, rating agency STANDARD & POOR's assessed our credit-worthiness as 'Investment Grade' and left the rating at 'BBB' with a 'negative outlook'.

INVESTOR RELATIONS

RESEARCH COVERAGE ON K+S

The extremely extensive research coverage of the K+S GROUP remained virtually unchanged compared with the previous year. The banks analysing us on a regular basis range from an investment boutique with regional expertise to major banks with an international

approach. 33 banks analysed us on a regular basis during the 2014 financial year.

End of February 2015, according to BLOOMBERG, 17 banks gave us a 'buy/accumulate' recommendation, 12 a 'hold/neutral' recommendation and 10 banks a 'reduce/sell' recommendation. The average target share price was around € 27. The 'Investor Relations' section on our website always provides an up-to-date overview of research recommendations as well as consensus forecasts for revenues and earnings.

/ **FURTHER INFORMATION** on this is available on our website at www.k-plus-s.com under 'Investor Relations/Share'.

K+S INVESTOR RELATIONS OFFERS A COMPREHENSIVE RANGE OF INFORMATION

In the past year, we have responded to the ever increasing need for information on the part of the capital market by offering 55 roadshows and conference days. We held investor meetings in Europe, North America, Asia and Australia. We also organised numerous one-on-one meetings and conference calls. We intensified our contact with private shareholders by taking part in share forums in Germany. The aim of our Investor Relations work is transparent and fair financial communication with all market participants, in order to maintain and strengthen confidence in the quality and integrity of our management, and provide comprehensive, prompt and objective information about our strategy as well as about any events relevant to the capital markets that concern the K+S GROUP.

COMBINED MANAGEMENT REPORT

2

2.1	Group Structure and Business Operations	25	2.12	Risk and Opportunity Report	86
2.2	Declaration on Corporate Governance	32	2.13	Subsequent Events	98
2.3	Remuneration Report	47	2.14	Assessment of the Current Economic Situation by the Board of Executive Directors	98
2.4	Corporate Strategy	55	2.15	Forecast Report	98
2.5	Employees	58	2.16	K+S AKTIENGESELLSCHAFT (Explanations based on the German Commercial Code (HGB))	101
2.6	Research & Development	59	2.17	Responsibility Statement from the Legal Representatives of K+S AKTIENGESELLSCHAFT	105
2.7	Overview of the Course of Business	63			
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2.1 GROUP STRUCTURE AND BUSINESS OPERATIONS

GROUP LEGAL STRUCTURE

K+S AKTIENGESELLSCHAFT acts as the holding company for the K+S GROUP. Its economic development is influenced to a substantial degree by direct and indirect subsidiaries located in Germany and abroad. In addition to K+S AKTIENGESELLSCHAFT, all significant affiliated companies in which K+S AKTIENGESELLSCHAFT holds the majority of the voting rights, either directly or indirectly, have been consolidated. Subsidiaries of minor importance are not consolidated.

/ **DETAILS OF SUBSIDIARIES, EQUITY INTERESTS AND RELATED COMPANIES** can be found in the list of shareholdings in the Notes to the consolidated financial statements on page 163.

Significant subsidiaries are the directly held K+S KALI GMBH, K+S SALZ GMBH and K+S FINANCE BELGIUM BVBA. K+S SALZ GMBH groups together ESCO – EUROPEAN SALT COMPANY GMBH & CO. KG and K+S NETHERLANDS HOLDING B.V., which, amongst others, holds shares in subsidiaries in Canada, Brazil and Chile. K+S FINANCE BELGIUM BVBA, together with K+S NETHERLANDS HOLDING B.V., holds shares in MORTON SALT, INC. through subsidiaries. K+S KALI GMBH and K+S SALZ GMBH essentially hold their foreign subsidiaries through their own intermediate holding companies.

The Complementary Activities also largely relate to K+S AKTIENGESELLSCHAFT through subsidiaries.

In comparison with 31 December 2013, the scope of consolidation changed as follows: As part of a multi-stage restructuring of the North American K+S companies, K+S CANADA HOLDINGS INC. merged with THE CANADIAN SALT COMPANY LTD. on 1 January 2014. The new company trades under the name K+S WINDSOR SALT LTD. and is consolidated. Various Canadian companies were also merged into K+S CANADA HOLDINGS LTD. and new company K+S BAHAMAS SALT ASSET MANAGEMENT GMBH & CO. KG was created and included in the scope of consolidation for the first time. In order to make better use of operational functions in the North American de-icing salt business, INTERNATIONAL SALT COMPANY, LLC merged firstly with S.P.L.-USA, LLC on 29 September 2014 and then with MORTON SALT, INC. Additionally, for merger-reasons the following companies are no longer included in the scope of consolidation: CANADIAN SALT FINANCE COMPANY (ULC), CANADIAN SALT HOLDING COMPANY (ULC), K+S IT-SERVICES GMBH.

ORGANISATIONAL STRUCTURE

The K+S GROUP is essentially divided into three areas that are interlinked in terms of strategic, technical and economic aspects. These are reported on below:

- + Potash and Magnesium Products business unit
- + Salt business unit
- + Complementary Activities

/ **SUPPLEMENTARY INFORMATION ABOUT THE PRODUCTS AND SERVICES OF THE K+S GROUP** can be found on our website www.k-plus-s.com

Governance and monitoring are exercised at Group level by K+S AKTIENGESELLSCHAFT. The Board of Executive Directors is supported here by various corporate functions, which are resident mainly in the Company's corporate units. Group-wide service functions are concentrated largely in the Company's Business Center and Technical Center.

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

The Potash and Magnesium Products business unit extracts potash and magnesium crude salts at six mines in Germany, which are processed there and at a former mining site to create end products or intermediate products. Three processing sites in France are also part of the business unit. The annual production capacity of the business unit is currently around 7 million tonnes of potash and magnesium products. Following its scheduled commissioning in summer 2016, the Legacy Project will reach an annual production capacity of at least 2.86 million tonnes over the long-term. A broad distribution network facilitates sales of the products across the world. The Potash and Magnesium Products business unit is predominantly reflected in K+S KALI GMBH,

its subsidiaries and in K+S POTASH CANADA GENERAL PARTNERSHIP.

/ **FURTHER INFORMATION ABOUT THE LEGACY PROJECT** can be found on our website at www.k-plus-s.com/en/legacy-project

DIVERSE PRODUCTS AND SERVICES

The business unit offers its customers fertilizers with special plant nutrients, products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and foodstuffs industries as well as primary products for the production of animal feed. The mineral fertilizer, potassium chloride, with universal areas of application is used, across the world, in particular for important crops, such as cereals, corn, rice and soy beans. Potassium chloride is spread directly on fields as a granulate or mixed first with other straight fertilizers in bulk blenders to produce what are known as 'bulk blends'. We also supply potassium chloride as a fine-grain 'standard' product to the fertilizer industry, which processes it along with other nutrients to produce complex fertilizers.

The fertilizer specialties of the business unit differ from traditional potassium chloride either because they are chloride-free or because of different nutrient formulas with magnesium, sulphur, sodium and trace elements. These products are used for crops which have a greater need for magnesium and sulphur, such as rape or potatoes, as well as for chloride-sensitive special crops, such as citrus fruits, wine or vegetables. In addition, the business unit offers a wide range of high-quality potas-

sium and magnesium products for industrial applications that are available in different degrees of purity and in specific grain sizes. These are used, for example, in chlorine-alkali electrolysis in the chemical industry, in the production of glass and plastics, in the mineral oil industry, in metallurgical processes, in the textile industry, in biotechnology, in oil and gas exploration, as well as in the recycling of plastics. Furthermore, the Potash and Magnesium Products business unit provides a product portfolio meeting the particularly high requirements of the pharmaceutical, cosmetics, foodstuffs and animal feed industries. Customer orientation and specialist consulting are key elements in the range of services offered by this business unit. A team of consultants, consisting of regional consultants as well as globally active agriculturalists, provides important information and suggestions regarding the use of plant nutrients in agriculture. Technical advice on the

application of industrial products is available worldwide.

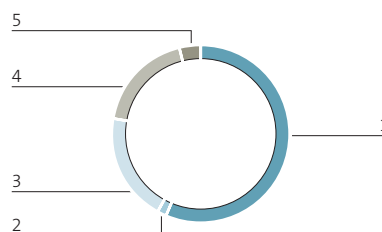
IMPORTANT SALES REGIONS

Most of the business unit revenues are generated in Europe. Here it benefits from the logistically favourable proximity of the production sites to European customers. Other focal points for sales are in South America, particularly in Brazil, as well as in Asia. / **FIG: 2.1.1**

The Potash and Magnesium Products business unit is the world's fifth-largest and in Western Europe the largest producer of potash products. In 2014, it had a share in global potash sales volume of approximately 9%. Important competitors are the North American companies POTASHCORP, MOSAIC and AGRIUM, which operate a joint export organisation with CANPOTEX, Russian company URALKALI, BELARUSKALI in Belarus, ICL

POTASH AND MAGNESIUM PRODUCTS – SALES VOLUMES BY REGION

FIG: 2.1.1



	2014	2013
in %		
1 Europe	56.5	52.6
– of which Germany	16.7	14.0
2 North America	1.6	2.1
3 South America	19.9	21.5
4 Asia	18.3	20.1
5 Africa, Oceania	3.7	3.7

in Israel, APC in Jordan and SQM in Chile. In addition to the standard product, potassium chloride, and in contrast to its key competitors, K+S offers fertilizer specialties containing potassium, sulphur and magnesium and occupies the leading position worldwide in this product segment. The business unit is also one of the most competitive manufacturers worldwide with its products for industrial, technical and pharmaceutical applications, and is by far the largest supplier in Europe.

SALT BUSINESS UNIT

In the Salt business unit, the K+S GROUP extracts and markets food grade salt, industrial salt, salt for chemical use and de-icing salt. With an annual production capacity of a good 32 million tonnes of salt, K+S is the world's largest supplier of salt products. The business unit comprises the sub-units MORTON SALT, INC., Chicago, one of the largest producers of salt in North America, ESCO – EUROPEAN SALT COMPANY GMBH & CO. KG (ESCO), Hanover, whose activities are focused mainly in Europe, as well as Chilean company K+S CHILE S.A., Santiago de Chile, with activities in South America. MORTON SALT operates six rock salt mines, seven solar salt plants and nine evaporated salt plants in the USA, Canada and the Bahamas. The annual production capacity is around 14 million tonnes of salt. ESCO operates three rock salt mines, two brine plants as well as several evaporated salt plants in Germany, France, the Netherlands and Spain and has numerous distribution sites in Europe. The annual production capacity of ESCO is around 8 million tonnes of crystallised salt and just under 2 mil-

lion tonnes of salt in brine. K+S CHILE extracts rock salt in Salar Grande de Tarapacá by means of cost-effective open-cast mining. In 2014, production capacity was expanded to a good 8 million tonnes per year. Moreover, SALINA DIAMANTE BRANCO LTDA. operates a sea salt facility in the north-eastern part of Brazil with an annual capacity of 0.5 million tonnes. The business unit is represented in Europe as well as North America and South America with its own distribution units and via platform companies of the K+S GROUP. Furthermore, the business unit exports salt products to Asia and other regions of the world.

DIVERSE PRODUCTS AND SERVICES

The Salt business unit offers its customers food grade salt, industrial salt, salt for chemical use and de-icing salt, which are all based on sodium chloride (common salt). Depending on the particular applications, the products differ primarily in terms of their grain size, the degree of purity, the form in which they are supplied and possible additives. In the food grade salt product segment, the K+S GROUP produces both salt for the foodstuffs industry as well as food grade salt for end users, which includes premium products such as kosher or low-sodium salt. Industrial salts are used by dyeing works, in the textile industry, in the production of animal feed, for the preserving of fish, in drilling fluids used for the extraction of oil and natural gas, as well as in many other industrial areas. Pharmaceutical salts are a key element in infusion and dialysis solutions. Products for end users are manufactured in the industrial salt

segment too, such as water softening salts, for example. Salt for chemical use is one of the most important raw materials for the chemical industry. In electrolysis plants, it is split into chlorine, caustic soda and hydrogen. It reaches the end user as a component of various plastics, for example. Winter road maintenance services, public and private road authorities, road maintenance depots and commercial bulk customers procure de-icing agents from the K+S GROUP, and household packages for end users round off the product range. De-icing salts are also offered, which, through the addition of calcium chloride, create more heat on contact with ice and snow than conventional products and therefore work more quickly, especially at very low temperatures.

IMPORTANT SALES REGIONS

The key sales regions of the Salt business unit in Europe include Germany, the Benelux countries, France, Scandinavia, the Iberian Peninsula, the Czech Republic, Poland and the Baltic states, while the United States, Canada, Brazil, and Chile are particularly important markets on the American continent. The de-icing salt business is highly dependent on weather conditions. Thanks to its unique network of production facilities in Europe, North America and South America, K+S can, however, respond more flexibly to fluctuations in demand for de-icing salt than the local competitors. In the other segments, the demand situation is relatively stable due to the limited possibility for substitution in most applications. While the market for salt is comparatively mature in Western Europe and North America and in most cases only

exhibits slight growth rates, a trend towards a stronger increase in demand is being observed in the emerging market countries. / FIG: 2.1.2

ESCO is one of Europe's leading producer of salt products for the food sector, salts for chemical and industrial use, and de-icing salts, in addition to its competitors SÜDSALZ, SALINS DU MIDI and AKZO NOBEL. With K+S CHILE, South America's largest salt producer, the K+S GROUP has gained access to the growing South and Central American regions. MORTON SALT is one of the largest salt producers in North America, together with CARGILL and COMPASS MINERALS.

COMPLEMENTARY ACTIVITIES

In addition to disposal activities for underground elimination and reutilisation of waste in potash and rock salt mines, and salt slag and building materials recycling (Waste Management and Recycling) as well as the granulation of Animal Hygiene Products such as CATSAN® and THOMAS®, for example, the term 'Complementary Activities' covers other smaller, though attractive, activities for the K+S GROUP. K+S TRANSPORT GMBH in Hamburg acts as the K+S GROUP's own logistics provider. CHEMISCHE FABRIK KALK GMBH (CFK) trades in a greater number of basic chemicals.

DIVERSE PRODUCTS AND SERVICES

Waste Management and Recycling uses the underground chambers created as a result of the extraction of crude salt for the long-term safe disposal and reutili-

sation of waste employing the available infrastructure of active potash and rock salt mines in the process. This business unit operates two underground storage sites. The waste stored there is isolated permanently from the biosphere. The K+S GROUP also operates five underground waste reutilisation facilities. Officially approved waste is used here to fill underground openings. Flue gas cleaning residues, for example, are suitable for underground reutilisation. The salt mineral deposits used by the K+S GROUP for the elimination and reutilisation of waste are impervious to gas and liquids and are securely separated from the layers carrying groundwater. Consequently, a combination of geological and technical barriers ensures the highest possible degree of safety. This business unit offers smelting salts and the recycling of salt slag for the secondary aluminium industry. Building materials recycling is also included in the range of services.

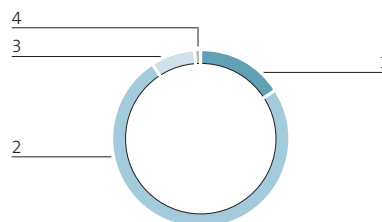
The operation of the 'Kalikai' in Hamburg, with a storage capacity of approx. 400,000 tonnes, one of Europe's largest transshipment facilities for bulk goods, is the core business of K+S TRANSPORT GMBH and of strategic importance for the Potash and Magnesium Products business unit. The K+S GROUP's container business is also directed from Hamburg, including pre-shipment from the production sites to the loading terminals.

At the Salzdetfurth site, extensive sections of the above ground infrastructure of a disused potash plant are used to granulate the well-known branded CATSAN® and THOMAS® for our customer MARS GMBH.

The product range of CHEMISCHE FABRIK KALK GMBH (CFK) comprises a selection of basic chemicals. These include caustic soda, nitric acid, sodium carbonate (soda) as well as calcium chloride and magnesium chloride.

SALT – SALES VOLUMES BY REGION

FIG: 2.1.2



	2014	2013
in %		
1 Europe	16.1	25.5
– of which Germany	5.1	11.1
2 North America	75.8	64.5
3 South America	8.0	7.7
4 Other regions	0.1	2.3

IMPORTANT SALES REGIONS

The main focus of activity in the Waste Management and Recycling business segment is in Western and Central Europe. The Eastern European countries also offer growth potential as the demand for EU-compliant, underground waste management solutions for waste disposal is increasing there. The market for underground waste disposal is extremely competitive, but the K+S GROUP offers specific added value for the customer with its full-service solutions. The K+S GROUP is also a leading provider in Germany and in the rest of Europe in the recycling of salt slag from the secondary aluminium industry. CFK's customers include many well-known European chemical companies, glassworks, metal processing companies, detergent producers and breweries as well as cities and local authorities, which use calcium chloride or magnesium chloride for winter road maintenance services.

KEY SITES

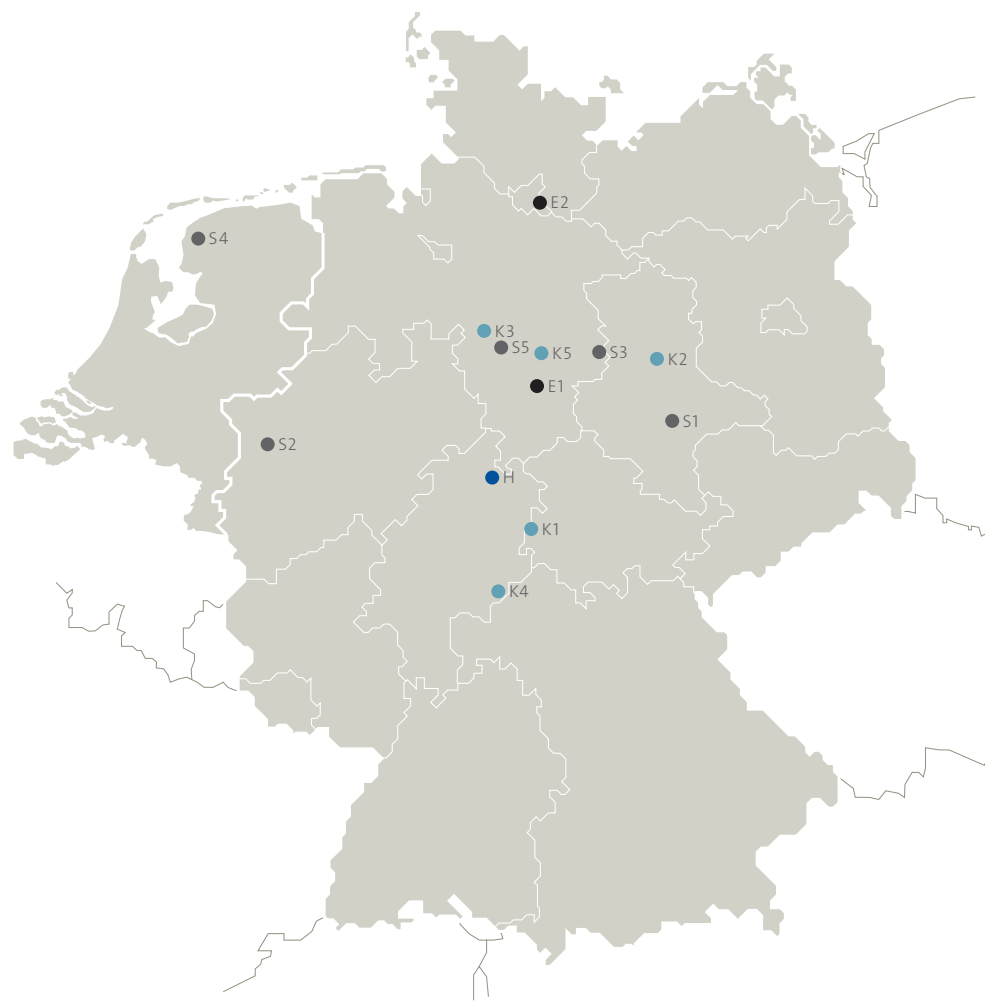
The following overview indicates the most important K+S GROUP sites: / FIG: 2.1.3, 2.1.4

IMPORTANT SITES OF THE K+S GROUP

FIG: 2.1.3

	Site
K+S sites in Kassel, Germany (K+S AG/K+S KALI/K+S Entsorgung)	H
Kalverbundwerk Werra, Germany (Heringen/Merkers/Philippsthal/Unterbreizbach)	K1 ↗
Zielitz potash plant, Germany	K2 ↗
Sigmundshall potash plant, Germany	K3 ↗
Neuhof-Ellers potash plant, Germany	K4 ↗
Bergmannsseggen-Hugo potash plant, Germany	K5
Bernburg salt mine, Germany	S1 ↗
Borth salt mine, Germany	S2 ↗
Braunschweig-Lüneburg salt mine, Germany	S3 ↗
Frisia Zout B.V. brine plant, Harlingen, Netherlands	S4
esco Head Office in Hanover, Germany	S5
Granulation of Animal Hygiene Products, Bad Salzdetfurth, Germany	E1
K+S Transport GmbH, Hamburg	E2

- H = Holding
- K = Potash and Magnesium Products
- S = Salt
- E = Complementary Activities
- ↗ Potash and rock salt mining



IMPORTANT SITES IN AMERICA

FIG: 2.1.4

	Site
K+S Potash Canada, Saskatoon/ Legacy Project, Canada	K6 ↗
Morton Salt Head Office, Chicago, USA	S6
Salina Diamante Branco sea salt facility, Galinhos, Brazil	S7
Rittman evaporated salt plant, USA	S8
Ojibway salt mine, Canada	S9 ↗
Grand Saline salt mine, USA	S10 ↗
K+S Chile open-cast salt mining operations, Tarapacá Desert / Patillos, Chile	S11 ↗
Fairport salt mine, USA	S12 ↗
Weeks Island salt mine, USA	S13 ↗
K+S Chile Head Office, Santiago de Chile, Chile	S14
Hutchinson evaporated salt plant, USA	S15
Silver Springs evaporated salt plant, USA	S16
Mines Seleine salt mine, Canada	S17 ↗
Inagua sea salt facility, Bahamas	S18
Pugwash salt plant, Canada	S19 ↗
Grantsville solar evaporation salt facility, USA	S20
Manistee evaporated salt plant, USA	S21
Windsor evaporated salt plant, Canada	S22
Empremar shipping company, Santiago de Chile, Chile	S23
Newark evaporated salt and sea salt facility, USA	S24
Lindbergh brine plant, Canada	S25
Port Canaveral processing site, USA	S26
K+S Windsor Salt Head Office, Pointe-Claire, Canada	S27
Glendale solar evaporation salt facility, USA	S28

● K = Potash and Magnesium Products
 ● S = Salt
 ↗ Potash and rock salt mining



2.2 DECLARATION ON CORPORATE GOVERNANCE¹

In accordance with Section 289a of the German Commercial Code (Handelsgesetzbuch – HGB), the Board of Executive Directors issues the following declaration on corporate governance; a report by the Board of Executive Directors and the Supervisory Board is also provided with this statement in accordance with Item 3.10 of the German Corporate Governance Code:

Our goal is responsible corporate governance that is geared towards sustainable value creation. This principle forms the basis of our internal decision-making and control processes.

We provide information about the Company's position and any significant changes in business to the shareholders, shareholder associations, financial analysts, the media and the interested general public, simultaneously and in an equal manner, through regular, open and up-to-date communication. We not only publish all important information such as information on the Annual General Meeting, press releases, ad hoc disclosures and notifications of voting rights, all financial reports, corporate/sustainability reports, but also ana-

lysts' recommendations and consensus forecasts as well as Company presentations from roadshows and investors' conferences on our website.

The financial calendar can be found in the Financial Report, in the Half-yearly and Quarterly Financial reports as well as on the Company's website. The Company's Articles of Association and the bylaws of the Board of Executive Directors and the Supervisory Board can also be viewed on this website as well as detailed information on the implementation of the recommendations and suggestions made in the German Corporate Governance Code. An e-mail newsletter provides up-to-date news from the K+S GROUP.

GOVERNING BODIES

The governing bodies of the Company are the Annual General Meeting, the Board of Executive Directors and the Supervisory Board. The powers vested in these bodies and their duties and responsibilities are governed by the German Stock Corporation Act (Aktiengesetz), the German Co-Determination Act (Mitbestimmungsgesetz), the Articles of Association and the bylaws of the Board of Executive Directors and the Supervisory Board.

ANNUAL GENERAL MEETING

The shareholders assert their rights at the Annual General Meeting and decide on fundamental matters affecting the Company by exercising their voting rights. Each share carries one vote (one share, one vote principle). All

documents that are important in terms of decision-making are also made available to shareholders on our website. The Annual General Meeting is also streamed live online until the end of the speech by the Chairman of the Board of Executive Directors. Shareholders can exercise their voting rights through an authorised representative of their choice and can issue instructions to them or can also cast a postal vote. A power of attorney can be granted or instructions issued using an electronic system on our website. Shortly after the end of the Annual General Meeting, we also publish details of attendance and the results of the voting online.

/ FURTHER INFORMATION ABOUT THE ANNUAL GENERAL MEETING can be found at www.k-plus-s.com/agm

SUPERVISORY BOARD

In accordance with Article 8 (1) (1) of the Articles of Association, the composition of the Supervisory Board is governed by mandatory statutory regulations. It currently has 16 members and is subject to co-determination in accordance with the German Co-Determination Act (Mitbestimmungsgesetz). The members of the Supervisory Board are therefore elected as representatives of the shareholders by the Annual General Meeting and as employee representatives by the employees of the K+S GROUP in Germany on a 50/50 basis. An election is held every five years. The term of office of Mr. Cardona ends at the close of the 2015 Annual General Meeting, as well as those of Dr. Malmström and Dr. Müller, who have laid down their office both at that time. The term of office of the Chairman ends at the close of the 2017 Annual General Meeting, those of the other members end at the close of the 2018 Annual General Meeting.

¹ The information in this section in accordance with Section 289a of the German Commercial Code (HGB) (Declaration according to Section 161 of the German Stock Corporation Act (Aktiengesetz), relevant details of corporate governance practices, which are implemented over and above legal requirements, a description of the working methods of the Board of Executive Directors and the Supervisory Board as well as the composition and working methods of their committees) are not the subject of the annual audit in accordance with Section 317 (2) (3) of the German Commercial Code (HGB).

/ FURTHER INFORMATION ABOUT THE COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES can be found on page 34 and on our website under 'Corporate Governance'.

The Supervisory Board oversees and advises the Board of Executive Directors in connection with the conduct of business activities. It is promptly and appropriately involved in any decisions of fundamental importance. The Board of Executive Directors informs the Supervisory Board regularly, promptly and comprehensively about corporate strategy, planning, course of business, the earnings and financial position, the employment situation and about specific corporate opportunities and risks. The Supervisory Board regularly receives written reports from the Board of Executive Directors in order to prepare for meetings. After thorough review and discussion, the Supervisory Board adopts resolutions on the reports and proposals, where necessary. In the case of particular business transactions that are of great importance to the Company, the Supervisory Board is also provided with immediate and comprehensive information by the Board of Executive Directors between routine meetings. The Supervisory Board regularly carries out an efficiency review in the form of a questionnaire in order to obtain pointers for the future work of the Supervisory Board and its committees.

/ DETAILS ON THE SUPERVISORY BOARD'S ACTIVITIES IN THE 2014 FINANCIAL YEAR can be found on page 14 in the Supervisory Board Report.

The Supervisory Board has imposed bylaws on itself and formed four committees from among its members:

- + The Audit Committee performs the tasks arising from the German Stock Corporation Act (Aktiengesetz) as well as the German Corporate Governance Code. It is particularly involved in monitoring the accounting process and the effectiveness of the internal control system, the risk management system, the internal audit system, and compliance as well as in the audit of the financial statements. It also discusses the Quarterly and Half-yearly Financial Reports with the Board of Executive Directors prior to publication. Based on his experience as former head of the Central Legal Affairs, Tax and Insurance Department and as former Chief Compliance Officer of BASF SE, Dr. Sünner (independent financial expert), Chairman of the Audit Committee, has comprehensive knowledge and experience with regard to the application of accounting principles and internal control procedures. The Audit Committee has six members and includes an equal number of shareholder and employee representatives.
- + The Personnel Committee is responsible for preparing the appointment of members of the Board of Executive Directors, including long-term succession planning. With regard to determining the total remuneration for the individual members of the Board of Executive Directors, and resolving contractual matters, the Committee submits proposals for resolutions to the plenary meeting of the Supervisory Board. The Chairman of the Supervisory Board is also the chairman of this committee. The Personnel Committee has four members and includes an equal number of shareholder and employee representatives.
- + The Nomination Committee recommends suitable Supervisory Board candidates to the Supervisory Board for proposal to the Annual General Meeting. The Chairman of the Supervisory Board is also the chairman of this committee. The committee has four members, all of whom represent the shareholders.
- + The Mediation Committee performs the tasks set out in Section 31 (3) (1) of the German Co-Determination Act (Mitbestimmungsgesetz). The Chairman of the Supervisory Board is also the chairman of this committee. Two members of this committee are representatives of the shareholders and two represent the employees.

/ THE STANDING ORDERS OF THE SUPERVISORY BOARD can be found on our website under 'Corporate Governance'.

It can be seen from the Company's most recent declaration on conformity that, amongst others, the recommendation under Item 5.4.1 of the German Corporate Governance Code is being followed, according to which the Supervisory Board should indicate specific targets in terms of its composition. It should be noted in this regard that the Supervisory Board does not itself decide on its own composition and can therefore only work to achieve the targets it pursues by suggesting appropriate candidates for proposal to the Annual General Meeting. As a corporate body, it is not entitled to influence proposals for the nomination of employee representatives.

Mindful of this, the Supervisory Board has passed the following resolution:

“The Supervisory Board shall ensure that its members are persons of integrity, associated with the social market economy, and have competence and many years of experience in the management of and/or consulting services to commercial enterprises or business-oriented institutions. Experience and specific knowledge of the main fields of activity of the Company are desirable. At least one independent financial expert must belong to the Supervisory Board.

Based on his or her nationality or professional experience, at least one member of the Supervisory Board should take particular account of the increased internationality of the Company. Experience in relation to the regions in which the κ+s GROUP has a particular presence is especially desirable.

Within this framework, the aim is for the Supervisory Board to include a percentage share of female members that corresponds at least to the percentage share of women in the total number of employees of the κ+s GROUP.

A further aim is that at least half of the shareholder representatives on the Supervisory Board are independent. This implies in particular that the persons concerned do not hold a governing or advisory position with significant customers, suppliers, lenders, other business partners or main competitors and do not have a significant business or personal relationship to the Company or its Board of Executive Directors. Potential conflicts of interests on the part of the persons proposed for election to

the Supervisory Board should be prevented, wherever possible.”

The Supervisory Board considers that the aforementioned objectives are met at present.

MEMBERS OF THE SUPERVISORY BOARD IN THE 2014 FINANCIAL YEAR

(Information on other Supervisory Board appointments and Supervisory Bodies as at 31 December 2014)

Dr. Ralf Bethke (born 1942), graduate in business administration, Chairman, Shareholder representative

Entrepreneur (as member of the supervisory boards mentioned below)

Chairman of the Supervisory Board since 14 May 2008

In office until the end of the 2017 Annual General Meeting

First appointed: 1 July 2007

Other supervisory board appointments:

- + BENTELER INTERNATIONAL AG, Salzburg (Vice-Chairman)
- + DJE KAPITAL AG, Pullach (Chairman)
- + SÜDDEUTSCHE ZUCKERRÜBENVERWERTUNGS-GENOSSENSCHAFT EG, Stuttgart-Ochsenfurt (until 16 July 2014)
- + SÜDZUCKER AG MANNHEIM/OCHSENFURT, Mannheim (until 17 July 2014)

Michael Vassiliadis (born 1964), chemical laboratory assistant, Vice-Chairman

Employee representative

Chairman of the Mining, Chemicals and Energy Trade Union, Hanover

In office until the end of the 2018 Annual General Meeting

First appointed: 7 May 2003

Other supervisory board appointments:

- + BASF SE, Ludwigshafen
- + EVONIK INDUSTRIES AG, Essen (Vice-Chairman)
- + STEAG GMBH, Essen (Vice-Chairman)
- + RAG AKTIENGESELLSCHAFT (Vice-Chairman, since 16 June 2014)
- + RAG DSK AG (Vice-Chairman, since 16 June 2014)
- + RAG STIFTUNG, Essen

Ralf Becker (born 1965), trade union secretary

Employee representative

Regional Manager North of the Mining, Chemicals and Energy Trade Union, Hanover

In office until the end of the 2018 Annual General Meeting

First appointed: 1 August 2009

Other supervisory board appointments:

- + CONTINENTAL REIFEN DEUTSCHLAND GMBH, Hanover (Vice-Chairman)

- + DEUTSCHE SHELL HOLDING GMBH, Hamburg
- + DEUTSCHE SHELL GMBH, Hamburg
- + SHELL DEUTSCHLAND OIL GMBH, Hamburg

Jella S. Benner-Heinacher (born 1960), lawyer
Shareholder representative

Deputy General Manager of the DEUTSCHE SCHUTZ-
 VEREINIGUNG FÜR WERTPAPIERBESITZ E.V., Düsseldorf

In office until the end of the 2018 Annual General
 Meeting

First appointed: 7 May 2003

Other supervisory board appointments:

- + A.S. CRÉATION TAPETEN AG, Gummersbach

George Cardona (born 1951), economist
Shareholder representative

Entrepreneur (as member of the supervisory bodies
 mentioned below)

In office until the end of the 2015 Annual General
 Meeting

First appointed: 9 October 2009

Other appointments to supervisory bodies:

- + Board of DONALINK LTD., Cyprus
- + Board of EUROCHEM GROUP SE, Cyprus
- + Board of HAMILTON ART LTD., Isle of Man
- + Board of HAMILTON JETS LTD., Bermuda

- + Board of HAREWOOD HOUSE LTD., Jersey, Channel
 Islands

- + Board of LINEA LTD., Bermuda
- + Board of LINETRUST PTC LTD., Bermuda
- + Board of MADAKE LTD., Cyprus
- + Board of SIBENERGY PLC., Cyprus
- + Board of SUEK PLC., Cyprus
- + Board of VALISE LTD., Bermuda
- + Board of VALTON LTD., Bermuda
- + Board of VOSTOK PTC LTD., Hong Kong
- + Board of WESTLINE PTC LTD., Bermuda
- + Board of WISHBONE GOLD PLC., Gibraltar

**Wesley Clark (born 1952), master's degree in business
 administration**

Shareholder representative

Operating Partner of ADVENT INTERNATIONAL
 PRIVATE EQUITY GROUP, Boston, Massachusetts, USA

In office until the end of the 2018 Annual General
 Meeting

First appointed: 14 May 2013

Other supervisory board appointments:

- + Board of PATRIOT SUPPLY HOLDINGS, INC., Fort
 Worth, Texas, USA (Non-Executive Chairman)
- + Board of MORRISON SUPPLY CORPORATION, Fort
 Worth, Texas, USA (Non-Executive Chairman; until
 December 2014)
- + Board of ABC SUPPLY CORPORATION, Beloit, Wiscon-
 sin, USA

- + Board of CLARCOR INC., Franklin, Tennessee, USA
- + Board of DISTRIBUTION INTERNATIONAL, INC., Fort
 Worth, Texas, USA (since December 2014)
- + Board of STANFORD UNIVERSITY GRADUATE SCHOOL
 OF BUSINESS, California, USA (until March 2014)

**Harald Döll (born 1964),
 power plant electronics technician**
Employee representative

Chairman of the Collective Works Council of the K+S
 GROUP (since 24 April 2014)

Chairman of the Works Council of K+S KALI GMBH'S
 Werra plant

In office until the end of the 2018 Annual General
 Meeting

First appointed: 1 August 2009

Dr. Rainer Gerling (born 1958), engineering graduate
Employee representative

Head of K+S KALI GMBH'S Werra plant

In office until the end of the 2018 Annual General
 Meeting

First appointed: 14 May 2008

Axel Hartmann (born 1958), retail trade merchant
Employee representative

Vice-Chairman of the Collective Works Council of the K+S GROUP

Chairman of the Works Council of K+S KALI GMBH's Neuhof-Ellers plant

In office until the end of the 2018 Annual General Meeting

First appointed: 14 May 2013

Rüdiger Kienitz (born 1960), mining technologist
Employee representative

Member of the Works Council of K+S KALI GMBH's Werra plant

In office until the end of the 2018 Annual General Meeting

First appointed: 26 March 1998

Michael Knackmuß (born 1975), motor mechanic
Employee representative

Chairman of the Works Council of K+S KALI GMBH's Zielitz plant (since 4 April 2014)

In office until the end of the 2018 Annual General Meeting

First appointed: 11 July 2014

Klaus Krüger (born 1954), mining technologist
Employee representative

Chairman of the Collective Works Council of the K+S GROUP (until 3 April 2014)

Chairman of the Works Council of K+S KALI GMBH's Zielitz plant (until 3 April 2014)

Retired on 31 May 2014

First appointed: 9 August 1999

Dieter Kuhn (born 1958), mining mechanic
Employee representative

First Vice-Chairman of the Collective Works Council of the K+S GROUP

Chairman of the Works Council of the Bernburg plant of ESCO EUROPEAN SALT COMPANY GMBH & CO. KG

In office until the end of the 2018 Annual General Meeting

First appointed: 7 May 2003

Dr. Bernd Malmström (born 1941), lawyer
Shareholder representative

Solicitor

In office until the end of the 2018 Annual General Meeting

First appointed: 7 May 2003

Other supervisory board appointments:

+ IFCO-SYSTEMS N.V., Amsterdam (Chairman, until 25 February 2014)

+ LEHNKERING GMBH, Duisburg (Vice-Chairman)

+ VTG AG, Hamburg

Other appointments to supervisory bodies:

+ DAL – DEUTSCHE-AFRIKA-LINIEN GMBH & CO. KG, Hamburg

+ TIME:MATTERS GMBH, Neu-Isenburg (Chairman)

+ COLADA ACQUICO S.À.R.L, Luxembourg

Dr. Annette Messemer (born 1964), political scientist
Shareholder representative

Divisional director of COMMERZBANK AG

Other supervisory board appointments:

+ COMMERZ REAL AG, Eschborn (since 1 April 2014)

In office until the end of the 2018 Annual General Meeting

First appointed: 14 May 2013

Dr. Rudolf Müller (born 1943), agricultural engineering graduate
Shareholder representative

Retired (former member of the Board of Executive Directors of SÜDZUCKER AG MANNHEIM/OCHSENFURT, Mannheim)

Directors of SÜDZUCKER AG MANNHEIM/OCHSENFURT, Mannheim)

In office until the end of the 2018 Annual General Meeting
First appointed: 7 May 2003

Dr. Eckart Sünner (born 1944), lawyer
Shareholder representative

Independent solicitor in Neustadt a. d. Weinstraße

In office until the end of the 2018 Annual General Meeting
First appointed: 28 April 1992

Other supervisory board appointments:
+ INFINEON TECHNOLOGIES AG, Neubiberg

/ CURRICULA VITAE OF THE MEMBERS OF THE SUPERVISORY BOARD can be found on our website at www.k-plus-s.com/en/aufsichtsrat

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

- + Dr. Eckart Sünner (Chairman)
- + Ralf Becker
- + Dr. Ralf Bethke
- + Axel Hartmann (since 19 August 2014)
- + Klaus Krüger (until 31 May 2014)
- + Dr. Annette Messemer
- + Michael Vassiliadis

PERSONNEL COMMITTEE

- + Dr. Ralf Bethke (Chairman)

- + Jella S. Benner-Heinacher
- + Harald Döll (since 19 August 2014)
- + Klaus Krüger (until 31 May 2014)
- + Michael Vassiliadis

NOMINATION COMMITTEE

- + Dr. Ralf Bethke (Chairman)
- + George Cardona
- + Dr. Bernd Malmström
- + Dr. Rudolf Müller

MEDIATION COMMITTEE

- + Dr. Ralf Bethke (Chairman)
- + Harald Döll (since 19 August 2014)
- + Klaus Krüger (until 31 May 2014)
- + Dr. Eckart Sünner
- + Michael Vassiliadis

THE BOARD OF EXECUTIVE DIRECTORS

The Board of Executive Directors manages the Company under its own responsibility in accordance with the law, the Articles of Association and its bylaws, taking account of the resolutions adopted by the Annual General Meeting. The Board of Executive Directors represents the Company in its dealings with third parties. In accordance with Article 5 (1) of the Articles of Association, the Board of Executive Directors has at least two members. The exact number of members is determined by the Supervisory Board. The Board of Executive Directors had five members at the end of 2014. The bylaws govern their cooperation and the allocation of business responsibilities as well as mutual representation. The

relevant members of the Board of Executive Directors need to be informed about matters involving several areas of responsibility; measures which also concern other areas of responsibility or deviate from usual day-to-day business have to be agreed with the other members of the Board of Executive Directors. Where possible or necessary, such matters should be discussed and decided at the regular meetings of the Board of Executive Directors that are held at two or three weekly intervals; a resolution must always be brought on important business matters and measures.

/ THE BYLAWS OF THE BOARD OF EXECUTIVE DIRECTORS can be found on our website under 'Corporate Governance'.

MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS IN THE 2014 FINANCIAL YEAR

(Information on responsibilities and appointments as at 31 December 2014)

Norbert Steiner (born 1954), lawyer, Chairman

- + Corporate Communications
- + Corporate Development
- + Corporate Executive HR
- + Governance, Risk, Compliance; Corporate Secretary
- + Internal Auditing
- + Investor Relations

In office until 11 May 2017
First appointed: 12 May 2000

Supervisory Board appointments:

- + TALANX AG, Hanover
- + HDI V.A.G., Hanover
- + K+S KALI GMBH (Chairman), Kassel¹

Gerd Grimmig (born 1953), engineering graduate

- + Technical Center and sub-units²
 - Environment and Safety
 - Geology
 - Mining
 - Research and Development
 - Technics/Energy
- + Waste Management and Recycling²
- + Inactive Plants²
- + K+S CONSULTING GMBH²
- + MSW CHEMIE GMBH²
- + Animal Hygiene Products²

The term of office ended on 30 September 2014.
First appointed: 1 October 2000

Supervisory board appointments:
+ K+S KALI GMBH, Kassel^{1,2}

Dr. Burkhard Lohr (born 1963), business administration graduate

- + Corporate Controlling
- + Corporate Finance and Accounting
- + Corporate Procurement
- + Corporate Tax
- + Technical Center and sub-units³

- Environment and Safety
- Geology
- Mining
- Research and Development
- Technics/Energy

+ All direct shareholdings of the Company insofar as they are not assigned to another area of responsibility.

In office until 31 May 2020
First appointed: 1 June 2012

Supervisory board appointments:
+ K+S KALI GMBH, Kassel^{1,3}

Dr. Thomas Nöcker (born 1958), lawyer, Personnel Director

- + Business Center and sub-units:
 - Communication Services
 - Financial Accounting
 - HR Services
 - Insurance
 - IT Services
 - Legal
 - Logistics Europe
 - Procurement/Material Management Europe
 - Project Management
 - Real Estate & Facility Management

- + Corporate HR
- + Corporate IT
- + K+S TRANSPORT GMBH

- + K+S VERSICHERUNGSVERMITTLUNGS GMBH
- + WOHNBAU SALZDETfurTH GMBH

In office until 31 July 2016
First appointed: 1 August 2003

Supervisory board appointments:
+ K+S KALI GMBH, Kassel¹

Dr. Andreas Radmacher (born 1965), engineering graduate

- + Potash and Magnesium Products
- + Waste Management and Recycling³
- + Inactive Plants³

In office until 31 August 2016
First appointed: 1 September 2013

Supervisory board appointments:
+ K+S KALI GMBH, Kassel¹

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

- + Salt
- + Animal Hygiene Products³

¹ Group appointment.

² Until 30 September 2014.

³ Since 1 October 2014.

In office until 30 September 2020
First appointed: 1 October 2012

Supervisory board appointments:

+ SALT INSTITUTE, Alexandria, Virginia, USA (until 7 March 2014)

/ CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS can be found on page 12 and on our website at www.k-plus-s.com/en/vorstand

COOPERATION BETWEEN THE BOARD OF EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

The Supervisory Board is kept informed by the Board of Executive Directors, at regular intervals in a timely and comprehensive manner, regarding any issues that are relevant to the Company as a whole and concern corporate strategy, planning, course of business, the financial and earnings position, the employment situation as well as about any particular business risks and opportunities. Moreover, the Chairman of the Supervisory Board remains in close communication with the Chairman of the Board of Executive Directors with regard to all relevant topics. Important business transactions and measures require the consent of the Supervisory Board; more information on this can be found in Section 12 of the Supervisory Board bylaws.

CONFLICTS OF INTERESTS

No conflicts of interests involving members of the Board of Executive Directors or of the Supervisory Board,

about which the Annual General Meeting needed to be informed, were disclosed to the Supervisory Board during the reporting period.

D&O INSURANCE

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

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

In accordance with Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz (WPHG)), members of the Company's Board of Executive Directors and of the Supervisory Board must disclose purchases and disposals of Company shares.

In 2014 we published the following information in Directors' Dealings: / TAB: 2.2.1, 2.2.2

/ A CONSTANTLY UPDATED TABLE can be found on our website at www.k-plus-s.com/en/meldungen/directors-dealings

DIRECTORS' DEALINGS OF MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS						TAB: 2.2.1
	Date	Transaction	Number	Price in €	Volume in €	
Dr. Thomas Nöcker	17.10.2014	Share purchase	2,000	19.868475	39,736.95	
Dr. Thomas Nöcker	16.10.2014	Share purchase	3,000	19.6921233	59,076.37	
Dr. Thomas Nöcker	17.03.2014	Share purchase	2,000	22.44475	44,889.50	

DIRECTORS' DEALINGS OF MEMBERS OF THE SUPERVISORY BOARD						TAB: 2.2.2
	Date	Transaction	Number	Price in €	Volume in €	
Barbara Bethke/Dr. Ralf Bethke	19.03.2014	Share purchase	1,000	22.15	22,150.00	
Dr. Annette Messemer	19.03.2014	Share purchase	2,250	22.171	49,884.75	
Dr. Bernd Malmström	18.03.2014	Share purchase	4,389	22.84495	100,266.50	
Barbara Bethke/Dr. Ralf Bethke	17.03.2014	Share purchase	1,200	21.745	26,094.00	

On 31 December 2014, the members of the Board of Executive Directors and of the Supervisory Board held less than 1% of the shares of K+S AKTIENGESELLSCHAFT and related financial instruments.

INFORMATION IN ACCORDANCE WITH SECTION 289 (4) AND SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB) AS WELL AS EXPLANATORY REPORT OF THE BOARD OF EXECUTIVE DIRECTORS IN ACCORDANCE WITH SECTION 176 (1) (1) OF THE GERMAN STOCK CORPORATION ACT (AKTG)

ITEM 1: COMPOSITION OF SUBSCRIBED CAPITAL

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

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

Each share carries one vote; no restrictions apply to voting rights or to the transfer of shares. The Board of Executive Directors is not aware of any relevant shareholder agreements.

ITEM 3: DIRECT OR INDIRECT INTERESTS IN CAPITAL EXCEEDING 10%

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

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

There are no shares with special rights conferring control powers.

ITEM 5: VOTING RIGHT CONTROL IN THE EVENT OF EMPLOYEE OWNERSHIP OF CAPITAL

No voting right controls apply.

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

The appointment and dismissal of members of the Board of Executive Directors are governed by Section 84 of the German Stock Corporation Act (AktG). Accordingly, the members of the Board of Executive Directors are appointed by the Supervisory Board for a maximum term of five years. In accordance with Article 5 of the Articles of Association, the Board of Executive Directors of K+S AKTIENGESELLSCHAFT has at least two members. The number of members is determined by the Supervisory Board. The Supervisory Board can appoint a member of the Board of Executive Directors to the position of chairman of the Board of Executive Directors. The Supervisory Board can rescind the appointment of a member of the Board of Executive Directors or the appointment of the chairman of the Board of Executive Directors for good cause.

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

ITEM 7: BOARD OF EXECUTIVE DIRECTORS' POWERS REGARDING THE OPTION TO ISSUE OR BUY BACK SHARES

The Board of Executive Directors is authorised to acquire own shares representing no more than 10% of the no-par value shares comprising the share capital of K+S AKTIENGESELLSCHAFT until 10 May 2015. At no time may the Company hold more than 10% of the total number of no-par value shares comprising its share capital. Purchases may be made on a stock exchange or by means of a public purchase offer directed to all shareholders. In the event of a purchase effected on a stock exchange, the purchase price paid must not exceed or fall below the relevant stock exchange price by more than 10%; the relevant stock exchange price being the price of the K+S share in the XETRA computerised trading system determined by the opening auction on the day of purchase of the shares. In the event of a purchase effected by means of a public purchase offer directed to all shareholders, the purchase price offered per share must not exceed or fall below the relevant stock exchange price by more than 10%; the relevant stock exchange price being the price of the K+S share in the XETRA computerised trading system deter-

mined by the opening auction on the day of purchase of the shares.

The Board of Executive Directors is further authorised, with the approval of the Supervisory Board, to dispose of shares in the Company, which were acquired on the basis of an authorisation in accordance with Section 71 (1) (8) of the German Stock Corporation Act (AktG) on a stock exchange or by means of a public offer directed to all shareholders. In the following cases, shares may be disposed of by other means and consequently with the exclusion of the shareholders' right to subscribe:

- + Disposal against payment of a cash sum that is not significantly below the relevant stock exchange price;
- + Issue of shares as consideration for the purpose of acquiring undertakings, parts of undertakings or interests in undertakings;
- + Servicing of convertible bonds and bonds with warrants, which have been issued on the basis of authorisation given by the Annual General Meeting. Such authorisation does not exist at present.

The authorisation to exclude the right to subscribe applies in respect of all shares representing a proportionate amount of the share capital of up to 10 % when the resolution is adopted or if the amount of the share capital is lower at that time, on the date when the authorisation is exercised. The maximum limit of 10 % is reduced by the proportionate amount of the share capital attributable to shares issued during this authorisation period in connection with a capital increase from

authorised capital or from conditional capital where the right to subscribe is excluded.

Finally, the Board of Executive Directors is authorised, with the consent of the Supervisory Board, to withdraw shares in the Company from circulation that were acquired based on authorisation in accordance with Section 71 (1) (8) of the German Stock Corporation Act (AktG), without the Annual General Meeting having to pass a further resolution on such withdrawal from circulation. Shares must be withdrawn from circulation in accordance with Section 237 (3) (3) of the German Stock Corporation Act (AktG) without a capital reduction in such a way that withdrawal results in an increase in the proportion of remaining no-par value shares in the share capital pursuant to Section 8 (3) of the German Stock Corporation Act (AktG).

The authorisations to purchase own shares as well as to dispose of them and withdraw them from circulation may be exercised in full or in part each time and on several occasions in the latter case.

Authorisation granted by the Annual General Meeting to the Board of Executive Directors to purchase a limited number of own shares in the Company is a common instrument available in many companies. The ability to resell own shares puts the Company in a position to gain long-term investors in Germany and abroad, for example, or to finance acquisitions flexibly. The continued option to withdraw own shares from circulation is

also a common alternative, the use of which is in the interest of the Company and its shareholders.

ITEM 8: SIGNIFICANT AGREEMENTS THAT APPLY IN THE EVENT OF A CHANGE OF CONTROL RESULTING FROM A TAKEOVER BID

In 2013, K+S concluded a syndicated credit line for € 1 billion. All loans drawn against this line of credit will become due and payable immediately and the entire credit line will become redeemable in accordance with the loan terms and conditions if one person acting alone or more persons acting jointly acquire control over K+S AKTIENGESELLSCHAFT. Also in the case of the three bonds issued by K+S AKTIENGESELLSCHAFT in 2012 and 2013, the bond holders have the right, in the event of a change of control, to terminate debentures that have not yet been redeemed.

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

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

Agreements of this type exist with the members of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT and are explained in detail in the Remuneration Report on page 47. The stock option scheme for the Board

of Executive Directors and for senior management, provided for the last time in 2009, made provision for the start of a special time frame in which to exercise all still outstanding options in the event of a change of control. This scheme was phased out in 2014 when the last options granted in 2009 expired worthless. The scheme with a long-term incentive character (LT1), introduced in 2010 for the Board of Executive Directors and for senior management, includes no compensation agreements.

The existing agreements with the members of the Board of Executive Directors take into appropriate consideration both the legitimate interests of those concerned and of the Company and its shareholders.

GOVERNANCE AND MONITORING SYSTEM

The general target state of an effective and legally compliant governance and monitoring system (internal control in a broader sense) in the K+S GROUP has been defined by the framework requirements agreed by the Board of Executive Directors in addition to the relevant statutory requirements. The regulatory and organisational measures required to ensure that this target state is achieved and maintained have also been defined. This system should guarantee:

- + The sustainable economic efficiency of business operations (these also include protecting assets and preventing and identifying damage to assets)
- + A responsible corporate governance

- + The adequacy and reliability of internal and external accounting procedures as well as
- + Compliance with legislation relevant to the Company

The 'Governance, Risk, Compliance; Corporate Secretary' department has been in existence at K+S AKTIENGESELLSCHAFT since 1 January 2014; the head of this department reports directly to the Chairman of the Board of Executive Directors. The department is responsible for coordinating Group-level development and maintaining an effective and legally-compliant governance and monitoring system.

Firstly, the sub-systems corporate governance, compliance management, risk and opportunity management and sustainability management, which are relevant for both the governance and monitoring components, are presented below. These complement one another and overlap in part. Finally, the internal governance system and internal monitoring system are explained.

CORPORATE GOVERNANCE/DECLARATION ON CONFORMITY

The structure of the governance and monitoring system is defined in detail by additional internal regulations and consistent standards are defined for the development and communication of such regulations. Regulations applicable across the Group, such as the 'Core Values and Principles of the K+S GROUP', 'Management within the K+S GROUP' und 'Organisation within the K+S GROUP', are adopted by the Board of Executive Directors. Each organisational unit of the K+S GROUP is

obliged, in compliance with the regulations of higher-level units, to issue the required illustrative regulations for its area of responsibility to ensure proper governance and monitoring.

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

In December 2014, the Company's Board of Executive Directors and the Supervisory Board made the following joint declaration in accordance with Section 161 of the German Stock Corporation Act (AktG):

"We declare that the recommendations of the Government Commission German Corporate Governance Code amended on May 13, 2013 and published by the German Ministry of Justice in the official section of the German Federal Gazette, were complied with in 2014 with the exception of the recommendations of Clause 5.1.2 Paragraph 2 Sentence 3 (Determination of an age limit for the members of the Board of Executive Directors) and 5.4.1 Paragraph 2 Sentence 1 (to the extent that an age limit is to be determined for Supervisory Board members) and that the recommendations of the Government Commission German Corporate Governance

Code amended on June 24, 2014 and published by the German Ministry of Justice in the official section of the German Federal Gazette, will be complied with in 2015 with the same exceptions. We do not believe that it is necessary or practical to establish strict age limits for the members of the Board of Executive Directors and the Supervisory Board since the ability to carry out the work of the respective corporate responsibility area does not necessarily end by a certain age, but depends solely on the respective individual skills. Particularly also in light of the demographic development, age limits are in conflict with the general interest of the company which is to fill the positions in its corporate boards the best possible way.

Kassel, December 2014”

/ THIS AND ALL PREVIOUS DECLARATIONS are also published online at www.k-plus-s.com under ‘Corporate Governance’.

Of the numerous suggestions made in the Code, only the following have not been fully implemented by κ+s:

- + The Annual General Meeting is not streamed live online in its entirety (Code item 2.3.4), but only up to the end of the speech given by the Chairman of the Board of Executive Directors.
- + The suggestion in item 3.7 paragraph 3 will only be taken up insofar as, in the event of a takeover bid, an extraordinary General Meeting should only be convened in indicated cases.

COMPLIANCE MANAGEMENT

Our Group-wide compliance management system creates the prerequisites for ensuring awareness across the Group of respectively applicable legislation as well as our internal regulations and other regulations of equal importance and that compliance with these can be monitored. We want not only to avoid the risks of liability, culpability and fines as well as other financial disadvantages for the Company, but also to ensure a positive reputation for the Company, its corporate bodies and employees in the public eye. We regard it as a matter of course that breaches of compliance are pursued and penalties are imposed.

The Board of Executive Directors has entrusted the head of the ‘Governance, Risk, Compliance; Corporate Secretary’ department with the role of Chief Compliance Officer and the task of ensuring the existence of an effective and legally conformant compliance management system in the κ+s GROUP. He reports directly to the Chairman of the Board of Executive Directors and heads up the central Compliance Committee on which the compliance officers of each business unit and the heads of central Company functions that are relevant in terms of compliance have a seat (for example, Internal Audit, Legal, Human Resources, Environmental Protection departments).

Over and above the legal obligations, we have defined our own core values and principles (Code of Conduct) which form a compulsory framework for our conduct and our decisions and provide orientation for our corporate actions. Our core values and principles are published on our website at www.k-plus-s.com under ‘About κ+s’.

Every employee is acquainted with these core values and principles that are applicable across the Group as well as the internal regulations derived from them (for example, the guidelines on ‘Donations and Sponsoring in the κ+s GROUP’, ‘Giving and Receiving Gifts, Invitations and other Benefits’ and ‘Business Partner Compliance’). Training sessions for potentially affected employees are held in relation to specific issues (e.g. anti-trust law, anti-corruption measures, money laundering and the financing of terrorism, environmental protection, health and safety at work). Employees have the option to seek advice internally in compliance-related matters (for example, from the legal departments or compliance officers). Moreover, we have set up external hotlines (ombudspersons) for reporting compliance breaches, anonymously if desired.

MANAGEMENT OF RISKS AND OPPORTUNITIES

The aim of the risk and opportunity management system (in a broad sense) is the early identification and awareness of opportunities for the Company whilst at the same time keeping in mind the need to proceed carefully in terms of risks. The system therefore serves to ensure a structured approach to dealing with risks and opportunities and the creation of transparency with regard to the risk and opportunity situation in the κ+s GROUP. Raising the awareness of employees in terms of dealing with risks and opportunities gains significant importance in the process. The following principles apply in this respect:

- + Corporate actions are inevitably associated with risk. The aim is to use the opportunities available and only take risks that are unavoidable in order to secure earnings potential.

- + No action or decision may constitute a risk in itself, which foreseeably leads to a risk in terms of the Company's continued existence.
- + Risks jeopardising the Company's continued existence must be reported to the Company's Board of Executive Directors immediately.
- + Risks may not be balanced out against opportunities.
- + The management of risks and opportunities is a managerial task; each line manager must ensure the required cooperation with identifying and assessing relevant risks and opportunities in his/her area of responsibility.

A directive that is applicable across the Group governs the tasks and powers of the parties involved in the risk management process and defines the requirements for risk reporting, inter alia by setting reporting thresholds. The 'Governance, Risk, Compliance; Corporate Secretary' department is responsible for the central risk management process and coordinates the activities of the risk management officers in the various units and departments of the K+S GROUP.

To ensure effective and legally compliant handling of risks, which may have a significant impact on the asset, financial and earnings position of the K+S GROUP (risk management in the narrow sense), the following have been established:

- + Standardised risk profiles specific to business,
- + A comprehensive presentation of the quantified risks during management dialogues (including those held between the Board of Executive Directors and the corporate units/department reporting directly to it),

- + Standard regular risk reporting as well as
- + Immediate reporting in urgent cases.

Risk management and opportunity management are closely interlinked within the K+S GROUP. For this reason, the principles, processes and responsibilities in respect of risk management also largely apply to the management of opportunities. Responsibility for the early and frequent identification, analysis and utilisation of opportunities rests with the management of the corporate units and departments. Opportunity management is an integral part of the Group-wide planning and control systems.

A detailed description of the process for identifying, assessing, controlling and reporting risks and opportunities (management of risks and opportunities in the narrow sense), a presentation of risk management in relation to financial instruments (IFRS 7), as well as the significant risks and opportunities, can be found in the Risk and Opportunity Report from page 86.

SUSTAINABILITY MANAGEMENT

As a raw materials company, we think and act long term. For us, sustainable development means future viability. Long-term economic success is only possible if we pay the appropriate amount of attention to the ecological and social aspects of our business model, which is heavily focused on achieving sustainable economic success. We systematically identify and assess relevant issues and social trends early on in order to incorporate them into our management processes. This helps us advance our existing business, take on new business opportunities and minimise risk.

Following a holistic approach, sustainability management has also been incorporated into the 'Governance, Risk, Compliance; Corporate Secretary' department. The department is tasked in this respect with creating effective structures to identify and deal with sustainability issues in the K+S GROUP.

/ FURTHER INFORMATION can be found in the Sustainability Report, which is based on the Global Reporting Initiative (GRI), in the section entitled 'Sustainability Management'.

INTERNAL GOVERNANCE SYSTEM

The framework and general objectives of the K+S GROUP governance system are derived from its vision and mission. The basis for the fulfilment of this mission are the Group strategies and general objectives defined by the Board of Executive Directors. The specific implementation of these strategies and realisation of these objectives is discussed and defined in regular talks between the Board of Executive Directors and the heads of the Company units and departments reporting directly to it and the management of key Group companies; key business transactions and measures require the approval of the whole Board of Executive Directors or of the member of the Board responsible for the respective unit/Group company. The further strategies, processes and measures, resulting from the aforementioned requirements, are broken down in a cascaded process to the respective lower organisational levels by defining relevant sub-targets/measures.

Essential controlling tools are medium-term planning and rolling monthly planning. The current net earnings position is to be reported to the respective responsible

management on a regular basis with the aid of defined key figures.

FINANCIAL PERFORMANCE INDICATORS

With regard to financial performance indicators, our focus is on the continuous monitoring and optimisation of the following variables:

- + EBITDA and operating earnings EBIT I
- + Capital expenditure
- + Free cash flow
- + Return on Capital Employed (ROCE)

$$= \frac{\text{Operating earnings (EBIT I)}}{\text{Operating assets}^1 + \text{working capital}^{1,2}}$$
- + Adjusted Group earnings after taxes

/ DEFINITIONS OF KEY INDICATORS USED HERE can be found on page 166.

The comparison of the actual and projected course of business on page 66 includes among others the key indicators EBIT I, EBITDA and Adjusted Group earnings after taxes.

The activities of our operating units are managed on the basis of the aforementioned performance indicators, with particular importance attached to EBITDA and EBIT I, as these are, in our opinion, the appropriate variables for assessing earnings capacity. EBITDA also forms the basis for determining the level of Group debt, which is one of the target figures of the capital structure. Further key figures for the management of the capital struc-

ture, its target figures and values actually achieved can be found on page 73. Capital expenditure is also an important management variable both at operating unit and Group level in terms of achieving a targeted allocation of our financial resources. When considering cash flow figures, the free cash flow is of particular relevance due to the high capital expenditure over the coming years.

We use the performance indicator 'Return on capital employed (ROCE)' to monitor this financial objective, and derive the value added using the weighted average cost of capital rate before taxes. We also continually monitor the key figure of 'Adjusted Group earnings after taxes', the basis for dividend proposals.

A presentation and description of the development of earnings figures in the last five years can be found in the 'Earnings Position' section on page 72 and that of cash flow and capital expenditure in the 'Financial Position' section on page 75.

IMPORTANT NON-FINANCIAL PERFORMANCE INDICATORS

To date we have defined specific targets for water and energy input, emissions and volume of wastewater in a separate section entitled 'Important non-financial performance indicators'. These targets expired at the end of 2014. Our specific targets in terms of water and energy input or emissions as originally indicated could not be achieved. This was due mainly to the newly commissioned and expanded evaporation facilities as part of the package of measures for water protection at our Werra plant and their greater energy and water withdrawal

requirements. Also in the light of such circumstances, we will refrain from setting out specific Group-wide targets across all product categories in the future. However, efficient use of water and efficient use of energy will continue to be general targets across the Group.

/ FURTHER INFORMATION can be found in the Sustainability Report in the section entitled 'Environment'.

The requirements of the K+S GROUP and those imposed on it will be determined, analysed and prioritised in the context of sustainability management in order to define specific sustainability targets for sub-areas (sites, companies, product segments etc.).

/ FURTHER INFORMATION can be found in the Sustainability Report in the section entitled 'Sustainability Management'.

INTERNAL MONITORING SYSTEM

The internal monitoring system is intended to ensure fulfilment of the management requirements developed in the context of the internal governance system as well as compliance with the relevant legal requirements. It consists of process-integrated (internal control in the narrow sense) as well as process-independent monitoring measures.

Process-integrated monitoring measures: The management responsible for an internal process must analyse the risks jeopardising the achievement of process objectives that is legally compliant and complies with internal regulations. Upstream, process-integrated controls are to be defined depending on the significance of the respective risk that are designed to prevent the occur-

¹ Annual average.

² Adjusted for reimbursement claims and corresponding obligations.

rence of this risk. Downstream, process-integrated controls are also to be defined which identify errors that have occurred/risks that have materialised as quickly as possible so that the relevant action to counter these can be taken. Depending on the materiality of the respective process and its risks, the risk analysis conducted, the controls defined and the action taken are to be recorded.

Non-process dependent monitoring measures are implemented by the internal audit. Reports containing summary audit findings are produced for these audits and presented to the respective responsible management for information, in order to support them with assessing general suitability and actual effectiveness of the management and monitoring system. The reliability of the risk management system in a broad sense and the compliance management system are reviewed on a regular basis.

Non-process dependent monitoring measures are taken externally in connection with the annual audits as well as in the form of IT penetration tests.

GROUP ACCOUNTING PROCESS (SECTION 289 (5) AND SECTION 315 (2) (5) OF THE GERMAN COMMERCIAL CODE (HGB))/AUDIT

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) are applied, following the European Union's regulations, when preparing the Company's consolidated financial statements. The standard procedures for K+S

GROUP accounting and reporting in accordance with IFRS set standard accounting and valuation principles for the German and foreign companies included in the consolidated financial statements. In addition, we impose detailed and formalised requirements for the reporting of the consolidated companies. New external accounting regulations are analysed promptly in terms of their effects and, if these are relevant to us, are implemented in the accounting processes through internal regulations. The accounting and valuation regulations for the separate financial statements of K+S AKTIENGESELLSCHAFT and its domestic subsidiaries are documented in additional standard procedures and accounting instructions, in accordance with the German Commercial Code (HGB) and supplementary provisions.

We have a Group-wide IT platform for all significant companies, a standard Group accounts structure and automatically standardised accounting processes. This standardisation ensures the proper and timely reporting of key business transactions. Binding regulations are in place for additional manual recording of accounting transactions. Valuations on the balance sheet, such as the verification of the impairment of goodwill or the calculation of mining obligations, are calculated by internal Group experts. In individual cases, such as the valuation of pension obligations, the valuation is calculated by external experts.

To prepare the consolidated financial statements of the K+S GROUP, the financial statements of those companies whose accounts are kept on the K+S GROUP IT plat-

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

The annual financial statements of companies subject to mandatory audit and the consolidated financial statements are audited by independent auditors in addition to the existing internal monitoring. This is the key process-independent monitoring measure with regard to the Group accounting process. The annual financial statements of those German companies not subject to mandatory audits are audited by the internal audit department. Moreover, the independent auditor audits the reliability of the risk management system in the narrow sense.

The 2014 audit was conducted by DELOITTE & TOUCHE GMBH, Hanover, under the direction of auditors, Prof. Dr. Frank Beine and Thorsten Römgens. DELOITTE & TOUCHE

GMBH, Hanover, issued a declaration of independence pursuant to Item 7.2.1 of the German Corporate Governance Code. The auditor is appointed by the Supervisory Board, acting on a recommendation submitted by the Audit Committee, after the main topics to be covered by the audit and the fees have been agreed with the auditor elected by the Annual General Meeting. The Chairman of the Supervisory Board and the Chairman of the Audit Committee are advised by the auditor without delay of any reasons giving rise to exclusion or partiality that may arise during the audit if these cannot be eliminated immediately. Furthermore, the auditor should immediately advise of any findings and occurrences of relevance to the tasks of the Supervisory Board that may arise during the audit. In addition, the auditor is required to advise the Supervisory Board or make an appropriate note in the audit report if, during the course of the audit, he identifies any facts suggesting incompatibility with the declaration on conformity issued by the Board of Executive Directors and the Supervisory Board in accordance with Section 161 of the German Stock Corporation Act (AktG).

2.3 REMUNERATION REPORT

This report explains the main features of the remuneration systems used for the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT, together with the specific design of the individual components.

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS

REMUNERATION STRUCTURE

The criteria for the appropriateness of remuneration include, in particular, the responsibilities of each member of the Board of Executive Directors, his individual performance, the performance of the Board of Executive Directors as a whole, a comparison with senior executives worldwide and the total workforce, as well as the economic situation, success and future prospects of the Company, taking into consideration its comparative environment.

The remuneration for the members of the Board of Executive Directors consists of annual elements and those with a long-term incentive character. The annual remuneration elements include both components not related to performance and performance-related components. The components not related to performance consist of fixed remuneration as well as non-cash remuneration and other benefit packages; the bonus is the performance-related part. There is also a variable remuneration component, based on key figures, with a long-term incentive (LTI) character. The members of the Board of Executive Directors also have pension commitments.

Fixed remuneration as basic remuneration not related to performance is paid monthly. In addition to this, the members of the Board of Executive Directors receive fringe benefits, in particular contributions to pension, health and long-term care insurance as well as non-

cash remuneration, which consists mainly of the use of company cars.

In order to harmonise the interests of shareholders to a great extent with those of the Board of Executive Directors, part of the bonus is determined on the basis of the return on the total investment of the Group. Moreover, the personal performance of the members of the Board of Executive Directors is taken into consideration when calculating bonuses; these are paid in the following financial year.

/ FURTHER INFORMATION ABOUT THE CALCULATION OF CAPITAL COSTS AND RETURN ON TOTAL INVESTMENT can be found on pages 72 and 73.

The structure of the annual remuneration in a normal year provides for a fixed remuneration of 40 % and variable, short-term performance-related components of 60 %. A portion of 80 % of the variable component is linked to Company performance, i.e. to the return on total investment achieved; the remaining 20 % is dependent on personal performance. Variable remuneration of 100 % is reached if the return on total investment achieved reaches at least 115 % of the respective cost of capital and, secondly, personal performance has been assessed as 100 %. Remuneration based on the return on total investment is capped at a ceiling of 21 percentage points above the minimum return. The target achievement ranges for the two variable remuneration components are between 0 and around 150 %. Moreover, fringe benefits have also been capped since 2013.

The Chief Financial Officer receives 1.1 times the remuneration of an ordinary member of the Board of Executive Directors and the Chairman of the Board of Executive Directors approx. 1.5 times.

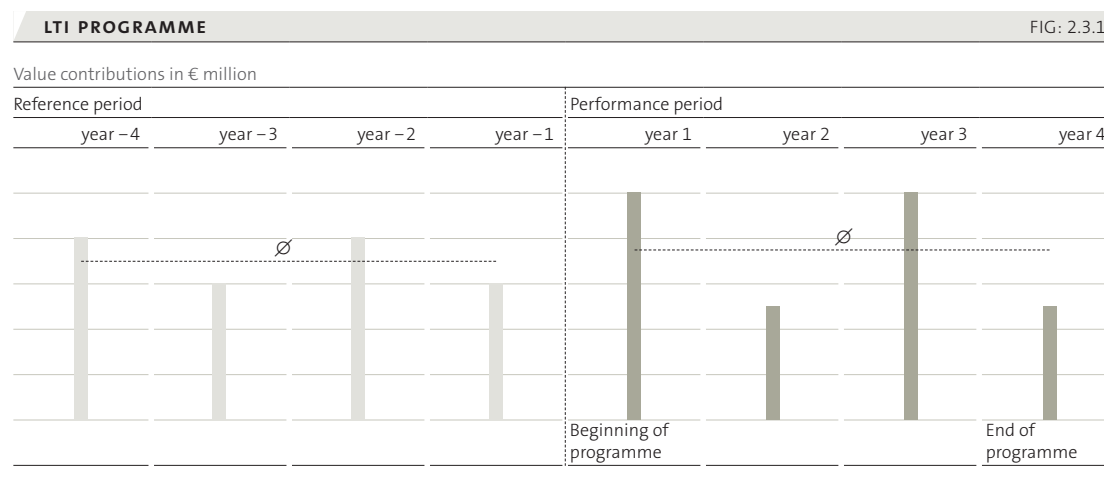
Income can also be drawn from a long-term incentive programme based on key figures as a variable component of remuneration with a long-term incentive and risk character. This is based on a multi-year assessment in accordance with the value contributions achieved. The Company's success is thereby determined on the basis of two four-year periods. The value contribution is derived as follows:

Operating profit (EBIT I)
+ Interest income for the financial year
- Cost of capital (before taxes) for the financial year
= Value contribution

There is a cap for the value contribution at \pm € 500 million per financial year.

Two four-year periods (a 'reference period' and a 'performance period') are compared to determine the result for an LTI tranche. The reference period covers the four years prior to commencement of the respective LTI, while the performance period covers the four years of the respective LTI term. The following diagram shows the LTI programme periods: / FIG: 2.3.1

The average of the four value contributions for the reference period is calculated at the beginning of an LTI and the average of the four value contributions for the



performance period at the end of the programme. The difference between these average value contributions is reflected as a percentage on a scale from € -200 million to € +200 million. 100% of LTI is paid if value contributions of reference- and performance periods correspond with each other. In such a case, the variable component of remuneration with a long-term incentive character for an ordinary member of the Board of Executive Directors is € 350,000. In the case of underperformance, the payment decreases on a straight-line basis to 0% in line with the percentage deviation. In the case of overperformance, the payment increases accordingly up to an upper limit of 200% (= € 700,000). The component of remuneration is 1.1 times the remuneration of an ordinary member of the Board of Executive Directors for the

Chief Financial Officer and 1.5 times for the Chairman of the Board of Executive Directors.

Payment is made in April of the year following the end of the programme. In the event of termination of an employment contract or reaching retirement age, a discounted pro rata payment for all current tranches is normally made in April of the following year. / FIG: 2.3.2

The remuneration system applicable to the Board of Executive Directors was approved by a large majority at the 2010 Annual General Meeting and highlighted by EUROSHAREHOLDERS, the organisation of European shareholder associations, as a particularly shareholder-friendly remuneration system.

LTI PROGRAMMES 2011 TO 2014

FIG: 2.3.2

in € million	2007	2008 ¹	2009	2010	2011 ¹	2012	2013	2014	2015	2016	2017	Result
LTI 2011	68	500	-32	334	500	384	222	102	—	—	—	Difference = € 85 million Payment ² = € 498.1 thousand
				Ø 217				Ø 302				
LTI 2012	—	500	-32	334	500	384	222	102	—	—	—	
					Ø 326			not yet complete (Ø to date: 236)				
LTI 2013	—	—	-32	334	500	384	222	102	—	—	—	
						Ø 297		not yet complete (Ø to date: 162)				
LTI 2014	—	—	—	334	500	384	222	102	—	—	—	
							Ø 360	not yet complete (Ø to date: 102)				

■ Reference period ■ Performance period

¹ In 2008 and 2011, the cap limit was reached on account of extremely good value contributions.

² For an ordinary member of the Board of Executive Directors; payment is made in April of the year following the end of the programme.

The LTI programme replaces the system that was in place between 1999 and 2009 offering the option to draw income by exercising stock options as a variable component of remuneration with a long-term incentive and risk character. Last options granted in 2009 expired worthless in mid-June 2014.

Table 2.3.1 shows a sample calculation of the annual remuneration of a member of the Board of Executive Directors. / TAB: 2.3.1

REMUNERATION AMOUNT

Details of the individual remuneration of the Board of Executive Directors in the 2014 financial year are shown in the tables below. The difference between the 'Allow-

ILLUSTRATIVE CALCULATION OF THE ANNUAL REMUNERATION OF A MEMBER OF THE BOARD OF EXECUTIVE DIRECTORS

TAB: 2.3.1

in €	Target achievement 100%	Target achievement 0%	Maximum Target achievement
Fixed remuneration: 40%	400,000	400,000	400,000
Bonus: 60%	600,000 ¹	0 ²	905,000 ³
– of which Company performance: 80%	480,000	0	725,000
– of which personal target achievement: 20%	120,000	0	180,000
Annual remuneration	1,000,000	400,000	1,305,000
LTI programme	350,000 ⁴	0 ⁵	700,000 ⁶
Total remuneration	1,350,000	400,000	2,005,000

¹ Return on total investment ≥ minimum return; individual target achievement ≥ 100%.

² Return on total investment ≤ 0%; individual target achievement ≤ 0%.

³ Return on total investment ≥ minimum return + 21 percentage points; individual target achievement ≥ approx. 150%.

⁴ Difference in average value contributions between reference and performance period = € 0 million ≥ 100%.

⁵ Difference in average value contributions between reference and performance period ≤ € -200 million ≤ 0%.

⁶ Difference in average value contributions between reference and performance period ≥ € +200 million ≥ 200%.

ances granted' and 'Inflow' tables merely relates to the variable remuneration elements. The Allowances granted table shows amounts that have been promised in the event of 100% target achievement. The Inflow table on the other hand shows amounts that will be paid in the following year based on the targets that have actually been achieved. The previous year's figures were adjusted in the context of this report in relation to clarification by the German Corporate Governance Code on standards regarding reference tables. / TAB: 2.3.2, 2.3.3

On average, the salary of the Board of Executive Directors in the previous year was 4.9 times that of senior executives worldwide and 24.8 times that of the total workforce.

The Supervisory Board of K+S AKTIENGESELLSCHAFT renewed the contracts of Board members, Norbert Steiner, Dr. Burkhard Lohr and Mark Roberts in the 2014 financial year.

The total remuneration of the Board of Executive Directors related to six members, five of whom were in office for the whole year. The term of office of Gerd Grimmig ended on 30 September 2014. In the previous year, the Board of Executive Directors consisted of six members, five of whom were in office for the whole year. All the components of the remuneration of the Board of Executive Directors are reviewed routinely every three years. In 2014, the remuneration of the Board of Executive Directors was not increased. As shown in figure 2.3.2 on page 49, the value contributions generated in the four-year performance period were higher than those in the

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS (ALLOWANCES GRANTED)

	Norbert Steiner CEO Member of the Board of Executive Directors since 05/2000				Dr. Burkhard Lohr CFO Member of the Board of Executive Directors since 06/2012			
	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
in € thousand								
Fixed remuneration	620.0	620.0	620.0	620.0	440.0	440.0	440.0	440.0
Fringe benefits ¹	26.3	26.6	26.6	50.0	23.9	23.5	23.5	50.0
Total	646.3	646.6	646.6	670.0	463.9	463.5	463.5	490.0
Annual variable remuneration	930.0	930.0	0	1,354.5	660.0	660.0	0	995.5
Multi-year variable remuneration	525.0	525.0	0	1,050.0	385.0	385.0	0	770.0
LTI	525.0	525.0	0	1,050.0	385.0	385.0	0	770.0
Deferral	—	—	—	—	—	—	—	—
Total	2,101.3	2,101.6	646.6	3,074.5	1,508.9	1,508.5	463.5	2,255.5
Service costs	481.6	-133.0 ⁴	-133.0 ⁴	-133.0 ⁴	425.0	419.7	419.7	419.7
Total remuneration	2,582.9	1,968.6	513.6	2,941.5	1,933.9	1,928.2	883.2	2,675.2

¹ Fringe benefits have been capped at € 50,000 since 2013.

² A US dollar rate is stipulated for the translation of remuneration. Since disbursements are translated initially at current rates, there may be a need for adjustment at the end of the year.

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS (INFLOW)

	Norbert Steiner CEO Member of the Board of Executive Directors since 05/2000		Dr. Burkhard Lohr CFO Member of the Board of Executive Directors since 06/2012	
	2014	2013	2014	2013
in € thousand				
Fixed remuneration	620.0	620.0	440.0	440.0
Fringe benefits	26.6	26.3	23.5	23.9
Total	646.6	646.3	463.5	463.9
Annual variable remuneration	930.0	967.5	660.0	687.5
Multi-year variable remuneration	747.1	1,044.8	—	—
Programme description (Programme term)	2011–2014	2010–2013	—	—
Other	—	—	—	—
Total	2,323.7	2,658.6	1,123.5	1,151.4
Pension expenses	-133.0	481.6	419.7	425.0
Total remuneration	2,190.7	3,140.2	1,543.2	1,576.4

TAB: 2.3.2

	Dr. Andreas Radmacher Member of the Board of Executive Directors since 09/2013				Mark Roberts ^{2,3} Member of the Board of Executive Directors since 10/2012				Dr. Thomas Nöcker Member of the Board of Executive Directors since 08/2003				Gerd Grimmig Member of the Board of Executive Directors 10/2000–09/2014			
	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
	133.3	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	300.0	300.0	300.0
	22.3	24.6	24.6	50.0	35.5	45.6	45.6	50.0	24.5	24.6	24.6	50.0	31.1	23.5	23.5	50.0
	155.6	424.6	424.6	450.0	435.5	445.6	445.6	450.0	424.5	424.6	424.6	450.0	431.1	323.5	323.5	350.0
	200.0	600.0	0	905.0	600.0	600.0	0	905.0	600.0	600.0	0	905.0	600.0	450.0	0	678.8
	—	350.0	0	700.0	350.0	350.0	0	700.0	350.0	350.0	0	700.0	350.0	65.6	0	131.3
	—	350.0	0	700.0	350.0	350.0	0	700.0	350.0	350.0	0	700.0	350.0	65.6	0	131.3
	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	355.6	1,374.6	424.6	2,055.0	1,385.5	1,395.6	445.6	2,055.0	1,374.5	1,374.6	424.6	2,055.0	1,381.1	839.1	323.5	1,160.1
	146.9	392.8	392.8	392.8	376.3	423.6	423.6	423.6	337.1	331.9	331.9	331.9	314.6	235.5	235.5	235.5
	502.5	1,767.4	817.4	2,447.8	1,761.8	1,819.2	869.2	2,478.6	1,711.6	1,706.5	756.5	2,386.9	1,695.7	1,074.6	559.0	1,395.6

³ Transfer of the residual terms of LTI claims that Mr. Roberts received as CEO of Morton Salt.

⁴ Benefit arising from contract extension by 2 years.

TAB: 2.3.3

	Dr. Andreas Radmacher Member of the Board of Executive Directors since 09/2013		Mark Roberts Member of the Board of Executive Directors since 10/2012		Dr. Thomas Nöcker Member of the Board of Executive Directors since 08/2003		Gerd Grimmig Member of the Board of Executive Directors 10/2000–09/2014	
	2014	2013	2014	2013	2014	2013	2014	2013
	400.0	133.3	400.0	400.0	400.0	400.0	300.0	400.0
	24.6	22.3	45.6	35.5	24.6	24.5	23.5	31.1
	424.6	155.6	445.6	435.5	424.6	424.5	323.5	431.1
	600.0	208.0	600.0	625.0	600.0	625.0	450.0	625.0
	—	—	165.8	112.4	498.1	696.5	466.9	696.5
	—	—	2011–2014	2010–2013	2011–2014	2010–2013	2011–2014	2010–2013
	—	—	—	—	—	—	—	—
	1,024.6	363.6	1,211.4	1,172.9	1,522.7	1,746.0	1,240.4	1,752.6
	392.8	146.9	423.6	376.3	331.9	337.1	235.5	314.6
	1,417.4	510.5	1,635.0	1,549.2	1,854.6	2,083.1	1,475.9	2,067.2

reference period. Consequently, the 2011 LTI programme reached a value of 142.3 %.

PENSION COMMITMENTS

The pensions of the active members of the Board of Executive Directors are based on a modular system, i.e. a pension module is created for each year of service as a member of the Board of Executive Directors.

The pension modules are calculated on the basis of 40 % of the fixed annual remuneration of the respective Board member. The total annual pension under this modular system has an upper ceiling in order to avoid disproportionate pensions in the case of long-standing appointments (>15 years). The amount is calculated in accordance with actuarial principles and set aside for retirement; the factors for the creation of the 2014 modules for the members of the Board of Executive Directors are between 8.5 and 14.0 %, depending on their age; these factors decrease with increasing age. The individual pension modules earned during the respective financial years are totalled and, when the insured event occurs, the respective member of the Board of Executive Directors or, if applicable, his survivors, receives the benefit to which he is entitled. The upper limit for an ordinary member of the Board of Executive Directors is € 225,000, and for the Chairman of the Board of Executive Directors it is € 300,000. The figures are reviewed in a three-year cycle and adjusted if necessary.

Pension benefits are adjusted in line with changes in the 'consumer price index for Germany' only on payment.

Claims arising from modules earned are non-forfeitable. A fixed euro-US dollar translation rate has been agreed for Mark Roberts as part of the extension of his term of office.

If the term of office of a member of the Board of Executive Directors ends, the retirement pension starts upon reaching the age of 65, unless it is to be paid on the basis of an occupational or general disability or as a surviving dependent's pension in the event of death. In the event of an occupational or general disability of a member of the Board of Executive Directors prior to reaching pension age, the respective member receives a disability pension commensurate with the pension modules cre-

ated up to the time the disability occurs. If invalidity occurs before the age of 55, modules are created fictitiously based on a minimum value for the years missing up to age 55. In the event of the death of an active or former member of the Board of Executive Directors, the surviving spouse receives 60 %, each surviving child 30 % and each step-child 15 % of the benefit. The maximum amount for benefit awarded to surviving dependents must not exceed 100 % of the pension payment. If this amount is reached, the benefit is reduced proportionately. If a member of the Board of Executive Directors retires at the age of 60, claims can be made in accordance with the pension commitment.

PENSIONS ¹					TAB: 2.3.4	
		Age	Current value as of 1 January	Pension expenses ²	Current value as of 31 December	
in € thousand						
Norbert Steiner	2014	60	5,331.6	53.6	6,709.9	
	2013		4,684.2	645.6	5,331.6	
Gerd Grimmig	2014	61	4,063.3	377.7	5,510.8	
	2013		3,837.2	448.9	4,063.3	
Dr. Thomas Nöcker	2014	56	3,308.3	447.7	4,886.9	
	2013		2,881.5	437.9	3,308.3	
Dr. Burkhard Lohr	2014	51	665.7	443.0	1,496.1	
	2013		255.4	434.0	665.7	
Mark Roberts	2014	51	464.7	439.9	1,210.3	
	2013		107.0	380.0	464.7	
Dr. Andreas Radmacher	2014	48	146.9	398.0	735.9	
	2013		0	146.9	146.9	
Total	2014		13,980.5	2,159.9	20,549.9	
	2013		11,765.3	2,493.3	13,980.4	

¹ According to IFRS.

² Including interest expenses.

The following amounts were allocated to the pension provisions for members of the Board of Executive Directors in 2014: / TAB: 2.3.4

The pension module earned by each of the members of the Board of Executive Directors in 2014 gives rise to pension expenses, which are calculated in accordance with actuarial principles. The increase in current values compared with the previous year is due to the fact that the period until the assumed start of the pension is one year shorter.

EARLY TERMINATION OF EXECUTIVE BOARD CONTRACTS

If an appointment as board member is revoked, the member of the Board of Executive Directors receives, at the time of termination, a severance payment of 1.5 times the fixed remuneration, however, up to a maximum of the total remuneration for the remaining term of the employment contract. The upper limit for severance payments of 1.5 times the fixed annual remuneration for all remuneration components only applies to Executive Board contracts agreed since 2012.

In the event of an early termination of an Executive Board contract as the result of a takeover ('change of control'), the fixed remuneration and bonuses outstanding until the end of the original term of the appointment will be paid plus a compensatory payment, unless there are grounds justifying a termination of the respective contract without giving notice. The bonus is calculated in accordance with the average

of the preceding two years. The compensatory payment is 1.5 times the fixed annual remuneration. In addition, there is an upper limit for severance payments, in keeping with which claims arising from the 'change of control' clause may not exceed the value of the combined annual remuneration for three years. In the event of a change of control, members of the Board of Executive Directors enjoy no extraordinary right to terminate their contract.

MISCELLANEOUS

The members of the Board of Executive Directors were not promised or granted benefits by third parties in relation to their activity as Board members during the reporting period. Apart from the employment contracts mentioned, there are no contractual relationships between the Company or its Group companies and members of the Board of Executive Directors or persons closely related to them.

REMUNERATION OF THE SUPERVISORY BOARD ¹

TAB: 2.3.5

		Fixed remuneration	Audit Committee	Personnel Committee	Nomination Committee	Attendance fees	Total
in €							
Dr. Ralf Bethke (Chairman)	2014	200,000	15,000	15,000	15,000	11,250	256,250
	2013	200,000	15,000	15,000	15,000	12,000	257,000
Michael Vassiliadis (Vice-Chairman)	2014	150,000	15,000	7,500	—	3,000	175,500
	2013	150,000	15,000	7,500	—	9,000	181,500
Ralf Becker	2014	100,000	15,000	—	—	4,500	119,500
	2013	100,000	15,000	—	—	5,250	120,250
Jella S. Benner-Heinacher	2014	100,000	—	7,500	—	6,750	114,250
	2013	100,000	—	5,000 ²	3,125 ³	7,500	115,625
George Cardona	2014	100,000	—	—	7,500	5,250	112,750
	2013	100,000	—	—	5,000 ²	5,250	110,250
Wesley Clark (since 14 May 2013)	2014	100,000	—	—	—	3,000	103,000
	2013	66,667	—	—	—	3,000	69,667
Harald Döll	2014	100,000	—	3,125 ⁴	—	3,750	106,875
	2013	100,000	—	—	—	5,250	105,250
Dr. Rainer Gerling	2014	100,000	—	—	—	3,000	103,000
	2013	100,000	—	—	—	5,250	105,250
Axel Hartmann (since 14 May 2013)	2014	100,000	6,250 ⁴	—	—	4,500	110,750
	2013	66,667	—	—	—	3,000	66,667

Continued on page 54

The total remuneration of previous members of the Board of Executive Directors and their surviving spouses amounted to € 1.5 million in the reporting year (previous year: € 1.5 million).

REMUNERATION OF THE SUPERVISORY BOARD

REMUNERATION STRUCTURE

The remuneration of the Supervisory Board is regulated in Article 12 of the Articles of Association. A member of the Supervisory Board receives fixed annual remuneration of € 100,000. The Chairman of the Supervisory Board receives twice this amount and the Vice-Chairman 1.5 times this amount.

The members of the Audit Committee each receive annual remuneration of € 15,000 and the members of the Personnel Committee € 7,500. Each member of the Nomination Committee receives annual remuneration of € 7,500 if at least two meetings have taken place during the respective year. The chairmen of these committees each receive twice this amount and a vice-chairman 1.5 times this amount. Finally, each member of the Supervisory Board receives a fee of € 750 for attending a meeting of the Supervisory Board or one of its committees; however, if more than one meeting is held on the same day, members will receive a maximum of € 1,500 per day. The members of the Supervisory Board are entitled to reimbursement by the Company of any expenses that are

REMUNERATION OF THE SUPERVISORY BOARD¹ (CONTINUED)

TAB: 2.3.5

		Fixed remuneration	Audit Committee	Personnel Committee	Nomination Committee	Attendance fees	Total
in €							
Michael Knackmuß (since 11 July 2014)	2014	50,000	—	—	—	1,500	51,500
	2013	—	—	—	—	—	—
Rüdiger Kienitz	2014	100,000	—	—	—	3,000	103,000
	2013	100,000	—	—	—	5,250	105,250
Klaus Krüger (until 31 May 2014)	2014	41,667	6,250	3,125	—	4,500	55,542
	2013	100,000	15,000	7,500	—	11,250	133,750
Dieter Kuhn	2014	100,000	—	—	—	3,000	103,000
	2013	100,000	—	—	—	5,250	105,250
Dr. Bernd Malmström	2014	100,000	—	—	7,500	5,250	112,750
	2013	100,000	—	—	7,500	6,750	114,250
Dr. Annette Messemer (since 14 May 2013)	2014	100,000	15,000	—	—	5,250	120,250
	2013	66,667	10,000	—	—	4,500	81,167
Dr. Rudolf Müller	2014	100,000	—	—	7,500	5,250	112,750
	2013	100,000	—	—	7,500	6,750	114,250
Dr. Eckart Sünner	2014	100,000	30,000	—	—	4,500	134,500
	2013	100,000	30,000	—	—	6,750	136,750
Total	2014	1,741,667	102,500	36,250	37,500	77,250	1,995,167
	2013⁵	1,650,000	100,000	35,000	38,125	102,000	1,925,125

¹ Excluding reimbursement for the value added tax (VAT) to be paid by the members of the Supervisory Board as a consequence of their activities.

² Member of the committee since 14 May 2013.

³ Member of the committee until 14 May 2013.

⁴ Member of the committee until 19 August 2014.

⁵ Without members retired in 2013.

necessary and reasonable for the performance of their duties, as well as to the reimbursement of any value added tax (VAT) to be paid as a consequence of their work in their capacity as Supervisory Board members.

REMUNERATION AMOUNT

Details of the individual remuneration of the Supervisory Board for the 2014 financial year are shown in the table alongside: / TAB: 2.3.5

Additionally, in 2014, members of the Supervisory Board were reimbursed expenses totalling € 52.2 thousand (previous year: € 58.5 thousand). No remuneration was paid for activities on the supervisory board of subsidiaries in the 2014 financial year; neither were benefits granted to members of the Supervisory Board for individual services provided, in particular consultancy or brokerage services.

2.4 CORPORATE STRATEGY

VISION AND MISSION

Our vision and mission provide the framework for our business operations and for the strategic orientation of the Group and aim to explain and better convey the basis for our thinking and actions to our employees, shareholders, lenders, customers, suppliers and the public.

/ **OUR VISION AND MISSION** can be found on page 11 of this Financial Report. Further information is also available in the Sustainability Report.

GROWTH STRATEGY

We consistently pursue our two-pillar strategy and have focussed both our management and financial resources on the Potash and Magnesium Products and Salt busi-

ness units over the past few years. Our goal is to continue growing in both pillars. The components of the κ+s growth strategy are shown in figure 2.4.1 and subsequently discussed. The sustainable growth of enterprise value in the form of a premium on the cost of capital before taxes of at least 15 % is central to our financial objectives. / **FIG: 2.4.1**

DIFFERENTIATION AND SUSTAINABLE MARGIN GROWTH THROUGH SPECIALISATION

The κ+s GROUP aims to consolidate and expand market positions in its strategic business units, in particular through marketing its diverse speciality products. The refinement strategy makes it possible to achieve higher margins in the Potash and Magnesium Products and Salt business units and a business that is more resilient to market fluctuations.

/ **DETAILED INFORMATION REGARDING OUR MARKET POSITION** can be found in the 'Organisational Structure' section on page 25.

INCREASING EFFICIENCY AND EXPLOITING SYNERGIES

With regard to the competitiveness of the Potash and Magnesium Products and Salt business units, the cost position is a key success factor. Our focus here is the consistent pursuit of cost-cutting measures and initiatives designed to improve efficiency throughout the process chains. For this reason, 2013 saw us launch the 'Fit for the Future' programme, which is intended to make

a lasting contribution towards improving our cost and organisational structures. Our goal is to achieve total cost savings in the order of € 500 million between 2014 and 2016 in relation to a previous budget for the period in question. Optimisation of the international production network as well as the associated volume flows and logistics costs will play an important role here. The broadly comparable mining methods make the realisation of further synergies between the Potash and Magnesium Products and Salt business units possible with the exchange of technical, geological and logistics know-how as well as economies of scale in the procurement of machines and auxiliary materials.

EXPANSION OF A BALANCED REGIONAL PORTFOLIO

Both potash and salt markets across the world are characterised by seasonal and regional fluctuations in demand. The strategy of the κ+s GROUP is aimed at

COMPONENTS OF THE κ+S GROWTH STRATEGY

FIG: 2.4.1

Differentiation and Sustainable Margin Growth through Specialisation	Expansion of Strategic Business Units through Acquisitions and Cooperations
Expansion of a Balanced Regional Portfolio	Setting Standards for Quality, Reliability and Service
	Increasing Efficiency and Exploiting Synergies

a balanced regional portfolio, which should enable to cushion cyclical market trends and offset other fluctuations, e.g. weather-related.

SETTING OF STANDARDS FOR QUALITY, RELIABILITY AND SERVICE

The goal of the K+S GROUP is to be its customers' preferred partner in the market. High product quality and consistent customer focus are essential requirements in this respect. In addition to the specialisation strategy, services and innovations are promoted. Individual advice to customers makes it possible to identify needs-based solutions.

STRATEGIC DIRECTION OF THE BUSINESS UNITS

The Potash and Magnesium Products and Salt business units mean that the K+S GROUP has two complementary areas, linked by synergies in many parts of the value added chain, with attractive growth prospects at its disposal.

In addition to organic growth, we also strive to achieve growth via acquisitions and cooperation between the established business units.

POTASH AND MAGNESIUM PRODUCTS

The Potash and Magnesium Products business unit is seeking to attain a balanced presence in the important agricultural regions of Europe, South America and Asia to facilitate the levelling out of seasonal differences and

reduce cyclical regional demand effects. Expanding the market position in important overseas regions and tapping into new attractive sales areas in future growth regions will therefore continue to be pursued.

Our Legacy Project in the Canadian province of Saskatchewan will make an important contribution to this. We expect commissioning in the summer of 2016. Subsequent to this, annual production capacity is due to be gradually expanded to 2.86 million tonnes by 2023. Until then, during the construction phase 1,500 temporary and more than 300 permanent jobs for potash production will be created. The Legacy Project will supplement the existing German production network of K+S with an important North American site.

The optimisation of production structures is extremely important for us. We want to make the best possible use of the resources available to us. Our 'package of measures for water protection' is designed to help us reach our goal of reducing the occurrence of saline wastewater, in comparison with 2006, by around 50 % to 7 million m³ by the end of 2015, by making changes to production processes and introducing new process technology. K+S has also agreed on guidelines with the Hessian Ministry for the Environment for a Four-Phase Plan for the permanent disposal of saline wastewater in the Werra potash district, which makes provision for a commitment period until 2075.

As an addition to the Group-wide 'Fit for the Future' project, the 'Kali 2.0' project was launched in the Potash and

Magnesium Products business unit. To increase competitiveness, the programme aims to further develop business processes and introduce a new structural and procedural organisation along with cost savings. The project outcomes are currently being implemented.

The strategic fields of action arising for the Potash and Magnesium Products business unit in the future are as follows: / FIG: 2.4.2

SALT

The Salt business unit particularly aims to achieve further growth in selected regions and product segments. At the same time, the efficiency of existing structures will be constantly optimised through continuous improvement. With the purchase of the Czech salt processing company, SOLNÉ MLÝNY A. S. (SMO) in 2012, our subsidiary ESCO came an important step closer towards realising its goal of expanding its market position in Eastern Europe. The further expansion of business in the growth regions of Eastern Europe will be continued after SMO has been integrated successfully. The intention is also to increase sales volumes in the important de-icing salt product segment, over the next few years.

Furthermore, the Salt business unit aims to advance its expansion into Asia. As well as increasing deliveries of salt for chemical industry applications, the business unit intends to establish MORTON SALT branded con-

sumer products there in selected regions. In the future, local personnel will not only ensure the achievement of the strategic goal of increasing sales volumes and strengthening customer loyalty in the markets already served, but will also support the development of new segments.

In North America, strategic focus is placed on profitability increases in the existing product portfolio, inter alia by increasing the efficiency of production and distribution. In terms of end customer business, increasing the brands in the USA and Canada is at the forefront. Supplies of de-icing salt in North America are limited after the last winter season. Against this backdrop, κ+s is using the global production network for optimum servicing of the high demand.

In Latin America, the Salt business unit intends to establish the very successful Chilean retail food grade salt brands LOBOS and BIOSAL in Peru. The first sales were made to the retail industry in the 2014 financial year.

At the beginning of 2014, the ‘Salt 2020’ strategy was implemented across the entire business unit. In addition to concentration on new sales regions with attractive and sustainable growth rates as well as improved sales and marketing activities, optimisation of capacity utilisation of the global production network is at the forefront.

We see the future strategic fields of action for the Salt business unit as follows: / FIG: 2.4.3

STRATEGY POTASH AND MAGNESIUM PRODUCTS FIG: 2.4.2

		Strategic Focus
	Growth	+ Global development of new low-cost production possibilities + Development of new sales regions + Expansion of existing high-margin product segments
	Optimisation of Market Approaches	+ Focus on selected high-margin regions and customers + Focus on high-margin niches through differentiated marketing concepts + Cooperations in high-growth regions
	Optimisation of Current Production Structures	+ Optimal resource utilisation by constantly optimising the existing production system

STRATEGY SALT FIG: 2.4.3

		Strategic Focus
	Growth	+ Entry into new regions + Expansion of high-margin product segments
	Optimisation of Market Approaches	+ Strengthening of position in existing and adjacent sales regions
	Optimisation of Current Structures	+ Optimal resource utilisation by constantly optimising structures as well as the existing international network

STRATEGIC FINANCING MEASURES

Essentially, we pursue the following goals with our financial measures:

- + Ensuring solvency at all times
- + Ensuring a balanced capital structure
- + Limiting refinancing risks through diversification of financing sources and instruments as well as the maturity profile
- + Cost optimisation through capital procurement on sustainably favourable terms

/ INFORMATION ABOUT THE GOALS OF FINANCE MANAGEMENT can be found in the 'Financial Position' section on page 73.

As part of these objectives, we implemented further components of our financing concept. At the end of 2013, we placed a further two bonds with maturities of five years (issue volume: € 500 million; interest coupon: 3.125 % p.a.) and eight years (issue volume: € 500 million; interest coupon: 4.125 % p.a.). We also extended our credit line of € 1 billion by one year until June 2019. There is also a further option to extend by one year. This liquidity supply, other liquidity and future cash flows enable us to secure financing for general company purposes and the Legacy Project.

Liquidity is managed by the central treasury department. We strive for a constant liquidity reserve for the K+S GROUP of at least € 300 million. In the case of investments, we pursue the goal of optimising the income

earned from liquid funds at a balanced risk/opportunity ratio.

/ INFORMATION ABOUT FUTURE FINANCING MEASURES can be found in the 'Forecast Report' on page 100.

2.5 EMPLOYEES

NUMBER OF EMPLOYEES

As at 31 December 2014, we employed a total of 14,295 people (2013: 14,421). A project to increase human resources was implemented in the Potash and Magnesium Products business unit in Canada in 2014, as opposed to a reduction in human resources in Germany based on measures to increase efficiency. This primarily occurred as part of natural fluctuations and was performed in a socially acceptable manner. In the Salt business unit, the number of employees was reduced overall as a result

of improved organisational efficiencies in North and South America. Furthermore, this reduction in human resources complied with both the measures to increase efficiency and voluntary redundancies in the departments of K+S AKTIENGESELLSCHAFT.

/ TAB: 2.5.1 / FIG: 2.5.1

PERSONNEL EXPENSES

We reward our employees in line with the market and in relation to performance on the basis of salary structures oriented towards economic success. In 2014, our personnel expenses amounted to € 1,013.7 million and were therefore moderately above the level in the previous year (2013: € 968.2 million).

While accruals for performance-related remuneration increased, as did expenditures arising from wage and salary increases and expenses associated with a redundancy programme in Germany, costs relating to exchange

EMPLOYEES BY UNIT

TAB: 2.5.1

	2014	2013	%
in full-time equivalents (FTE) as of 31 December ¹			
Potash and Magnesium Products business unit	8,299	8,367	-0.8
Salt business unit	5,075	5,091	-0.3
Complementary Activities	289	293	-1.2
Departments of K+S Aktiengesellschaft	632	670	-5.7
K+S Group	14,295	14,421	-0.9

¹ FTE = Full-time equivalents: part-time positions are weighted in accordance with their respective share of working hours.

rates decreased. Without provision effects, pure personnel expenses rose in comparison with the previous year by € 38.1 million or 4% to € 1,012.4 million primarily for the same reasons. In the previous year, the share of variable remuneration in personnel expenses was € 74.0 million or around 7% (2013: € 40.1 million or around 4%). We involve our employees in the success of the Company through a performance-related remuneration system.

In 2014, expenditure on wages and salaries totalled € 784.7 million (+6%) and expenses for social security contributions € 200.5 million (+/-0%). Our expenditure on company pensions amounted to € 28.5 million in the reporting year and was therefore € 0.8 million below the level in the previous year. Personnel expenses per employee amounted to € 70,916 during the reporting year (previous year: € 67,483) and were therefore up by a good 5%. This is attributable in particular to higher variable remuneration.

HUMAN RESOURCES DEVELOPMENT

Expenses for human resources development in Germany amounted to around € 9.5 million and have therefore fallen by 27.4% (2013: € 13.1 million). € 6.4 million of this figure was attributable to advanced education measures (2013: € 9.3 million) and € 3.0 million to further training measures (2013: € 3.5 million). We spent € 0.1 million (2013: € 0.3 million) on human resources marketing. This reduction in expenses for human resource development was primarily a result of the drop in attendance at further training days to 11,796 days (2013: 17,429 days). Foreign subsidiaries of K+S have invested € 2.3 million (2013: € 2.7 million) in human resources development.

TRAINING

As at 31 December 2014, 597 young people (2013: 602) in Germany prepared to start their careers at 11 (2013: 9) of our sites in 14 (2013: 14) training professions; of whom

159 (2013: 167) trainees were hired in 2014. At the end of the year, the training ratio of 6.0% was at the high level of the previous year (2013: 5.9%). We took on around 83% of our trainees in 2014.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety is of key importance to us. 878 injuries requiring first-aid treatment occurred at our sites in 2014 (2013: 879), as well as 163 workplace accidents resulting in working hours lost (2013: 210). As in the previous year, the average number of working hours lost per workplace accident was 16 calendar days across the Group. The figures for 'workplace accidents with working hours lost per one million working hours' was 6.6 (2013: 8.5). We have achieved significant improvements here compared with the previous year.

2.6 RESEARCH & DEVELOPMENT

RESEARCH & DEVELOPMENT ACTIVITIES

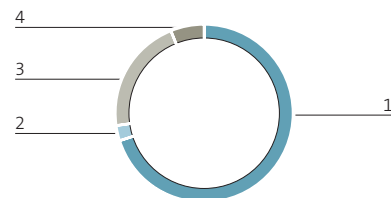
GOALS AND MAIN FOCUSES OF OUR R&D ACTIVITIES

In principle, we pursue the following three equivalent goals with our research and development activities:

- + Increasing customer benefits
- + Deploying raw materials, capital, energy and human resources as effectively and efficiently as possible

EMPLOYEES BY REGION

FIG: 2.5.1



	2014	2013
in %		
1 Germany	70	70
2 Rest of Europe	3	3
3 North America	21	21
4 South America	6	6

- + Conserving the environment through the sustainable use of resources and the constant reduction of solid and liquid production residues

In the context of developing new plant nutrients and improving those we already offer, we promote practice-oriented research in the sphere of plant nutrition. We devise solutions in order to meet the increased demand for food and animal feed due to a growing global population as well as changing eating habits. Our agricultural application consulting service, which puts results from research and development into practice, supports customers in the use of our products on site and allows a transfer of knowledge to less developed regions. The cooperation with the 'Sasakawa Africa Association', a non-governmental organisation (NGO), on the 'Growth for Uganda' project is an example of this. The project aims to reach about 50,000 farming households in our target regions and to make a contribution towards improving the degree of self-sufficiency among smallholders and their income situation by offering both agricultural advice as well as granting small loans. K+S has among other things provided a truck with laboratory equipment as a mobile training unit for conducting soil analyses. The joint project will initially run until 2016 and will be evaluated in 2015. The project will continue in the event of a positive evaluation.

Moreover, as part of application-oriented agricultural research, we are further developing the project port-

folio of our research institute, the IAPN (INSTITUTE OF APPLIED PLANT NUTRITION), which is run jointly with the University of Göttingen. In 2014, MORTON SALT opened a new food laboratory. New products in the area of reduced-sodium salt products will be developed in the research laboratory in the future. This important step should provide an effective boost for the innovation pipeline for customer-orientated products.

Constantly reviewing and further developing our production methods and processes also serves to achieve the above-mentioned goals. The focus of R&D project work in 2014 was the Legacy Project (setting up of potash production in Canada), the Siegfried-Giesen project (reopening of a mine) and a saline wastewater reduction project. Further focus areas of our process technology research both in the Potash and Magnesium Products and Salt business units, are the continuous improvement of production processes as well as increasing the flexibility of these processes in adapting to modified raw material, production and market conditions.

A new centre for analysis and research is currently being established in the vicinity of our Unterbreizbach site in Thuringia in order to meet these challenges in the future. Our environmental and process analytics will be developed further at this centre and combined with the research facilities focusing on analytical and process technology at the K+S Research Institute in Heringen. It will start operating in mid-2015.

USE OF EXTERNAL R&D KNOW-HOW

The research strategy of the K+S GROUP comprises internal and external research activities. An important element is cooperation, which allows knowledge to be effectively transferred from research into practice and facilitates access to an international network and the exploitation of synergies.

Resources have been deployed for the following areas (a sample selection):

- + Solution mining: Our Canadian and German specialists continue to work with external cooperation partners to develop solution mining methods bearing in mind the special natural mineral deposits involved in the Legacy Project.
- + Forward-looking extraction technologies: In the context of the seventh EU-Commission Framework Research Programme, K+S is working as part of a consortium of 26 companies and research organisations to find a solution to the future challenges facing the mining industry: The exploitation of deeper lying natural mineral deposits and efforts to operate mining works safely, with as little visual impact as possible and minimal impact on the environment. The aim is to develop new extraction technology in this context, which will lead to a better use of the natural mineral deposits as well as to an increase in the service life of the mines.
- + INSTITUTE OF APPLIED PLANT NUTRITION (IAPN) and international field tests: K+S KALI GMBH has been cooperating with the Georg August University

of Göttingen under a public-private partnership at the INSTITUTE OF APPLIED PLANT NUTRITION since 2012. The focus is on practice-oriented research in the area of plant nutrition. Consequently, prompt integration into practice of the knowledge developed by the K+S application consultants is guaranteed. We also assign global field tests to specialised and experienced agricultural testing institutes, which are attended on a scientific basis by our employees. This approach enables us to obtain valuable knowledge in various climatic zones, on local soils as well as in relation to a diverse range of crops and to further develop our products accordingly.

RESEARCH FIGURES

RESEARCH COSTS AND DEVELOPMENT INVESTMENT

Research costs totalled € 12.2 million in the reporting period and were therefore down on the level in the previous year (2013: € 13.9 million). The optimisation of production processes for minimising solid and liquid production residues in potash production remained the focal point of research activities.

Capitalised development-related capital expenditure of € 3.5 million in the reporting period (2013: € 5.0 million) was significantly below the level in the previous year as planned and continued to apply essentially to the Potash and Magnesium Products business unit for development work in the context of the Legacy Project. Capitalisation will result in corresponding depreciation and amortisation for development-related capital expenditure over the next few years. / TAB: 2.6.1, 2.6.2

RESEARCH COSTS¹ TAB: 2.6.1

	2014	2013
in € million		
Potash and Magnesium Products business unit	6.1	7.1
Salt business unit	3.1	3.0
Other research costs	3.0	3.8
Total	12.2	13.9

¹ Information refers to the continued operations of the K+S Group.

SELECTED RESEARCH AND DEVELOPMENT PROJECTS AND RESULTS

MINING AND GEOLOGY

- + Laser-based gas measurements during drilling: Gas measuring systems with infrared or electrochemical sensors have been mainly used by the K+S GROUP in mines to date. Research is being carried out with an external partner on the applicability of a laser-based photoacoustic gas measuring system for use underground. The aim is to be able to measure gas present in salt directly at the wellhead and faster than before. The especially developed system is to be tested in use on a blasting hole drilling rig.
- + Long-term use of natural mineral deposits: The project involves the development of geological models for selected natural mineral deposits. These will be tested in terms of their dimensions, the presence of faults, depth and mineral distribution, quality of the

RESEARCH FIGURES¹

TAB: 2.6.2

	2014	2013	2012	2011	2010
in € million					
Research costs	12.2	13.9	19.4	17.0	13.8
Research intensity (research costs/revenues)	0.3%	0.4%	0.5%	0.4%	0.3%
Capitalised development-related capital expenditure	3.5	5.0	14.2	1.6	0.7
Employees (number)	80	86	87	77	73

¹ This information refers to continued operations of the K+S Group. In 2010, the discontinued operations of the Nitrogen business are also included.

surrounding accompanying layers and the processing options. The RWTH Aachen University and the TU Bergakademie Freiberg are involved in this project. A duration of three years is estimated.

- + Investigations into the prestressing forces of back anchors: Expansion sleeve bolts are mainly used to secure our underground chambers. Long-term studies are to be carried out to determine a standard lower limit for prestressing forces. A measuring system has been developed for this in cooperation with the Institute of Geotechnology at the TU Bergakademie Freiberg.

PROCESS TECHNOLOGY

- + Solution mining: We began setting up a test cavern in the brine field in Canada in mid-2013, successfully connected two individual caverns to create a double cavern in 2014 and subsequently implemented further process stages. Many new insights were gained in the context of this work, which were incorporated directly into the detail engineering of the facilities in Saskatchewan and form the basis for successful development of the production caverns in the brine field.
- + Saline wastewater reduction: The kainite crystallisation and flotation process (KKF) was developed at the K+S Research Institute in Heringen. This process, one of the key elements of the Four-Phase Plan on saline wastewater disposal, should reduce the volume of saline wastewater at the Werra plant by a further 1.5 million m³ per year on average by the end of 2017.

- + Sorting technology: K+S has been using the in-house developed dry, electrostatic separation process ESTA® for many years. The K+S Research Institute has taken on the task of constantly optimising available machine technology or developing completely new machinery so that even better separation results can be achieved and the field of application expanded.

PLANT CULTIVATION

- + Research into abiotic stress factors affecting cultivated crops: The INSTITUTE OF APPLIED PLANT NUTRITION IAPN also conducted intensive research into drought tolerance and the efficiency of water use in the case of cultivated crops as well as the transfer of knowledge in the area of plant nutrition in 2014. Further training visits by employees involved in the 'Growth for Uganda' project to the IAPN were some of the measures taken to enable plant and soil analyses on site in Uganda and provide informed fertilizer advice.
- + Development-oriented agricultural research: Together with the International Potato Research Centre CIP in Peru and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), we are working on combating poverty by promoting potato cultivation in the partner countries of German development cooperation in Asia and Africa as well as in Central and Latin America. In 2014, the project was extended to the countries of Ethiopia and Kenya in cooperation with the IAPN to make a sustainable contribution to soil fertility and, consequently, to increasing the output of agriculture there too.

PRODUCT DEVELOPMENT

- + Further development in the industrial potash sector: K+S KALI GMBH developed a compacted product (potassium chloride 99% compacted) with a significantly coarser grain size than standard granules. Compacting allows the product's storage and transport properties to be improved considerably. This product innovation will enable us to meet the growing demands of our customers and strengthen our position in this segment.
- + Further development in the potassium sulphate sector: The granular quality of potassium sulphate (SOP) can be increased considerably using additives. A patent has been filed in this respect.
- + Innovative de-icing agent for North America: We are concentrating more on long-term oriented product innovations in the de-icing salt area. The focus is on preventative protection of road surfaces and increased ice-melting performance. By differentiating the de-icing technologies we offer we intend to expand the area of application for our product portfolio.

All research projects are reviewed at regular intervals together with the customer in relation to their progress, potential for application, framework conditions, the probability of realisation and return opportunities.

BRANDS AND PATENT PORTFOLIO

The K+S brand portfolio fell slightly in 2014 by eleven intellectual property rights. The K+S GROUP uses, among others, CÉRÉBOS®, ESCO® with crystals, KALI-STIER®, MORTON®, UMBRELLA GIRL®, VATEL® and WINDSOR® as umbrella brands. AXAL®, REGENIT®, SALDORO®, ACTION MELT®, SEASON-ALL®, SYSTEM SAVER®, BIOSOL®, LOBOS®, KORN-KALI®, PATENTKALI® and KALISEL®, for example, are used as product brands. BLIZZARD WIZARD® is used as the brand name for de-icing salt in the USA. The K+S GROUP held 2,449 (2013: 2,460) national proprietary rights on the reporting date derived from 568 basic trademarks. The K+S GROUP's global patent portfolio currently includes 54 patent families which are protected by 244 national rights. The patents are used, for example, in the areas of electrostatic separation processes, granulate production and flotation. The patent portfolio remained virtually the same in 2014. A small amount of licence revenues were generated.

2.7 OVERVIEW OF THE COURSE OF BUSINESS

MACROECONOMIC ENVIRONMENT

The following discussion on the macroeconomic situation is based on forecasts by the Kiel INSTITUTE FOR THE WORLD ECONOMY and the INTERNATIONAL MONETARY FUND.

Global gross domestic product rose over the year as a whole by 3.3% (2013: 3.3%). The global economy demonstrated stable growth, particularly in the first six months of 2014. The increase was mainly due to the positive development in the industrial countries, whereas expansion rates in the emerging market countries were still restrained. In the second half of the year, geopolitical tensions in Eastern Europe triggered by the Ukraine conflict placed a strain on the economy. / TAB: 2.7.1

In the European Union, these tensions led to a slowdown in economic growth over the course of the year.

Against the background of a slight increase in private consumption, companies reduced their capital expenditure and exports. Despite the tangible deterioration in economic mood indicators, the unemployment rate fell to 11.6%, approximately 0.3 percentage points below the level in the previous year. Monetary policy continues to be expansionary. The EUROPEAN CENTRAL BANK (ECB) cut its key interest rate to 0.05% at the beginning of September. Overall, gross domestic product pushed ahead by 1.4% in the European Union over the course of the year.

The US economy recovered in the spring following weather-related production losses over the winter. The employment market situation eased off significantly; at 6.0%, the unemployment rate was, for the first time, as low as it had been prior to the global banking and financial crisis. Positive developments in private consumer spending, investment in private and commercial construction and in exports were also recorded during the course of the year. The FEDERAL RESERVE BANK (FED) continued its low interest rate policy in 2014 with a key interest rate of between 0 and 0.25% in order to stimulate the economy. Gross domestic product rose by 2.4%.

Economic growth in the emerging market countries fell short of expectations. Most notably, deterioration in the growth prospects of the major countries brought disappointment in 2014. Against this backdrop, significant capital withdrawals on the part of foreign investors

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT

TAB: 2.7.1

	2014	2013	2012	2011	2010
in %; real					
Germany	+1.5	+0.2	+0.9	+3.4	+3.9
European Union (EU-28)	+1.4	+0.2	-0.3	+1.7	+2.0
World	+3.3	+3.3	+3.2	+3.9	+5.2

Source: IMF

were recorded. This placed added pressure on the financial framework conditions.

Whilst the prices of soft commodities still recorded significant growth in the first half of the year due to strong demand and lower inventories, prices began to fall sharply mid-year, particularly in the case of wheat, corn and palm oil. The reason for this was primarily significantly higher harvest estimates for important soft commodities. Prices made a tangible recovery at the end of the year. The DOW JONES-UBS AGRICULTURE SUBINDEX, which tracks trends in the prices of corn, soybeans, sugar, wheat, soy oil, cotton and coffee, fell however by around 9% over the course of the year. / FIG: 2.7.1

The price of Brent Crude Oil fell sharply particularly in the fourth quarter of 2014 and was around US\$ 57 a barrel at the end of December (31.12.2013: US\$ 111 per barrel). In all probability, the drop in price was due mainly to higher production of crude oil by the United States, expansion of production by important OPEC countries and weaker global demand. At around US\$ 99, the average price for the full year was moderately down on the previous year's figure (2013: US\$ 109).

Developments on the currency markets were characterised in 2014 by the significant devaluation of the euro in relation to the US dollar. After standing at approx. 1.37 EUR/USD mid-year, it rose to around 1.21 EUR/USD at the end of December. In terms of the average for the year, the value of the US dollar stood at 1.33 EUR/USD

and therefore at the same level as in the previous year (2013: 1.33 EUR/USD). / FIG: 2.7.2

IMPACT ON K+S

The changes in the macroeconomic environment impacted on the course of business for K+S as follows:

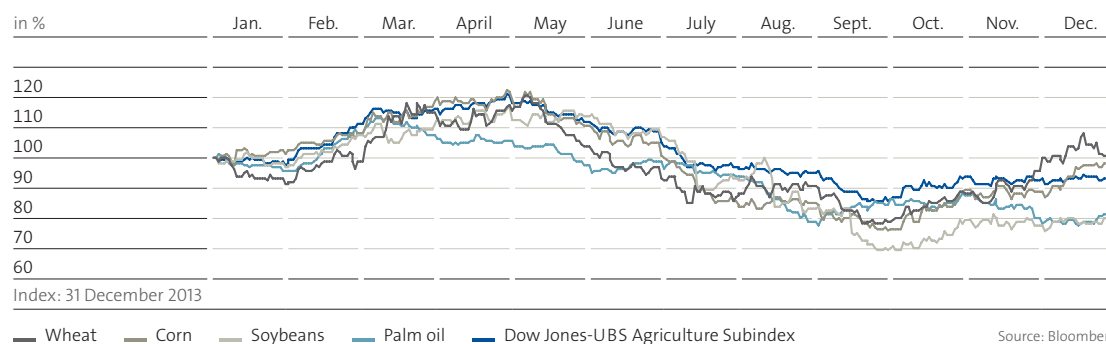
+ If the pressure on soft commodity prices is sustained in the long term, it may result in a deterioration in farmers' earnings prospects, prompting them to implement cost-savings. Overall, expenditure on fertilizers accounts for about 30% of a farm's total costs, with expenditure on potash products accounting for between just 2 and 4%. Following interim decreases, there was a tangible increase in the price of agricultural products again at the end of 2014. Overall, this did not result in any noteworthy effect for the K+S GROUP.

+ The K+S GROUP's energy costs are particularly affected by the cost of purchasing gas. Since a portion of gas purchases are correlated with the price of crude oil, this also has an impact on our cost accounting. Our diversified purchasing strategy gives us a high degree of flexibility in terms of our procurement sources. For this reason we were able to take advantage of the positive development in the prices of gas and crude oil in 2014 and reduce our energy costs further.

+ In addition to the EUR/USD exchange rate, the relative comparison between our competitors' currencies (Canadian dollar, Russian rouble) and the US dollar is important for us. A strong US dollar generally has a positive impact on the profitability of most of the world's potash producers in their respective local currency. This is due to the fact that the bulk of world-

DEVELOPMENT OF PRICES FOR AGRICULTURAL PRODUCTS

FIG: 2.7.1



Source: Bloomberg

wide potash production lies outside the US dollar zone, while almost all sales, with the exception of those in Europe, are invoiced in US dollars. The Russian rouble in particular suffered high devaluation pressure, but this did not affect κ+s.

- + Foreign currency hedging system: The use of hedging instruments for the Potash and Magnesium Products business unit resulted in an average exchange rate in 2014 of 1.33 EUR/USD, including hedging costs (2013: 1.30 EUR/USD), therefore at the level of the average spot rate (1.33 EUR/USD). We also hedged the euro exchange rate for the Legacy Project capital expenditure payable in Canadian dollars. The average hedging rate in the reporting year was 1.43 EUR/CAD (2013: 1.34 EUR/CAD).

/ FURTHER DETAILS ON THE FOREIGN CURRENCY HEDGING SYSTEM can be found in this Financial Report on page 73.

INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

The market for potassium-based products stabilised significantly at the beginning of 2014 following the turmoil in 2013. The North American and Russian producers were able to secure contracts with Chinese and Indian customers as a result of which demand as well as the international prices of potassium chloride increased. High demand for granulated product where global availability was limited was recorded in our main sales regions of Europe and Brazil, mainly during the first six months of the year.

This trend continued until halfway through the year even though the price still remained significantly below the level in the previous year. Demand for potassium sulphate was extremely robust. This and production difficulties led to increasing prices among various competitors.

In the second half of the year, falling soft commodities prices only placed slight pressure on demand for potassium chloride. Whilst customers in Europe were cautious due to seasonal factors, there continued to be strong demand primarily in South America. Overall, record sales volumes of over 65 million tonnes¹ are expected for the whole of 2014. There was a significant reduction in inventories on the part of the producers.

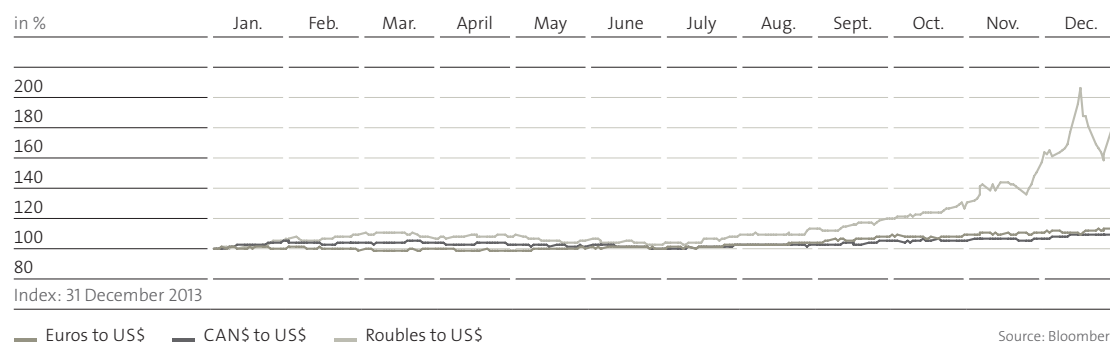
SALT BUSINESS UNIT

The mild winter in Europe meant that demand for de-icing salt was significantly lower at the beginning of 2014 than in the same period in the previous year. Inventories held by both suppliers and customers were therefore comparably high. Wintry conditions in the United States and Canada produced a significant rise in demand for de-icing salt. The high stocks of de-icing salt were diminished considerably following two consecutive mild winters.

¹ Including around 4 million tonnes of potassium sulphate and potash grades with lower mineral content.

DEVELOPMENT OF CURRENCIES

FIG: 2.7.2



DEVELOPMENT OF FORECASTS FOR THE FULL YEAR 2014

TAB: 2.7.2

		Forecast Financial Report 2013	Forecast Q1/14	Forecast H1/14	Forecast Q3/14	Actual 2014	Actual 2013
K+S Group							
Revenues	€ billion	moderate decrease	moderate decrease	3.65–3.85	3.70–3.90	3.82	3.95
EBITDA ¹	€ million	significantly below previous year's level	significantly below previous year's level	770–850	820–880	895.5	907.2
Operating earnings (EBIT I)	€ million	significantly below previous year's level	significantly below previous year's level	490–570	580–640	641.3	655.9
Group earnings after taxes, adjusted ²	€ million	significantly below previous year's level	significantly below previous year's level	270–340	330–380	366.6	434.8
Capital expenditure ³	€ million	about 1,200	just under 1,200	about 1,100	about 1,100	1,153.2	742.5
Adjusted free cash flow	€ million	significantly negative	significantly negative	significantly negative	significantly negative	–306.3	48.7
ROCE	%	strong decrease	strong decrease	significant decrease	tangible decrease	12.7	15.2
EUR/USD-exchange rate	EUR/USD	1.35	1.37	1.37	1.33	1.33	1.33
Number of employees	FTE	stable	stable	stable	stable	14,295	14,421
Potash and Magnesium Products business unit							
Sales volumes	t million	at previous year's level	at previous year's level	at previous year's level	at previous year's level	6.9	6.9
Salt business unit							
Sales volume crystallised salt	t million	at previous year's level	slightly above previous year's level	slightly above previous year's level	moderately above previous year's level	23.6	22.8
– of which de-icing salt	t million	about 14	about 14	a good 14	a good 14	14.4	13.8

¹ 2014 is adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.

² The adjusted key figures only include the result from operating forecast hedges in the respective reporting period reported in EBIT I, which eliminates effects from changes in the market value of the hedges. Related effects on deferred and cash taxes are also eliminated; tax rate for 2014: 28.6% (2013: 28.6%).

³ Cash-effective capital expenditure in property, plant and equipment, intangible assets and investment properties.

The North American winter business began comparatively early in the fourth quarter. Demand was robust in spite of a small number of days on which it snowed since the inventories held by customers continued to be at below-average levels. Isolated snow-

falls in Europe were not able to reduce high inventories significantly.

KEY EVENTS AFFECTING THE COURSE OF BUSINESS

+ The contracts concluded by the North American and Russian producers with Chinese and Indian customers

represented the turnaround in the Potash and Magnesium Products business unit at the start of the year. The terms and conditions agreed supported the stabilisation of international potassium chloride prices and subsequently led to a recovery of global demand. Primarily our core regions of Europe and Brazil demonstrated above-average growth. The price level was able to recover further over the course of the year although on average it remained below the previous year's level.

- + The de-icing salt business is highly dependent on the weather conditions in the first and fourth quarters. At the start of 2014, the severe winter in North America with heavy snowfalls had a positive impact on κ+s and was able to compensate for the effects brought about by the mild winter weather in Europe.

COMPARISON OF ACTUAL AND PROJECTED COURSE OF BUSINESS

REVENUES FORECAST

The revenues forecast formulated as part of the 2013 Financial Report assumed a moderate decline in revenues for 2014 compared with the preceding period. This statement also applied in the Quarterly Financial Report Q1/14. The outlook in the Half-Yearly Financial Report H1/14 published in August contained a range for the first time of between € 3.65 and 3.85 billion. In the Quarterly Financial Report Q3/14, published in November, we increased the range of revenues again slightly to between € 3.70 and 3.90 billion.

The revenues actually generated by the κ+s GROUP in 2014 of € 3.82 billion fell within the range forecast.

EARNINGS FORECAST

In March 2014, we assumed operating earnings EBIT I for the 2014 financial year that were significantly below the level in the previous year due to expected lower average annual prices in the Potash and Magnesium Products business unit. This statement was confirmed in the Quarterly Financial Report Q1/14. The Half-Yearly Financial Report H1/14 substantiated the forecast of a range between € 490 and 570 million, including a special item resulting from an insurance payment. In the Quarterly Financial Report Q3/14, the range was increased to operating earnings EBIT I of between € 580 and 640 million.

At € 641 million, the operating earnings EBIT I of the κ+s GROUP was at the top end of our last published forecast in 2014.

CAPITAL EXPENDITURE FORECAST

In the 2013 Financial Report, we expected capital expenditure of around € 1.2 billion for 2014. In the Quarterly Financial Report Q1/2014, we changed this statement to just under € 1.2 billion. The forecast was adjusted to around € 1.1 billion in the Half-Yearly Financial Report H1/14. We confirmed this expectation in the Quarterly Financial Report Q3/14.

The cash-effective capital expenditure in property, plant and equipment, intangible assets and investment prop-

erties for the κ+s GROUP amounted to € 1.15 billion in 2014. / TAB: 2.7.2

2.8 EARNINGS POSITION

Unless stated otherwise, the earnings, financial and asset position refers to the continued operations of the κ+s GROUP.

REVENUES DOWN SLIGHTLY ON PREVIOUS YEAR

In the 2014 financial year, revenues amounted to € 3,821.7 million and were slightly below the level of the previous year (€ 3,950.4 million). This is due in particular to lower potassium chloride prices. A certain seasonality can generally be recognised from the quarterly revenue figures posted during the course of the year. Consequently, the first and fourth quarters tend to be stronger than the second and third quarters. In terms of volume, the first quarter for the Potash and Magnesium Products business unit usually benefits from the start of spring fertilizing in Europe. The de-icing salt business is normally focused on the first and fourth quarter of a year.

/ TAB: 2.8.1, 2.8.2

/ A DETAILED EXPLANATION OF THE REVENUES OF THE INDIVIDUAL SEGMENTS can be found on page 80.

In the first half of the year, higher sales volume in the Salt business unit resulting from the above-average wintry weather conditions in North America only partially offset falling prices in the Potash and Magnesium Products business unit. In the second half of 2014, particularly the recovery of potassium chloride prices and sustained high demand for plant nutrients in our core regions compared with the same period in 2013 contributed to slightly higher revenues. / FIG: 2.8.1

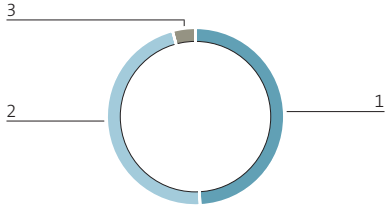
The Potash and Magnesium Products business unit posted the highest revenues of all K+S GROUP'S business units, accounting for 49.3 % of total revenues, and was followed by the Salt business unit and Complementary Activities (see FIG. 2.8.1).

In Europe, we generated revenues of € 1.6 billion, this accounted for about 42 % of total revenues. North America generated a revenue share of approx. 36 % and South America of 12 %. Moreover, 8 % of total revenues was accounted for by Asia. / FIG: 2.8.2

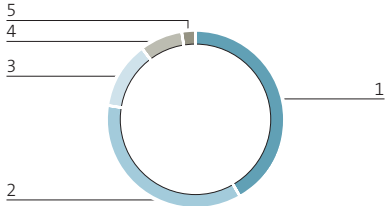
VARIANCE ANALYSIS		TAB: 2.8.1
		2014
in %		
Change in revenues		-3.3
- volume/structure-related		-0.5
- price/pricing-related		-2.2
- currency-related		-0.6
- consolidation-related		-

REVENUES BY UNIT							TAB: 2.8.2						
							Q1/14	Q2/14	Q3/14	Q4/14	2014	2013	%
in € million													
Potash and Magnesium Products business unit							507.4	461.1	451.0	464.5	1,884.0	2,037.6	-7.5
Salt business unit							641.0	287.2	335.0	515.3	1,778.5	1,751.4	+1.5
Complementary Activities							40.3	36.9	40.9	40.2	158.3	159.4	-0.7
Reconciliation							0.3	0.5	-	0.1	0.9	2.0	-55.0
K+S Group							1,189.0	785.7	826.9	1,020.1	3,821.7	3,950.4	-3.3
Share of total revenues (%)							31.1	20.6	21.6	26.7	100.0	-	-

REVENUES BY UNIT			FIG: 2.8.1	
			2014	2013
in %				
1	Potash and Magnesium Products business unit		49.3	51.6
2	Salt business unit		46.6	44.4
3	Complementary Activities		4.1	4.0



REVENUES BY REGION			FIG: 2.8.2	
			2014	2013
in %				
1	Europe		41.9	44.2
	- of which Germany		14.9	16.0
2	North America		35.6	30.3
3	South America		12.3	13.8
4	Asia		7.7	9.2
5	Africa, Oceania		2.5	2.5



DEVELOPMENT OF ORDERS

Most of the κ+s GROUP's business is not covered by longer-term agreements on fixed volumes and prices.

At less than 10%, the share of orders on hand in relation to revenues at the end of the year in the Potash and Magnesium Products business unit is low. The business is characterised by long-term customer relationships as well as revolving framework agreements with non-binding volume and price indications.

In the Salt business unit, de-icing salt contracts for the public sector in Europe, Canada and the United States are awarded through public tenders. We generally participate in these tenders from the second quarter for the coming winter season, but also, in some cases, for subsequent winter seasons. The contracts include agreements on both prices and maximum volumes. Where contractually agreed volumes are subject to fluctuations permitted by law depending on weather conditions, these cannot be classified as orders on hand. This also applies if volumes can be carried forward to the following winter if demand is weak in a particular season.

For the reasons mentioned above, the reporting of orders on hand for the κ+s GROUP is not relevant for the assessment of short-term and medium-term profitability.

DEVELOPMENT OF SELECTED COST TYPES

In 2014, our personnel expenses amounted to € 1,013.7 million and were therefore moderately above the level of the previous year (2013: € 968.2 million). While accruals for performance-related remuneration increased, as did expenditures arising from wage and salary increases and expenses associated with a social compensation plan in Germany, costs relating to exchange rates decreased. Material costs increased slightly, primarily in the Salt business unit, as a result of price and volume, whilst energy costs fell moderately overall. Freight costs remained virtually stable.

EARNINGS DEVELOPMENT IN THE PAST FINANCIAL YEAR

'FIT FOR THE FUTURE' EXCEEDS EXPECTATIONS

The programme designed to improve cost and organisational structures launched in November 2013 aims to increase the efficiency of production as well as administration and sales functions. κ+s is striving for total cost savings of € 500 million between 2014 and 2016 compared with its previous planning for this period. We have exceeded the target set in this context for 2014. Compared with operating earnings EBIT I in the 2013 financial year, this resulted in improved earnings of a good € 120 million. Cost reductions were achieved particularly

in terms of individual goods and energy cost items, but also structurally in the area of logistics.

/ A DETAILED EXPLANATION OF THE RESULTS OF THE INDIVIDUAL SEGMENTS can be found on page 80.

OPERATING EARNINGS EBITDA AND EBIT I

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of € 895.5 million in the reporting year more or less matched the level of the previous year (2013: € 907.2 million). / TAB: 2.8.3

Operating earnings EBIT I fell slightly in 2014 to € 641.3 million (2013: € 655.9 million). It included a special item of € 36.0 million relating to an insurance payment due to the suspension of operations at the Unterbreizbach site after 1 October 2013. / TAB: 2.8.4

After bottoming out in the first quarter, average prices in the Potash and Magnesium Products business unit subsequently rose again gradually. However, the overall lower annual average level compared with the previous year led to declining earnings. An increase in earnings due to higher volume-related revenues in North America in the Salt business unit and savings resulting from the 'Fit for the Future' programme were not able to offset this completely.

Operating earnings EBIT I include depreciation and amortisation of € 254.2 million and remain more or less stable compared with the previous year (2013: € 251.3 million).

EBITDA BY UNIT ¹							TAB: 2.8.3	
	Q1/14	Q2/14	Q3/14	Q4/14	2014	2013	%	
in € million								
Potash and Magnesium Products business unit	165.5	196.4	133.6	123.0	618.5	667.5	-7.3	
Salt business unit	113.7	26.4	50.3	85.6	276.0	235.9	+17.0	
Complementary Activities	9.8	7.4	9.9	7.2	34.3	31.7	+8.2	
Reconciliation ²	-9.2	-6.7	-6.8	-10.6	-33.3	-27.9	-19.1	
K+S Group	279.8	223.5	187.0	205.2	895.5	907.2	-1.3	
Share of total EBITDA (%)	31.2	25.0	20.9	22.9	100.0	—	—	

¹ 2014 is adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.

² Expenses and income that cannot be allocated to business units and complementary activities are recorded separately and shown under 'Reconciliation'.

EBIT I BY UNIT							TAB: 2.8.4	
	Q1/14	Q2/14	Q3/14	Q4/14	2014	2013	%	
in € million								
Potash and Magnesium Products business unit	134.4	159.2	110.8	84.4	488.8	552.5	-11.5	
Salt business unit	89.1	1.7	24.7	57.4	172.9	117.8	+46.7	
Complementary Activities	8.0	5.6	7.9	2.7	24.2	24.7	-2.1	
Reconciliation ¹	-11.9	-9.2	-9.4	-14.1	-44.6	-39.1	-13.9	
K+S Group	219.6	157.3	134.0	130.4	641.3	655.9	-2.2	
Share of total EBIT I (%)	34.2	24.5	20.9	20.3	100.0	—	—	

¹ Expenses and income that cannot be allocated to business units and complementary activities are recorded separately and shown under 'Reconciliation'.

RESULT AFTER OPERATING HEDGES (EBIT II)

An operating earnings EBIT II of € 660.7 million after operating hedges was generated in 2014, compared with € 625.1 million in the previous year. The increase in earnings compared with the previous year is essentially the result of an advantageous development in the EUR / CAD

exchange rate in the context of securing investment for the Legacy Project. The earnings effect from operating forecast hedges also included in the comparison with EBIT I was € 19.4 million (2013: € -30.8 million).

In accordance with IFRS, fluctuations in market value from hedging transactions are reported in the income statement. EBIT II includes all results from hedging transactions, i.e. both reporting date-related valuation effects and results from any hedging derivatives realised. Any effects on earnings from hedging underlying transactions relating to financing not reflected in EBIT are reported in the financial result.

FINANCIAL RESULT

In 2014, the financial result was € -126.0 million compared with € -76.3 million in the previous year. The main reasons for this decrease are primarily higher interest expenses for bonds (€ -23.9 million), due in particular to the bonds issued in December 2013, as well as an adjustment of the discount rate for mining provisions (€ -39.8 million), a step that proved necessary because of a further drop in market interest rates. Interest charges for other long-term provisions, mainly provisions for mining obligations (2014: € -60.5 million; 2013: € -26.3 million), as well as interest charges for pension provisions (2014: € -3.4 million; 2013: € -5.9 million) are shown in the financial result; both are non-cash items.

GROUP EARNINGS AND EARNINGS PER SHARE FROM CONTINUED OPERATIONS

In the reporting year, Group earnings from continued operations after taxes amounted to € 380.5 million (2013: € 415.1 million). Tax expenses amounted to € 153.4 million (2013: € 133.2 million). Tax expenses consisted of

cash taxes of € 127.8 million (previous year: € 194.3 million) and non-cash deferred taxes of € 25.6 million (2013: deferred tax income € 61.1 million). The drop in cash taxes is a consequence of lower tax income due among other things to the use of tax losses carried forward. The change in deferred tax is due in particular to an increase in the tax rate in Chile as well as the increase compared with the previous year in losses carried forward. The anticipated income tax expense was calculated based on a domestic Group income tax rate of 28.6% (previous year: 28.6%).

In the reporting year, earnings per share from continued operations reached € 1.99. It was therefore 8% below the level of the previous year of € 2.17.

ADJUSTED GROUP EARNINGS AND ADJUSTED EARNINGS PER SHARE FROM CONTINUED OPERATIONS

To enhance comparability, we also report adjusted Group earnings from continued operations, which eliminate the effects from operating forecast hedges. Furthermore, the effects on deferred and cash taxes resulting from the adjustment are also calculated separately. The adjusted Group earnings serve as a basis for calculating dividends in accordance with our distribution policy and are determined as follows: / **TAB: 2.8.5**

Adjusted Group earnings from continued operations fell by around 16% to € 366.6 million (2013: € 437.1 million). The adjusted Group tax rate was 28.7% in the reporting

COMPUTATION OF ADJUSTED GROUP EARNINGS FROM CONTINUED OPERATIONS

TAB: 2.8.5

	2014	2013
in € million		
Group earnings from continued operations	380.5	415.1
Income (-)/expenses (+) from fluctuations in the market value of operating forecast hedges still outstanding	-24.1	15.5
Neutralising of market fluctuations of realised operating forecast hedges recognised in previous periods	9.0	10.3
Elimination of resulting deferred and cash taxes	5.5	-8.8
Realised income (-)/expenses (+) of currency hedging for capital expenditure in Canada	-4.3	5.0
Adjusted Group earnings from continued operations	366.6	437.1

EARNINGS PER SHARE

TAB: 2.8.6

	Q1/14	Q2/14	Q3/14	Q4/14	2014	2013	%
in € million							
Earnings per share from continued operations (€)	0.65	0.55	0.46	0.32	1.99	2.17	-8.3
Earnings per share from continued operations, adjusted (€) ¹	0.74	0.42	0.40	0.35	1.92	2.28	-15.8
Average number of shares (millions)	191.4	191.4	191.4	191.4	191.4	191.4	—

¹ The adjusted key figures include the result from operating forecast hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also adjusted; tax rate for 2014: 28.6% (2013: 28.6%).

year compared with 24.6% in the previous year. This increase is due mainly to the increase in the tax rate in Chile as explained above. In the reporting year, adjusted earnings per share from continued operations reached € 1.92 (2013: € 2.28). An average number of 191.4 million outstanding no-par value shares was used as the basis for calculation.

As at 31 December 2014, we held no shares of our own. At the end of the year, the total number of outstanding shares of the K+S GROUP was therefore 191.4 million no-par value shares. / **TAB: 2.8.6**

KEY FIGURES ON EARNINGS POSITION

MARGIN KEY FIGURES

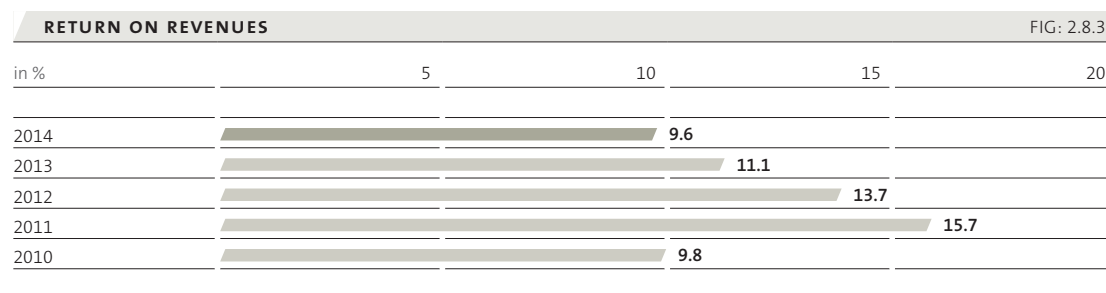
The margin key figures were at more or less the same level as in the previous year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) of € 895.5 million resulted in an EBITDA margin of 23.4% (2013: 23.0%), and the EBIT margin reached 16.8% compared with 16.6% in 2013. The return on revenues was 9.6% (2013: 11.1%). / FIG: 2.8.3

/ DEFINITIONS OF THE KEY FIGURES USED can be found in the 'Further Information' section on page 166.

COMPUTATION OF THE COST OF CAPITAL

The weighted average cost of capital rate for the K+S GROUP is derived from the aggregate of the expected yield to which a contributor of equity would be entitled in respect of his equity share as well as the interest on debt, in respect of the share of interest-bearing debt in total capital, according to the peer group method as per IAS 36. As this is considered from an after-tax perspective, the average interest on debt is reduced by the corporate tax rate.

The expected yield to which a contributor of equity would be entitled is derived from a risk-free interest rate plus a risk premium. The cash value equivalent average of the yields of government bonds denominated in euros with a maturity of 1 to 30 years was assumed as the risk-free interest rate according to the Svensson method; at the end of 2014, this was 1.6% (pre-



MULTIPLE PERIOD OVERVIEW OF MARGIN AND YIELD RATIOS ¹						TAB: 2.8.7
	2014	2013	2012	2011	2010	
Figures in %						
Gross margin	42.1	43.2	45.1	45.4	38.1	
EBITDA margin	23.4	23.0	26.3	28.7	20.6	
EBIT margin	16.8	16.6	20.4	22.7	15.4	
Return on revenues ²	9.6	11.1	13.7	15.7	9.8	
Return on equity after taxes ^{2, 3}	9.9	12.8	19.6	20.2	18.7	
Return on total investment ^{2, 3}	9.0	10.9	16.1	16.4	14.7	
Return on capital employed (ROCE)	12.7	15.2	19.9	25.2	22.0	
Weighted average cost of capital rate before taxes	8.4	8.2	8.7	8.6	9.5	
Value Added (€ million)	216.4	302.3	452.4	597.3	406.1	

¹ This information refers to the continued operations of the K+S Group. In 2010, the discontinued operations of the Nitrogen business are also included.

² The adjusted key figures include the result from operating forecast hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also adjusted; tax rate for 2014: 28.6% (2013: 28.6%).

³ This information refers to continued and discontinued operations of the K+S Group.

ous year: 2.8%). The risk premium has been calculated using a market risk premium of 6.0% (2013: 5.5%) as well as the applicable beta factor derived from the peer

group of 0.85 (previous year: 0.98) in relation to the MSCI WORLD benchmark index. This means that a contributor

of equity would be entitled to a notional yield of 6.8 % (previous year: 8.2 %).

The average interest on debt before taxes is 3.5 % (previous year: 3.0 %) and is derived from the peer group company rating and a corresponding spread applicable to the risk-free basic interest rate. After taking into account the adjusted Group tax ratio of 28.7 %, this results in an average cost of debt after taxes of 2.5 % (previous year: 2.3 %). The debt-equity ratio calculated according to the peer group method is 19.3 %.

In total, this results in a weighted average cost of capital rate for the K+S GROUP of 6.0 % (previous year: 6.2 %) after taxes. Based on an average figure for capital tied up of € 6,700.4 million in 2014 (of which operationally tied up: € 5,033.6 million), this gives a cost of capital of € 402.0 million. This corresponds to a cost of capital rate before taxes of 8.4 % (previous year: 8.2 %).

YIELD RATIOS

The yield ratios also fell slightly as a result of the weaker earnings: In the reporting year, the return on equity after taxes was 9.9 % (2013: 12.8 %) with the return on total investment amounting to 9.0 % (2013: 10.9 %). Especially as a result of higher capital expenditure in the Potash and Magnesium Products business unit, the return on capital employed (ROCE) fell and was 12.7 % in the reporting year compared with 15.2 % in the previous year. It is therefore higher than our cost of capital of 8.4 % before taxes. As a result, the K+S GROUP created

an added value of € 216.4 million during the past financial year. / **TAB: 2.8.7**

/ **A DEFINITION OF THE FINANCIAL INDICATORS USED** can be found on page 166.

2.9 FINANCIAL POSITION

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

FINANCIAL MANAGEMENT IS CONTROLLED CENTRALLY

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

- + Securing liquidity and controlling it efficiently across the Group,
- + Maintaining and optimising the financial capability of the Group as well as
- + Reducing financial risks also by using financial instruments.

Centralised cash management allows us to control our liquidity and optimise the payment streams within the K+S GROUP. In order to maintain the Group's eligibility for financing and to achieve a low cost of capital for borrowed capital and equity, we aim to achieve a capital structure in the long-term, which is orientated towards the standard criteria and indicators for an 'investment grade' rating. This does not rule out a temporary deviation from this approach. The capital structure is managed on the basis of the following key figures: / **TAB: 2.9.1**

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

FOREIGN CURRENCY HEDGING SYSTEM

Exchange rate fluctuations can lead to the value of the service performed not matching the value of the consideration received because income and expenditure arise at different times in different currencies (transac-

KEY FIGURES AND MANAGEMENT OF THE CAPITAL STRUCTURE

TAB: 2.9.1

	Target range	2014	2013	2012	2011	2010
Net debt/EBITDA	1.0 to 1.5	1.9	1.1	0.8	0.5	0.8
Net debt/Equity (%)	max. 100	42.2	30.5	24.4	19.8	27.6
Equity ratio (%)	40 to 50	50.6	45.3	51.4	50.9	47.6

tion risks). Exchange rate fluctuations, especially in relation to the US dollar, play a particular role for the Potash and Magnesium Products business unit in relation to the level of earnings and receivables. Key net positions (i.e. net revenues in US dollars less freight and capital expenditure for the Legacy Project in US dollars) are hedged per currency using derivatives, normally options and futures, in the context of transaction hedging. Furthermore, currency effects occur for subsidiaries whose functional currency is not the euro (translation risks). On the one hand, the earnings of these companies determined in a foreign currency are translated into euros at average rates and recognised in profit or loss, and on the other hand, their net assets are translated into euros at the rates prevailing on the reporting date. This can result in currency-related fluctuations in the equity of the K+S GROUP. Translation effects from the conversion of US dollars mainly occur in the Salt business unit at present and will continue to play an increasingly important role in the Potash and Magnesium Products business unit in the future.

Options and futures are used as part of transaction hedging to hedge the worst case scenario, but at the same time, the opportunity is retained for some of the foreign currency positions to participate in more favourable exchange rate developments.

In 2014, the price of the US dollar realised in the Potash and Magnesium Products business unit was EUR/USD

HEDGING OF EXCHANGE RATE RISKS – POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT TAB: 2.9.2

	2013	Q1/14	Q2/14	Q3/14	Q4/14	2014
EUR/USD exchange rate after premiums	1.30	1.35	1.33	1.34	1.30	1.33
Average EUR/USD spot rate	1.33	1.37	1.37	1.33	1.25	1.33

1.33 including costs (previous year: 1.30 EUR/USD) and consequently at the level of the average EUR/USD spot rate. / **TAB: 2.9.2**

Payments will be made mainly in Canadian dollars (CAD) and partly in US dollars for the construction of the new potash plant in Canada (Legacy Project) during the primary investment phase lasting until 2016. The capital expenditure in Canadian dollars is aided in part by a natural hedge arising from surpluses in the salt business in Canada. Futures and options, which lock in a worst-case scenario, are largely used to hedge the remaining CAD net position. The average hedging rate in 2014 was 1.43 EUR/CAD (2013: 1.34 EUR/CAD). Capital expenditure in US dollars is included in the USD net position of the Potash and Magnesium Products business unit. During the investment phase, this leads to a reduction in the total US dollar volume requiring hedging. In the subsequent operating phase, the hedge volume will increase due to the anticipated additional USD revenues.

/ **FURTHER INFORMATION ON THE LEGACY PROJECT** can be found on our website at www.k-plus-s.com

CAPITAL EXPENDITURE ANALYSIS

In 2014, the K+S GROUP invested € 1,153.2 million, representing an increase of € 410.7 million or 55%. This increase was due mainly to capital expenditure as part of our Legacy Project in Canada. / **TAB: 2.9.3**

At the end of the year, there were capital expenditure obligations totalling € 840.1 million which relate to investment projects from 2014 that have not yet been completed. / **FIG: 2.9.1**

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

In the Potash and Magnesium Products business unit, we invested € 1,040.4 million, i.e. € 433.9 million or 72% more than in the previous year. Most of the capital expenditure applied to foundation and steelwork, the construction and expansion of facilities for developing caverns, purchase orders for key core components, the construction of the camp as well as engineering work for the Legacy Project in Canada. We also invested in the

CAPITAL EXPENDITURE BY UNIT¹

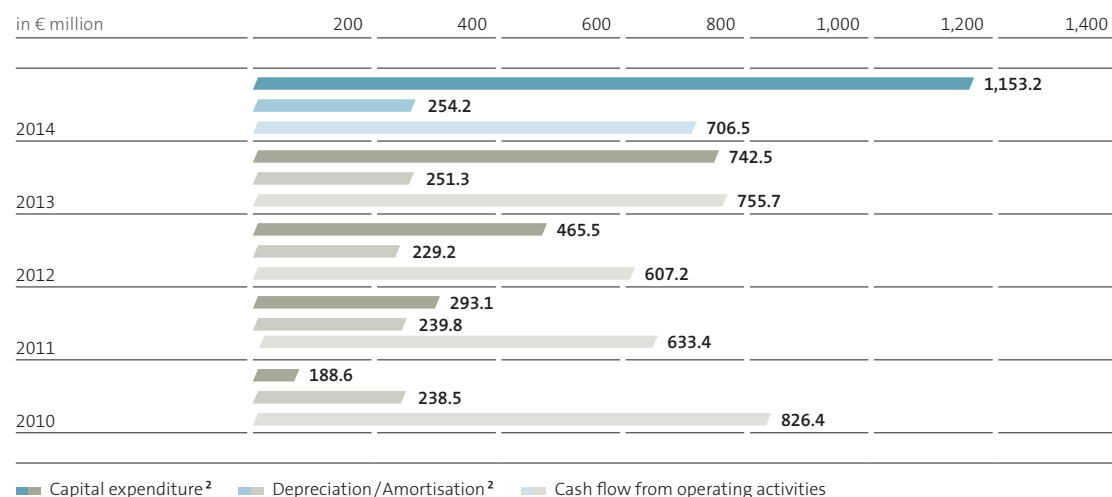
TAB: 2.9.3

in € million	Q1/14	Q2/14	Q3/14	Q4/14	2014	2013	%
Potash and Magnesium Products business unit	153.6	251.3	269.2	366.3	1,040.4	606.5	+71.5
Salt business unit	7.4	15.8	19.8	44.5	87.5	107.4	-18.5
Complementary Activities	0.5	0.7	2.2	1.7	5.1	3.4	+49.2
Other capital expenditure	3.1	3.8	3.6	9.7	20.2	25.2	-19.8
K+S Group	164.6	271.6	294.8	422.2	1,153.2	742.5	+55.3
Share of capital expenditure (%)	14.3	23.6	25.6	36.6	100.0	—	—

¹ Capital expenditure in continued operations for property, plant and equipment, intangible assets and investment properties.

CAPITAL EXPENDITURE COMPARED WITH DEPRECIATION/
AMORTISATION AND CASH FLOW FROM OPERATING ACTIVITIES¹

FIG: 2.9.1



¹ This information refers to the continued operations of the K+S Group. The discontinued operations of the Nitrogen business are also included up to 2011.

² Capital expenditure in or depreciation, amortisation and write downs affecting net income on property, plant and equipment, intangible assets and investment properties, as well as depreciation of financial assets.

package of measures for water protection in the Hesse-Thuringia potash district and in projects to increase the extraction of raw materials.

/ FURTHER INFORMATION ON WATER PROTECTION AND OTHER ENVIRONMENTAL MATTERS can be found in the Sustainability Report in the section entitled 'Environment'.

SALT BUSINESS UNIT

At € 87.5 million, capital expenditure in the Salt business unit in 2014 was less than in the previous year (2013: € 107.4 million). Improving warehouse logistics at the Borth salt mine in North Rhine-Westphalia, measures to secure production at FRISIA ZOUT in Harlingen in the Netherlands and measures to open up a deeper mining level at the rock salt site at Weeks Island, USA, were some of the most important projects during the reporting year.

COMPLEMENTARY ACTIVITIES

During the reporting year, capital expenditure on Complementary Activities amounted to € 5.1 million, an increase of € 1.7 million compared with the previous year (2013: € 3.4 million). In the Waste Management and Recycling segment, progress was made on the development of a further field for underground reutilisation at the Bernburg site in Germany.

FOCUS: MEASURES FOR WATER PROTECTION

Wastewater from manufacturing processes as well as the saline wastewater caused by rainfall on tailing piles are disposed of, on the basis of existing approvals and in compliance with official threshold values for discharge, into rivers and injected into deep rock layers. The solid residues are piled up or are brought back underground as backfill.

Package of measures for water protection: Starting in autumn 2011, we began implementing a comprehensive 'package of measures for water protection' in the Hesse-Thuringia potash district. Our goal is to halve the annual quantity of saline wastewater from local potash production compared to the base year of 2006 to 7 million m³ per year by 2015. Three large-scale plants were commissioned in March 2014: the plant for wastewater-free kieserite production at the Hattorf production site; an evaporation facility for kainite at the Wintershall site; and the so-called cold preliminary decomposition plant for carnallite in Unterbreizbach, which was essential to reduce the quantity of saline wastewater in the Werra plant to 7.43 million m³ already. Through these developments, we were able to reduce more than 90% of the volume of saline wastewater as had been the anticipated amount for the end of 2015. By modernising the kieserite flotation in 2015, the production process at our Wintershall location will be converted in such a way that we were able to achieve our goal of 7 million m³ in 2015. The capital expenditure related to water protection totaled € 61.6 million and was clearly less compared to the year before (€ 117.8 million). After the commissioning

of the three large-scale plants in March 2014, investments in the remaining work to be done for these projects were lower in the reporting year.

Four-Phase Plan: Against the backdrop of the ongoing public debate on the disposal of saline wastewater from production from the Werra plant and with regard to the implementation of the Water Framework Directive, in September 2014 we reached agreement with the State of Hesse on the key points for permanent disposal of saline wastewater in the Werra-Fulda potash district. The resulting Four-Phase Plan is due to be set out in an agreement under public law. The aim of this agreement is to continue to improve water quality, create reliable prospects for local raw material extraction and the associated value added and jobs, and to secure the potash sites. In the case of the Neuhof-Ellers and Werra plants, the need for further stockpiling of solid production residues is recognised, as is the permanent local discharge of pile runoffs containing salt (also in the post-closure phase) into the Werra at the same time. This is based on the premise that it will be possible to reduce the quantity of pile runoff to be discharged to an average of 1.5 million m³ per year in the post-closure phase by covering the large tailings piles or implementing other technical measures. The Four-Phase Plan covers the period until 2075 and is intended to offer a clear and reliable political/conceptual framework until after the discontinuation of production. It does not restrict the dutiful discretion of the authorities. Claims against approvals issued are not excluded.

LIQUIDITY ANALYSIS

Cash flow from operating activities fell by around 7% compared with the previous year to € 706.5 million (2013:

€ 755.7 million). This decrease is due mainly to the lower operating earnings following a fall in the prices of potassium chloride and a smaller reduction in stocks in the Salt business unit. / **TAB: 2.9.4**

Cash flow from investment activities (excluding acquisitions/disposals of securities and other financial investments) amounted to € -1,012.8 million in the reporting year (2013: € -707.0 million). The reason for this was the higher expenditure in the context of the Legacy Project. Adjusted free cash flow (excluding acquisitions/disposals of securities and other financial investments) amounted to € -306.3 million (2013: € 48.7 million).

Cash flow from financing activities in the reporting year was € -787.8 million (2013: € 721.3 million). This change is due mainly to the repayment of the bond that matured in September 2014; the previous year was marked by the placement of two bonds. As of 31 December 2014, net cash and cash equivalents amounted to € 370.3 million (31 December 2013: € 1,005.0 million). These capital investments relate mainly to term deposit investments, money market instruments and comparable securities with a residual term of less than three months.

/ **TAB: 2.9.5**

FINANCING ANALYSIS

The financing structure of the K+S GROUP continued to be stable during the reporting year. As of 31 December 2014, 89% of financing resulted from equity and long-term debt, which mainly consists of bond payables and provisions (31 December 2013: 81%). This increase compared with the previous year was mainly the result of the repayment of a bond that matured in September

CASH FLOW OVERVIEW

TAB: 2.9.4

	Q1/14	Q2/14	Q3/14	Q4/14	2014	2013	%
in € million							
Cash flow from operating activities	379.3	137.1	107.2	82.9	706.5	755.7	-6.5
Cash flow from investment activities	-740.9	-122.4	375.1	-84.1	-572.3	-809.3	+29.3
Free cash flow	-361.6	14.7	482.3	-1.2	134.2	-53.6	—
Adjustment for acquisitions and disposals of securities and other financial investments	564.8	-64.1	-658.5	-282.7	-440.5	102.3	—
Adjusted free cash flow	203.2	-49.4	-176.2	-283.9	-306.3	48.7	—

2014, which was previously classified under current liabilities. / FIG: 2.9.2

TANGIBLE INCREASE IN EQUITY CAPITAL SHARE

Equity increased mainly due to higher earnings from € 3,396.6 million to € 3,974.5 million. The equity ratio increased from 45.3 % to 50.6 % of the balance sheet total.

DEBT SHARE FELL

The K+S GROUP debt fell during the reporting year from € 4,101.6 million to € 3,880.7 million. As of 31 December 2014, it consisted of around 40 % provisions, 40 % financial liabilities as well as trade accounts payable, tax liabilities from income taxes and deferred taxes.

MULTIPLE PERIOD OVERVIEW OF FINANCIAL POSITION ¹

TAB: 2.9.5

	2014	2013	2012	2011	2010
in € million					
Equity	3,974.5	3,396.6	3,393.9	3,084.6	2,651.6
Equity ratio (%)	50.6	45.3	51.4	50.9	47.6
Long-term debt	2,999.8	2,686.8	2,555.3	1,953.6	1,919.1
– of which provisions for pensions and similar obligations	162.8	102.6	160.1	95.3	184.8
– of which provisions for mining obligations	925.3	743.9	706.6	580.6	528.4
Long-term provisions as share of balance sheet total (%)	15.2	12.9	15.1	13.6	15.5
Current debt	880.9	1,414.8	647.4	1,018.7	1,003.0
– of which Accounts payable – trade	284.6	271.5	289.2	613.8	511.2
Financial liabilities	1,551.3	2,255.2	1,265.8	770.6	786.6
Net financial liabilities	587.9	190.5	-39.4	-65.1	19.3
Net debt	1,676.0	1,037.0	827.3	610.8	732.5
Level of indebtedness I (%)	39.0	66.4	37.3	25.0	29.7
Level of indebtedness II (%)	42.2	30.5	24.4	19.8	27.6
Working capital	768.1	844.9	1,025.7	840.9	959.4
Cash flow from operating activities	706.5	755.7	607.2	633.4	826.4
Free cash flow (not adjusted)	134.2	-53.6	-359.4	-233.7	648.7
Cash flow from financing activities	-787.8	721.3	243.0	-261.7	-439.7

Long-term debt including long-term provisions amounted to € 2,999.8 million as at 31 December 2014 compared with € 2,686.8 million in the previous year. The main reason for this was the increase in mining provisions resulting from the discount rate adjustment that was necessary on account of market interest rates continuing to fall. The proportion of long-term debt was reduced to 38.2 % of the balance sheet total (31 December 2013: 35.8 %).

Current debt fell from € 1,414.8 million at the end of 2013 to € 880.9 million as at 31 December 2014 upon repayment of a bond that matured in September. Hence, the proportion of current debt in relation to the balance

¹ This information refers to the continued operations of the K+S Group. The discontinued operations of the Nitrogen business are also included up to 2011.

sheet total fell from 18.9 % in the previous year to 11.2 % as at 31 December 2014.

/ FURTHER DETAILS OF THE CHANGE IN INDIVIDUAL BALANCE SHEET ITEMS can be found in the Notes to the consolidated financial statements on page 135.

FINANCIAL LIABILITIES

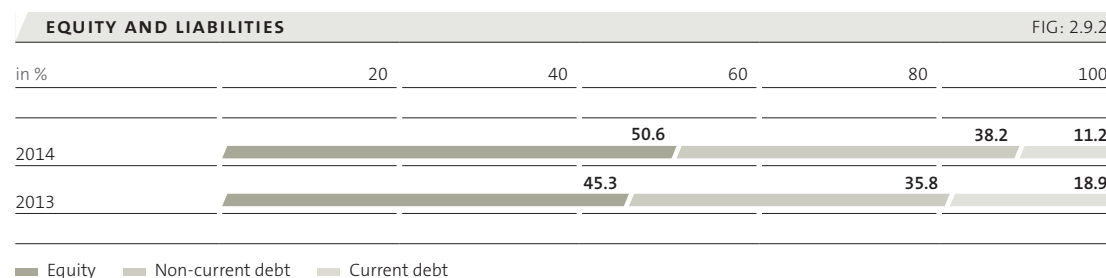
Financial liabilities amounted to € 1,551.3 million as at 31 December 2014. The majority of long-term debt is attributable to the corporate bonds issued in June 2012 and December 2013.

Financial liabilities in foreign currencies are denominated mainly in US dollars. As at 31 December 2014, these amounted to just € 20.1 million after conversion.

PROVISIONS

The long-term provisions of the K+S GROUP are provisions particularly for mining obligations as well as for pensions and similar obligations.

The provisions for long-term mining obligations amounted to € 925.3 million compared with € 743.9 million in the previous year. This increase is due mainly to the revaluation of existing provisions owing to a continued fall in the market interest rate; the average discount



rate was 3.6 % compared with 4.3 % in the previous year. The creation of additional provisions for mining obligations also had an influence.

The long-term provisions for pensions and similar obligations amounted to € 162.8 million compared with € 102.6 million in the previous year; this increase is due mainly to lower discount rates. The average weighted interest rate for pensions and similar obligations fell to 3.1 % as at 31 December 2014 compared with 4.2 % in the previous year. The actuarial valuation of pension provisions uses the projected unit credit method in accordance with IAS 19.

/ AN EXPLANATION can be found in the Notes to the consolidated financial statements on page 143.

SIGNIFICANCE OF OFF-BALANCE SHEET FINANCING INSTRUMENTS FOR FINANCIAL AND ASSET POSITION

We primarily use operating leases for company vehicles, storage capacities and IT equipment, for example. The scope of these leases has no material bearing on the economic position of the K+S GROUP.

2.10 ASSET POSITION

ANALYSIS OF ASSET STRUCTURE

The balance sheet total of the K+S GROUP increased by 4.8 % to € 7,855.2 million as at 31 December 2014. The ratio of long-term to current assets is 68:32 and shifted compared with the previous year in favour of long-term

assets. The reason for this was mainly the capital expenditure in the Legacy Project. / FIG: 2.10.1

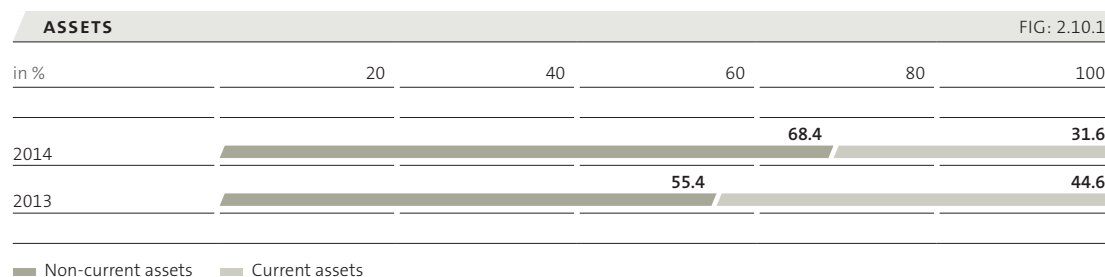
Fixed assets increased to € 4,112.7 million (31 December 2013: € 2,933.2 million). This is due in particular to capital expenditure in the Potash and Magnesium Products business unit in relation to the Legacy Project. The increase in capital expenditure and the scheduled repayment of the bond from 2009 with a volume of € 750 million resulted in long-term securities and other financial investments falling to € 33.3 million (31 December 2013: € 179.3 million), current securities and other financial investments to € 534.8 million (31 December 2013: € 856.2 million) and cash and cash equivalents to € 375.2 million (31 December 2013: € 1,011.3 million).

The net debt of the K+S GROUP was € 1,676.0 million as at 31 December 2014 (31 December 2013: € 1,037.0 million). / TAB: 2.10.1, 2.10.2

/ DEFINITIONS OF THE KEY FIGURES USED can be found in the 'Further Information' section on page 166.

EARMARKED ASSETS

In 2005, we began out-financing the obligations for pensions and semi-retirement of the domestic companies through a Contractual Trust Arrangement (CTA model). By allocating funds to the CTA model, the financial resources are earmarked for settling pension obligations and meeting early retirement arrangements. The same



NET DEBT TAB: 2.10.1

	2014	2013
in € million		
Cash and cash equivalents as at 31 December	375.2	1,011.3
Long-term securities and other financial investments as at 31 December	33.3	179.3
Current securities and other financial investments as at 31 December	534.8	856.2
Financial liabilities	-1,551.3	-2,255.2
Reimbursement claim Morton Salt bond	20.1	17.9
Net financial liabilities as at 31 December	-587.9	-190.5
Provisions for pensions and similar obligations	-162.8	-102.6
Provisions for mining obligations	-925.3	-743.9
Net debt as at 31 December	-1,676.0	-1,037.0

applies to plan assets which serve the financing of the pension obligations of the MORTON GROUP. Moreover, pledged reinsurance arrangements are in place which are also to be classified as plan assets according to IFRS. In accordance with IFRS, the obligations for pensions and semi-retirement and the associated plan assets are shown on the balance sheet on a net basis. The assets

earmarked in connection with personnel obligations increased by € 7.5 million in 2014 to a total of € 433.2 million, mainly as a result of further allocations as well as a positive performance. Details of the composition of these plan assets as well as of the out-financing performed in 2014 can be found in the Consolidated Notes

MULTIPLE PERIOD OVERVIEW OF NET ASSET POSITION ¹

TAB: 2.10.2

	2014	2013	2012	2011	2010
in € million					
Property, plant and equipment, intangible assets	5,128.3	3,868.9	3,528.2	3,247.9	2,803.3
Financial assets, long-term securities and other financial investments	47.0	193.2	515.4	74.4	24.1
Inventories	578.8	552.6	687.9	730.0	740.2
Accounts receivable – trade	732.9	737.9	770.3	928.8	949.8
Cash and cash equivalents, current securities and other financial investments	910.0	1,867.5	786.8	757.8	748.4
Net financial liabilities	587.9	190.5	-39.4	-65.1	19.3
Net debt	1,676.0	1,037.0	827.3	610.8	732.5
Fixed-assets-to-net-worth ratio I (%)	77.3	87.5	95.8	94.5	93.8
Fixed-assets-to-net-worth ratio II (%)	135.6	156.7	167.9	154.4	161.8
Liquidity ratio I (%)	103.3	132.0	121.5	74.4	74.6
Liquidity ratio II (%)	207.6	195.0	266.2	180.3	186.7
Liquidity ratio III (%)	281.8	236.2	378.1	256.1	262.9

¹ This information refers to the continued operations of the K+S Group. The discontinued operations of the Nitrogen business are also included up to 2011.

under Note (21), 'Provisions for pensions and similar obligations' as well as under Note (23), 'Long-term obligations to employees'.

OFF-BALANCE SHEET ASSETS

Other financial obligations totalled € 1,051.7 as of 31 December 2014 (31 December 2013: € 595.7 million) and concern both obligations arising from as yet incomplete capital expenditure projects as well as from operating leases for factory and office equipment (for example, printers, photocopiers and IT peripherals). In addition, vehicles and storage capacities are leased. Due to the

chosen contractual structures, these items are not carried under fixed assets.

EXPLANATION OF COMPANY ACQUISITIONS AND DISPOSALS

No acquisitions and disposals of companies were effected during the reporting year.

2.11 PRESENTATION OF SEGMENTS**POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT****MODERATE DECREASE IN REVENUES COMPARED WITH THE PREVIOUS YEAR**

In the 2014 financial year, revenues of this business unit fell by € 153.6 million or a good 8% to € 1,884.0 million; this is basically due to a moderate fall in the average price of our product portfolio. Prices that were still significantly below the level of the previous year in the first six months of the financial year recovered during the second half of the year. Sales volume of 6.9 million tonnes in 2014 was on a par with the level of the previous year (2013: 6.9 million tonnes). / FIG: 2.11.1, 2.11.2 / TAB: 2.11.1, 2.11.2

/ A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT can be found on page 65 in the 'Industry-specific framework conditions' section.

VARIANCE ANALYSIS

TAB: 2.11.1

	2014
in %	
Change in revenues	-7.5
– volume/structure-related	-1.7
– price/pricing-related	-5.8
– currency-related	–
– consolidation-related	–
Potassium chloride	-16.1
Fertilizer specialties	+2.2
Industrial products	-7.1

KEY FIGURES

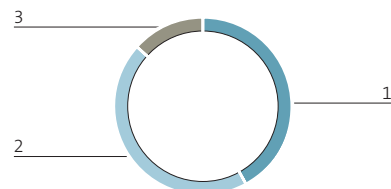
TAB: 2.11.2

	Q1/14	Q2/14	Q3/14	Q4/14	2014	2013	%
in € million							
Revenues	507.4	461.1	451.0	464.5	1,884.0	2,037.6	-7.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA) ¹	165.5	196.4	133.6	123.0	618.5	667.5	-7.3
Operating earnings (EBIT I)	134.4	159.2	110.8	84.4	488.8	552.5	-11.5
Capital expenditure	153.6	251.3	269.2	366.3	1,040.4	606.5	+71.5
Employees as at reporting date (number)	8,333	8,256	8,334	—	8,299	8,367	-0.8

¹ 2014 is adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.

REVENUES BY PRODUCT GROUP

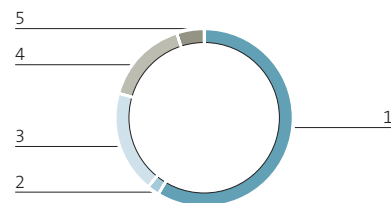
FIG: 2.11.1



	2014	2013
in %		
1 Potassium chloride	42.2	46.5
2 Fertilizer specialities	44.6	40.4
3 Industrial products	13.2	13.1

REVENUES BY REGION

FIG: 2.11.2



	2014	2013
in %		
1 Europe	58.7	54.7
— of which Germany	16.6	13.6
2 North America	2.4	3.2
3 South America	18.4	20.5
4 Asia	15.5	17.1
5 Africa, Oceania	5.0	4.5

The proportion of revenues generated in Europe in the reporting year was just under 59%; this revenue share is largely free of any direct currency risk. The majority of the remaining revenues was generated in South America and Asia. / TAB: 2.11.3

In the case of our most important product in terms of volume, potassium chloride, revenues in the reporting year fell by € 152.6 million or around 16 % to € 795.0 million. In addition to a moderate drop in sales volume, there was a tangible fall in prices both overseas and in Europe compared with the previous year. In Europe, we sold 1.2 million tonnes of potassium chloride. This figure was up approx. 7 % on the previous year (2013: 1.1 million tonnes). Overseas sales volume amounted to 1.9 million tonnes and was therefore around 11 % down on the previous year (2013: 2.1 million tonnes).

Fertilizer specialties with their diverse plant nutrients generated a price-related increase in revenues in the 2014 financial year of 2 % to € 840.7 million (2013: € 822.8 million) due mainly to a lack of availability in some markets worldwide. While European sales volume of 2.2 million tonnes represented an increase of around 8 %, overseas sales volume of 0.9 million tonnes was around 10 % lower than in the previous year.

In the industrial products segment, revenues fell by around 7 % to € 248.3 million (2013: € 267.2 million); slightly positive volume growth could not make up for the negative price effects. Sales volume amounted to 0.5 million tonnes (-3 %) in Europe and 0.2 million tonnes overseas (+13 %).

DEVELOPMENT OF REVENUES, SALES VOLUME AND AVERAGE PRICES BY REGION ¹							TAB: 2.11.3	
		Q1/14	Q2/14	Q3/14	Q4/14	2014	2013	%
Revenues	€ million	507.4	461.1	451.0	464.5	1,884.0	2,037.6	-7.5
Europe	€ million	347.5	263.6	232.3	263.3	1,106.7	1,113.9	-0.6
Overseas	US\$ million	219.0	270.8	290.7	252.1	1,032.6	1,226.7	-15.8
Sales volume	t million (product)	1.94	1.72	1.62	1.59	6.87	6.94	-1.0
Europe	t million (product)	1.27	0.92	0.80	0.89	3.88	3.65	+6.3
Overseas	t million (product)	0.67	0.80	0.82	0.70	2.99	3.29	-9.0
Average price	€/t (product)	261.8	268.1	278.7	291.2	274.1	293.8	-6.7
Europe	€/t (product)	273.3	285.8	290.4	294.0	285.3	305.2	-6.5
Overseas	US\$/t (product)	328.5	339.3	351.2	360.3	345.0	373.3	-7.6

¹ Revenues include prices both inclusive and exclusive of freight costs and, in the case of overseas revenues, are based on the respective EUR/USD spot rates. Hedging transactions were concluded for most of these sales revenues. Prices are also affected by the respective product mix and should therefore be taken as a rough indication only.

EBITDA AND OPERATING EARNINGS EBIT I DOWN

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the business unit amounted to € 618.5 million in the reporting year and were down € 49.0 million, or around 7%, on the level of the previous year (2013: € 667.5 million).

Operating earnings EBIT I decreased by € 63.7 million, or around 12%, to € 488.8 million (2013: € 552.5 million). Earnings suffered primarily due to the lower prices of potassium chloride and positive effects from 'Fit for the Future' were not able to make up for this. Earnings include a special item of € 34.3 million (portion of the business unit) relating to an insurance payment following the suspension of operations at the Unterbreizbach site after 1 October 2013.

These include depreciation and amortisation of € 129.7 million, which increased by € 14.7 million compared with the previous year. The reason for the increase was essentially the plants commissioned during the course of the year as part of the package of measures for water protection.

LEGACY PROJECT MAKES GOOD PROGRESS

A first test cavern for extracting brine containing potash was completed at a depth of some 1,500 meters in the 2014 financial year. A long-term exclusivity agreement was signed with PACIFIC EAST COAST TERMINALS CO. LTD. (PCT) for the construction and operation of a new loading and storage facility in the harbour in Vancouver (Canada). Moreover, a camp supplying and accommo-

dating workers at the site was opened. The first delivery of the heavyweight evaporators, which will be used to crystallise the brine, was made in November. κ+s is well on the way to commissioning the plant as scheduled in summer 2016 thereby meeting the investment budget of 4.1 billion Canadian dollars.

PERMANENT SOLUTION FOR DISPOSAL OF SALINE WASTEWATER

At the end of September, κ+s agreed on guidelines with the Hessian Ministry for the Environment for a Four-Phase Plan for the permanent disposal of saline wastewater in the Werra potash district. The points presented include a commitment period until 2075 and are to be set out in an agreement under public law. The aim of the various measures is, in keeping with European water legislation, to further reduce pressure on the environment in the unspoilt Werra-Weser area and ensure the future viability of jobs there. A further investment of around € 400 million is planned particularly after 2018.

SALT BUSINESS UNIT

REVENUES SLIGHTLY ABOVE LEVEL IN THE PREVIOUS YEAR

Revenues generated by the Salt business unit amounted to € 1,778.5 million in the reporting year and consequently were slightly (+1.5%) up on the figure of the previous year of € 1,751.4 million. North America in particular experienced volume-related increases as a result of above-average wintry weather conditions in the first

quarter. Alongside this, price increases in North America resulted in an increase in revenues. Overall, this more than offset a weather-related drop in revenues in Europe. Our presence on three continents has therefore paid off once again. Price increases were achieved in North America in the food grade salt and water softening salt segments. Revenues were slightly negatively affected by trends in the exchange rate. Sales volume of crystallised salt totalled 23.6 million tonnes during the reporting year and was 3.5 % above the level of the previous year (22.8 million tonnes), given above-average sales volume for de-icing salt.

/ FIG: 2.11.3, 2.11.4 / TAB: 2.11.4, 2.11.5

/ A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE SALT BUSINESS UNIT can be found on page 65 in the 'Industry-specific framework conditions' section.

VARIANCE ANALYSIS

TAB: 2.11.4

	2014
in %	
Change in revenues	+1.5
– volume/structure-related	+1.0
– price/pricing-related	+1.8
– currency-related	-1.3
– consolidation-related	–
Food grade salt	+2.5
Industrial salt	+5.2
Salt for chemical use	-5.5
De-icing salt	+1.9
Other	-23.6

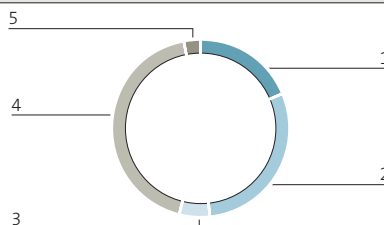
KEY FIGURES

TAB: 2.11.5

in € million	Q1/14	Q2/14	Q3/14	Q4/14	2014	2013	%
Revenues	641.0	287.2	335.0	515.3	1,778.5	1,751.4	+1.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	113.7	26.4	50.3	85.6	276.0	235.9	+17.0
Operating earnings (EBIT I)	89.1	1.7	24.7	57.4	172.9	117.8	+46.7
Capital expenditure	7.4	15.8	19.8	44.5	87.5	107.4	-18.5
Employees as at reporting date (number)	5,038	5,053	5,070	–	5,075	5,091	-0.3

REVENUES BY PRODUCT GROUP

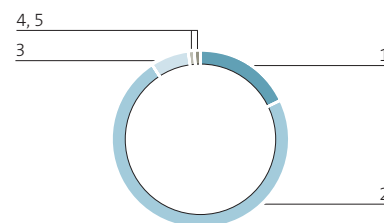
FIG: 2.11.3



	2014	2013
in %		
1 Food grade salt	18.8	18.7
2 Industrial salt	29.6	28.5
3 Salt for chemical use	5.6	6.0
4 De-icing salt	43.2	43.0
5 Other	2.8	3.8

REVENUES BY REGION

FIG: 2.11.4



	2014	2013
in %		
1 Europe	18.9	26.8
– of which Germany	6.9	12.6
2 North America	73.8	64.7
3 South America	7.1	7.4
4 Asia	0.1	0.7
5 Africa, Oceania	0.1	0.4

Revenues for food grade salt rose 2.5 % to € 334.2 million. This increase is due primarily to positive price effects in North America. Sales volume remained stable at 1.4 million tonnes (2013: 1.4 million tonnes).

Revenues for industrial salts, for example, fishery, feed and high-purity pharmaceutical salts, increased by 5.2 % in the past financial year to € 525.6 million. This development is due mainly to an increase in volume, a modified product mix and higher prices. Sales volume amounted to 5.6 million tonnes representing a tangible increase in relation to the level of the previous year (5.1 million tonnes).

Revenues in the salt for chemical use segment reached € 100.1 million; this corresponds to a drop of 5.5 %. Available volumes were increasingly used for deliveries of de-icing salt in the USA. Sales volume was down 2.2 million tonnes on the previous year (2.5 million tonnes).

Revenues for de-icing salt of € 767.9 million in the reporting year were just under 2 % above the level of the previous year (2013: € 753.4 million). In particular, the strong demand due to the wintry weather conditions in North America at the beginning of the year as well as the good early purchase business there at a better price level were more than able to make up for the volume-related drop in revenues in Europe. Sales volume increased to 14.4 million tonnes (2013: 13.8 million tonnes). / TAB: 2.11.6

EBITDA AND OPERATING EARNINGS EBIT I SIGNIFICANTLY UP ON PREVIOUS YEAR'S RESULTS

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by around 17 % to € 276.0 million (2013: € 235.9 million).

At € 172.9 million, the operating earnings EBIT I of the Salt business unit in 2014 were up € 55.1 million or

around 47 % on the previous year's figure (2013: € 117.8 million). The sharp increase in earnings is due mainly to the 'Fit for the Future' cost reduction programme. The purely weather-related earnings effects largely offset each other in Europe and North America. Operating earnings EBIT I include depreciation and amortisation of € 103.1 million (2013: € 118.1 million).

COMPLEMENTARY ACTIVITIES

REVENUES AT € 158.3 MILLION (–0.7%)

At € 158.3 million, revenues for Complementary Activities were more or less at the level of the previous year (2013: € 159.4 million). In accordance with IFRS, internal revenues deriving from services rendered to K+S GROUP companies are not included in these figures. If these internal revenues are included, total revenues for the reporting year amounted to € 190.2 million (2013: € 192.6 million). / FIG: 2.11.5, 2.11.6 / TAB: 2.11.7, 2.11.8

/ AN OVERVIEW OF THE INDIVIDUAL AREAS OF ACTIVITY can be found on page 28.

Revenues for the Waste Management and Recycling segment rose to € 90.5 million in the reporting year (2013: € 89.6 million), while revenues in CK (Trading) of € 17.5 million matched the level in the previous year (2013: € 17.8 million). Revenues for the Animal Hygiene Products segment rose to € 39.5 million (2013: € 39.0 million); revenues for K+S TRANSPORT GMBH were down to € 10.8 million (2013: € 13.0 million) mainly due to volumes.

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES¹

TAB: 2.11.6

		Q1/14	Q2/14	Q3/14	Q4/14	2014	2013	%
De-icing salt								
Revenues	€ million	396.6	46.0	80.1	245.2	767.9	753.4	+1.9
Sales volume	t million	8.15	0.98	1.55	3.70	14.38	13.79	+4.3
Average price	€/t	48.7	47.1	51.8	66.1	53.4	54.6	–2.2
Industrial salt, salt for chemical use and food grade salt								
Revenues	€ million	230.4	227.3	243.7	258.5	959.9	931.6	+3.0
Sales volume	t million	2.28	2.22	2.34	2.40	9.24	9.02	+2.5
Average price	€/t	100.9	102.4	104.1	107.9	103.9	103.3	+0.6

¹ Revenues include prices both inclusive and exclusive of freight costs. Prices are also affected by exchange rate changes and the respective product mix and should therefore be taken as a rough indication only.

EBITDA AND OPERATING EARNINGS EBIT I

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for Complementary Activities amounted to € 34.3 million in the reporting year and were therefore up € 2.6 million, or 8%, on the level of the previous year (2013: € 31.7 million). Operating earnings EBIT I fell to € 24.2 million (2013: € 24.7 million). Whilst the operating earnings of the Waste Management and Recycling segment increased on account of volumes, figures for K+S TRANSPORT GMBH and the Animal Hygiene Products segment were below those recorded in the previous year. The EBIT I of CFK (Trading) remained stable. Depreciation and amortisation amounted to € 10.1 million in 2014, around € 3 million more than in the previous year (2013: € 7.0 million) due to a special write-off of a terminal area at the Philipsthal site.

/ THE 'ASSESSMENT OF THE CURRENT FINANCIAL SITUATION BY THE BOARD OF EXECUTIVE DIRECTORS' can be found on page 98.

VARIANCE ANALYSIS

TAB: 2.11.7

	2014
in %	
Change in revenues	-0.7
– volume/structure-related	-0.6
– price/pricing-related	-0.1
– currency-related	–
– consolidation-related	–
Waste Management and Recycling	+1.0
K+S Transport GmbH	-16.9
Animal Hygiene Products	+1.3
CFK (Trading)	-1.7

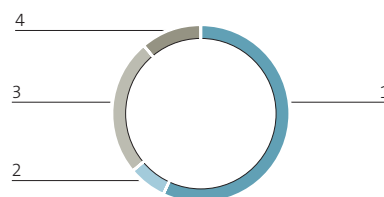
KEY FIGURES

TAB: 2.11.8

	Q1/14	Q2/14	Q3/14	Q4/14	2014	2013	%
in € million							
Revenues	40.3	36.9	40.9	40.2	158.3	159.4	-0.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	9.8	7.4	9.9	7.2	34.3	31.7	+8.2
Operating earnings (EBIT I)	8.0	5.6	7.9	2.7	24.2	24.7	-2.1
Capital expenditure	0.5	0.7	2.2	1.7	5.1	3.4	+50.0
Employees as at reporting date (number)	296	292	290	–	289	293	-1.2

REVENUES BY UNIT

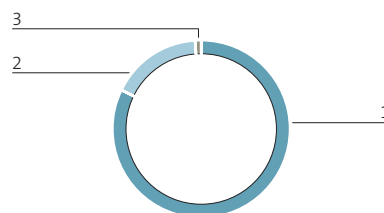
FIG: 2.11.5



	2014	2013
in %		
1 Waste Management and Recycling	57.2	56.2
2 K+S Transport GmbH	6.8	8.1
3 Animal Hygiene Products	25.0	24.5
4 CFK (Trading)	11.0	11.2

REVENUES BY REGION

FIG: 2.11.6



	2014	2013
in %		
1 Germany	83.0	82.7
2 Rest of Europe	16.7	16.9
3 Asia	0.3	0.4

2.12 RISK AND OPPORTUNITY REPORT

The K+S GROUP regularly encounters circumstances that may have both a negative (risk) and a positive (opportunity) impact on the assets, liabilities, financial position and earnings position. We define risks as the possible occurrence of internal and external events, which may adversely affect the achievement of our short- and mid-term goals as well as our strategic goals. 'Opportunities' are essentially viewed as potential future internal and external developments or events that may have a positive impact on the achievement of our business and financial objectives. The potential for both risk and opportunity can therefore lead to deviations from our planning.

/ AN EXPLANATION OF RISK AND OPPORTUNITY MANAGEMENT can be found in the Declaration on Corporate Governance in the 'Corporate Governance' section on page 43.

RISK AND OPPORTUNITY MANAGEMENT PROCESS

IDENTIFICATION OF RISKS AND OPPORTUNITIES

Risks and opportunities are generally identified in the respective corporate departments using various tools. We look closely at analyses of markets and competition, evaluate information from customers, suppliers and institutions, relevant revenue and cost elements and observe risk indicators and success factors from the economic, legal and political environment.

EVALUATION OF RISKS AND OPPORTUNITIES

Standard methods are used to assess the risks and opportunities identified. This allows the appropriate setting of priorities and allocation of resources. Assessing risks and opportunities falls under the remit of the corporate department managers. Risks and opportunities are assessed quantitatively, firstly in terms of the likelihood of their materialisation and secondly in terms of potential financial impact.

The potential for gross and net loss is assessed in terms of financial impact for each risk. Net loss potential includes effects arising from counter-measures. If the gross loss potential can be reliably reduced by implementing effective and appropriate measures, the focus of consideration will be on the net loss potential recognised in profit or loss. Risks are assessed both for the current year and for a planning interval of a subsequent two years.

To assess their financial impact, each opportunity is examined in terms of its feasibility, economic efficiency and any risks that may be associated with it. The potential for opportunity only applies to the net perspective. The assessment periods are exactly the same as those used for risk assessment.

MANAGEMENT OF RISKS AND OPPORTUNITIES

One component of risk management is the development of suitable counter-measures taking account of alternative risk scenarios with the aim of reducing the

impact or the likelihood of materialisation. The decision whether to implement such measures also takes account of the actual costs required. Risks can be transferred to a third party here (by taking out insurance, for example). Suitable measures are also specifically sought, followed up and implemented in order to exploit opportunities.

REPORTING OF RISKS AND OPPORTUNITIES

Risk and opportunity reporting is based on a threshold concept. This involves the corporate departments reporting risks and opportunities to the Board of Executive Directors and responsible management regardless of their likelihood of materialisation, if defined thresholds for gross or net loss potential as well as the potential for opportunity are reached.

In the context of risk reporting, risks of similar type are combined at Group level upwards of a net loss potential of € 10 million. The same applies to the reporting of opportunities.

Risks and opportunities with a likelihood of materialisation of over 50% are taken into consideration in the annual forecast and mid-term planning with a corresponding deduction from or surcharge on earnings and are therefore not the subject of risk and opportunity reporting.

Every quarter, the Board of Executive Directors and the relevant managers receive an overview of the current

risk situation as part of standard reporting. Significant risks that arise in the short term are communicated directly to the Board of Executive Directors, immediately if these are urgent. The Supervisory Board is also briefed by the Board of Executive Directors on a regular basis and in a timely manner and immediately in urgent cases.

Potential for opportunities is reported once a year.

RISK MANAGEMENT IN RELATION TO THE UTILISATION OF FINANCIAL INSTRUMENTS (IFRS 7)

The K+S GROUP aims to limit financial risks (for example, exchange rate risk, interest rate risk, risk of default and liquidity risk) through special management. To this end, centralised finance management has been set up in K+S AKTIENGESELLSCHAFT. Moreover, the K+S GROUP manages its capital structure in order to secure the financing of company operations and investment activities at all times and in the long term.

/ A MORE DETAILED EXPLANATION ON THE MANAGEMENT OF THE CAPITAL STRUCTURE can be found in the 'Financial Position' section on page 73.

Our international business activities can give rise to currency-related market price risks, which we counteract through hedging transactions as part of currency man-

agement. Internal regulations determine the permitted hedging strategies as well as hedging instruments, responsibilities, processes and control mechanisms. Other market price risks may result from changes in interest rates. Similar regulations apply insofar as derivative financial instruments are used in a targeted way for this purpose. Financial transactions are only conducted with appropriate banks. The suitability of partners and compliance with position limits are constantly reviewed through regular monitoring. A balanced distribution of derivative financial instruments across various banking institutions is implemented to further limit the risk of default. The instruments selected are used exclusively to secure underlying transactions, but are not used for trading or speculation purposes. Hedging transactions are entered into, firstly, for already existing underlying transactions. Our intention here is to largely avoid exchange rate risks arising from recognised underlying transactions (normally receivables). Secondly, we enter into hedging transactions for future business, which can be anticipated with a high level of probability based on empirically reliable findings (forecast hedges). **/ A MORE DETAILED EXPLANATION OF HEDGING TRANSACTIONS** can be found in the Presentation of Exchange Rate Risks on page 92 and in the Notes to the consolidated financial statements on page 127.

COMPANY RISKS

Risks with a significant or moderate net loss potential that could impact the earnings, financial and asset position of the K+S GROUP during the mid-term planning period (2015–2017) and have not yet been taken into account in planning since their likelihood of materialisation has been assessed as no more than 50%, are listed and described in the following section:

- + Significant net loss potential: > € 200 million
- + Moderate net loss potential: € 10–200 million

The likelihood of materialisation of these risks is differentiated as follows:

- + Possible: 5–50%
- + Unlikely: < 5%

A change in the framework conditions in comparison to the assumptions made in our mid-term planning may result in a reassessment of risks in due course, which will then be communicated accordingly as part of our interim reporting. Some of these risks are accompanied by corresponding opportunities.

/ A MORE DETAILED EXPLANATION OF OPPORTUNITIES can be found on page 96.

COMPARISON WITH THE PREVIOUS PERIOD

Tables 2.12.1 and 2.12.2 on pages 88 and 94 provide an overview of the risks with the potential for significant or moderate net loss, their likelihood of materialisation

as well as their impact on the earnings, financial and asset position of the K+S GROUP.

Essentially, there has been no further evaluation with regard to the likelihood of materialisation and/or the potential impact of the risks already reported in the pre-

vious year. Risks arising from a change to, refusal or revocation by a court of official licences and permits for the disposal of saline wastewater or solid production residues have been combined. Due to an increase in expected revenues in USD following the commissioning of our new Legacy production facility, risks arising from exchange

rate fluctuations may have significant impact. New risks arise due to the increase in requirements regarding the outdoor storage of de-icing salt in North America on the one hand, and due to a lawsuit in the US on the other.

OVERVIEW OF COMPANY RISKS WITH SIGNIFICANT FINANCIAL IMPACT

TAB: 2.12.1

	Likelihood of materialisation
External and sector-specific risks	
Risks arising from macroeconomic development	possible
Risks arising from increased supply/reduced demand	possible
Risks arising from a weather-related decrease in demand	possible
Changes in the legal environment	
Risks arising from management planning in accordance with the Water Framework Directive or a change to, refusal or revocation by a court of official licences or permits for the disposal of liquid and solid production residues	possible
Risks arising from increased in requirements regarding the outdoor storage of de-icing salt in North America	possible
Operational and strategic risks	
Risks arising from the Legacy project	possible
Risks arising from damage due to rock bursts	unlikely
Risks arising from water ingress	unlikely
Compliance risks	unlikely
Financial risks	
Currency risks	possible
Liquidity risks	unlikely

COMPANY RISKS WITH SIGNIFICANT FINANCIAL IMPACT

/ TAB: 2.12.1

EXTERNAL AND SECTOR-SPECIFIC RISKS

RISKS ARISING FROM MACROECONOMIC DEVELOPMENT

Demand for potash and magnesium products is influenced by economic growth and the associated rising standards of living in the regions relevant to us, trends in soft commodity prices and in part also by political decisions in some consumer countries.

The international prices of agricultural products should, in our opinion, remain at a level that is lucrative for the agricultural sector. Consequently, an incentive should be given for farmers to increase their yield per hectare also through optimum use of plant nutrients. However, there is the risk both that the growth of the emerging market countries will slow down and that the sovereign debt crisis in the eurozone will intensify once again. If this should lead to agricultural prices falling to a level that triggers uncertainty among farmers about their

future income situation, it could negatively impact their demand for plant nutrients.

We would respond to such a situation with needs-based production management where appropriate. Moreover, the expansion of our sales areas reduces our dependence on regional developments.

The impact on the Company depends on the duration and intensity of this possible scenario. By contrast, the impact of the general economic situation on demand for de-icing, food grade and industrial salts is of minor importance, since this business is largely independent of economic conditions.

RISKS ARISING FROM INCREASED SUPPLY/REDUCED DEMAND

Primarily products from our Potash and Magnesium Products business unit may be threatened by considerable decreases in demand as a result of external influences.

On the supply side, negative changes could arise as a result of capacity expansion. Due to the estimated long-term growth in demand on the global potash market, existing producers have begun to expand their production capacities or have already done so. Should the market not be ready to absorb all of these additional volumes, this could increase competitive pressure. Similar effects could arise on the demand side as

a result of a further consolidation of significant buyers or deliberate buying restraint on the part of our customers.

Both major changes in capacity and its utilisation as well as decreases in demand could substantially affect pricing and/or sales prospects. This may disrupt the existing structure of the entire fertilizer market appreciably, even resulting in the squeezing out of supply-side competition. Consequently, a drop in potash prices and/or saleable volumes cannot be ruled out.

To increase competitiveness, we are working to further improve our cost and organisational structures. We react to volatile market conditions with needs-based production management.

The impact on the Company depends on the duration and intensity of this possible scenario. Since the development of new potash capacities is highly capital-intensive, there would be an incentive for the producers to obtain an attractive premium on the high cost of capital. We see the long-term drivers as retaining their relevance. Demand for agricultural products and thus for fertilizers depends on megatrends such as the growing world population, a rising standard of living in the emerging market countries and the development of the bioenergy sector. Plant nutrients, which increase yields and enhance quality, therefore play a key role in agricultural production.

RISKS ARISING FROM A WEATHER-RELATED DECREASE IN DEMAND

A considerable sales volume risk for the Potash and Magnesium Products as well as Salt business units may arise in particular from the seasonality of demand, especially due to the dependence on weather conditions. Prolonged cold and wet weather conditions during the spring season, which is particularly important in the case of Europe, may, for example, result in shifts in or even declining sales of plant nutrients. Likewise, mild winters in the main sales regions for de-icing salt (Europe, North America) may reduce the sales volumes for this product group considerably.

We are responding to these potential fluctuations with regional diversification, needs-based production management and flexible working hour models. We are not using special derivatives to hedge this risk because of what we still consider to be unattractive market terms for these instruments.

Such possible adverse effects due to the influence of the weather may have a moderate impact on the expected earnings when viewed over a year and make it more difficult to compare the quarterly financial statements. Should such for us negative weather conditions be repeated during the mid-term period, this could have significant adverse effects.

CHANGES IN THE LEGAL ENVIRONMENT

A large number of licences and permits are required under public law for the exercise of our activities, particularly in the areas of mining/extraction/processing and disposal of residues. The framework for the granting of these licences and permits is firmly entrenched in European and national environmental, water and mining legislation with respect to production in Germany and Europe. The importance of these legislative frameworks will increase further in the future.

There is a danger for all activities requiring approval that third parties will appeal against licences or permits after they have been granted and that these will be revoked by courts. Furthermore, extensions of existing licences and permits or new ones granted may be restricted in terms of time, permanently amended or refused or further conditions may be attached.

RISKS ARISING FROM MANAGEMENT PLANNING IN ACCORDANCE WITH THE WATER FRAMEWORK DIRECTIVE OR A CHANGE, REFUSAL OR REVOCATION BY A COURT OF OFFICIAL LICENCES FOR THE DISPOSAL OF LIQUID AND SOLID PRODUCTION RESIDUES

In the Potash and Magnesium Products business unit, liquid residues (saline wastewater) as well as solid residues arise both from current production and as a result of rainfall on the tailing piles. The solid residues are either placed onto our tailing piles or placed under-

ground. Saline wastewater is discharged into rivers and some is injected into underground layers of rock (flat layers of dolomite).

The river basin management plans based on the European Water Framework Directive and German water legislation impose significant framework conditions for the above-mentioned means of disposal of residues from production at the German sites. River basin management plans for the second river basin management period 2015–2021 are currently being prepared by the river authorities. The final river basin management plans must be sent to the EU Commission by the end of 2015.

Public and political debate about the existing or in future even higher requirements for environmental compatibility of the processes used in the production of potash and magnesium products and the means of disposal required in this context may influence river basin management planning consultations and the subsequent granting and retaining of operating licences, planning decisions approving public works and water permits.

/ FURTHER INFORMATION ON MEASURES FOR WATER PROTECTION can be found on page 76.

At present, all residues can be disposed of on the basis of existing licences at the Hattorf, Unterbreizbach and Wintershall sites on the Werra and Fulda (Werra plant)

as well as at the Neuhof-Ellers plant with a joint share of the total potash production capacity of the Potash and Magnesium Products business unit of approximately 45 %. An injection permit has been granted until 30 November 2015 for injecting saline wastewater into the flat layers of dolomite. The discharge of saline wastewater into the Werra is currently approved until the end of December 2020.

If, contrary to expectations, circumstances arise that give cause to fear an adverse effect on drinking or usable groundwater resources, or if appeals against existing permits were to be successful, this could lead to existing permits being restricted or withdrawn. The resulting consequences may lead to significant additional costs and/or considerable production cuts at the plants affected.

If licences and permits for the stockpiling of residues are revoked or necessary projects for the expansion of tailing piles are not approved or are only approved subject to unreasonably high requirements, it will not be possible to dispose of these residues. We consider the complete refusal or the withdrawal of all existing licences and permits for the stockpiling of solid residues to be unlikely, as there is governmental and broad political support in the Federal states relevant to us for the preservation of potash mining in Germany.

However, we consider it possible that individual licences and permits that are due to expire will not be extended or will only be granted to a limited extent. In the worst case scenario, this could result in the cessation of production and possibly the closure of the sites affected with considerable negative staffing consequences. This, in turn, would result in long-term significant adverse effects on the earnings, financial and asset position of the K+S GROUP.

RISKS ARISING FROM INCREASED REQUIREMENTS REGARDING THE OUTDOOR STORAGE OF DE-ICING SALT IN NORTH AMERICA

There have been no special environmental protection requirements regarding the outdoor storage of de-icing salt in North America to date. However, more and more individual states and local authorities are now moving towards defining corresponding mandatory standards.

We have therefore begun a review of owned and leased warehouse sites in conjunction with environment experts in terms of their compliance with the new local requirements.

We consider it possible, as a result of these reviews, that comprehensive measures will be required, including indoor storage.

OPERATIONAL AND STRATEGIC RISKS

RISKS ARISING FROM THE LEGACY PROJECT

K+S POTASH CANADA is currently building a new solution mine in the Canadian province of Saskatchewan (Legacy). The production facilities are being constructed in a phase lasting several years and involving many different risks. All assumptions and estimates made in respect of the project are subject to potential business, economic, legal, political and social uncertainties over the course of time. Factors which could have a serious effect in the construction phase would lead among other things to increases in costs and delays in project implementation.

The detail engineering for the project, which was also produced with support from external specialists, is for the most part finished and most of the construction contracts have been awarded to well-known companies. The scheduled implementation will be ensured by an experienced project management team as well as efficient project organisation. A thorough controlling process and regular reporting will ensure that deviations can be identified early and appropriate counter-measures introduced in a timely manner. Moreover, implementation of the project will be optimised on an ongoing basis and residual risks identified.

If, as the project progresses, significant deviations should arise in relation to the assumptions made as part of the basic and detail engineering, this could

increase the capital requirement significantly. This would initially lead to higher payment outflows and bring about higher depreciation and amortisation in the future. Economic efficiency would also deteriorate if the increase in the capital requirement could not be compensated for by operating cost savings or improved operating business. Furthermore, in the construction phase, a delay or legislative approval influences may lead to the expected production volume only being available at a later point in time. Insofar as both these risk factors materialise in combination with each other and depending on the length of the delay and the amount of additional capital required, this could have a significant impact. A materialisation of the risk cannot be ruled out due to the size of the project, and is therefore possible. Negative effects of a delay would materialise in 2016 at the earliest.

RISKS ARISING FROM DAMAGE DUE TO ROCK BURSTS

There is the specific risk at active and inactive mining sites of a sudden subsidence of the earth's surface over a large area that could, in certain circumstances, be severe (rock burst).

Our professional dimensioning of the safety pillars in the mine workings based on comprehensive research work serves to secure the stability of the earth's surface over a longer period of time, and therefore to prevent rock bursts at active sites. After the closure of a site,

preservation measures are carried out, for which appropriate provisions have been made. A constant monitoring of the mine workings provides timely indications, where appropriate, of whether additional measures for the protection of the mine workings and the prevention of damage resulting from mining are necessary.

If a rock burst occurs, in addition to the partial or complete loss of the mine and damage to equipment, it could also result in considerable damage to the property of third parties and in personal injury or death. In our opinion, however, the occurrence of such an event is unlikely.

RISKS ARISING FROM WATER INGRESS

Hydrogeological risks generally exist in underground mining operations.

Extensive exploration work is carried out by means of seismology, drilling and ground-penetrating radar in order to secure the mines. The preservation of protective layers and the adequate dimensioning of safety pillars ensure the best possible mine safety. Ongoing, scheduled maintenance activities on the shafts ensure that the risk of groundwater ingress can usually be virtually ruled out. Because the top of a shaft is in a high position, surface water is not expected to gain access to mine workings even if flooding occurs.

If these cannot be controlled, hydrogeological risks could cause significant damage. However, based on our com-

prehensive precautionary measures, we consider the materialisation of this risk to be unlikely.

COMPLIANCE RISKS

There is a risk that bodies or employees of the K+S GROUP companies may breach laws, internal regulations or regulatory standards recognised by the Company with the consequence that the Company suffers the loss of assets or damage to its reputation.

We have established a Group-wide compliance organisation and a compliance programme, which counters breaches of compliance, including through training on the significant risk areas (for example, anti-trust law and competition law, corruption and money laundering).

We consider breaches of compliance with significant effects on the earnings, financial and asset position to be unlikely.

/ A DETAILED PRESENTATION OF OUR COMPLIANCE SYSTEM can be found in the 'Corporate Governance' section on page 43.

FINANCIAL RISKS

CURRENCY RISKS

A currency risk results from transactions which are not effected in the currency of our Group reporting (the euro). In the case of this risk, we draw a distinction between transaction and translation risks.

In 2014, the proportion of revenues invoiced in euros and in US dollars was fairly balanced. In addition to this, revenues on a lesser scale were also generated in other national currencies (for example, Canadian dollar, Chilean peso and pound sterling). Our earnings are therefore exposed to exchange rate fluctuations. This can lead to the value of the service performed not matching the value of the consideration received in transactions, because income and expenditure arise at different times in different currencies (transaction risks). Exchange rate fluctuations, especially in relation to the US dollar, so far affect the Potash and Magnesium Products business unit, particularly in relation to the level of earnings and receivables. As a result of the capital expenditure of our subsidiary K+S POTASH CANADA in the Legacy Project, the US dollar net position is temporarily reduced. At the same time, however, this gives rise to appreciable risks arising from trends in the exchange rate of the Canadian dollar.

Furthermore, currency effects arise in relation to subsidiaries whose functional currency is not the euro (translation risks), since the earnings of these companies calculated in a foreign currency are translated into euros at average rates and recognised in profit or loss. However, the net assets of these companies are translated into euros at spot rates. This can result in currency-related fluctuations in the equity of the K+S GROUP. These translation effects appear mainly in the Salt business unit at present. As the capital expenditure at K+S POTASH CANADA progresses, this will in turn affect the

Potash and Magnesium Products business unit more strongly.

/ MORE INFORMATION AND EXPLANATIONS ABOUT THE FOREIGN CURRENCY HEDGING SYSTEM can be found in the 'Financial Position' section on page 73, as well as in the context of risk management in relation to financial instruments on page 87 and in the note (18) 'Derivative Financial Instruments' in the Notes to the consolidated financial statements on page 140.

We use derivative financial instruments in order to counter exchange rate risks arising from transactions. Key net positions are hedged through derivatives, normally options and futures, in the context of transaction hedging. These ensure an absolute worst-case exchange rate. The volumes to be hedged are determined on the basis of revenue and cost budgeting and expected capital expenditure using safety margins and are updated on an ongoing basis in order to avoid excess hedging or hedging shortfalls.

Changes in exchange rates may have an adverse effect on the earnings, financial and asset position of the K+S GROUP. We evaluate the possible exchange rate risk as significant.

LIQUIDITY RISKS

A liquidity risk consists in the failure to procure the financial means needed to meet payment obligations or in not being able to do so in a timely manner. For this reason, the main goal of our liquidity management is to ensure the ability to make payments at any

given time. The liquidity requirement is determined by our liquidity planning and covered by liquid reserves, committed credit lines and other financing instruments.

External factors, especially a general financial crisis, could result in it not being possible to replace credit lines or bonds on acceptable commercial terms if the need should arise. There would then be a risk that the costs associated with procuring liquidity would rise.

Liquidity is managed by the central treasury department using cash pool systems. As of 31 December 2014, the available liquidity amounted to € 1,943.3 million, and consisted of short-term investments with maturities of up to one year and liquid reserves as well as an undrawn syndicated credit line of € 1 billion running until 2019. The available liquidity was therefore significantly above our targeted minimum reserve of € 300 million. In the case of investments, we pursue the goal of optimising the income earned from liquid reserves at low risk. The suitability of partners is monitored to this end. There is no particular dependency on any individual lenders.

/ MORE ABOUT THE MATURITY PROFILE OF OUR FINANCIAL LIABILITIES can be found in the Notes to the consolidated financial statements under note (25) 'Financial liabilities' on page 153.

With regard to the maturity profile of our liabilities and expected future cash flows, we regard a signifi-

cant liquidity or financing risk for the K+S GROUP as unlikely.

COMPANY RISKS WITH MODERATE FINANCIAL EFFECTS

/ TAB: 2.12.2

CHANGES IN THE LEGAL ENVIRONMENT

RISKS ARISING FROM THE REQUIREMENT FOR COLLATERAL SECURITY UNDER MINING LAW

The requirement for insolvency-proof collateral security under mining law is subject to the dutiful discretion of the acting authorities; collateral security is currently usually provided through declarations of backing or group guarantees. In terms of proportionality, there are no grounds for other collateral security in our opinion. If collateral security had to be lodged, funds would be tied up and this could limit the Company's financial leeway.

RISKS ARISING FROM THE CHANGE IN WORKPLACE LIMITS

The implementation of proposals by the EU Commission on setting indicative workplace limits for nitrogen monoxide (NO), nitrogen dioxide (NO₂) and carbon monoxide (CO) could pose possible risks to our mining activities in Germany, if these limits do take sufficient account of the underground production conditions. If these threshold values were lowered significantly, additional operating

OVERVIEW OF COMPANY RISKS WITH MODERATE FINANCIAL EFFECTS

TAB: 2.12.2

	Likelihood of materialisation
Changes in the legal environment	
Risks arising from the requirement for collateral security under mining law	possible
Risks arising from the change in workplace limits	possible
Operational and strategic risks	
Risks arising from a loss of suppliers and supply bottlenecks	unlikely
Risks relating to energy costs and energy supply	possible
Risks relating to freight costs and availability of transport capacity	possible
Production-related risks	possible
Risks arising from carbon dioxide pockets in deposits	possible
Risks relating to Human Resources	possible
IT security risks	unlikely
Litigation risks	unlikely
Financial risks	
Risks arising from a change in the general interest rate level	possible
Risks arising from default on receivables from customers	unlikely
Risk of default in financial transactions	unlikely
Risks arising from a downgrading of the company rating	possible

measures and capital expenditure could become necessary in order to comply with these values.

OPERATIONAL AND STRATEGIC RISKS**RISKS ARISING FROM A LOSS OF SUPPLIERS AND SUPPLY BOTTLENECKS**

The number of suppliers for raw materials, consumables and supplies is limited. Supply bottlenecks, non-delivery or delivery boycotts, on which we only have very little influence or no influence at all, could result in the lim-

ited availability of raw materials, consumables and supplies, as well as technical equipment and spare parts specific to mining, and thus to a significant increase in costs or to adverse effects on production.

RISKS RELATING TO ENERGY COSTS AND ENERGY SUPPLY

The energy costs of the K+S GROUP are determined particularly by the consumption of natural gas. This applies in varying degrees to all corporate departments. Energy prices are often subject to sharp fluctuations. Significant energy price rises in comparison to the current price level cannot be ruled out in the future.

The procurement of electricity from third parties only plays a minor role because of the large amount of electricity we generate ourselves. A further increase in the EEG surcharge (German Renewable Energy Act – EEG) as well as the impending, logically incomprehensible, first-time levying of the EEG surcharge on self-generated electricity could result in cost increases if the EEG is amended.

RISKS RELATING TO FREIGHT COSTS AND AVAILABILITY OF TRANSPORT CAPACITY

Our total costs are also influenced by freight costs to a considerable degree. A considerable proportion of our products in terms of quantity has, in some cases, to be transported to the customer over long distances. A reduced availability of freight capacity could result

in higher costs. Furthermore, considerable additional costs arise in the event of increases in mineral oil prices. Moreover, the heavy reliance of our business operations on transport makes us highly dependent on the respective infrastructure facilities such as ports, roads, railway lines and loading stations. A breakdown or a bottleneck could restrict the sales prospects and thus production.

PRODUCTION-RELATED RISKS

As a result of operational and accident risks to which facilities, production plants, storage and loading facilities are exposed, business interruptions may occur and personal injury, damage to property and impact on the environment caused.

RISKS ARISING FROM CARBON DIOXIDE POCKETS IN DEPOSITS

Carbon dioxide pockets constitute a latent potential danger in certain mines. Despite our comprehensive safety measures, carbon dioxide may escape from these pockets in an uncontrolled manner. Consequently, there is the potential risk of production restrictions/stoppages as well as personal injury and damage to property.

RISKS RELATING TO HUMAN RESOURCES

Competition for qualified managers and specialists is fierce in all the regions in which we operate. This currently applies to the expansion of our business activities in Canada to develop new production capacities.

The loss of key employees in strategic positions could constitute a risk. Our future success partly depends on the extent to which we succeed in the long term in engaging and integrating specialist personnel (for example, engineers) and retaining their services to the Company, and in adequately filling management positions. Moreover, we will be facing demographic challenges in the future, especially in Europe and North America. This increases the risk that suitable applicants for vacancies will not be found or that it will take time to find them.

IT SECURITY RISKS

Our IT systems support almost all Company functions to a high degree. The IT security risk lies in the loss of the availability, integrity, confidentiality and authenticity of data due to external attacks (for example, hackers, viruses) and internal risks (for example, technical failure, sabotage) and could lead to serious interruptions to business. We consider a prolonged failure of the IT systems to be unlikely because of our precautionary measures.

LITIGATION RISKS

In the US State of Ohio, there was a suit brought against MORTON SALT, INC. and one of its competitors alleging anticompetitive behavior, namely allocation of customers resulting in higher prices for road deicing salt in Ohio. MORTON denies the allegations in their entirety

and will vigorously defend the case during the trial set for May 2015.

FINANCIAL RISKS

RISKS ARISING FROM A CHANGE IN THE GENERAL INTEREST RATE LEVEL

Interest risks arise as a result of changes in the general interest rate level. On the one hand, changes in market interest rates have an effect on future interest payments for liabilities with variable interest, as well as on interest income for investments with variable interest. On the other hand, the market values of financial instruments are affected. However, due to the current financing structure, no negative effects are expected.

/ INFORMATION REGARDING THE CHANGE IN GROUP EARNINGS depending on the change in interest rates can be found in the Notes to the consolidated financial statements on page 156.

RISKS ARISING FROM DEFAULT ON RECEIVABLES FROM CUSTOMERS

We maintain comprehensive business relationships with many customers. If one or more major customers is/are not in a position to fulfil their contractual payment obligations towards us, this could result in corresponding losses for us, which could have an adverse effect on the financial position of the K+S GROUP. Risks arising from payment default are covered across the Group mainly by bad debt insurance. We only waive security against non-payment following a critical review of the customer relationship and the approval

of the responsible member of the Board of Executive Directors.

/ FURTHER INFORMATION ON ALLOWANCES AND OVERDUE RECEIVABLES can be found in the Notes on page 138.

RISK OF DEFAULT IN FINANCIAL TRANSACTIONS

Default risks also exist in relation to partners with which we have concluded hedging transactions, set up credit lines or invested money. A potential failure of a bank or another partner could have an adverse effect on the financial position of the K+S GROUP.

RISKS ARISING FROM A DOWNGRADING OF THE COMPANY RATING

Ratings are used to assess the creditworthiness of companies and are normally issued by external rating agencies. A rating provides indications of the ability of companies to pay, particularly for credit institutions and institutional investors. It cannot be ruled out that the rating agencies might downgrade the K+S GROUP's credit rating. A downgrade could have a negative impact on the costs of (re-)financing for the K+S GROUP. The K+S GROUP has currently asked rating agency STANDARD&POOR's to publish ratings.

/ TAB: 2.12.3

/ FURTHER INFORMATION ABOUT STRATEGIC FINANCING MEASURES can be found on page 58 and the goals of financial management on page 73.

COMPANY OPPORTUNITIES

Important opportunities which could impact the earnings, financial and asset position of the K+S GROUP during the mid-term planning period (three years) and have not yet been taken into account in planning are listed and described in the following section:

- + Significant financial impact: > € 200 million
- + Moderate financial impact: € 10–200 million

The likelihood of materialisation of these opportunities is differentiated as follows:

- + Possible: 5–50 %
- + Unlikely: < 5 %

A change in the framework conditions in comparison to the assumptions made in our mid-term planning may result in a reassessment of opportunities in due course, which is then communicated accordingly in our interim reporting. Some of our opportunities are also accompanied by risks depending on developments in external framework conditions.

/ A MORE DETAILED EXPLANATION OF THE RISKS can be found on page 87.

COMPARISON WITH THE PREVIOUS PERIOD

Compared with the opportunities reported in previous years, there are no changes in the likelihood of materialisation and/or potential financial impact. No new opportunities have been identified. **/ TAB: 2.12.4**

DEVELOPMENT OF CREDIT RATINGS TAB: 2.12.3

Date	Rating	Outlook
Standard & Poor's		
29 Oct. 14	BBB	negative
29 Apr. 14	BBB	negative
18 Nov. 13	BBB	negative
5 Aug. 13	BBB+	negative
26 Apr. 13	BBB+	stable

OPPORTUNITIES WITH SIGNIFICANT IMPACT

OPPORTUNITIES ARISING FROM MACROECONOMIC DEVELOPMENTS

The future macroeconomic situation described on page 98 of this report has a bearing on our business, our financial and earnings position as well as our cash flow. The mid-term planning of the K+S GROUP is based on the expectations stated in the forecast report and therefore, the assessment of the future macroeconomic situation is channelled directly into the forecast for 2015. Should the global economy develop better than expected and growth prove to be higher, especially in our main sales regions of Europe, North America, Brazil and South East Asia, significant positive variance in relation to planning is possible.

OVERVIEW OF COMPANY OPPORTUNITIES

TAB: 2.12.4

	Likelihood of materialisation	Possible financial effects
External and sector-specific opportunities		
Opportunities arising from macroeconomic developments	possible	significant
Opportunities arising from a weather-related increase in demand	possible	moderate
Opportunities arising from a demand-related price increase	possible	significant
Operational opportunities		
Opportunities arising from a reduction in energy costs	possible	moderate
Opportunities arising from a reduction in freight costs	possible	moderate
Financial opportunities		
Opportunities due to exchange rate fluctuations	possible	moderate
Opportunities arising from a change in the general interest rate level	possible	moderate
Opportunities arising from an improvement in the Company rating	possible	moderate

OPPORTUNITIES ARISING FROM A DEMAND-RELATED PRICE INCREASE

The historically relatively low ratio of stocks of important agricultural products to annual consumption could be reflected in the long-term in a relatively high price level for agricultural products. This in turn may encourage farmers worldwide to utilise any additional available uncultivated land and to increase the intensity of existing cultivation. Both these elements require greater use of plant nutrients and could in future result in global demand for potash fertilizers rising faster than forecasted. This possible scenario could result in a price increase for products containing potassium and con-

sequently in a significant positive variance in relation to planning.

OPPORTUNITIES WITH MODERATE IMPACT

OPPORTUNITIES ARISING FROM A WEATHER-RELATED INCREASE IN DEMAND

In the Salt business unit, the weather in the de-icing salt regions of Europe and North America is of particular relevance. Our planning in this respect is based on the rolling average for the past ten years. Above average severe winters in the de-icing salt regions of the K+S GROUP are possible and could have a moderate

financial effect on the development of Company revenues and earnings when viewed over a year. Should such weather conditions be repeated during the mid-term period, this could have significant positive variance in relation to planning. We consider such a scenario as unlikely.

OPERATIONAL OPPORTUNITIES

An unexpectedly positive development of freight and energy costs also presents an opportunity for K+S, although we only rate the financial impact as moderate at present.

FINANCIAL OPPORTUNITIES

Favourable exchange rate and interest rate developments may have a positive impact on earnings and cash flow. The EUR/USD currency relationship is fundamentally important, since potash sales in particular, with the exception of the eurozone and a few overseas regions, are invoiced in US dollars. The EUR/CAD currency relationship is becoming increasingly important for our activities in Canada. Currency effects arising from the conversion of earnings, which are not in euro, into the functional currency of the K+S GROUP (the euro) may also have a positive impact on earnings. We consider the financial opportunities arising both from favourable exchange rate developments and from a change in the general interest rate level, and an improvement in the Company's rating to be possible, but only with a moderate impact at present.

/ A MORE DETAILED EXPLANATION OF THE SECURING OF CAPITAL EXPENDITURE FOR THE LEGACY PROJECT can be found on page 74.

ASSESSMENT OF THE OVERALL RISK SITUATION BY THE BOARD OF EXECUTIVE DIRECTORS

Overall risk is assessed on the basis of the findings of our risk management system in conjunction with the planning, management and monitoring systems in place. Future opportunities have not been considered in the assessment of overall risk:

The overall risk situation of the K+S GROUP is largely unchanged in relation to the previous year. The main risks to the future development of the K+S GROUP particularly include risks arising from increased supply or lower demand, causing, among other things, the price level for potash and/or saleable volumes to come under considerable pressure, risks stemming from a change to, refusal or withdrawal of licences or permits for the disposal of saline wastewater and solid production residues, and risks arising from the Legacy Project. With regard to the respective likelihood of materialisation and the potential financial impact of the risks discussed, and on the basis of the findings of our mid-term planning, the Board of Executive Directors does not at the present time expect any future development where the risks, whether individually or in conjunction with other risks,

could have a lasting and adverse influence on the earnings, financial and asset position of the K+S GROUP that could jeopardise its existence.

2.13 SUBSEQUENT EVENTS

No further significant changes have occurred in the economic environment or in the position of the industry since the end of the financial year.

2.14 ASSESSMENT OF THE CURRENT ECONOMIC SITUATION BY THE BOARD OF EXECUTIVE DIRECTORS¹

The start of 2014 for the K+S GROUP was marked by huge uncertainty due to the aftermath of 30 July 2013 which caused a significant drop in the price of potassium chloride. In spite of these adverse conditions, K+S generated annual revenues of € 3.82 billion just below the level of the previous year of € 3.95 billion. Higher sales volume in the Salt business unit resulting from the above-average wintry weather conditions in North America only partially offset the price falls in the Potash and Magnesium Products business unit. The multiple year compar-

ison shows that operating earnings still clearly reflect the aftermath of the upheaval on the potash market. However, with EBIT 1 of € 641.3 million we exceeded the original forecast for 2014 (2013: € 655.9 million). Adjusted earnings per share reached € 1.92 compared with € 2.27 in the previous year.

In the Salt business unit, the new financial year began with different developments in the various regions. Whilst volumes in North America had been average to date, there was a subdued start to the winter in Europe. The US dollar that was stronger at the beginning of the year had a positive effect on our revenues generated in this currency.

2.15 FORECAST REPORT

FUTURE MACROECONOMIC SITUATION

The following discussion about the future macroeconomic situation is based on the assessments of the INTERNATIONAL MONETARY FUND (World Economic Outlook, October 2014; World Economic Outlook Update, January 2015) and of the KIEL INSTITUTE FOR THE WORLD ECONOMY (Kiel Discussion Papers: World Economic Trends Winter 2014, December 2014).

/ TAB: 2.15.1

¹ As at: 27 February 2015.

Global economic growth should increase in 2015. The EUROPEAN CENTRAL BANK'S expansionary monetary policy and low energy prices should lead to higher production capacity utilisation in the eurozone. This will be accompanied by structural problems such as continuing high unemployment in parts of the currency zone. In these circumstances, the INTERNATIONAL MONETARY FUND is assuming a growth rate in the gross domestic product of 1.8 % for 2015.

As far as the United States is concerned, the KIEL INSTITUTE FOR THE WORLD ECONOMY is expecting consolidation of private consumption and increasing domestic demand due to falling unemployment figures. The corporate capital expenditure should also gain momentum given the good sales prospects both at home and abroad. The financing conditions should remain favourable. In view of these framework conditions, the INTERNATIONAL MONETARY FUND is anticipating a growth rate of 3.6 % for production in 2015.

The developing and emerging market countries should benefit from greater demand from the developed economies. The continued expansionary economic policy and existing programmes to stimulate the economy should also provide support. In some emerging market countries, however, an economic slowdown and the relative weakness of the domestic currency could have a negative effect. Overall, the INTERNATIONAL MONETARY FUND assumes growth in global domestic product of 3.5 % in its forecasts for 2015.

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT

TAB: 2.15.1

	2015e	2014	2013	2012	2011
in %; real					
Germany	+1.3	+1.5	+0.2	+0.9	+3.4
European Union (EU-28)	+1.8	+1.4	+0.2	-0.3	+1.7
World	+3.5	+3.3	+3.3	+3.2	+3.9

Source: IMF

FUTURE INDUSTRY SITUATION

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

Likewise in the future, it will only be possible to meet the increasing demand for soft commodities owing to a constantly growing global population and changing eating habits when arable land is in limited supply by intensifying farming. A balanced use of mineral plant nutrients is crucial here and should lead to trends in increased demand. At the same time, the prices of agricultural products continue to be quoted at a level that should offer sufficient incentives to raise yields per hectare through the greater use of fertilizers.

A slightly downward trend in global potash demand is expected in 2015 compared with the record level in 2014, which benefitted from particularly low initial inventories in the value chain. Potassium chloride prices recovered gradually during the reporting year and the average for 2015 should be above the level in the previous year.

SALT BUSINESS UNIT

Higher inventories and subsequently intensified price pressure in the industry and competitive environment for de-icing salt was recorded in Europe owing to the extremely mild 2013/2014 winter season. This could increase further depending on the contractual negotiations taking place during 2015 for the coming winter season. The economic situation that is still strained in parts of Europe should also have a dampening effect on demand for food grade salt, industrial salt and salt for chemical use. As Europe's largest salt producer, we are well equipped to meet the challenges arising in this market environment.

In North America, the wintry weather at the beginning of the previous year led to higher demand for de-icing salt as well as to considerable reductions in inventories there. There was a tangible increase in price in many areas as a consequence of this. At the beginning of 2015, inventories were still relatively low and demand high. This could again have a positive impact on the public tenders for the 2015/2016 season. North America is also among the most

important sales regions for the industrial salt and food grade salt segments; consumption should remain more or less stable in 2015. Demand in the chemical industry for salt for chemical use should increase in the wake of the robust US economy and lower energy costs.

Our production sites in Chile and Brazil mean that we are in a very strong initial position to participate in the growth in South and Central America. We are anticipating an increase in demand particularly in the salt for chemical use segment. In Asia we want to expand our presence in various segments of the salt market. In spite of more intense competition from India, Australia and Mexico we are well positioned with high product quality and attractive freight rates to develop this large market further.

EXPECTED DEVELOPMENT OF REVENUES AND EARNINGS

The following forecasts relate to the expected organic revenue and earnings development of the K+S GROUP.

Our assessment for 2015 as a whole is mainly based on the following assumptions:

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

- + Due to the high demand in 2014, which inter alia benefitted from catch-up effects, we are expecting a slight decline in global potash sales (2014: more than 65 million tonnes including around 4 million

tonnes of potassium sulphate and potash grades with a lower mineral content).

- + Since average prices in 2014 rose steadily from a low basis, in 2015, these should be tangibly above the level of the previous year as a whole (2014: 274 €/t). Exchange rate effects should also have a positive impact.
- + Sales volume should reach around 7 million tonnes.

SALT BUSINESS UNIT

- + The good winter weather in North America at the beginning of 2014 resulted in high sales of de-icing salt. Sales of crystallised salt in 2015 should be moderately below the level in the previous year (2014: 23.6 million tonnes) since our forecast assumes long-term average values for de-icing salt.

K+S GROUP

- + Average US dollar exchange rate for the year of 1.15 EUR / USD (2014: 1.33 EUR / USD).

REVENUES AND EARNINGS FORECAST

The revenues of the K+S GROUP in the 2015 financial year should be moderately higher than the figure for the previous year (2014: € 3,822 million). Both business units should profit from a higher year-on-year average price level and positive exchange rate effects.

The operating earnings EBITDA and EBIT I of the K+S GROUP should exceed those in the previous year significantly (2014: € 896 million and € 641 million respectively). Higher average prices in both business units and exchange rate effects in the Potash and Magnesium Products business unit should in particular have a positive influence.

Following a successful start, K+S continued with the 'Fit for the Future' programme. The sustained improvement of cost and organisational structures aims to increase the efficiency of production and administration and sales functions. We are striving for total cost savings of € 500 million between 2014 and 2016 compared with previous planning figures for this period. The programme is set to continue making a positive contribution in 2015.

Adjusted Group earnings after taxes should follow the trend in operating earnings and consequently also be significantly higher than in the previous year (2014: € 367 million). In addition to the effects already explained, an improved financial result should also contribute to this (2014: € -126 million). Relief will come essentially from lower interest expenses following the repayment of a bond in September 2014 (€ 28 million) as well as from the assumed omission of a repeated adjustment of the discount rate for mining provisions (€ 40 million). The financial result for 2015 will also be afforded tangible relief as a result of the non-cash capitalisation of interest on debt in the context of the Legacy Project.

ANTICIPATED FINANCIAL POSITION AND PLANNED CAPITAL EXPENDITURE

INCREASE IN CAPITAL EXPENDITURE AS PLANNED

The K+S GROUP's anticipated capital expenditure for 2015 is around € 1.3 billion (2014: € 1.2 billion). Expenditure connected with the Legacy Project accounts for most of this figure. A large amount of capital expen-

diture is still intended for the implementation of the package of measures for water protection in the Hesse-Thuringia potash district. Capital expenditure particularly in the Potash and Magnesium Products business unit should therefore tangibly exceed the level in the previous year (2014: € 1.0 billion). Thus, adjusted free cash flow (2014: € –306 million) is likely to be significantly negative again on account of this. The return on capital employed (ROCE) should be moderately below the level in the previous year due to a larger amount of capital being tied up (2014: 12.7 %).

FUTURE NUMBER OF EMPLOYEES

NUMBER OF EMPLOYEES TO BE ON PREVIOUS YEAR'S LEVEL

By the end of 2015, we expect the number of employees (full-time equivalents) to be roughly the same as in the previous year (31 December 2014: 14,295). This should also be the case for the average number of employees (2014: 14,295).

The anticipated increase in the number of personnel to implement the Legacy Project and maintain the extracted volumes of crude salt in the Potash and Magnesium Products business unit should be compensated for by the implementation of the 'Fit for the Future' and 'Kali 2.0' programmes.

EXPECTED DEVELOPMENT OF DIVIDENDS

DIVIDEND PROPOSAL FOR THE 2014 FINANCIAL YEAR

Our earnings-based dividend policy is basically reflected in a payout ratio of 40 to 50 % of adjusted Group earnings after taxes (including discontinued operations). Since we deviated from this payout ratio in the previous year, the Board of Executive Directors and the Supervisory Board, mindful of the better than expected development of earnings, will suggest a return to the long-standing dividend policy to the Annual General Meeting. A dividend of € 0.90 per share will be suggested accordingly (previous year: € 0.25 per share). This corresponds to a payout ratio of 47 % (previous year: 11 %).

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE K+S GROUP

The Board of Executive Directors of the K+S GROUP is anticipating that revenues in the 2015 financial year may be moderately higher than the figure for the previous year. To make sustainable improvements to cost and organisational structures, K+S is continuing to work on a series of programmes, in particular the 'Fit for the Future' programme, with the aim of increasing efficiency of production and administrative and sales functions. The operating earnings EBITDA and EBIT I of the K+S GROUP should exceed those in the previous year significantly. Higher average prices and exchange rate effects in the Potash and Magnesium Products business unit should in particular have a positive influence.

The anticipated volume of capital expenditure for 2015 remains at a high level, due in particular to the expenditure for the Legacy Project, and consequently free cash flow is likely to be significantly negative.

2.16 K+S AKTIENGESELLSCHAFT (EXPLANATIONS BASED ON THE GERMAN COMMERCIAL CODE (HGB))

The Management Report of K+S AKTIENGESELLSCHAFT and the Group Management Report for the 2014 financial year are combined. The annual financial statements of K+S AKTIENGESELLSCHAFT in accordance with the GERMAN COMMERCIAL CODE (HGB) and the combined Management Report are published simultaneously in the German Federal Gazette (Bundesanzeiger).

DECLARATION ON CORPORATE GOVERNANCE

The Declaration on Corporate Governance in accordance with Section 289a of the German Commercial Code (HGB) is shown on page 32.

REMUNERATION REPORT

The information to be disclosed in accordance with Section 289 (2) (5) of the German Commercial Code (HGB) is provided on page 47.

INFORMATION IN ACCORDANCE WITH SECTION 289 (4) OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT OF THE BOARD OF EXECUTIVE DIRECTORS

Information in accordance with Section 289 (4) of the German Commercial Code (HGB) and the explanatory report of the Board of Executive Directors can be found on page 40.

BUSINESS OPERATIONS, CORPORATE STRATEGY, CORPORATE MANAGEMENT AND MONITORING, OVERVIEW OF THE COURSE OF BUSINESS

Information on business operations, corporate strategy, corporate management and monitoring as well as an overview of the course of business can be found on pages 25–63.

EARNINGS POSITION

At € 115.4 million, revenues of K+S AKTIENGESELLSCHAFT were € 37.0 million above the level in the previous year (€ 78.4 million). This increase is due in particular to the inclusion of the revenues of the former K+S IT-SERVICES GMBH, which merged with K+S AKTIENGESELLSCHAFT with retroactive effect on 1 January 2014.

INCOME STATEMENT OF K+S AKTIENGESELLSCHAFT¹

TAB: 2.16.1

	2014	2013
in € million		
Revenues	115.4	78.4
Cost of sales	111.0	81.3
Gross profit	4.4	-2.9
Sales and distribution, general and administrative expenses and research costs	34.8	35.6
Other operating income and expenses	-16.6	-30.4
Income from investments, net	552.4	594.0
Interest income, net	-120.1	-54.6
Depreciation on financial assets and securities classified as current assets	-0.1	-4.0
Earnings before income taxes	385.3	466.5
Taxes on income	123.4	154.4
Net income	261.8	312.1
Profit carried forward	-	26.3
Allocation to revenue reserves	79.5	156.0
Profit retained	182.3	182.3

¹ A detailed income statement can be found in the 2014 financial statements of K+S Aktiengesellschaft.

While revenues in the Animal Hygiene Products segment fluctuated slightly above the level in the previous year, other revenues fell due to a drop in internal Group billing of services to Group companies of € 6.0 million to € 33.4 million (previous year: € 39.4 million). / TAB: 2.16.1

Other operating income increased significantly by € 40.4 million to € 81.7 million (previous year: € 41.3 million). Income from exchange rate hedging transactions for the Legacy Project, which increased in value due to the

revaluation of the Canadian dollar, as well as income from the reversal of provisions made a significant contribution in this respect.

Other operating expenses increased from € 71.7 million to € 98.3 million. This increase is due among other things to exchange rate losses arising from the reporting date valuation of USD liabilities that are payable to a subsidiary and result from internal Group payment transactions.

Income from investments fell from € 594.0 million in 2013 to € 552.4 million in 2014. This is due mainly to the decline in earnings at K+S KALI GMBH to € 533.3 million (previous year: € 565.2 million) and the associated lower profit transfer figure. Other investment income arose among other things from the profit transfers of K+S ENTSORGUNG GMBH of € 12.1 million (previous year: € 11.0 million) and K+S TRANSPORT GMBH of € 6.4 million (previous year: € 8.0 million).

Interest income fell from € –54.6 million to € –120.1 million. This reduction was due firstly to higher interest expenditure for the bonds issued in December 2013. Secondly, loan liabilities in relation to affiliated companies arising from the reorganisation of our North American activities resulted in higher interest expenses.

Earnings before income taxes of € 385.3 million were significantly down on the level in the previous year of € 466.5 million. Income after taxes fell by € 50.3 million to € 261.8 million (previous year: € 312.1 million).

ASSETS AND FINANCIAL POSITION

Fixed assets increased by € 558.0 million to € 4,698.5 million (previous year: € 4,140.5 million). This is due essentially to capital injections in affiliated companies. Moreover, capital expenditure particularly in the construction of the Analysis and Research Centre in Unterbreizbach led to an increase in fixed assets. Consequently, the share

BALANCE SHEET OF K+S AKTIENGESELLSCHAFT – ASSETS		TAB: 2.16.2	
in € million		31.12.2014	31.12.2013
Intangible assets		14.0	0.1
Property, plant and equipment		60.7	39.2
Financial assets		4,623.8	4,101.2
Fixed assets		4,698.5	4,140.5
Inventories		1.5	1.4
Receivables and other assets		891.8	756.9
Securities		245.1	653.8
Cash on hand and bank balances		150.3	355.4
Current assets		1,288.7	1,767.5
Prepaid expenses		15.0	15.8
Positive difference arising from offsetting of assets		8.3	17.9
ASSETS		6,010.6	5,941.6

of fixed assets in the balance sheet total is 78 % (previous year: 69 %). Overall, the balance sheet total was up € 69.0 million in the 2014 financial year to € 6,010.6 million. / TAB: 2.16.2

Current assets fell by € 478.8 million to € 1,288.7 million (previous year: € 1,767.5 million). Receivables from affiliated companies increased in spite of the lower profit transfer amount included in this figure of K+S KALI GMBH, from € 614.8 million in the previous year to € 828.9 million. The reason for this increase is firstly the current receivables existing on the reporting date arising from internal securities transactions and secondly, increased receivables arising from internal pay-

ment transactions (cash pooling). The repayment in September 2014 of the bond issued in 2009 is responsible mainly for the drop in securities from € 408.7 million to € 245.1 million and for the decrease in bank balances from € 355.4 million to € 150.3 million.

The Company reported a difference on the asset side of € 8.3 million (previous year: € 17.9 million) on the balance sheet reporting date resulting from an offsetting of assets derived from a surplus of cover fund assets for obligations arising from pension commitments. / TAB: 2.16.3

Equity rose by € 214.0 million to € 2,178.3 million compared with the previous year (previous year: € 1,964.3

BALANCE SHEET OF K+S AKTIENGESELLSCHAFT – EQUITY AND LIABILITIES		TAB: 2.16.3	
	31.12.2014	31.12.2013	
in € million			
Subscribed capital	191.4	191.4	
Capital reserve	701.6	701.6	
Retained income	1,103.0	889.0	
Profit retained	182.3	182.3	
Equity	2,178.3	1,964.3	
Tax provisions	17.1	21.1	
Other provisions	173.0	184.3	
Provisions	190.1	205.4	
Liabilities	3,641.3	3,771.3	
Deferred expenses	0.8	0.6	
EQUITY AND LIABILITIES	6,010.6	5,941.6	

APPROPRIATION OF PROFITS ¹		TAB: 2.16.4	
	2014	2013	
in € million			
Dividend per share (€)	0.90	0.25	
Total dividend payment taking into account 191,400,000 no-par value bearer shares eligible for dividend	172.3	47.9	
Allocation to retained income	10.0	134.5	
Profit carried forward	–	–	
Profit retained	182.3	182.3	

¹ Amounts are rounded.

million). As at 31 December 2014, the equity ratio is 36 % (previous year: 33 %). Liabilities to affiliated companies of € 2,081.7 million (previous year: € 1,489.2 million) were made up essentially of cash pooling liabilities and loan

liabilities. Liabilities from bonds fell by € 750 million as a result of the repayment of the bond issued in 2009. Overall, all liabilities fell slightly by € 130.0 million to € 3,641.3 million (previous year: € 3,771.3 million). The

Company reported provisions of € 190.1 million on the reporting date with a predominantly long-term character. The Company's financing comes largely from funds available in the long term.

DIVIDENDS

K+S AKTIENGESELLSCHAFT reports accumulated profit of € 182.3 million for the 2014 financial year (previous year: € 182.3 million).

The Board of Executive Directors intends to propose to the Annual General Meeting on 12 May 2015, that the accumulated profit of K+S AKTIENGESELLSCHAFT from the 2014 financial year is used as presented in table 2.16.4.

/ TAB: 2.16.4

RESEARCH & DEVELOPMENT

Detailed information about the research and development activities of the K+S GROUP, which relate primarily to holding companies exercising operating activities, can be found on page 59.

EMPLOYEES

An annual average of 801 employees (previous year: 616 employees) were employed at K+S AKTIENGESELL-

SCHAFT. 24 of these were trainees (previous year: 19 trainees).

RISKS AND OPPORTUNITIES

The business development of K+S AKTIENGESELLSCHAFT is essentially subject to the same risks and opportunities as the K+S GROUP. K+S AKTIENGESELLSCHAFT participates in the risks of its shareholdings and subsidiaries according to its respective interest share. More information can be found in the 'Risk and Opportunity Report' on page 86.

A description of the internal monitoring system with regard to the accounting process of K+S AKTIENGESELLSCHAFT (Section 289 (5) of the German Commercial Code (HGB)) can be found on page 45.

SUBSEQUENT EVENTS

Subsequent events concerning the K+S GROUP and K+S AKTIENGESELLSCHAFT can be found on page 98.

FORECAST REPORT

The earnings development of K+S AKTIENGESELLSCHAFT depends to a large extent on the development

of its subsidiaries. The business development forecast for the K+S GROUP can be found on page 98.

2.17 RESPONSIBILITY STATEMENT FROM THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

To the best of our knowledge, and in accordance with the applicable principles for financial reporting, the consolidated financial statements and the annual financial statements of K+S AKTIENGESELLSCHAFT give a true and fair view of the assets, financial and earnings position of the Group and K+S AKTIENGESELLSCHAFT, and the combined Management Report includes a fair review of the development and performance of the business and the position of the Group and K+S AKTIENGESELLSCHAFT, together with a description of the principal opportunities and risks associated with the expected development of the Group and K+S AKTIENGESELLSCHAFT.

Kassel, 27 February 2015

K+S AKTIENGESELLSCHAFT
BOARD OF EXECUTIVE DIRECTORS

FORWARD-LOOKING STATEMENTS

This report contains facts and forecasts that relate to the future development of the K+S GROUP and its com-

panies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove incorrect or should certain risks – such as those referred to in the Risk Report – materialise, actual developments and results may deviate from current expectations. The Company assumes no obligation to update the statements contained in the Management Report, save for the making of such disclosures as required by law.

CONSOLIDATED FINANCIAL STATEMENTS

3

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3.1 AUDITOR'S REPORT

We have audited the consolidated financial statements of K+S AKTIENGESELLSCHAFT, Kassel, consisting of the income statement and comprehensive statement of income, cash flow statement, balance sheet, statement of changes in equity and notes, as well as the Management Report combined with the Group Management Report for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the Group Management Report in accordance with INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) as applied within the EU and the supplementary commercial law provisions as applied in accordance with Sec. 315a, Para. 1 of the German Commercial Code (HGB) is the responsibility of the company's Board of Executive Directors. Our task is to evaluate the consolidated financial statements and the Group Management Report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 of the German Commercial Code (HGB) and the standards accepted in Germany for the audit of financial statements set out by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). These standards require that we plan and perform the audit in such a way that inaccurate statements and violations that may have a significant effect on both the presentation of the consolidated financial statements as viewed under the applicable accounting regulations, and on the presentation of assets and the financial and earnings position as presented in the Group Management Report, can be recognised with sufficient certainty. When determining audit procedures, we took into account our knowledge of the company's business activities, as well as their economic and legal environment. We also considered possible mistakes. During the audit, we primarily make use of random checks to test the effectiveness of internal accounting control as related to the accounting system, and also to find evidence supporting information disclosed in both the consolidated financial statements and the Group Management report. The audit assesses the annual financial statements of the companies included in the consolidated financial statements, determines the scope of consolidation, tests the accounting and consolidation principles as well as significant estimates made by the Board of Executive Directors, and also evaluates the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not discovered any cause for concern.

In our opinion, which is based on our audit findings, the consolidated financial statements of K+S AKTIENGESELLSCHAFT, Kassel, comply with the IFRS as applied in the EU as well as the supplementary commercial law provisions as applied in accordance with Sec. 315a, Para. 1 of the German Commercial Code (HGB) and give a true and fair view of the assets, financial and earnings position of the Group in accordance with such provisions. The Group Management Report is consistent with the consolidated financial statements, provides a suitable understanding of the position of the Group and suitably presents the risks of future development.

Hanover, 27 February 2015

DELOITTE & TOUCHE GMBH
Auditing company

(Prof. Dr. Beine)
Auditor

(Römgens)
Auditor

INCOME STATEMENT ¹		TAB: 3.2.1	
	Notes	2014	2013
in € million			
Revenues	[1]	3,821.7	3,950.4
Cost of sales		2,211.0	2,245.8
Gross profit		1,610.7	1,704.6
Selling expenses		796.2	835.6
General and administrative expenses		190.5	191.7
Research and development costs		12.2	13.9
Other operating income	[2]	196.9	122.1
Other operating expenses	[3]	170.3	150.4
Income from investments, net		4.8	6.6
Result from operating anticipatory hedges	[4]	17.5	-16.6
Result after operating hedges (EBIT II) ²		660.7	625.1
Interest income	[5]	24.1	24.0
Interest expenses	[5]	152.9	99.8
Other financial result	[6]	2.8	-0.5
Financial result		-126.0	-76.3
Earnings before income taxes		534.6	548.8
Taxes on income	[7]	153.4	133.2
– of which deferred taxes		25.6	-61.1
Earnings after taxes from continued operations		381.2	415.6
Earnings after taxes from discontinued operations		–	-2.3
Net income		381.2	413.3
Minority interests in earnings		0.7	0.5
Group earnings after taxes and minority interests		380.5	412.8
– from continued operations		380.5	415.1
– from discontinued operations		–	-2.3
Earnings per share in € (undiluted = diluted)	[10]	1.99	2.16
– from continued operations		1.99	2.17
– from discontinued operations		–	-0.01
Average number of shares (in millions)		191.40	191.40
Operating earnings (EBIT I) ²		641.3	655.9
Earnings before income taxes from continued operations, adjusted ²		515.2	579.6
Group earnings from continued operations, adjusted ³	[10]	366.6	437.1
Earnings per share from continued operations in €, adjusted ³	[10]	1.92	2.28
Group earnings after taxes, adjusted ^{3,4}		366.6	434.8
Earnings per share in €, adjusted ^{3,4}		1.92	2.27

STATEMENT OF COMPREHENSIVE INCOME ¹		TAB: 3.2.2	
	Notes	2014	2013
in € million			
Net income		381.2	413.3
Items that may be reclassified subsequently to profit or loss		294.1	-178.5
Financial assets available for sale		1.6	-1.0
Difference resulting from foreign currency translation		292.5	-177.5
– thereof change in unrealised gains/losses		292.5	-177.5
– thereof realised gains/losses		–	–
Items that will not be reclassified to profit or loss		-49.6	36.2
Revaluation of net debt/defined benefit pension plan assets		-49.6	36.2
Other income after taxes		244.5	-142.3
Comprehensive income for the period		625.7	271.0
Minority interests in comprehensive income		0.7	0.5
Group comprehensive income after taxes and minority interests		625.0	270.5

OPERATING EARNINGS (EBIT I) ^{1,5}		TAB: 3.2.3	
	Notes	2014	2013
in € million			
Result after operating hedges (EBIT II) ²		660.7	625.1
Income (-)/expenses (+) from market value changes of operating anticipatory hedges still outstanding		-24.1	15.5
Neutralisation of market value fluctuations recorded in prior periods for realised operating anticipatory hedging transactions		9.0	10.3
Realised income (-)/expenses (+) of currency hedging for capital expenditure in Canada		-4.3	5.0
Operating earnings (EBIT I) ²		641.3	655.9

¹ Rounding differences may arise in percentages and numbers.

² Management of the K+S Group is handled, inter alia, on the basis of operating earnings (EBIT I). Reconciliation of EBIT II to operating earnings (EBIT I) is recorded below the income statement (see also the 'Notes to the income statement and the statement of comprehensive income' on page 130).

³ The adjusted key figures only include the result from operating anticipatory hedges of the respective reporting period reported in EBIT I, which eliminates effects from changes in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate for 2014: 28.6% (2013: 28.6%).

⁴ Earnings from continued and discontinued operations.

⁵ Information on operating earnings refer to continued operations.

CASH FLOW STATEMENT¹

TAB: 3.3.1

	Notes	2014	2013
in € million	[37]		
Result after operating hedges (EBIT II)		660.7	625.1
Income (-)/expenses (+) from market value changes of operating anticipatory hedges still outstanding		-24.1	15.5
Neutralisation of market value fluctuations recorded in prior periods for realised operating anticipatory hedging transactions		9.0	10.3
Realised income (-)/expenses (+) of currency hedging for capital expenditure in Canada		-4.3	5.0
Operating earnings (EBIT I)		641.3	655.9
Write-downs (+)/write-ups (-) on intangible assets, property, plant and equipment and financial assets		254.4	251.3
Increase (+)/decrease (-) in non-current provisions (without interest rate effects)		1.2	-7.3
Interest received and similar income		27.8	25.4
Gains (+)/losses (-) from the realisation of financial assets/liabilities		19.7	-5.1
Interest paid (-)		-96.3	-63.4
Income taxes paid (-)		-163.8	-189.0
Other non-cash expenses (+)/income (-)		0.1	-0.4
Gross cash flow		684.4	667.4
Gain (-)/loss (+) on the disposal of fixed assets and securities		-1.9	7.5
Increase (-)/decrease (+) in inventories		3.4	116.7
Increase (-)/decrease (+) in receivables and other assets from operating activities		18.5	13.5
Increase (+)/decrease (-) in liabilities from operating activities		-8.8	-14.3
Increase (+)/decrease (-) in current provisions		18.5	-19.2
Out-financing of plan assets		-7.6	-15.9
Cash flow from operating activities		706.5	755.7
Proceeds from disposals of fixed assets		5.9	12.8
Disbursements for intangible assets		-8.6	-10.8
Disbursements for fixed assets		-1,010.0	-708.9
Disbursements for financial assets		-0.1	-0.1
Proceeds from the disposal of securities and other financial investments		1,448.2	644.9
Disbursements for the purchase of securities and other financial investments		-1,007.7	-747.2
Cash flow from investing activities		-572.3	-809.3
Free cash flow		134.2	-53.6
Dividends paid		-47.9	-268.0
Payments from other allocations to equity		1.7	4.1
Purchase of own shares		-2.1	-5.1

CASH FLOW STATEMENT¹ (CONTINUED)

TAB: 3.3.1

	Notes	2014	2013
in € million	[37]		
Increase (+)/decrease (-) in liabilities from finance leases		-1.0	-1.6
Taking out (+)/repayment (-) of loans		4.7	-1.0
Repayments (-) of bonds		-743.2	-3.7
Incoming payments (+) from the issuing of bonds		—	996.6
Cash flow from financing activities		-787.8	721.3
Change in cash and cash equivalents affecting cash flow		-653.6	667.7
Change in cash and cash equivalents resulting from exchange rates		18.9	-12.1
Change in cash and cash equivalents resulting from consolidation		—	4.4
Change in cash and cash equivalents		-634.7	660.0
Net cash and cash equivalents as of 1 January		1,005.0	345.0
Net cash and cash equivalents as of 31 December	[37]	370.3	1,005.0
– of which cash on hand and balances with banks		375.2	1,011.3
– of which cash invested with affiliated companies		0.9	—
– of which cash received from affiliated companies		-5.8	-6.3

¹ Rounding differences may arise in percentages and numbers.

BALANCE SHEET ¹		TAB: 3.4.1		
	Notes	31.12.2014	31.12.2013	1.1.2013
in € million				
Intangible assets	[11]	1,015.6	935.7	1,000.8
– of which goodwill from acquisitions	[11]	674.6	606.3	642.3
Property, plant and equipment		4,112.7	2,933.2	2,527.4
Investment properties	[12]	6.4	7.3	7.6
Financial assets	[13]	13.7	13.9	15.9
Receivables and other assets	[17, 18]	116.9	54.0	48.1
– of which financial receivables and other assets		114.0	48.1	42.5
Securities and other financial investments	[14]	33.3	179.3	499.5
Deferred taxes	[15]	74.4	33.4	49.1
Refund claims for income taxes		0.2	0.1	0.1
Non-current assets		5,373.2	4,156.9	4,148.5
Inventories	[16]	578.8	552.6	687.9
Accounts receivable – trade	[17]	732.9	737.9	770.3
Other receivables and assets	[17, 18]	186.2	154.0	166.3
– of which financial receivables and assets		82.6	67.0	88.2
Refund claims for income taxes		74.1	29.3	36.8
Securities and other financial investments	[14]	534.8	856.2	435.0
Cash on hand and balances with banks	[39]	375.2	1,011.3	351.8
Current assets		2,482.0	3,341.3	2,448.1
ASSETS		7,855.2	7,498.2	6,596.6

BALANCE SHEET ¹		TAB: 3.4.1		
	Notes	31.12.2014	31.12.2013	1.1.2013
in € million				
Subscribed capital	[19]	191.4	191.4	191.4
Capital reserve		646.5	646.8	647.2
Other reserves and accumulated profit	[19]	3,131.8	2,554.3	2,551.7
Total K+S AG shareholders' equity		3,969.7	3,392.5	3,390.3
Minority interests		4.8	4.1	3.6
Equity		3,974.5	3,396.6	3,393.9
Financial liabilities	[25]	1,512.0	1,509.0	1,264.9
Other liabilities	[18, 25]	18.1	17.5	17.8
– of which financial liabilities		14.3	13.2	9.5
Provisions for pensions and similar obligations	[21]	162.8	102.6	160.1
Provisions for mining obligations	[22]	925.3	743.9	706.6
Other provisions	[23]	105.8	117.7	131.2
Deferred taxes	[15]	275.8	196.1	274.7
Non-current debt		2,999.8	2,686.8	2,555.3
Financial liabilities	[25]	39.3	746.2	0.9
Accounts payable – trade	[25]	284.6	271.5	289.2
Other liabilities	[18, 25]	94.2	94.6	70.6
– of which financial liabilities		67.4	65.5	49.4
Income tax liabilities		58.1	49.1	50.1
Provisions	[22, 24]	404.7	253.4	236.6
Current debt		880.9	1,414.8	647.4
EQUITY AND LIABILITIES		7,855.2	7,498.2	6,596.6

¹ Rounding differences may arise in percentages and numbers.

STATEMENT OF CHANGES IN EQUITY¹

TAB: 3.5.1

	Subscribed capital [19]	Capital reserve	Accumulated profit/revenue reserves [19]	Differences from foreign currency translation [19]	Financial assets available for sale	Revaluation of defined benefit pension plans	Total K+S AG shareholders' equity	Minority interests	Equity
in € million									
Balance as of 1 January 2014	191.4	646.8	2,606.0	-5.2	1.9	-48.4	3,392.5	4.1	3,396.6
Net income	—	—	380.5	—	—	—	380.5	0.7	381.2
Other income after taxes	—	—	—	292.5	1.6	-49.6	244.5	—	244.5
Comprehensive income for the period	—	—	380.5	292.5	1.6	-49.6	625.0	0.7	625.7
Dividend for the previous year	—	—	-47.9	—	—	—	-47.9	—	-47.9
Issuance of shares to employees	—	-0.3	—	—	—	—	-0.3	—	-0.3
Other changes in equity	—	—	0.4	—	—	—	0.4	—	0.4
Balance as of 31 December 2014	191.4	646.5	2,939.0	287.3	3.5	-98.0	3,969.7	4.8	3,974.5
Balance as of 1 January 2013	191.4	647.2	2,461.1	172.3	2.9	-84.6	3,390.3	3.6	3,393.9
Net income	—	—	412.8	—	—	—	412.8	0.5	413.3
Other income after taxes	—	—	—	-177.5	-1.0	36.2	-142.3	—	-142.3
Comprehensive income for the period	—	—	412.8	-177.5	-1.0	36.2	270.5	0.5	271.0
Dividend for the previous year	—	—	-268.0	—	—	—	-268.0	—	-268.0
Issuance of shares to employees	—	-0.4	—	—	—	—	-0.4	—	-0.4
Other changes in equity	—	—	0.1	—	—	—	0.1	—	0.1
Balance as of 31 December 2013	191.4	646.8	2,606.0	-5.2	1.9	-48.4	3,392.5	4.1	3,396.6

¹ Rounding differences may arise in percentages and numbers.

DEVELOPMENT OF FIXED ASSETS 2014 ¹

	Gross carrying amounts							Balance as of 31.12.2014
	Balance as of 1.1.2014	Change in scope of consolidation	Additions	Disposals	Reclassifications	Exchange rate differences		
in € million								
Other acquired concessions, industrial property rights, similar rights and assets, and licences for such rights and assets	64.1	—	2.1	3.5	0.4	3.4	66.5	
Customer relations	208.5	—	—	—	-1.2	24.4	231.7	
Brands	107.4	—	—	—	—	12.0	119.4	
Port concessions	29.7	—	—	—	—	4.0	33.7	
Goodwill from acquisitions	606.3	—	—	—	—	68.3	674.6	
Internally generated intangible assets	5.9	—	2.0	0.3	18.1	—	25.7	
Emission rights	15.0	—	—	—	—	—	15.0	
Intangible assets in completion	21.3	—	3.4	—	-19.9	—	4.8	
Intangible assets [11]	1,058.2	—	7.5	3.7	-2.6	112.0	1,171.2	
Land, land rights and buildings including buildings on third-party land	928.7	—	153.2	25.4	31.7	23.1	1,111.4	
Finance leases for land etc.	1.9	—	—	—	—	0.3	2.1	
Raw material deposits	670.8	—	—	—	—	53.8	724.6	
Technical equipment and machinery	2,647.5	—	121.7	34.5	130.6	49.2	2,914.5	
Finance leases for technical equipment and machinery	21.8	—	0.2	1.3	15.3	2.2	38.2	
Ships	41.6	—	—	—	—	5.7	47.3	
Finance leases for ships	1.9	—	—	—	—	0.1	2.0	
Other equipment, operating and office equipment	325.4	—	52.7	23.8	45.0	8.4	407.7	
Finance leases for other equipment etc.	0.7	—	—	—	—	0.1	0.7	
Prepayments and assets under construction	652.4	—	975.1	1.6	-219.7	53.3	1,459.5	
Property, plant and equipment	5,292.8	—	1,302.9	86.6	2.9	196.2	6,708.0	
Investment properties [12]	14.3	—	—	1.1	-0.3	—	12.9	
Shares in affiliated companies	14.8	—	—	—	—	—	14.8	
Equity interests	0.1	—	—	—	—	—	0.1	
Loans to companies in which we hold equity investments	0.1	—	—	0.1	—	—	—	
Other loans and financial assets	0.7	—	—	0.2	—	—	0.6	
Financial assets [13]	15.7	—	—	0.3	—	—	15.5	
Fixed assets	6,381.0	—	1,310.4	91.7	—	308.2	7,907.6	

¹ Rounding differences may arise in percentages and numbers.

TAB: 3.6.1

	Balance as of 1.1.2014	Change in scope of consolidation	Additions scheduled	Additions non-scheduled	Disposals	Reclassifications	Write-ups	Depreciation and amortisation		Net carrying amounts
								Exchange rate differences	Balance as of 31.12.2014	Balance as of 31.12.2014
	36.5	—	6.9	—	3.4	—	—	2.2	42.2	24.3
	71.3	—	16.2	—	—	-1.2	—	9.0	95.3	136.4
	10.9	—	0.2	—	—	—	—	0.1	11.2	108.2
	0.7	—	0.1	—	—	—	—	0.1	0.9	32.8
	—	—	—	—	—	—	—	—	—	674.6
	3.1	—	2.2	1.1	0.2	—	—	—	6.1	19.6
	—	—	—	—	—	—	—	—	—	15.0
	—	—	—	—	—	—	—	—	—	4.8
	122.5	—	25.6	1.1	3.6	-1.2	—	11.4	155.7	1,015.6
	344.6	—	37.6	1.6	0.5	0.2	—	5.8	389.3	722.1
	0.9	—	0.4	—	—	—	—	0.1	1.3	0.8
	23.2	—	4.3	—	—	—	—	1.9	29.3	695.3
	1,731.5	—	157.2	0.9	31.0	0.8	—	23.6	1,883.0	1,031.5
	3.7	—	1.9	—	1.3	-0.2	—	0.3	4.4	33.7
	3.0	—	1.6	—	—	—	—	0.6	5.2	42.1
	0.6	—	0.1	—	—	—	—	—	0.7	1.3
	251.6	—	47.8	1.1	23.3	0.4	—	3.7	281.2	126.5
	0.4	—	0.1	—	—	—	—	0.1	0.6	0.1
	—	—	—	—	—	—	—	—	—	1,459.5
	2,359.6	—	251.0	3.6	56.1	1.2	—	36.1	2,595.0	4,112.7
	7.0	—	—	—	0.5	—	—	—	6.5	6.4
	1.8	—	—	—	—	—	—	—	1.8	13.0
	—	—	—	—	—	—	—	—	—	0.1
	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	0.6
	1.8	—	—	—	—	—	—	—	1.8	13.7
	2,490.9	—	276.6	4.7	60.2	—	—	47.5	2,759.0	5,148.4

DEVELOPMENT OF FIXED ASSETS 2013 ¹

	Gross carrying amounts							Balance as of 31.12.2013
	Balance as of 1.1.2013	Change in scope of consolidation	Additions ²	Disposals	Reclassifications	Exchange rate differences		
in € million								
Other acquired concessions, industrial property rights, similar rights and assets, and licences for such rights and assets	61.9	—	4.9	1.6	0.8	—1.9	64.1	
Customer relations	220.9	—	—	—	—	—12.4	208.5	
Brands	112.7	—	—	—	—	—5.3	107.4	
Port concessions	31.0	—	—	—	—	—1.3	29.7	
Goodwill from acquisitions	642.3	0.2	—	—	—	—36.2	606.3	
Internally generated intangible assets	4.6	—	0.5	—	0.8	—	5.9	
Emission rights	15.0	—	—	—	—	—	15.0	
Intangible assets in completion	15.8	—	7.1	0.1	—1.5	—	21.3	
Intangible assets [11]	1,104.2	0.2	12.5	1.7	0.1	—57.1	1,058.2	
Land, land rights and buildings including buildings on third-party land	865.1	0.1	72.9	18.2	23.4	—14.6	928.7	
Finance leases for land etc.	—	—	—	—	1.9	—	1.9	
Raw material deposits	727.1	—	—	—	—	—56.3	670.8	
Technical equipment and machinery	2,402.9	0.1	154.2	21.4	135.5	—23.8	2,647.5	
Finance leases for technical equipment and machinery	—	—	0.1	—	21.7	—	21.8	
Ships	76.7	—	—	31.8	0.1	—3.4	41.6	
Finance leases for ships	—	—	—	—	1.9	—	1.9	
Other equipment, operating and office equipment	304.3	—	27.4	8.4	4.8	—2.7	325.4	
Finance leases for other equipment etc.	—	—	—	—	0.7	—	0.7	
Prepayments and assets under construction	327.1	—	508.4	1.2	—163.9	—18.0	652.4	
Leasing and similar rights	29.4	—	—	0.4	—26.2	—2.8	—	
Property, plant and equipment	4,732.6	0.2	763.0	81.4	—0.1	—121.6	5,292.7	
Investment properties [12]	15.6	—	—	1.3	—	—	14.3	
Shares in affiliated companies	15.4	—0.5	—	0.1	—	—	14.8	
Equity interests	6.2	—	—	6.1	—	—	0.1	
Loans to companies in which we hold equity investments	0.2	—	—	0.1	—	—	0.1	
Other loans and financial assets	0.8	—	0.1	0.2	—	—	0.7	
Financial assets [13]	22.6	—0.5	0.1	6.5	—	—	15.7	
Fixed assets	5,875.0	—0.1	775.6	90.9	—	—178.7	6,380.9	

¹ Rounding differences may arise in percentages and numbers.

² The fixed asset additions include a total of € 5.0 million activated write-downs from assets which were used to create fixed assets. Due to their insignificance, no adjustments were made when determining the figures affected by these fixed asset additions (e.g. EBITDA, cash flow from operating activities, capital expenditure).

TAB: 3.6.2

	Balance as of 1.1.2013	Change in scope of consolidation	Additions scheduled	Additions non-scheduled	Disposals	Reclassifications	Write-ups	Depreciation and amortisation		Net carrying amounts
								Exchange rate differences	Balance as of 31.12.2013	Balance as of 31.12.2013
	32.3	—	7.1	—	1.6	—	—	-1.3	36.5	27.6
	58.5	—	17.2	—	—	—	—	-4.4	71.3	137.2
	9.7	—	1.2	—	—	—	—	—	10.9	96.5
	0.6	—	0.1	—	—	—	—	—	0.7	29.0
	—	—	—	—	—	—	—	—	—	606.3
	2.3	—	0.8	—	—	—	—	—	3.1	2.8
	—	—	—	—	—	—	—	—	—	15.0
	—	—	—	—	—	—	—	—	—	21.3
	103.4	—	26.4	—	1.6	—	—	-5.7	122.5	935.7
	309.5	—	36.6	4.4	3.0	—	0.1	-2.8	344.6	584.1
	—	—	0.2	—	—	0.7	—	—	0.9	1.0
	20.0	—	4.4	—	—	—	—	-1.2	23.2	647.6
	1,622.1	—	138.6	2.0	18.8	—	—	-12.4	1,731.5	916.0
	—	—	1.6	—	—	2.2	—	-0.1	3.7	18.1
	16.7	—	5.2	1.9	19.8	—	—	-1.0	3.0	38.6
	—	—	0.2	—	—	0.4	—	—	0.6	1.3
	232.8	—	28.4	—	7.8	—	—	-1.8	251.6	73.8
	—	—	0.2	—	—	0.2	—	—	0.4	0.3
	—	—	—	—	—	—	—	—	—	652.4
	4.1	—	0.1	—	0.4	-3.5	—	-0.3	—	—
	2,205.2	—	215.5	8.3	49.8	—	0.1	-19.6	2,359.5	2,933.2
	8.0	—	—	—	1.0	—	—	—	7.0	7.3
	1.4	—	—	0.4	—	—	—	—	1.8	13.0
	5.3	—	—	0.8	6.1	—	—	—	—	0.1
	—	—	—	—	—	—	—	—	—	0.1
	—	—	—	—	—	—	—	—	—	0.7
	6.7	—	—	1.2	6.1	—	—	—	1.8	13.9
	2,323.3	—	241.9	9.5	58.5	—	0.1	-25.3	2,490.8	3,890.1

DEVELOPMENT OF PROVISIONS¹

	Balance as of 1 January 2014	Exchange rate differences	Change in scope of consolidation	
in € million				
Backfilling of mines and shafts	300.6	1.5	—	
Maintenance of tailing piles	298.2	—	—	
Mining damage risks	52.8	—	—	
Other mining obligations	92.3	1.1	—	
Provisions for mining obligations [22]	743.9	2.6	—	
Long-term incentives	31.9	0.4	—	
Anniversary pay	26.2	—	—	
Partial retirement	8.7	—	—	
Other personnel obligations	2.8	0.4	—	
Personnel obligations [23]	69.6	0.8	—	
Other provisions	48.1	1.3	—	
Provisions (non-current debt)	861.6	4.7	—	
Provisions for mining obligations [22]	6.9	—	—	
Personnel obligations [24]	75.5	3.7	—	
Provisions for obligations from sale transactions [24]	48.1	1.3	—	
Provisions for obligations from purchase contracts [24]	89.0	8.2	—	
Other provisions	33.9	1.4	—	
Provisions (current debt)	253.4	14.6	—	
Provisions	1,115.0	19.3	—	

¹ Rounding differences may arise in percentages and numbers.

TAB: 3.7.1

	Additions	Interest component	Consumption	Provisions reversed	Reclassifications	Balance as of 31.12.2014
	51.3	9.8	4.5	28.4	—	330.3
	99.4	32.7	2.9	2.9	—	424.5
	8.9	17.7	0.8	2.8	—	75.8
	10.9	0.3	2.0	7.9	—	94.7
	170.5	60.5	10.2	42.0	—	925.3
	7.4	0.1	19.3	1.5	—	19.0
	1.2	4.3	2.4	—	—	29.3
	—	0.1	4.8	0.5	—	3.5
	4.3	—	0.1	—	-0.1	7.3
	12.9	4.5	26.6	2.0	-0.1	59.1
	7.7	1.1	3.3	8.3	0.1	46.7
	191.1	66.1	40.1	52.3	—	1,031.1
	9.4	—	—	—	—	16.3
	110.0	—	68.4	0.6	0.1	120.3
	33.9	—	26.7	18.5	—	38.1
	187.9	—	79.8	3.2	0.2	202.3
	18.2	—	16.4	9.3	-0.1	27.7
	359.4	—	191.3	31.6	0.2	404.7
	550.5	66.1	231.4	83.9	0.2	1,435.8

SEGMENT REPORTING ¹

	Total revenues		of which with third parties [35]	
	2014	2013	2014	2013
in € million				
Potash and Magnesium Products	1,958.8	2,113.8	1,884.0	2,037.6
Salt	1,784.9	1,757.7	1,778.5	1,751.4
Complementary Activities	190.2	192.6	158.3	159.4
Reconciliation ² [34]	-112.2	-113.7	0.9	2.0
K+S total	3,821.7	3,950.4	3,821.7	3,950.4

	Assets		Liabilities	
	2014	2013	2014	2013
in € million				
Potash and Magnesium Products	4,058.2	2,933.6	1,347.8	972.7
Salt	3,035.6	2,890.4	582.3	464.6
Complementary Activities	142.7	132.9	78.2	79.3
Reconciliation ² [34]	618.7	1,541.3	1,872.4	2,585.0
K+S total	7,855.2	7,498.2	3,880.7	4,101.6

¹ Rounding differences may arise in percentages and numbers.

² Figures for business units are shown before intersegment consolidation. Expenses and income as well as items disclosed on the balance sheet that cannot be allocated to business units are recorded separately. Both effects are shown under 'Reconciliation' and result in the Group figures.

TAB: 3.8.1

of which intersegment revenues		EBIT I		EBITDA		Gross cash flow	
2014	2013	2014	2013	2014 ⁷	2013	2014 ⁷	2013
74.8	76.2	488.8	552.5	618.5	667.5	626.5	659.0
6.4	6.3	172.9	117.8	276.0	235.9	269.4	239.7
31.9	33.2	24.2	24.7	34.3	31.7	35.4	30.6
-113.1	-115.7	-44.6	-39.1	-33.3	-27.9	-246.9	-261.9
—	—	641.3	655.9	895.5	907.2	684.4	667.4

Capital employed ³		Capital expenditure ⁴		Depreciation and amortisation ⁵		Employees as of 31 December ⁶	
2014	2013	2014	2013	2014 ⁷	2013	2014	2013
3,300.3	2,203.5	1,040.4	606.5	127.7	114.0	8,299	8,367
2,220.3	2,053.4	87.5	107.4	103.1	110.1	5,075	5,091
104.4	96.4	5.1	3.4	8.5	7.0	289	293
43.2	45.7	20.2	25.2	10.2	10.8	632	670
5,668.2	4,399.0	1,153.2	742.5	249.5	241.9	14,295	14,421

³ Operating fixed assets and working capital.

⁴ Relates to cash investments in tangible and intangible assets.

⁵ Concerns scheduled write-downs. Non-scheduled amortisations are presented in the Notes [33].

⁶ Workforce as of 31 December including temporary employees (but not students and interns) measured on a full-time equivalent basis.

⁷ Adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.

3.9 NOTES

GENERAL PRINCIPLES

The Group's parent company, K+S AKTIENGESELLSCHAFT with its registered office in Kassel, Germany, has prepared the consolidated financial statements of the K+S GROUP as of and for the period ended 31 December 2014 based on the INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) of the INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) as well as the interpretations of the INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE in effect on the reporting date insofar as those have been recognised by the European Union. In the interests of clearer presentation, the individual captions in the consolidated financial statements are presented in millions of euro (€ million).

The consolidated financial statements were prepared by the Board of Executive Directors on 27 February 2015 and will be presented to the Supervisory Board for approval for its meeting on 11 March 2015.

SCOPE OF CONSOLIDATION

The following company was consolidated for the first time in 2014:

- + K+S BAHAMAS SALT ASSET MANAGEMENT GMBH & CO. KG

Since the beginning of 2014, the following companies have been removed from the scope of consolidation as a result of merger:

- + CANADIAN SALT FINANCE COMPANY, ULC
- + INTERNATIONAL SALT COMPANY, LLC
- + K+S CANADA HOLDINGS INC.
- + K+S IT-SERVICES GMBH
- + S.P.L. USA, LLC
- + 1786987 ALBERTA LTD.

The following companies changed names since the beginning of 2014:

- + from K+S NORTH AMERICA SALT HOLDINGS LLC to K+S SALT LLC
- + from THE CANADIAN SALT COMPANY LTD. to K+S WINDSOR SALT LTD.

16 (previous year: 16) domestic and 43 (previous year: 48) foreign companies were fully included in the consolidated financial statements. 32 (previous year: 32) subsidiaries were not included in the consolidated financial statements and were stated at acquisition cost, as they are of minor importance for the consolidated financial statements with regard to balance sheet total, revenues and earnings.

As a general rule joint ventures and companies over which companies of the K+S GROUP exercise significant influence (associated companies) are measured using the equity method. The potential impact on earnings of accounting for such equity interests using the equity method is, however, immaterial from a Group perspective. As a result of their overall immateriality, all interests in joint ventures and associated companies were therefore stated at acquisition cost in financial year 2014 as in the previous year. On the balance sheet date, the carrying amount of these interests is € 0.1 million (previous year: € 0.1 million).

A complete overview of the interests of K+S AKTIENGESELLSCHAFT is available in the list of shareholdings on page 163.

CONSOLIDATION METHODS

SUBSIDIARIES

Subsidiaries are companies controlled by K+S AKTIENGESELLSCHAFT. Control is presumed to exist in cases where K+S AKTIENGESELLSCHAFT has pre-existing rights that currently enable it to control the relevant activities. The relevant activities are those that have a significant influence on the company's yields. As a rule, the ability to exercise control is based on K+S AKTIENGESELLSCHAFT directly or indirectly holding a majority of voting rights. Consolidation begins on the date when K+S AKTIENGESELLSCHAFT obtains the ability to exercise control.

The financial statements of the consolidated companies are prepared as of the balance sheet date for the consolidated financial statements. The assets and liabilities of the consolidated subsidiaries are recognised and measured uniformly in accordance with the policies described here and in the following notes.

Revenues, expenses and income between consolidated companies that arise while the companies affected are members of the K+S GROUP are eliminated in full. Similarly, receivables

and liabilities between consolidated companies and inter-company profits resulting from deliveries and services between consolidated companies are eliminated, unless they are immaterial.

In the capital consolidation, the acquisition costs of the investments are set off against the share of the remeasured equity attributable to them as of the date of acquisition. Asset-side balances that remain after allocation to the assets and liabilities are carried as goodwill. Liability-side balances from capital consolidation are recorded directly affecting profit or loss.

JOINT ACTIVITIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Joint activities and joint ventures are defined by the existence of a contractual agreement, according to which the K+S GROUP conducts the respective activities jointly with a company outside the Group.

Associated companies are companies over which K+S AKTIENGESELLSCHAFT has significant influence.

Joint management agreements and associated companies on the balance sheet date were immaterial. Therefore, these companies are not included in the consolidated financial statements but recognised at acquisition cost less impairments.

ACCOUNTING AND VALUATION PRINCIPLES

RECORDING OF INCOME AND EXPENSES

Revenues comprise sales of products and services net of sales deductions. Revenues deriving from the sale of products are reported as of the time when the associated risks of ownership have passed. Services are reported as revenues based on progress or after having been performed in full. In addition, payment must be sufficiently probable.

Revenues from customer-specific construction contracts are recognised using the percentage of completion method insofar as the outcome can be estimated reliably. The percentage of completion is determined on the basis of the expenses incurred in relation to anticipated total costs. Insofar as the outcome of a production order cannot be estimated reliably, revenues should only be recognised to the extent of the expenses incurred. While a project is

in progress, contractual amendments introduced by customers with respect to the range of services to be rendered can increase or reduce contract revenues. An expected loss on a production order is immediately recognised as an expense.

Other income, such as interest or dividends, is recorded for the relevant period as of the time when a respective contractual or legal claim arises.

Operating expenses are charged to profit or loss on the date of performance or at the time they are incurred.

INCOME FROM INVESTMENTS

This item contains earnings from non-consolidated subsidiaries stated at acquisition cost, joint ventures, associated companies and other investments. Distributions, profit transfers, impairments and profits and losses from the disposal of these companies are included in the income from investments. In the financial year, income of € 4.8 million (previous year: € 7.8 million) with no impairment charges (previous year: € 1.2 million) was realised.

INTANGIBLE ASSETS

Intangible assets acquired are stated at acquisition cost. Internally generated intangible assets are capitalised at their development cost provided that they are likely to yield a future economic benefit and the costs of such assets can be measured reliably.

Insofar as their useful lives can be determined, intangible assets are amortised on a scheduled basis. In the event of an indefinite useful life, no scheduled amortisation is recognised but impairment charges are recorded when required. An indefinite useful life is assumed in the case of goodwill.

Amortisation of intangible assets is recorded using the straight-line method based on customary useful lives. Scheduled depreciation is based on the following useful lives that apply across the Group:

USEFUL LIVES FOR INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE		TAB: 3.9.1
in years		
Port concessions		250
Brands		0–20
Customer relations		5–20
Other intangible assets		2–30

Impairment charges are recorded in case of impairment. If the reasons giving rise to previously recorded impairment charges no longer exist, a corresponding write-up is recognised that may not exceed the amortised carrying amount. Impairment charges to goodwill must not be reversed.

The value of goodwill is reviewed at least once a year. Impairment charges are recorded if required. A possible need for impairment is determined according to IAS 36 by comparing the carrying amount to the realisable amount. The realisable amount is the higher of the fair value less costs to sell and the value in use. The value in use is determined based on the discounted expected future cash flows from the cash-generating units to which the corresponding goodwill amounts are assigned.

CO₂ emission rights are measured for the first time at acquisition cost. Thus, rights granted free of charge are capitalised with a value of zero and those acquired for a consideration are capitalised at acquisition cost. If the fair value on the reporting date falls below the acquisition cost, the carrying amount of the cash-generating unit holding the emission rights is compared with the value in use of that unit within the framework of an impairment test.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition or production cost less scheduled depreciation and, if required, impairment charges. The acquisition or production costs also include future demolition and restoration expenses. Impairment charges are recognised for any impairment losses that exceed the scheduled depreciation already recorded; they are

reported under other operating expenses. Such impairment losses are determined in accordance with IAS 36 by making a comparison of the carrying amounts with the discounted future cash flows that are expected for the assets affected. If no independent cash flows can be allocated to the assets affected, the cash flows for the corresponding cash-generating unit are used instead for comparative reasons. If the reasons giving rise to recorded impairment charges no longer exist, corresponding write-ups are recognised that may not exceed the amortised carrying amounts.

The raw material deposits acquired are recognised as fixed assets. Depreciation starts with the first-time extraction of raw materials. Gallery and excavation work are also shown as property, plant and equipment.

If property, plant and equipment are sold or shut down, the gain or loss represented by the difference between sales proceeds and the residual carrying amount is recorded under other operating income or expenses.

Scheduled depreciation on property, plant and equipment is recorded using the straight-line method and the depreciation charges are based on customary useful lives. Scheduled depreciation is based on the following useful lives that apply across the Group:

USEFUL LIVES FOR PROPERTY, PLANT AND EQUIPMENT		TAB: 3.9.2
in years		
Raw material deposits		19–250
Gallery and excavation work		5–122
Buildings		14–33½
Technical equipment and machinery		4–25
Other equipment, operating and office equipment		3–10

CAPITALISATION OF BORROWING COSTS

Borrowing costs, which may be allocated directly to the acquisition, construction or manufacture of a qualifying asset, are to be capitalised as part of the acquisition or manufacturing costs of that asset. A qualifying asset exists if a period of at least one year is necessary to make it ready for its intended use or sale. If the qualifying asset is demonstrably not financed from outside funds, there are no borrowing costs to be capitalised. In the cash flow statement, capitalised borrowing costs are reported in the item 'Interest paid' under cash flow from operating activities.

LEASING

A lease relationship is an agreement under which the lessor transfers to the lessee the right to use an asset for a particular period of time in exchange for a single payment or a series of payments. A finance lease arises if substantially all the risks and rewards incident to ownership of an asset are transferred to the lessee. If that is the case, the lessee capitalises the asset at its fair value or, if lower, at the present value of the minimum lease payments. A corresponding amount is recognised as a liability arising from the lease. The asset is depreciated in a manner that essentially does not differ from the treatment applied to comparable assets. Lease payments from operating leases are recognised as expenses over the lease term on a straight-line basis, unless a different systematic basis more closely corresponds to the expected use over time. Conditional lease payments under an operating lease are expensed in the period they are incurred.

GOVERNMENT ASSISTANCE

Government assistance for the purchase or production of property, plant and equipment (e.g., investment premiums and grants) reduce the acquisition or production costs of the assets to which they relate. Performance-related assistance is offset against the corresponding expenses in the current year.

INVESTMENT PROPERTIES

Investment properties are primarily leased objects. They are stated at amortised cost less straight-line, scheduled depreciation. The underlying useful lives are 50 years. Income from the disposal of investment properties is recorded in the financial result.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AS WELL AS DISCONTINUED OPERATIONS

A non-current asset (or a disposal group) is classified as held for sale if the related carrying amount is principally recovered through a sale transaction rather than through continuing use. This is the case if the asset (or the disposal group) is available for sale in its present condition and if such sale is highly probable. Non-current assets (or disposal groups) which are classified as held for sale are stated at the lower of the carrying amount and the fair value less costs to sell. Depreciation of these assets no longer takes place.

An operation is disclosed as a discontinued operation if it was sold or is classified as held for sale and

- + represents a separate major line of business or a geographical area of operations,
- + is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- + represents a subsidiary exclusively acquired with a view to resale.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset for one of the parties to such contract and to a financial liability or equity instrument for the other party. As a rule, financial assets and financial liabilities are disclosed separately from each other (no offsetting). Financial assets mainly comprise cash on hand and balances with banks, trade receivables, receivables from customer-specific construction contracts, securities, financial investments as well as derivative financial instruments with a positive market value. Financial debt includes, in particular, financial liabilities, trade payables as well as derivative financial instruments with a negative market value.

Financial instruments are initially recognised at their fair value as soon as the reporting company becomes a contractual party for the financial instrument. Transaction costs that are to be allocated directly to the acquisition are then taken into account in determining the carrying amount when the financial instruments are not subsequently measured at fair value with recognition in profit or loss.

Financial assets that are not recorded at fair value through profit or loss are examined at each balance sheet date according to IAS 39 to determine if there are objective indications justifying the assumption that the financial assets may be impaired. Examples of such objective indications include significant payment difficulties of a debtor, breach of contract due to default or late interest and redemption payments, a high likelihood of debtor insolvency, major changes in the legal, technology or economic environment or the lasting and significant drop in the value of a listed equity instrument.

The classification of financial instruments to one of the following categories defined in IAS 39 determines subsequent measurement:

LOANS AND RECEIVABLES:

This category comprises non-derivative financial assets with fixed or determinable payments, which are not listed on an active market. These include trade receivables, loans, fixed- or variable-rate securities (without an active market) as well as bank deposits.

After being recognised for the first time, the financial assets belonging to this category are measured at amortised cost applying the effective interest method less impairments. Non-interest-bearing or low-interest receivables due in more than three months are discounted. If there are objective indications, impairments are recognised in profit or loss through separate adjustment accounts. When the reasons for previously recorded impairments cease to apply, the impairments are reversed. Receivables are derecognised when settled or when they become uncollectible. Other assets are derecognised on disposal or in the absence of value.

FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS:

This category comprises financial assets held for trading, which have been acquired with the intention to be sold over the short term. Derivatives with positive market values are also classified as held for trading unless they form part of a hedging relationship in accordance with IAS 39.

They are subsequently stated at fair value. Changes in fair value are recorded through profit or loss. Securities are derecognised after disposal on the settlement date.

FINANCIAL INVESTMENTS HELD TO MATURITY:

At present, the K+S GROUP holds no financial instruments in the category 'Financial investments held to maturity'.

FINANCIAL ASSETS AVAILABLE FOR SALE:

This category comprises non-derivative financial assets which have been determined to be available for sale or are not classified into any of the categories mentioned above. This category includes certain debt and equity instruments such as investments in (non-consolidated) affiliated companies.

They are stated for the first time and subsequently at fair value. If the fair value of equity instruments cannot be reliably determined since no active market exists, they are subsequently valued at acquisition cost (if applicable less impairment charges). This applies, for example, to investments in (non-consolidated) affiliated companies. Changes in fair value arising on subsequent measurement are recorded in the revaluation reserve and not recognised in profit or loss. Only at the time of disposal or if there are objective indications of impairment are the unrealised gains or losses previously recorded in the revaluation reserve recorded in profit or loss. If the reasons for a previously recorded impairment cease to apply, impairment reversals on debt instruments are recorded through profit or loss, increases in the value of equity instruments without affecting profit or loss.

FINANCIAL LIABILITIES VALUED AT AMORTISED COST:

All financial liabilities with the exception of derivative financial instruments are stated at amortised cost applying the effective interest method. Liabilities are derecognised on settlement or if the reasons for recognising a liability no longer apply.

FINANCIAL LIABILITIES VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS:

This category comprises derivative financial instruments with negative market values which are essentially classified as 'held for trading'. This rule does not apply to derivatives which are part of a hedging relationship in accordance with IAS 39.

DERIVATIVES

Derivatives are stated at fair value. Changes in fair value are recorded in the income statement through profit or loss. Derivatives are derecognised on the settlement date.

CUSTOMER-SPECIFIC CONSTRUCTION CONTRACTS

Customer-specific construction contracts are recognised according to the percentage of completion method. Services rendered, including the pro rata result, are disclosed in revenues in accordance with the percentage of completion. Orders are disclosed under receivables or liabilities from percentage of completion. If, in the individual case, cumulative work (order costs and profit/loss made on orders) exceeds the advance payments received, the construction contracts are capitalised under receivables from customer-specific construction contracts. If the balance after deduction of advance payments received is negative, this is recognised as a liability from customer-specific construction contracts.

INVENTORIES

In accordance with IAS 2, assets that are designated for sale in the normal course of business (finished goods and merchandise), are in the process of being produced for sale (work in progress) or are used in production or the rendering of services (raw materials and supplies) are recorded under inventories.

Inventories are valued at average cost or at the lower net realisable value. In addition to direct costs, production costs also include reasonable proportions of fixed and variable material and manufacturing overheads as long as they occur in connection with the production process. The same applies to general administrative expenses, pension and support expenses as well as other social expenses. Fixed overheads are allocated on the basis of normal capacity. The net realisable value corresponds to the estimated selling price less the costs that are yet to be incurred until completion as well as the necessary selling expenses.

CASH ON HAND AND BALANCES WITH BANKS

This item includes cheques, cash on hand and balances with banks. It also includes financial investments with a maturity of generally not more than three months counting from the time of acquisition.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions and similar obligations are computed in accordance with actuarial principles applying the projected unit credit method. The discount factor is computed on the basis of the yields for high-quality corporate bonds available on the reporting date. High-quality corporate bonds are those bonds that have an AA rating. Essentially, the corporate bonds to be applied here are those which correspond to the anticipated maturity and currency of the pension obligations. As the availability of correspondingly long-term corporate bonds at the balance sheet date was insufficient, the term-congruent interest rate in such cases was determined by means of extrapolation. Moreover, future expected salary and pension increases as well as cost increases regarding health care benefit commitments are taken into account. Insofar as plan assets exist, such assets are offset against the related obligations.

The net interest for a reporting period is determined by multiplying the net liabilities from the defined benefit pension plans (asset) by the discount factor given above. Both factors are determined at the beginning of the reporting period after taking into account anticipated allocations/disbursements.

Revaluations of the net liabilities from defined benefit pension plans are recorded in other comprehensive income. They include

- + actuarial gains/losses,
- + income from plan assets without amounts included in the net interest attributable to the net liabilities from defined benefit pension plans (asset) and
- + changes in the effects of the assets' upper limit without amounts included in the net interest attributable to the net liabilities from defined benefit pension plans (asset).

MINING AND OTHER PROVISIONS

Provisions are recognised in an amount corresponding to the extent to which they are expected to be used for discharging present obligations in relation to third parties arising from a past event. Such utilisation must be more probable than improbable and it must be possible to reliably estimate the amount of the obligations. Non-current provisions with a residual maturity of more than one year are discounted applying a capital market rate of interest of suitable duration to take account of future cost increases insofar as the interest rate effect is material.

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method that is commonly accepted internationally. This results in the recognition of deferred tax items for temporary differences between the tax values and the values in the consolidated balance sheet as well as for tax loss carryforwards. However, deferred tax assets are only recognised to the extent that it is sufficiently probable that they will be realised. Deferred taxes are measured applying the tax rates that, under current legislation, would apply in the future when the temporary differences will likely be reversed. The effects of changes in tax legislation on deferred tax assets and liabilities are recognised in profit or loss in the period in which the material conditions causing such amendment to enter into force arise. Deferred tax assets and liabilities are not discounted applying the rules contained in IAS 12. Deferred tax assets and liabilities are offset within individual companies or within tax group companies according to timing.

ACQUISITIONS

Business combinations are accounted for using the purchase method. In connection with the revaluation of a company that has been acquired, all hidden reserves and hidden liabilities of the acquired company are identified and assets, liabilities and contingent liabilities are stated at their fair value (taking into account the exceptions regulated in IFRS 3). Any resulting positive difference in relation to the costs of acquiring the company is capitalised as goodwill. A negative difference is recorded directly through profit or loss.

DISCRETIONARY ASSUMPTIONS AND ESTIMATES

DISCRETIONARY ASSUMPTIONS CONCERNING THE APPLICATION OF ACCOUNTING AND VALUATION METHODS

Non-current intangible assets, property, plant and equipment and investment properties are stated in the balance sheet at amortised cost. The option also allowed of reporting them at fair value, provided certain conditions are met, is not utilised.

ESTIMATES AND ASSUMPTIONS CONCERNING THE APPLICATION OF ACCOUNTING AND VALUATION METHODS

In terms of reason and amount, certain values stated in the IFRS financial statements are in part based on estimates as well as on the stipulation of certain assumptions. This is particularly necessary in the case of

- + determining the useful lives of depreciable fixed assets,
- + determining valuation assumptions and future earnings in connection with impairment tests, especially for capitalised goodwill,
- + determining the net realisable value of inventories,
- + determining the parameters necessary for the valuation of pension provisions (discount factor, future development of wages/salaries and pensions),
- + determining amounts, performance due dates and discount factors for the valuation of provisions for mining obligations,
- + selecting parameters in connection with the model-based valuation of derivatives (e.g., assumptions regarding volatility and interest rate),
- + determining the result of customer-specific construction contracts according to the percentage of completion method (estimate of contract progress, total contract costs, cost to be incurred until completion, total order-related revenues and contract-related risks),

- + determining the usability of tax loss carryforwards as well as
- + determining the fair value of intangible assets, property, plant and equipment as well as liabilities acquired in connection with a business combination, and determining the useful lives of the intangible assets and property, plant and equipment acquired.

Despite taking great care in producing such estimates, actual developments may differ from the assumptions made.

FOREIGN CURRENCY TRANSLATION

The annual financial statements of foreign Group companies are converted to euros in accordance with the functional currency concept set forth in IAS 21. All companies conduct their operations independently in financial, economic and organisational terms. The functional currency generally corresponds to the local currency. Assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Income and expenses are translated applying the average exchange rates for the quarter. The resulting currency translation differences are recorded in equity without recognition in profit or loss. If Group companies are no longer consolidated, the currency translation difference concerned is released and recognised in profit or loss.

In the case of 13 companies, the US dollar, in deviation from the local currency, is used as the functional currency, as these companies generate the majority of their cash inflows and cash outflows in this currency. The US dollar is used in the case of the following companies: COMPANIA MINERA PUNTA DE LOBOS LTDA., EMPRESA DE SERVICIOS LTDA., EMPRESA MARITIMA S.A., INAGUA GENERAL STORE LTD., INAGUA TRANSPORTS INC., INVERSIONES COLUMBUS LTDA., INVERSIONES EMPREMAR LTDA., K+S FINANCE BELGIUM BVBA, MORTON BAHAMAS LTD., SERVICIOS MARITIMOS PATILLOS S.A., SERVICIOS PORTUARIOS PATILLOS S.A., K+S CHILE S.A. and TRANSPORTE POR CONTAINERS S.A.

The conversion of key currencies in the group was based on the following exchange rates per euro:

EXCHANGE RATES

TAB: 3.9.3

	2014				
	Period-end exchange rate on December 31	Quarterly average exchange rate Q1	Quarterly average exchange rate Q2	Quarterly average exchange rate Q3	Quarterly average exchange rate Q4
per € 1					
US dollar (USD)	1.214	1.370	1.371	1.326	1.250
Canadian dollar (CAD)	1.406	1.511	1.495	1.442	1.419
Czech koruna (CZK)	27.735	27.442	27.446	27.619	27.630
Brazilian real (BRL)	3.221	3.240	3.058	3.014	3.176
Chilean peso (CLP)	736.291	756.208	761.019	765.159	747.252
Great Britain pound (GBP)	0.779	0.828	0.815	0.794	0.789

EXCHANGE RATES

TAB: 3.9.4

	2013				
	Period-end exchange rate on December 31	Quarterly average exchange rate Q1	Quarterly average exchange rate Q2	Quarterly average exchange rate Q3	Quarterly average exchange rate Q4
per € 1					
US dollar (USD)	1.379	1.321	1.306	1.324	1.361
Canadian dollar (CAD)	1.467	1.331	1.337	1.376	1.427
Czech koruna (CZK)	27.427	25.565	25.831	25.853	26.658
Brazilian real (BRL)	3.258	2.637	2.699	3.030	3.093
Chilean peso (CLP)	724.648	623.661	633.218	671.359	703.206
Great Britain pound (GBP)	0.834	0.851	0.851	0.855	0.841

In the year under review, translation differences of € 19.8 million on balance (previous year: € –12.9 million) were recorded in the income statement (e.g., valuation/realisation of receivables and liabilities in a foreign currency), which were mainly shown in other operating income or expenses.

EFFECTS OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

TAB: 3.9.5

			Date Mandatory application ¹	Endorsement ²
Standard/Interpretation				
Change	IAS 27	Separate financial statements	1 January 2013	yes
Change	IAS 28	Investments in associates and joint ventures	1 January 2013	yes
Change	IAS 32	Offsetting financial assets and liabilities	1 January 2014	yes
Change	IAS 36	Recoverable amount disclosures for non-financial assets	1 January 2014	yes
Change	IAS 39	Novations of derivatives and continuation of hedge accounting	1 January 2014	yes
Change	IFRS 10, 12, IAS 27	Investment entities	1 January 2014	yes
Change	IFRS 10, 11, 12	Transition guidance	1 January 2013	yes
New	IFRS 10	Consolidated financial statements	1 January 2013	yes
New	IFRS 11	Joint arrangements	1 January 2013	yes
New	IFRS 12	Disclosures of shares in other entities	1 January 2013	yes

¹ To be first applied according to IASB in the first reporting period of a financial year beginning on or after this date.

² Adoption of the IFRS standards and interpretations by the EU Commission. The newly established standards IAS 27, 28 and IFRS 10, 11, 12 along with changes of the transition guidance are only compulsory for companies located within the EU as of 1 January 2014.

IAS 27, IAS 28, IFRS 10, IFRS 11, IFRS 12 – ‘CONSOLIDATION’

As part of the revision of the relevant provisions on consolidation, three new standards were published: IFRS 10 ‘Consolidated financial statements’, IFRS 11 ‘Joint arrangements’ and IFRS 12 ‘Disclosure of shares in other entities’. At the same time, follow-up amendments to IAS 27 ‘Separate financial statements’ and IAS 28 ‘Investments in associates and joint ventures’ were made.

IFRS 10 contains a new definition of the concept of ‘control’, which is to be taken into account in determining the companies to be included in the consolidated financial statements. In IFRS 11, the accounting of arrangements under joint control is regulated. In IFRS 12, the disclosure obligations for investments in subsidiaries, joint arrangements, associated companies and non-consolidated structured companies are summarised in a single standard. The initial application of the regulations had no significant influence on the consolidated financial statements of the K+S GROUP.

IAS 32 ‘FINANCIAL INSTRUMENTS: PRESENTATION’

The change ‘Offsetting financial assets and liabilities’ had no influence on the consolidated financial statements of the K+S GROUP, since offsetting on the basis of IAS 32 is not performed.

IAS 36 ‘IMPAIRMENTS OF ASSETS’

The change relates to disclosures of the recoverable amount for non-financial assets, and serves to clarify the disclosure rules.

IAS 39 ‘FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT’

The change ‘Novations of derivatives and continuation of hedge accounting’ had no influence on the consolidated financial statements of the K+S GROUP, as hedge accounting is not applied.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED

The following accounting standards and interpretations were published by the IASB up to the balance sheet date; their application by the K+S GROUP will however only become mandatory at a later date.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED TAB: 3.9.6

Standard/Interpretation			Date Mandatory application ¹	Endorsement ²
Change	Annual improvements in IFRSs: 2010–2012 cycle	Collective standard for the amendment of several IFRSs	1 January 2015	yes
Change	Annual improvements in IFRSs: 2011–2013 cycle	Collective standard for the amendment of several IFRSs	1 January 2015	yes
Change	Annual improvements in IFRSs: 2012–2014 cycle	Collective standard for the amendment of several IFRSs	1 January 2016	no
Change	IAS 16, 38	Clarification of acceptable depreciation and amortisation methods	1 January 2016	no
Change	IAS 16, 41	Agriculture: Fruit-bearing plants	1 January 2016	no
Change	IAS 19	Defined benefit plans: Employee contributions	1 January 2015	yes
Change	IAS 27	Equity method in separate financial statements	1 January 2016	no
Change	IAS 28, IFRS 10	Disposal or contribution of assets between an investor and an associated company or joint venture	1 January 2016	no
Change	IFRS 11	Accounting for the acquisition of shares in a joint business activity	1 January 2016	no
Change	IAS 1	Disclosure initiative	1 January 2016	no
Change	IFRS 10, 12, IAS 28	Investment entities: Application of the consolidation exception	1 January 2016	no
New	IFRS 9	Financial instruments	1 January 2018	no
New	IFRS 14	Regulatory deferral accounts	1 January 2016	no
New	IFRS 15	Proceeds from contracts with customers	1 January 2017	no
New	IFRIC 21	Levies	17 June 2014	yes

¹ To be first applied according to IASB in the first reporting period of a financial year beginning on or after this date.

² Adoption of the IFRS standards and interpretations by the EU Commission.

IFRS 9 ‘FINANCIAL INSTRUMENTS’

IFRS 9 replaces the current standard for the accounting of financial instruments, IAS 39 ‘Financial instruments: Recognition and measurement’. With the adoption of IFRS 9, a third measurement category in relation to IAS 39 is being introduced for certain financial assets where changes in the fair value are initially recorded in other comprehensive income. Furthermore, embedded derivatives are no longer subject to mandatory separation; they are instead to be classified in their entirety. The new regulations of IFRS 9 on recording impairments are based on expected defaults (previously, impairments were only recorded if they applied to loss events that already occurred). The effects of IFRS 9 on the consolidated financial statements of the K+S GROUP are currently being examined.

IFRS 15 ‘PROCEEDS FROM CONTRACTS WITH CUSTOMERS’

IFRS 15 replaces the current standards IAS 11 ‘Construction contracts’ and IAS 18 ‘Revenue’ as well as the corresponding interpretations IFRIC 13 ‘Customer loyalty programs’, IFRIC 15 ‘Arrangements for the construction of real estate’, IFRIC 18 ‘Transfers of assets from customers’ and SIC-31 ‘Revenue: Barter transactions involving advertising services’. The core principle of IFRS 15 is to record sales revenues in the amount of expected consideration from the customer for the performance obligation that is assumed (delivery of goods and/or services). IFRS 15 encompasses a five-stage model which (with few exceptions) applies to sales revenues from contracts with customers. The effects of IFRS 15 on the consolidated financial statements of the K+S GROUP are currently still under review. However, no material impact is expected from today’s perspective.

IFRIC 21 ‘LEVIES’

IFRIC 21 clarifies how and especially when government levies that do not fall under the area of application of another IFRS have to be recognised as liabilities according to IAS 37. The bank levy is an example of such a levy under German law. The initial application of IFRIC 21 is not expected to influence the consolidated financial statements of the K+S GROUP.

From today’s perspective, the remaining accounting standards and interpretations have no material impact on the consolidated financial statements of the K+S GROUP.

NOTES TO THE INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

The income statement and statement of comprehensive income are shown on page 108.

The K+S GROUP uses derivatives to hedge market price change risks. The hedging strategy is explained in more detail in the notes (18). Hedging relationships according to IAS 39 are not formed between the derivatives and the described underlying transactions, so that fluctuations in the market values of the outstanding derivatives are recorded in the income statement through profit or loss. Earnings are furthermore impacted by the exercise/settlement, sale or expiry of derivatives used for hedging purposes.

In the income statement, the effects of hedging transactions are reported under the following items based on the purpose of hedging:

A) RESULTS FROM OPERATING ANTICIPATORY HEDGING TRANSACTIONS

All effects on earnings arising from the anticipatory hedging of operating transactions which will be recognised in profit or loss in future periods are combined in this earnings line item. 'Anticipatory' refers to underlying transactions expected with a high degree of probability, but have not yet been recognised in the balance sheet or income statement. The word 'operating' relates to underlying transactions which will have effects on EBIT. Significant cases of application are

- + hedging expected turnover in USD
- + hedging expected investments in Canadian dollars for the Legacy Project

B) OTHER OPERATING INCOME/EXPENSES

This item includes effects on results from hedging existing foreign currency receivables (e.g., hedging USD receivables against currency fluctuations with a EUR/USD forward transaction).

C) FINANCIAL RESULT

Effects on earnings from the hedging of underlying transactions relating to financing, whose effects do not influence EBIT either in the current financial year or in future financial years, are shown in the financial result.

Internal controlling at the K+S GROUP is based, among other things, on operating earnings EBIT I. This differs from the EBIT II shown in the income statement in that no account is taken for market value fluctuations arising from operating anticipatory hedging transactions that result from market valuation during the term of the hedging instrument prescribed in accordance with IAS 39. As a result, the following effects are to be eliminated from the 'Result of operating anticipatory hedging transactions' in the income statement:

INCOME/EXPENSE FROM MARKET FLUCTUATIONS OF OUTSTANDING OPERATING ANTICIPATORY HEDGING TRANSACTIONS

Until maturity, hedging transactions are to be valued at market value on each balance sheet date. The deviation from the carrying amount is to be recorded as income or expense.

NEUTRALISATION OF MARKET VALUE FLUCTUATIONS RECORDED IN PRIOR PERIODS FOR REALISED OPERATING ANTICIPATORY HEDGING TRANSACTIONS

The carrying amount of the hedge is to be derecognised at the time of realisation. Realisation takes place by the exercising/settlement, expiry or sale of the hedging instrument. The difference between the realised amount and carrying amount is the income or expense for the current period. As EBIT I is intended to show earnings free of influences from market valuation in accordance with IAS 39, market value fluctuations from earlier periods included in the carrying amount are to be eliminated.

In hedging of the expected investments in Canadian dollars, the above items along with all effects on results are eliminated when determining EBIT I. As the hedged underlying transactions (investments in Canadian dollars) are only recognised in EBIT I with a delay by means of depreciation, the disclosure – as a result of the absence of the earnings effects from the underlying transaction – of the earnings effects of these hedging transactions arising upon maturity on EBIT I would not result in the appropriate determination of earnings for the relevant period of time.

**RECONCILIATION OF RESULT FROM OPERATING
ANTICIPATORY HEDGES IN EBIT I**

TAB: 3.9.7

	NOTES	2014	2013
in € million			
Result from operating anticipatory hedges	[4]	17.5	-16.6
Income (-)/expenses (+) from market value changes of operating anticipatory hedges still outstanding		-24.1	15.5
Neutralisation of market value fluctuations recorded in prior periods for realised operating anticipatory hedging transactions		9.0	10.3
Realised income (-)/expenses (+) of currency hedging for capital expenditure in Canada		-4.3	5.0
Result from operating anticipatory hedging included in EBIT I		-1.9	14.2

Due to the elimination of all market value fluctuations during the term, the result from operating anticipatory hedges included in EBIT I corresponds to the value of the hedging transaction at the time of realisation (difference between the spot rate and hedging rate), in case of options less the premium paid or plus the premium received. The effects of hedging for the expected investments in Canadian dollars are generally not included in EBIT I (see above).

The reconciliation of EBIT II to the operating earnings EBIT I by eliminating the above effects is shown in a separate calculation below the statement of comprehensive income.

(1) REVENUES

The sales revenues of the K+S GROUP are € 3,821.7 million (previous year: € 3,950.4 million), with € 3,666.2 million (previous year: € 3,779.7 million) resulting from the sale of goods, € 149.5 million (previous year: € 165.7 million) resulting from the rendering of services and € 6.0 million (previous year: € 4.9 million) from accruals for customer-specific construction contracts. The breakdown of the revenues by business unit as well as intersegment revenues are presented in the segment information on page 118. The regional breakdown of the revenues is disclosed in the Notes to the segment reporting under Note (35).

(2) OTHER OPERATING INCOME

Other operating income includes the following material items:

OTHER OPERATING INCOME

TAB: 3.9.8

	2014	2013
in € million		
Reversals of provisions	61.5	27.4
Gains from exchange rate differences/hedging transactions	58.8	44.7
Compensation and refunds received	46.3	17.2
Income from letting and leasing	4.2	3.9
– of which investment properties	1.8	1.6
Reversals of allowances for receivables	1.4	2.8
Income from disposal of property, plant and equipment and intangible assets	1.1	5.0
Sundry income	23.6	21.1
Other operating income	196.9	122.1

Compensation and refunds include income from damages covered by insurance benefits in the amount of € 36.0 million for the business interruption at the Unterbreizbach location.

(3) OTHER OPERATING EXPENSES

Other operating expenses include the following material items:

OTHER OPERATING EXPENSES		TAB: 3.9.9	
	2014	2013	
in € million			
Losses from exchange rate differences/hedging transactions	53.9	49.0	
Ancillary capital expenditure costs	16.1	10.7	
Legacy-related expenses	14.4	5.9	
Expenses/refunds for disused plants and maintenance of Merkers	10.2	1.2	
Expenses unrelated to the reporting period	8.4	14.8	
Depreciation and amortisation	8.3	11.5	
Allocations/utilisation of other provisions	7.2	-3.9	
Expenses related to approval processes	5.8	5.0	
Expenses related to consulting services, expert opinions and lawyers' fees	5.7	2.8	
Losses from disposal of fixed assets	4.9	13.5	
Expenses for maintenance of Frisia Zout	4.8	6.7	
Write-downs on trade receivables	0.9	1.6	
Expenses related to leased investment properties	0.8	0.8	
Sundry expenses	28.9	30.8	
Other operating expenses	170.3	150.4	

(4) RESULT FROM OPERATING ANTICIPATORY HEDGES

RESULT FROM OPERATING ANTICIPATORY HEDGES		TAB: 3.9.10	
	2014	2013	
in € million			
Result from the realisation of currency hedging transactions	-10.9	3.5	
– of which positive earnings contributions	4.7	12.5	
– of which negative earnings contributions	-15.6	-9.0	
Results from hedging of anticipated capital expenditure in Canada	4.3	-5.0	
– of which positive earnings contributions	17.8	2.3	
– of which negative earnings contributions	-13.5	-7.3	
Result from the realisation of freight rate hedging transactions	–	0.4	
Result from realised hedging transactions	-6.6	-1.1	
Market value changes from hedging transactions yet to reach maturity (related to anticipated revenues in USD)	-27.9	9.1	
– of which positive market value changes	0.5	9.2	
– of which negative market value changes	-28.4	-0.1	
Market value changes from hedging transactions yet to reach maturity (related to anticipated capex in CAD)	52.0	-24.6	
– of which positive market value changes	52.4	–	
– of which negative market value changes	-0.4	-24.6	
Result from market value fluctuations for hedging transactions yet to reach maturity	24.1	-15.5	
Result from operating anticipatory hedges	17.5	-16.6	

/ MORE INFORMATION ON 'RESULT FROM OPERATING ANTICIPATORY HEDGES' can be found in the 'Notes to the income statement and the statement of comprehensive income' on page 130.

(5) NET INTEREST INCOME

NET INTEREST INCOME		TAB: 3.9.11	
	2014	2013	
in € million			
Interest and similar income from securities	18.3	18.3	
Interest from credit institutions	4.8	2.9	
Interest income pension provisions	0.4	0.2	
Other interest and similar income	0.6	2.6	
Interest income	24.1	24.0	
Interest expenses bonds	-80.8	-56.9	
Interest component from measurement of provisions for mining obligations	-60.5	-26.3	
Interest expenses pension provisions	-3.4	-5.9	
Capitalisation of borrowing costs	1.3	-	
Other interest and similar expenses	-9.5	-10.7	
Interest expenses	-152.9	-99.8	
Net interest income	-128.8	-75.8	

In determining the capitalisation of borrowing costs, a financing cost rate of 3.5 % was applied.

The 'Interest component from measurement of provisions for mining obligations' consists of the balance of the following items:

INTEREST COMPONENT OF PROVISIONS FOR MINING OBLIGATIONS		TAB: 3.9.12	
	2014	2013	
in € million			
Interest effect from the change in the discount factor for mining provisions	-39.8	0.1	
Increase in mining provisions due to expiry ('accumulation')	-29.2	-29.3	
Interest effect from the reversal of provisions for mining obligations	8.5	2.9	
Interest component from measurement of provisions for mining obligations	-60.5	-26.3	

(6) OTHER FINANCIAL RESULT

OTHER FINANCIAL RESULT		TAB: 3.9.13	
	2014	2013	
in € million			
Result from realisation of financial assets/liabilities	15.5	-	
Result from valuation of financial assets/liabilities	-12.7	-0.5	
Other financial result	2.8	-0.5	

(7) TAXES ON INCOME

TAXES ON INCOME		TAB: 3.9.14	
	2014	2013	
in € million			
Current taxes	127.8	194.3	
– in Germany	131.4	166.0	
– outside Germany	-3.6	28.3	
Deferred taxes	25.6	-61.1	
– in Germany	-20.1	-21.3	
– outside Germany	45.7	-39.8	
– of which from loss and interest carryforwards	6.1	-33.3	
Taxes on income	153.4	133.2	

Deferred taxes in Germany were calculated using a tax rate of 28.6 % (previous year: 28.6 %). In addition to the corporate income tax rate of 15.0 % and the solidarity surcharge of 5.5 %, an average trade tax rate of 12.8 % (previous year: 12.8 %) was taken into account. Deferred taxes in other countries are computed applying the respective national income tax rates for profit retention. The local tax rate is being gradually increased from 20 to 27 % on the back of tax reform in Chile. A one-time deferred tax expense of € 12.5 million arises from the change in the tax rate and accompanying revaluation of deferred taxes.

The following table reconciles the anticipated to the actual tax expense. The anticipated income tax expense was calculated based on a domestic Group income tax rate of 28.6 % (previous year: 28.6 %).

RECONCILIATION OF TAXES ON INCOME

TAB: 3.9.15

	2014	2013
in € million		
Earnings before income taxes	534.6	548.8
Anticipated income tax expense (Group tax rate: 28.6%; previous year: 28.6%)	152.9	157.0
Changes in anticipated tax expense:		
Reduction in tax resulting from tax-exempt income and other items		
– Tax-exempt income from investments and profits on disposals	– 3.4	– 2.7
– Other tax-exempt income	– 23.9	– 20.5
Trade tax additions/reductions	2.4	2.0
Increase in tax resulting from non-tax-deductible expenses and other items	9.9	9.2
Permanent deviations	3.3	– 0.5
Allowances on/non-recognition of deferred tax assets	1.6	– 1.1
Effects from tax rate differences	– 7.7	– 7.3
Effects from tax rate changes	10.2	– 0.9
Taxes for preceding years	7.1	– 3.6
Other effects	1.0	1.6
Actual tax expense	153.4	133.2
Tax rate	28.7%	24.3%

(8) COST OF MATERIALS**COST OF MATERIALS**

TAB: 3.9.16

	2014	2013
in € million		
Cost of raw materials, consumables and supplies and of purchased merchandise	532.2	522.9
Cost of purchased services	529.1	509.2
Energy costs	267.7	295.0
Cost of materials	1,329.0	1,327.1

(9) PERSONNEL EXPENSES/EMPLOYEES**PERSONNEL EXPENSES**

TAB: 3.9.17

	2014	2013
in € million		
Wages and salaries	784.7	738.6
Social security contributions	200.5	200.3
Pension expenses	28.5	29.3
Personnel expenses	1,013.7	968.2

/ **MORE INFORMATION ON PERSONNEL EXPENSES** can be found in the 'Employees' section in the Management Report. Information on the 'Long-term Incentive Programme' can be found in the Remuneration Report on page 48.

In 2010, the K+S GROUP introduced a 'Long-term Incentive (LTI) Programme' based on key figures. This is based on a multi-year assessment in accordance with the value contributions achieved. In 2014, personnel expenses totalling € 7.4 million were recorded for the LTI Programme as an allocation to provisions (previous year: € 7.3 million).

Under the employee share ownership programme, K+S GROUP employees have the possibility of acquiring K+S shares at a discount. A one-year vesting period applies to employee shares. They are stated at fair value. Expenses totalling € 0.8 million were incurred in connection with the employee share ownership programme enacted in 2014 (previous year: € 1.0 million).

Pension expenses do not include the interest portion of the allocations to pension provisions. This is reported as an interest expense or an interest income in net interest income.

Personnel expenses include amounts totalling € 4.0 million that are unrelated to the reporting period (previous year: € 5.6 million).

EMPLOYEES INCLUDING TEMPORARY EMPLOYEES		TAB: 3.9.18	
	2014	2013	
Annual average (FTE)			
Germany	9,986	10,088	
Outside Germany	4,309	4,260	
Total	14,295	14,348	
– of which trainees	534	534	

(10) EARNINGS PER SHARE

EARNINGS PER SHARE		TAB: 3.9.19	
	2014	2013	
in € million			
Group earnings after taxes and minority interests	380.5	412.8	
– from continued operations	380.5	415.1	
– from discontinued operations	–	–2.3	
Average number of shares (in millions)	191.40	191.40	
Earnings per share in € (undiluted = diluted)	1.99	2.16	
– from continued operations (€)	1.99	2.17	
– from discontinued operations (€)	–	–0.01	
Group earnings after taxes, adjusted¹	366.6	434.8	
Earnings per share in €, adjusted¹	1.92	2.27	
Group earnings from continued operations, adjusted¹	366.6	437.1	
Earnings per share from continued operations, adjusted (€)¹	1.92	2.28	

¹ The adjusted key figures only include the return from operating anticipatory hedges in the respective reporting period shown under EBIT I (see also 'Notes to the income statement and the statement of comprehensive income' on page 130). Related effects on deferred and cash taxes are also eliminated; tax rate in 2014: 28.6% (previous year: 28.6%).

In accordance with IAS 33, earnings per share are to be determined on the basis of Group earnings. Given the limited economic meaningfulness of unadjusted Group earnings, we additionally report adjusted Group earnings, which only contain the result from operating anticipatory hedges of the respective reporting period included in EBIT I.

Undiluted, adjusted earnings per share are computed by dividing adjusted Group earnings after taxes and minority interests by the weighted average number of shares outstanding. As none of the conditions resulting in the dilution of earnings per share exist in the case of κ+s at the present time, undiluted earnings per share correspond to diluted earnings per share.

NOTES TO THE BALANCE SHEET

The balance sheet is presented on page 110. The development of the gross carrying amounts and the depreciation/amortisation of the individual fixed asset items is shown separately on page 112.

(11) INTANGIBLE ASSETS

The amortisation charges for the financial year are disclosed in the income statement in line with the use of the assets concerned under the following items:

- + Cost of sales
- + Selling expenses
- + General and administrative expenses
- + Research and development costs
- + Other operating expenses

The goodwill from acquisitions disclosed in the consolidated balance sheet is allocated to the following cash-generating units (CGU):

BREAKDOWN OF GOODWILL BY CASH-GENERATING UNIT		TAB: 3.9.20	
	2014	2013	
in € million			
CGU Salt America	643.9	576.3	
CGU Potash and Magnesium Products	17.4	16.7	
CGU Salt Europe	13.3	13.3	
Total goodwill	674.6	606.3	

The Salt business unit is divided into the cash-generating units Salt America and Salt Europe. The increase in the goodwill items allocated to the CGU Salt America is based predominantly on effects of the foreign currency translation on the balance sheet date.

In connection with the examination of goodwill for impairment, the residual carrying amounts for the respective cash-generating units were compared with their value in use. The determination of the values in use was based on the present value of the future cash flows of the business units assuming continued use. The cash flow forecast is based on the current medium-term plans of the K+S GROUP or the respective business units. The medium-term plans are based on own experience, current business performance, and the best possible estimate of individual influencing factors such as energy and freight costs, or fluctuations in currency exchange rates. Market assumptions are included as described in the Forecast Report.

The forecast period covers the years 2015 to 2017 for CGU Salt America and CGU Salt Europe as well as 2015 to 2024 for CGU Potash and Magnesium Products; moreover, a growth rate of 2.0% (previous year: 2.0%) for nominal cash flows from the year 2018 or 2025 was assumed to compensate for inflation with respect to costs and revenues after the end of the detailed planning period. The forecast period of CGU Potash and Magnesium Products until 2024 contains the successive expansion of production capacity due to the Legacy Project in Canada.

The following discount factors were applied as at the end of the financial year:

	DISCOUNT FACTORS IMPAIRMENT TEST			
	2014		2013	
	Before taxes	After taxes	Before taxes	After taxes
interest rates in %				
CGU Salt America	8.4	6.0	8.2	6.2
CGU Potash and Magnesium Products	8.4	6.0	8.2	6.2
CGU Salt Europe	8.4	6.0	8.2	6.2

TAB: 3.9.21

The rates of interest for the cash-generating units correspond to the weighted cost of capital for the K+S GROUP before and after taxes.

/ A COMPUTATION OF THE COST OF CAPITAL can be found in the Management Report on page 72.

The impairment tests conducted at the end of the 2014 financial year confirmed that the goodwill items were not impaired. According to our estimate, realistic changes in the fundamental assumptions on which the process of determining the values in use is based would not result in the carrying amount of the particular cash-generating unit exceeding its value in use.

Brand rights totalling € 106.1 million (previous year: € 94.5 million) are, in view of their level of awareness in the relevant sales markets as well as their strategic relevance, classified as assets with indefinite useful lives. These brand rights are fully allocated to CGU Salt America.

The impairment test of the brand rights with indefinite useful lives, conducted on an annual basis, was carried out by comparing the values in use of the brands with the carrying amounts. The value in use was determined using the relief-from-royalty method, which derives the brand value from the licence costs saved. The brand-specific revenues for the years 2015 – 2018 were determined on the basis of the corporate planning, and an annual growth rate of 2.0% was assumed for the period from 2019 (previous year: 2.0%). The applicable licence prices for the brands were derived from third-party comparisons. The value in use was then determined by discounting the licence costs saved with a risk-adjusted pre-tax interest rate of 12.6% (previous year: 12.2%). The impairment test on the brands carried out on this basis at the end of the 2014 financial year did not result in any impairment charges.

The customer relationships deriving from the acquisition of the MORTON GROUP are a significant intangible asset. As of 31 December 2014, the carrying amount totalled € 135.4 million (previous year: € 136.2 million), the remaining useful life as of the balance sheet date was about 12 years.

(12) INVESTMENT PROPERTIES

As of 31 December 2014, the fair values of investment properties amounted to € 19.0 million (previous year: € 21.2 million). The fair values were estimated by internal specialist departments on the basis of local market conditions. In determining the values, particular account was taken of local property valuation records and, in part, of external valuation reports. The valuation methods correspond to level 3 of the three-tier valuation hierarchy set out in IFRS 13.

(13) FINANCIAL ASSETS

An amount of € 13.1 million (previous year: € 13.1 million) is accounted for by investments in affiliated companies as well as equity interests. Of this amount, € 0.6 million (previous year: € 0.8 million) relates to other loans (mainly to employees) and other financial assets. The effective annual rates of interest range between 0 and 5.0 % and the remaining fixed interest period range between one year and 20 years.

The maximum default risk as of the balance sheet date corresponds to the amount stated in the balance sheet. There are no specific grounds that would suggest the possible occurrence of defaults. There are no significant concentrations of default risk.

(14) SECURITIES AND OTHER FINANCIAL INVESTMENTS**SECURITIES AND OTHER FINANCIAL INVESTMENTS**

TAB: 3.9.22

	2014	2013
in € million		
Securities and other financial investments (non-current)	33.3	179.3
Securities and other financial investments (current)	534.8	856.2
Securities and other financial investments	568.1	1,035.5

This item comprises various investments (e.g., commercial papers, bonds, term deposits with credit institutions, promissory notes, investment funds, credit-linked notes), which, in accordance with IAS 39, are classified as 'Loans and receivables' or 'Available-for-sale financial assets'.

(15) DEFERRED TAXES

The following capitalised deferred tax assets and liabilities relate to recognition and measurement differences for individual balance sheet line items and tax loss carryforwards:

DEFERRED TAXES

TAB: 3.9.23

	Deferred tax assets		Deferred tax liabilities	
	2014	2013	2014	2013
in € million				
Intangible assets	3.8	6.3	111.1	99.4
Property, plant and equipment	24.1	39.0	431.5	377.0
Financial assets	—	—	—	—
Inventories	1.3	1.9	2.3	3.8
Receivables and other assets	12.9	18.0	30.3	11.1
– of which derivative financial instruments	1.4	—	8.4	4.0
Provisions	227.0	151.2	3.1	0.2
Liabilities	9.3	7.8	6.3	5.4
Gross amount	278.4	224.2	584.6	496.9
– of which non-current	248.5	196.2	561.6	489.3
Tax loss carryforwards	93.6	106.0	—	—
Consolidations	4.7	7.0	–6.5	3.0
Balances	–302.3	–303.8	–302.3	–303.8
Balance sheet carrying amount (net)	74.4	33.4	275.8	196.1

Deferred taxes totalling € 11.2 million (previous year: € 8.8 million) were not capitalised as utilisation of the underlying loss carryforwards or the realisation of taxable income appears unlikely. The underlying loss carryforwards amount to € 170.3 million (previous year: € 41.2 million). In relation to the underlying loss carryforwards the deferred tax amount is due to tax rate relatively low.

In the year under review, deferred taxes of € 4.3 million (previous year: € –12.0 million) were recorded in other comprehensive income.

The balance sheet value of the deferred taxes changed by € 38.7 million as of 31 December 2014 (previous year: € -62.9 million), which contains an increase in deferred tax assets of € -41.0 million (previous year: € 15.7 million) and an increase in deferred tax liabilities of € 79.7 million (previous year: € -78.6 million).

Taking into account the deferred taxes of € 4.3 million recorded in other comprehensive income in the year under review (previous year: € -12.0 million) and currency-related effects of € -17.4 million (previous year: € 13.8 million), this results in deferred tax expense of € 25.6 million disclosed in the income statement (previous year: € -61.1 million).

Temporary differences of € 263.9 million (previous year: € 380.6 million) are related to shares in subsidiaries for which no deferred tax liabilities are accrued in accordance with IAS 12.39.

(16) INVENTORIES

INVENTORIES		TAB: 3.9.24	
in € million	2014	2013	
Raw materials, consumables and supplies	214.5	179.2	
Unfinished goods, work in progress	18.2	12.8	
Finished products and merchandise	346.1	360.6	
Inventories	578.8	552.6	

Inventories of € 44.3 million (previous year: € 35.5 million) were stated at net realisable value. The reporting of net realisable value resulted in write-downs of € 0.9 million (previous year: € 1.3 million) during the period under review.

(17) RECEIVABLES AND OTHER ASSETS

RECEIVABLES AND OTHER ASSETS		TAB: 3.9.25		
in € million	2014	of which residual term over 1 year	2013	of which residual term over 1 year
Accounts receivable – trade	732.9	–	737.9	–
Receivables from affiliated companies	7.0	–	4.5	–
Other assets	296.1	116.9	203.5	54.0
– of which derivative financial instruments	56.2	25.3	22.9	–
– of which claim for reimbursement Morton Salt bond	20.3	20.1	18.0	17.9
Receivables and other assets	1,036.0	116.9	945.9	54.0

The allowances for trade receivables, other receivables and other assets have developed as follows:

ALLOWANCES		TAB: 3.9.26	
in € million	2014	2013	
Balance as of 1 January	12.5	16.6	
Change in scope of consolidation	–	-1.0	
Additions	0.9	1.5	
Reversal	1.4	2.8	
Utilisation	0.2	1.8	
Balance as of 31 December	11.8	12.5	

Allowances of € 11.6 million (previous year: € 12.3 million) were disclosed for the trade receivables portfolio as of 31 December 2014. Of this, € 0.2 million (previous year: € 0.2 million) result from allowances for other receivables and other assets. The allowances are based on the assessment of the existing risk of default. If receivables have a residual term of more than three months, they are discounted applying interest rates as of the balance sheet date.

As of 31 December 2014, € 0.1 million in non-interest-bearing and low-interest receivables were discounted (previous year: none).

The following table provides information about the extent of the risks of default contained in the items 'Accounts receivable – trade' as well as 'Other receivables and non-derivative financial instruments'.

DEFAULT RISKS		TAB: 3.9.27				
	Carrying amount	of which neither overdue nor adjusted as of the reporting date	of which unadjusted but overdue as of the reporting date since			
			< 30 days	> 31 and < 90 days	> 91 and < 180 days	> 180 days
in € million						
2014						
Accounts receivable – trade	732.9	645.9	25.5	10.8	12.5	10.4
Other receivables and non-derivative financial assets	140.4	121.5	0.1	–	2.8	3.6
2013						
Accounts receivable – trade	737.9	674.3	24.0	15.0	11.4	4.4
Other receivables and non-derivative financial assets	92.2	61.6	0.5	2.7	0.2	3.9

The risk of default is the risk of a contractual partner failing to discharge its contractual payment obligations. Customer receivables are to the largest extent secured against a default risk by means of appropriate insurance coverage and other hedging instruments. Across the Group, 66% of all insurable receivables are hedged against default. This ensures that only a low partial loss is incurred in the event of default. An internal credit check is conducted in the case of customers for whom such cover cannot be obtained. There is no significant concentration of risk with respect to receivables.

Receivables management is geared towards collecting all outstanding accounts punctually and in full as well as towards avoiding the loss of receivables. Invoices are issued on a daily basis and invoice data is transferred to debtor accounts online. Accounts outstanding are monitored on an ongoing basis with system support and in line with the payment terms agreed with the customers. Payment terms generally range from 10 to 180 days, with longer terms being customary in some markets. In the case of late payment, reminders are issued at regular two-week intervals.

The maximum risk of default with respect to receivables and other assets is reflected in the carrying amount disclosed in the balance sheet. As of 31 December 2014, the maximum default amount in the highly unlikely event of a simultaneous default on all unsecured receivables was € 228.4 million (previous year: € 210.1 million).

Non-current other assets includes financial assets of € 52.8 million (previous year: € 10.0 million) that were deposited as collateral for obligations. These largely affect the depositing of financial funds, which is restricted in terms of time, for securing a bank guarantee that are then available again after the expiry of the guarantee period.

The receivables arising from the accounting treatment of customer-specific construction contracts comprise the following:

CUSTOMER-SPECIFIC CONSTRUCTION CONTRACTS		TAB: 3.9.28	
	2014	2013	
in € million			
Contract costs incurred and contract gains recognised	17.8	11.8	
less advance payments received	14.0	11.3	
Receivables from customer-specific construction contracts	3.8	0.5	

(18) DERIVATIVE FINANCIAL INSTRUMENTS

Currency and interest rate management is performed centrally for all Group companies. This also applies to the use of derivative financial instruments, e. g., those aimed at limiting certain costs. The use of derivative financial instruments is regulated by guidelines and procedural instructions. A strict segregation of functions is ensured between trading, settlement and control. Derivative financial instruments are only traded with banks that have a good credit rating, which is monitored continually by means of appropriate instruments. In principle, the entire portfolio of derivative financial instruments is distributed amongst several banks to reduce the risk of default. The level of risk of default is limited to the amount of the derivatives capitalised on the balance sheet.

The goal of interest rate management is to curb the risks arising from an increasing interest burden for financial liabilities as well as the risks arising from declining interest income from financial assets as a result of changes in the general level of interest rates. No countermeasures are currently necessary in respect of the financial liabilities, as the financial liabilities existing on the balance sheet date carry a fixed interest rate. In the case of the financial assets, there is currently no identifiable need for action as interest rates are low, meaning that the risk of declining rates is minimal.

Derivatives are used to hedge exchange rate risks in order to limit the risks to which operating business activities can be exposed as a result of changes in exchange rates. Exchange rate risks exist mainly with respect to the US dollar and the Canadian dollar, and, to a lesser extent, the British pound, the Chilean peso and the Brazilian real. Hedging transactions are executed in relation to billed receivables and anticipated net positions on the basis of projected revenues. In this regard, the net positions are determined on the basis of revenue and cost budgeting using safety margins and updated on an ongoing basis to avoid excess hedging or hedging shortfalls.

The hedging transactions used can have terms of up to three years for the hedging of anticipated positions. The main objective is the hedging of a worst-case scenario. Here, futures and plain vanilla options are used, whereby the participation in a favourable market development is generally limited by the sale of simple options. This also serves to reduce premium expenses. Basically, it is also possible to use compound options consisting of an option on a simple option, which can be acquired at a later date for a fixed amount.

The terms of hedging transactions in respect of billed receivables are, in keeping with the agreed payment terms, less than one year.

The hedging transactions in respect of anticipated net positions as described above are used in the Potash and Magnesium Products business unit for US dollar positions as well as for Canadian dollar positions connected with the Legacy Project. Hedging transactions in respect of billed receivables are concluded in the Potash and Magnesium Products business unit.

Trading in all the aforementioned derivatives is solely OTC. Because of market transparency, forward exchange transactions are concluded directly with a bank after a comparison with interbank terms has been made by means of a reference system. There is no such transparent market for trading in options. For this reason quotations are obtained from several banks for all substantial option transactions, so that a transaction can then be executed with the bank providing the best quotation.

In the case of forward exchange transactions, there is a market value risk on the respective reporting date. However, there are countervailing effects stemming from the currency-based measurement of receivables when derivatives are used in order to hedge foreign currency receivables.

The market values computed correspond to the value upon hypothetical early transfer on the balance sheet date. The values are computed using recognised mathematical models generally used by market participants. These computations were particularly based on the following parameters that applied on the balance sheet date:

- + the spot exchange and forward exchange rates of the currencies concerned,
- + the agreed hedging rates and exercise prices,
- + the traded volatilities, i. e., the expected variation range of the exchange rates in question,
- + and the interest rate level applicable to the currencies concerned.

IAS 39 permits hedging relationships to be established between underlying business transactions and derivative financial instruments. However, this is principally not applied (see 'Notes to the income statement and the statement of comprehensive income' on page 130).

The following derivative foreign exchange financial transactions existed as at 31 December 2014:

DERIVATIVE FOREIGN EXCHANGE FINANCIAL TRANSACTIONS					TAB: 3.9.29
	2014		2013		
	Nominal values ¹	Fair values	Nominal values ¹	Fair values	
in € million					
GBP forward exchange transactions					
– of which maturing in 2014	–	–	8.7	–	
– of which maturing in 2015	9.3	-0.1	–	–	
CAD forward exchange transactions					
– of which maturing in 2014	–	–	387.8	-16.9	
– of which maturing in 2015	597.4	23.6	142.0	-7.7	
– of which maturing in 2016	286.6	19.7	–	–	
– of which maturing in 2017	20.2	0.4	–	–	
USD forward exchange transactions					
– of which maturing in 2014	–	–	394.5	10.8	
– of which maturing in 2015	295.6	-6.6	–	–	
USD/CLP forward exchange transactions					
– of which maturing in 2014	–	–	29.8	–	
– of which maturing in 2015	28.6	-0.1	–	–	
USD/BRL forward exchange transactions					
– of which maturing in 2014	–	–	–	–	
– of which maturing in 2015	2.0	–	–	–	
Simple currency options purchased (USD)					
– of which maturing in 2014	–	–	268.0	10.4	
– of which maturing in 2015	456.9	0.9	–	–	
– of which maturing in 2016	235.3	5.2	–	–	
Simple currency options sold (USD)					
– of which maturing in 2014	–	–	264.4	-0.6	
– of which maturing in 2015	398.4	-17.6	–	–	
– of which maturing in 2016	246.7	-9.2	–	–	
Foreign currency transactions in total	2,577.0	16.2	1,495.3	-3.9	

¹ Translated into euros using weighted hedging rates.

How the aforementioned market values would have changed assuming a change of $\pm 10\%$ in spot rates on the balance sheet date is shown below:

SENSITIVITY OF DERIVATIVE FOREIGN EXCHANGE FINANCIAL TRANSACTIONS 2014					TAB: 3.9.30
	Base value	Base value +10%	Base value -10%	Fair value changes +10% in € million	Fair value changes -10% in € million
EUR/USD	1.214	1.336	1.093	45.8	-70.4
EUR/CAD	1.406	1.547	1.266	-65.0	79.2
EUR/GBP	0.779	0.857	0.701	0.7	-0.8
USD/CLP	606.450	667.095	545.805	-2.6	3.1
USD/BRL	2.653	2.918	2.387	-0.2	0.2
Total				-21.3	11.3

The following values on the balance sheet date of the previous year were as follows:

SENSITIVITY OF DERIVATIVE FOREIGN EXCHANGE FINANCIAL TRANSACTIONS 2013					TAB: 3.9.31
	Base value	Base value +10%	Base value -10%	Fair value changes +10% in € million	Fair value changes -10% in € million
EUR/USD	1.379	1.517	1.241	56.2	-55.5
EUR/CAD	1.467	1.614	1.320	-45.6	55.7
EUR/GBP	0.834	0.917	0.750	0.4	-0.5
USD/CLP	525.450	577.995	472.905	-2.7	3.2
Total				8.3	2.9

The aforementioned market value changes would have resulted in a corresponding increase or reduction in unadjusted Group earnings before taxes and in equity.

(19) EQUITY

The development of individual equity items is shown separately on page 111.

SUBSCRIBED CAPITAL

The subscribed capital of K+S AKTIENGESELLSCHAFT amounts to € 191.4 million and is divided into 191.4 million no-par value registered shares. In the 2014 financial year, there was an average of 191.4 million (previous year: 191.4 million) no-par value shares in circulation.

According to the resolution passed by the Annual General Meeting on 11 May 2010, the Board of Executive Directors was authorised to acquire own shares up to 10 % of the share capital by 10 May 2015. Purchases may be made on a stock exchange or by means of a public purchase offer directed to all shareholders. In the case of a purchase effected on a stock exchange or a public purchase offer addressed to all shareholders, the purchase price per share (exclusive of ancillary purchase costs) paid by the Company may not exceed or undercut the relevant exchange price by more than 10 %. In the 2014 financial year, K+S AKTIENGESELLSCHAFT did not make use of the authorisation.

SUBSCRIBED CAPITAL			TAB: 3.9.32
	Shares outstanding	Subscribed capital	
in € million			
31.12.2012	191.4	191.4	
31.12.2013	191.4	191.4	
31.12.2014	191.4	191.4	

CAPITAL RESERVE

The capital reserve mainly consists of the share premium received as part of share issues of K+S AKTIENGESELLSCHAFT.

OTHER RESERVES AND ACCUMULATED PROFIT

This item summarises the revenue reserves, the accumulated profit, the differences from currency translation, fair valuation reserve of securities which are classified as financial assets available for sale and actuarial gains/losses from pensions and similar obligations.

The revenue reserves mainly consist of past earnings of the consolidated companies less dividends paid to shareholders. The item 'Differences from foreign currency translation' mainly comprises differences from the translation of the functional currency of foreign business operations into the reporting currency of the Group (€).

OTHER COMPREHENSIVE INCOME						TAB: 3.9.33
	2014 Before taxes	2014 Tax effect	2014 Net	2013 Before taxes	2013 Tax effect	2013 Net
in € million						
Items that may be reclassified subsequently to profit or loss	298.2	-4.1	294.1	-180.1	1.6	-178.5
Financial assets available for sale	2.1	-0.5	1.6	-1.0	—	-1.0
Difference resulting from foreign currency translation	296.1	-3.6	292.5	-179.1	1.6	-177.5
– thereof change in unrealised gains/losses	296.1	-3.6	292.5	-179.1	1.6	-177.5
– thereof realised gains/losses	—	—	—	—	—	—
Items that will not be reclassified to profit or loss	-57.3	7.7	-49.6	49.8	-13.6	36.2
Revaluation of net debt/defined benefit pension plan assets	-57.3	7.7	-49.6	49.8	-13.6	36.2
Other comprehensive income	240.9	3.6	244.5	-130.3	-12.0	-142.3

ACCUMULATED PROFIT OF THE INDIVIDUAL FINANCIAL STATEMENTS OF K+S AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE (HGB))

For dividend distribution the annual financial statements of K+S AKTIENGESELLSCHAFT as prepared in accordance with the German Commercial Code (HGB) are decisive. It is intended to propose to the Annual General Meeting that a dividend of € 0.90 per share (previous year: € 0.25), i.e., € 172.3 million in total (previous year: € 47.9 million) be distributed to the shareholders and the remaining amount of € 10.0 million be allocated to revenue reserves. As of the balance sheet date, the following accumulated profit was disclosed in the individual financial statements of K+S AKTIENGESELLSCHAFT:

**ACCUMULATED PROFIT OF K+S AKTIENGESELLSCHAFT
(GERMAN COMMERCIAL CODE (HGB))**

TAB: 3.9.34

in € million	2014	2013
Accumulated profit of K+S Aktiengesellschaft as of 1 January	182.3	294.2
Dividend payment for previous year	-47.9	-268.0
Net income of K+S Aktiengesellschaft	261.8	312.1
Allocation to other revenue reserves (resolution passed by the Annual General Meeting 2014)	-134.4	-
Allocation from net income to other revenue reserves	-79.5	-156.0
Accumulated profit of K+S Aktiengesellschaft as of 31 December	182.3	182.3

(20) INFORMATION ABOUT CAPITAL MANAGEMENT

The capital management of the K+S GROUP is oriented, on the one hand, towards external requirements that are necessary for unrestricted access to capital markets and a solid investment grade rating, and on the other hand, towards internally defined financial policy goals. The financial policy instruments for attaining these aims essentially include financing measures that affect both equity capital and debt. All financing measures, which also include cash, currency and interest rate management, are coordinated and managed by a central unit within the company.

Capital management is guided by financial figures such as net debt/EBITDA, net debt/equity and the equity ratio in order to meet both external and internal requirements.

Equity and debt were as follows on the balance sheet day:

CAPITAL MANAGEMENT

TAB: 3.9.35

in € million	2014	2013
Equity	3,974.5	3,396.6
Non-current debt	2,999.8	2,686.8
Current debt	880.9	1,414.8
Balance sheet total	7,855.2	7,498.2
- Equity ratio	50.6 %	45.3 %
- Debt ratio	49.4 %	54.7 %

Equity rose by € 577.9 million compared with the previous year. The increase in equity is based mainly on the positive Group earnings of the 2014 financial year (after taxes and minority interests) amounting to € 380.5 million; in contrast to this is the dividend distribution of € 47.9 million effected in May 2014. Moreover, changes in equity without recognition in profit or loss had to be accounted for, largely resulting from foreign currency translation of subsidiaries in functional foreign currency (mainly the US dollar and the Canadian dollar).

Non-current debt has increased by € 313.0 million. This can be attributed primarily to increased provisions for mining obligations. A decrease of € 533.9 million was posted in current debt, which resulted largely from the redemption of bonds due in 2014. The increased provisions for obligations from purchase contracts related to the Legacy Project had the opposite effect.

(21) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The K+S GROUP has assumed a number of defined benefit pension commitments. Most of the commitments relate to Germany and Canada.

GERMANY

A significant pension plan in Germany is the K+S pension scheme, which essentially consists of a basic pension, a supplementary pension II as well as rules governing vesting rights. The basic pension is based on a modular system, under which hypothetical contributions corresponding to a certain percentage of pensionable income are collected annually. The pension entitlement is computed by applying a fixed percentage to total hypothetical contributions. Supplementary pension II is a final salary plan, with the corresponding entitlement based on certain percentages for salary components above statutory and miners' insurance multiplied by the number of pensionable years of service. Fixed euro amounts or vested rights to final salary percentages were granted in the case of periods of service before the introduction of the basic pension and supplementary pension II. This pension plan has been discontinued in the meantime, so that no other employees are eligible to acquire the benefits.

Alongside the K+S pension scheme, numerous individual commitments were made, especially in relation to members of the Board of Executive Directors and senior management. They are generally based on a modular system, under which a certain percentage of pensionable annual income is converted into a lifelong pension applying an age-related factor.

The total entitlement corresponds to the sum of the individual year-based modules. In this context, a certain defined pension level may not be exceeded.

In addition, there are further company-specific pension commitments in Germany that were already discontinued some years ago. Most of the beneficiaries are already drawing pensions.

All pension obligations in Germany are essentially covered by means of a contractual trust arrangement (CTA). The vehicle used for this is the K+S VERMÖGENSTREUHÄNDER E.V., which was established in 2005 and manages the assets dedicated to the servicing of pension obligations on a fiduciary basis. While the pension payments continue to be made by the respective company, the payments are generally reimbursed by the CTA as they arise. There are no minimum funding requirements.

CANADA

In Canada, alongside defined benefit pension commitments, there are pension-like plans which entail commitments, for example, to provide medical benefits to those eligible under them upon retirement.

The pension plans essentially provide for benefits that are computed as a percentage of the average five highest annual salaries while taking into account length of service. In this context, certain upper limits have to be observed. With effect from 1 January 2013, the plan was converted into a defined contribution plan for some of those eligible under it. The conversion was prospective, which means that claims acquired up to that point in time remain unchanged. Pension plans in Canada are regulated by law, e. g., by the Financial Services Commission in Ontario and the Canada Revenue Agency. There are minimum funding requirements under the Pension Benefits Act (Ontario). To satisfy them, an independent actuarial valuation is generally performed in the middle of the year. The aim is to determine the funded status of the pension plan in accordance with legal requirements. If the plan is underfunded, the shortfall must be made up within a period of five to 15 years based on the type of shortfall. The valuation differs from an IFRS valuation in that, for example, a different discount factor is applied.

The Canadian plan assets are held by an external company. It is responsible for the payment of pensions to pensioners as well as the fiduciary management of plan assets. The trustee is selected by the Canadian Salt Pension Committee, which comprises company representatives and external advisors. It is also responsible for determining the investment strategy.

The pension-like commitments cover payments for life, dental and medical insurance. The level of payments for the dental and medical insurance depends on the average claims ratio of the pensioners, whereas life insurance essentially involves a fixed-sum commitment. No plan assets were established for the pension-like commitments and there are no minimum funding requirements.

OTHER COUNTRIES

The other pension commitments largely relate to pension-like plans in the United States and the Bahamas which provide for payments towards medical and life insurances. No plan assets were established for these commitments and there are no minimum funding requirements. In addition, there are pension commitments of minor significance in other countries.

The plans described above are subject to a number of risks. Primary amongst them are:

- + Investment risks: The provisions for pensions and similar obligations are calculated using a discount factor based on AA-rated corporate bonds. If the yield for the plan assets is below this interest rate, there is a corresponding coverage shortfall. The investments are spread widely, mainly in bonds and shares, with the latter being particularly exposed to significant market value fluctuations.
- + Inflationary risks: In Germany, pension levels essentially need to be reviewed every three years in accordance with the German Act on Improving Company Retirement Pension Plans (Gesetz zur Verbesserung der betrieblichen Altersvorsorge (BetrAVG)), which generally results in pensions being adjusted for inflation. The pension commitments in Canada are also regularly adjusted for inflation during the course of collective bargaining. As a rule, an increase in the respective rates of inflation therefore leads to a corresponding increase in the respective obligations.
- + Interest rate risks: A decrease in yields for corporate bonds and, consequently, in the discount rate leads to an increase in obligations, which is only partially offset by a corresponding change in the value of plan assets.

- + Health care cost trend (North America, especially Canada): As payments connected with medical benefit commitments are essentially adjusted for the cost trend in health care, an increase in medicine prices, hospital costs etc. in the respective country leads to an increase in obligations.
- + Longevity risks: Life expectancy is taken into account in calculating obligation levels by using mortality tables. An increase in life expectancy results in a corresponding increase of the obligations.
- + Salary risks: If the actual trend in salaries exceeds the anticipated trend, this results in an increase in obligation levels.

The K+S GROUP strives to reduce the risks by, for example, changing over from defined benefit plans to defined contribution plans. Thus, most of the workforce in Germany has received exclusively defined contribution commitments in the meantime. In North America as well, benefit commitments were either compensated or frozen and transferred to a defined contribution system.

The following assumptions have been made in calculating provisions for pensions and similar obligations on the balance sheet date:

ACTUARIAL ASSUMPTIONS – MEASUREMENT OF PENSION COMMITMENTS

TAB: 3.9.36

	2014		2013	
	Germany	Outside Germany	Germany	Outside Germany
in % (weighted average)				
Pension commitments				
Actuarial interest rate	2.1	3.9	3.5	4.7
Anticipated annual increase in salaries and wages	1.8	3.5	1.8	3.5
Anticipated annual pension increase	1.6	1.1	1.6	1.1
Other benefit commitments similar to pensions				
Actuarial interest rate	—	4.0	—	4.8

To determine the pension expenses for 2014, the following actuarial assumptions – stipulated at the end of financial year 2013 – were used:

ACTUARIAL ASSUMPTIONS – PENSION COMMITMENT EXPENSES

TAB: 3.9.37

	2014		2013	
	Germany	Outside Germany	Germany	Outside Germany
in % (weighted average)				
Pension commitments				
Actuarial interest rate	3.5	4.7	3.5	4.0
Anticipated annual increase in salaries and wages	1.8	3.5	1.8	3.5
Anticipated annual pension increase	1.6	1.1	1.6	1.1
Other benefit commitments similar to pensions				
Actuarial interest rate	—	4.8	—	4.0

As of 31 December 2014, the following mortality tables were applied:

- + Germany: Heubeck Richttafeln 2005 G (previous year: Heubeck Richttafeln 2005 G)
- + Canada: CPM Private Scale B with adjustment factor (previous year: CIA Private, loading 4.1%)
- + US/Bahamas: RP 2014 Scale MP-2014 (previous year: RP 2000 Scale AA)

In the case of commitments similar to pensions for health care benefits, the following annual cost increases – declining over time – were assumed:

- + Canada: 7.0 % / 4.0 % as of 2024 (previous year: 7.5 % / 5.0 % as of 2019)
- + Bahamas: 6.75 % / 4.5 % as of 2024 (previous year: 4.5 %)

The following tables show the development of the defined benefit obligation and the plan assets:

DEVELOPMENT DEFINED BENEFIT OBLIGATION

TAB: 3.9.38

	2014				2013			
	Total	Germany	Outside Germany	Outside Germany	Total	Germany	Outside Germany	Outside Germany
		Pensions	Pensions	Similar obligations		Pensions	Pensions	Similar obligations
in € million								
Defined benefit obligation as of 1 January	499.4	219.8	188.6	91.0	540.9	218.2	219.2	103.5
Service costs	10.1	5.7	2.8	1.6	12.0	5.8	3.0	3.2
Past service costs	1.6	1.4	0.2	—	—	—	—	—
Interest expenses	19.1	7.4	8.6	3.1	19.7	7.4	8.3	4.0
Revaluations	66.2	45.1	27.5	-6.4	-19.3	—	-11.2	-8.1
– of which actuarial gains (-)/losses (+) from changes in demographic assumptions	-4.9	—	2.0	-6.9	12.0	—	7.0	5.0
– of which actuarial gains (-)/losses (+) from changes in financial assumptions	70.4	42.9	22.9	4.6	-29.7	—	-17.5	-12.2
– of which actuarial gains (-)/losses (+) based on experience-based adjustments	0.7	2.2	2.6	-4.1	-1.6	—	-0.7	-0.9
Pension payments	-26.0	-14.7	-9.1	-2.2	-25.3	-14.1	-9.5	-1.7
Plan adjustments / plan settlements	-0.2	—	-0.2	—	3.9	2.5	1.4	—
Exchange rate fluctuations	14.2	—	8.3	5.9	-32.5	—	-22.6	-9.9
Defined benefit obligation as of 31 December	584.4	264.7	226.7	93.0	499.4	219.8	188.6	91.0

The gain from revaluing commitments similar to pensions in the amount of € 6.4 million resulted primarily from the adjustment of expected health costs in Canada. The drop in the discount rate partially offset this effect.

DEVELOPMENT PLAN ASSETS

TAB: 3.9.39

	2014			2013		
	Total	Germany	Outside Germany	Total	Germany	Outside Germany
		Pensions	Pensions		Pensions	Pensions
in € million						
Plan assets as of 1 January	408.8	230.3	178.5	388.2	224.6	163.6
Interest income	16.1	7.8	8.3	14.0	7.6	6.4
Employer contributions	7.6	1.4	6.2	15.9	1.5	14.4
Gains (+)/losses (-) from revaluation of plan assets (without amounts recognised in interest income)	8.9	-3.0	11.9	30.5	10.8	19.7
Pension payments	-23.5	-14.7	-8.8	-22.9	-14.2	-8.7
Exchange rate fluctuations	7.8	—	7.8	-16.9	—	-16.9
Plan assets as of 31 December	425.7	221.8	203.9	408.8	230.3	178.5

For reconciliation to the balance sheet carrying amounts, the defined benefit obligation must be offset against the plan assets.

RECONCILIATION BALANCE SHEET VALUES PENSIONS AND SIMILAR OBLIGATIONS

TAB: 3.9.40

	2014				2013			
	Total	Germany	Outside Germany	Outside Germany	Total	Germany	Outside Germany	Outside Germany
		Pensions	Pensions	Similar obligations		Pensions	Pensions	Similar obligations
in € million								
Defined benefit obligation as of 31 December	584.4	264.7	226.7	93.0	499.4	219.8	188.6	91.0
Plan assets as of 31 December	425.7	221.8	203.9	—	408.8	230.3	178.5	—
Balance sheet values as of 31 December	158.7	42.9	22.8	93.0	90.6	-10.5	10.1	91.0
– of which pension provisions and similar obligations (+)	162.8	47.0	22.8	93.0	102.6	1.5	10.1	91.0
– of which assets (-)	-4.1	-4.1	—	—	-12.0	-12.0	—	—

The following amounts were recorded in the statement of comprehensive income:

EFFECTS STATEMENT OF COMPREHENSIVE INCOME								TAB: 3.9.41
	2014				2013			
	Total	Germany	Outside Germany	Outside Germany	Total	Germany	Outside Germany	Outside Germany
		Pensions	Pensions	Similar obligations		Pensions	Pensions	Similar obligations
in € million								
Service costs	10.1	5.7	2.8	1.6	12.0	5.8	3.0	3.2
Past service costs	1.6	1.4	0.2	—	—	—	—	—
Net interest expenses (+)/income (-)	3.0	-0.4	0.3	3.1	5.7	-0.2	1.9	4.0
Expenses (+)/income (-) plan adjustments	-0.2	—	-0.2	—	2.4	2.5	-0.1	—
Amounts recognised in the income statement	14.5	6.7	3.1	4.7	20.1	8.1	4.8	7.2
Gains (-)/losses (+) from revaluation of plan assets (without amounts recognised in interest income)	-8.9	3.0	-11.9	—	-30.5	-10.8	-19.7	—
Actuarial gains (-)/losses (+) from changes in demographic assumptions	-4.9	—	2.0	-6.9	12.0	—	7.0	5.0
Actuarial gains (-)/losses (+) from changes in financial assumptions	70.4	42.9	22.9	4.6	-29.7	—	-17.5	-12.2
Actuarial gains (-)/losses (+) based on experience-based adjustments	0.7	2.2	2.6	-4.1	-1.6	—	-0.7	-0.9
Amounts recognised in other comprehensive income	57.3	48.1	15.6	-6.4	-49.8	-10.8	-30.9	-8.1
Total (amounts recognised in statement of comprehensive income)	71.8	54.8	18.7	-1.7	-29.7	-2.7	-26.1	-0.9

The service costs (including past service costs) are reported in accordance with the allocation of employees in the respective EBIT functional area. The net interest expense or income is reported in net interest income.

The fair value of plan assets is distributed across the following investment classes:

	2014			2013		
	Total	Germany	Outside Germany	Total	Germany	Outside Germany
	Pensions	Pensions	Pensions	Pensions	Pensions	Pensions
in € million						
Bonds	196.0	124.0	72.0	158.6	106.9	51.7
– Government bonds	43.4	2.0	41.4	27.4	0.8	26.6
– Corporate bonds	152.6	122.0	30.6	131.2	106.1	25.1
Shares	200.5	78.0	122.5	206.7	89.9	116.8
– Consumer	48.8	20.8	28.0	47.8	21.0	26.8
– Finance	41.8	13.6	28.2	43.8	16.3	27.5
– Industry	26.1	14.0	12.1	31.0	19.5	11.5
– Energy	23.3	6.4	16.9	24.0	7.0	17.0
– Raw materials	22.3	15.6	6.7	22.6	15.9	6.7
– Other	38.2	7.6	30.6	37.5	10.2	27.3
Cash on hand and balances with banks	10.6	2.2	8.4	27.4	18.2	9.2
Reinsurance arrangements	10.9	10.9	–	9.5	9.5	–
Other	7.7	6.7	1.0	6.6	5.8	0.8
Plan assets as of 31 December	425.7	221.8	203.9	408.8	230.3	178.5

Investments held through investment funds were assigned to the individual investment classes in the list above. A majority of the bonds are rated as investment grade. The shares are regularly traded on an active market. While the same generally applies to the bonds, the item includes promissory notes with a carrying amount of € 28.3 million (previous year: € 16.4 million) that are not traded on an active market. There is no active market for reinsurance arrangements.

The following sensitivity analysis as of 31 December 2014 shows how the present value of the obligation would change in the event of a change in actuarial assumptions. No correlation between individual assumptions was taken into account, which means that in the event of one assumption being changed, the other assumptions remained unchanged. The projected unit credit method used to determine the carrying amounts was also used in the sensitivity analysis.

	Change in assumption	Change in cash value of commitments			
		Total	Germany	Total	Outside Germany
		Pensions	Pensions	Pensions	Similar obligations
in € million					
Actuarial interest rate	+ 100 basis points	-71.3	-32.0	-28.3	-11.0
Actuarial interest rate	- 100 basis points	96.6	40.6	36.0	20.0
Anticipated annual increase in salaries and wages	+ 50 basis points	4.6	1.4	3.2	–
Anticipated annual increase in salaries and wages	- 50 basis points	-4.1	-1.4	-2.7	–
Anticipated annual pension increase	+ 50 basis points	28.3	15.2	13.1	–
Anticipated annual pension increase	- 50 basis points	-23.7	-12.8	-10.9	–
Medical cost trend	+ 50 basis points	9.1	–	–	9.1
Medical cost trend	- 50 basis points	-7.1	–	–	-7.1
Life expectancy	+ 1 year	20.6	8.9	7.6	4.1
Life expectancy	- 1 year	-20.5	-8.7	-7.5	-4.3

The values in the previous year were as follows:

SENSITIVITY ANALYSIS FROM 31 DEC. 2013		TAB: 3.9.44			
Change in assumption	in € million	Change in cash value of commitments			
		Total	Germany	Outside Germany	Outside Germany
		Pensions	Pensions	Pensions	Similar obligations
Actuarial interest rate	+ 100 basis points	-60.2	-23.5	-23.0	-13.7
Actuarial interest rate	- 100 basis points	75.6	29.1	28.5	18.0
Anticipated annual increase in salaries and wages	+ 50 basis points	3.4	1.1	2.3	—
Anticipated annual increase in salaries and wages	- 50 basis points	-3.4	-1.1	-2.3	—
Anticipated annual pension increase	+ 50 basis points	20.8	11.1	9.7	—
Anticipated annual pension increase	- 50 basis points	-17.8	-9.3	-8.5	—
Medical cost trend	+ 50 basis points	9.4	—	—	9.4
Medical cost trend	- 50 basis points	-7.3	—	—	-7.3
Life expectancy	+ 1 year	17.5	6.8	5.9	4.8
Life expectancy	- 1 year	-17.5	-6.7	-6.1	-4.7

Undiscounted payments for pensions and similar obligations are expected to fall due as follows in subsequent years:

ANTICIPATED PAYMENTS FOR PENSIONS AND SIMILAR OBLIGATIONS		TAB: 3.9.45
		31.12.2014
in € million		
< 1 year		27.1
Between 1 and 5 years		110.8
Between 5 and 10 years		148.2
> 10 years		1,043.9
Total		1,330.0

The weighted average duration of obligations in Germany as of 31 December 2014 is 14 years (previous year: 12 years), for pension obligations outside Germany 14 years (previous year: 14 years) and for obligations similar to pensions outside Germany 19 years (previous year: 18 years). The duration and maturity profile of the obligations in part differ significantly between individual companies. In terms of asset allocation, this fact is essentially taken into account, especially in Germany. The aim is to service the pension payments from current plan asset income.

In the 2015 financial year, an outflow of funds of € 4.1 million from pension commitments and commitments similar to pensions is to be expected. This outflow encompasses allocations to plan assets and pension payments which are not covered by corresponding reimbursements from plan assets.

In addition, there are further retirement pension plans for which no provisions need to be recognised, as there are no further obligations apart from the payment of the contributions (defined contribution plans). These comprise both solely employer-financed benefits and premiums for converting employees' remuneration into pensions.

Employers and employees made contributions under the supplementary pension plan that has been closed in the meantime and is operated through the BASF pension fund. In 2011, the BASF pension fund terminated the regular memberships for K+s employees, so that as of 31 December 2014, only extraordinary memberships applied in the case of the employees

concerned and those memberships are continued as vested pension rights. In addition, the BASF pension fund makes regular pension scheme payments to (former) K+S employees. K+S GROUP company employees with vested pension rights and pensioners account for less than 10% of the total BASF pension fund.

As a result of the termination of the regular memberships, the payment of further contributions into the BASF pension fund is essentially no longer required. However, the secondary liability imposed by the German Act on Improving Company Retirement Pension Plans (BetragVG) means that an obligation to assume liabilities could arise for K+S, especially with regard to the adjustment of current pension payments. No contribution payments to the BASF pension fund are expected for 2015.

The provision of such pensions through the BASF pension fund is to be classified as a multi-employer plan within the meaning of IAS 19.32 et seq. The plan is essentially a defined benefit plan. As reliable information regarding plan assets and obligations are only available for the pension fund as a whole and not for those shares in it attributable to the K+S GROUP, insufficient information is available for reporting the plan on the balance sheet. That is why the plan is treated as a defined contribution plan in accordance with IAS 19.34.

Overall, pension expenses are as follows for the period under review:

PENSION EXPENSES							TAB: 3.9.46
	2014			2013			
	Total	Germany	Outside Germany	Total	Germany	Outside Germany	
in € million							
Expenses defined contribution plans	16.8	2.8	14.0	17.3	2.7	14.6	
Service costs defined benefit commitments (incl. past service costs)	11.7	7.1	4.6	12.0	5.8	6.2	
Pension expenses	28.5	9.9	18.6	29.3	8.5	20.8	

In addition, contributions of € 80.8 million (previous year: € 83.3 million) were paid to state pension insurance funds.

(22) PROVISIONS FOR MINING OBLIGATIONS

PROVISIONS FOR MINING OBLIGATIONS				TAB: 3.9.47
	2014		2013	
	Total	of which current	Total	of which current
in € million				
Mine and shaft backfilling	346.6	16.3	307.5	6.9
Maintenance of tailing piles	424.5	—	298.2	—
Restoration	81.0	—	78.1	—
Mine damages	75.8	—	52.8	—
Others	13.7	—	14.2	—
Provisions for mining obligations	941.6	16.3	750.8	6.9

Provisions for mining obligations are recognised as a result of statutory and contractual requirements as well as conditions imposed by public agencies and are given concrete form in operating plans and water law permit decisions above all. These obligations, which are mainly of a public law type, require surface securing and recultivation measures. Mining damage can result from underground extraction and the related possible lowering of the land at surface level or as a result of damage in the production process in the form of dust or salinisation. The obligations that might arise are covered by provisions.

The amount of the provisions to be recognised is based on expected expenditures or estimated compensation. Provisions for mining obligations mainly have a long-term character and, on the basis of future anticipated expenditure, are carried at the discounted amount required to settle the obligation as of the balance sheet date. In this connection, a future price increase of 1.5% is assumed. The discount factor for mining obligations in EU countries amounts to 3.5% (previous year: 4.3%). As a discount factor for mining obligations in North America, we used an interest rate of 5.0% (US, previous year: 5.6%) or 4.2% (Canada, previous year: 5.0%) and 5.0% for South America. The adjustment of discount factors in the financial year 2014 resulted in an increase in mining provisions, to a total of € 159.6 million. The anticipated timing for the settlement of such obligations largely depends on how much longer the locations will remain economically productive. A portion of the obligations extend well beyond 2050.

The additions to mining provisions totalling € 240.4 million (previous year: € 67.1 million) for the year under review is largely due to the interest rate adjustment, the annual accumulation of provisions, the recognition of additional provisions for mining risks and the revaluation of existing provisions.

Mining provisions in the amount of € 10.2 million (previous year: € 11.3 million) were used to discharge maintenance obligations. It also includes expenditure connected with mining damage risks.

Reversal of provisions totalling € 42.0 million (previous year: € 15.7 million) were largely the result of a reduction in individual obligations.

(23) LONG-TERM OBLIGATIONS TO EMPLOYEES

LONG-TERM OBLIGATIONS TO EMPLOYEES		TAB: 3.9.48	
in € million	2014	2013	
Provisions for anniversary bonuses	29.3	26.2	
Provisions for long-term incentives	19.0	31.9	
Provisions for partial retirement	3.5	8.7	
Other long-term obligations to employees	7.3	2.8	
Total long-term obligations to employees	59.1	69.6	

Accounting for provisions of the indicator-based 'Long-term Incentive Programme' is calculated based on the projected unit credit method. Actuarial gains and/or losses are recorded in profit or loss. We use an actuarial interest rate of 0.2% (previous year: 0.7%) as a basis.

/ YOU CAN FIND MORE INFORMATION ON THE 'LONG-TERM INCENTIVE PROGRAMME' in the Remuneration Report on page 48.

The provisions for partial retirement take into account obligations from existing partial retirement contracts. The measurement of these provisions encompasses both fulfilment shortfalls (difference between the value of full-time employment and partial retirement remuneration plus related employer contributions to social insurance) as well as step-up contributions to partial retirement remuneration and contributions to statutory pension insurance. The calculations are done using present value and applying an actuarial interest rate of 0.2% (previous year: 0.7%) with an anticipated annual increase in salaries and wages of 1.8% (previous year: 1.8%). The existing partial retirement obligations, measured at € 10.9 million (previous year: € 25.6 million) on the balance sheet date, were offset with plan assets totalling € 7.4 million (previous year: 16.9 million). The plan assets take the form of a contractual trust arrangement (CTA) and serve to secure the benefits due to employees under partial retirement agreements.

Provisions for anniversary bonuses are developed based on future payments in connection with 25, 40 and 50 year service anniversaries. They are valued by applying the projected unit credit method. Calculations are made based on an actuarial interest rate of 2.1% (previous year: 3.5%) with an anticipated annual increase in salaries and wages of 1.8% (previous year: 1.8%).

(24) CURRENT PROVISIONS

Obligations derived from sales transactions apply mostly to discounts and price concessions; purchase contracts supply provisions for outstanding invoices. Current personnel obligations mostly consist of provisions for performance-related remuneration, as well as provisions for outstanding vacation leave and non-working shifts.

(25) FINANCIAL LIABILITIES

The following table shows a liquidity analysis of financial liabilities in the form of contractually agreed upon, non-discounted cash flows:

2014 LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES TAB: 3.9.49

	2014 Carrying amount	2014 Total	Cash flows		
			Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
in € million					
Financial liabilities	1,551.3	1,897.4	93.3	698.4	1,105.7
– of which bonds	1,510.4	1,855.5	53.1	696.7	1,105.7
– of which liabilities towards banks	40.9	41.9	40.2	1.7	–
Accounts payable – trade	284.6	284.6	283.7	0.9	–
Liabilities from leasing	3.0	3.0	0.6	2.4	–
Other financial liabilities	38.8	38.8	36.1	–	2.7
Non-derivative financial liabilities	1,877.7	2,223.8	413.7	701.7	1,108.4

2013 LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES TAB: 3.9.50

	2013 Carrying amount	2013 Total	Cash flows		
			Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
in € million					
Financial liabilities	2,255.2	2,695.7	841.3	713.8	1,140.6
– of which bonds	2,251.8	2,692.1	840.3	711.2	1,140.6
– of which liabilities towards banks	3.4	3.6	1.0	2.6	–
Accounts payable – trade	271.5	271.5	271.4	0.1	–
Liabilities from leasing	3.2	3.2	0.6	2.6	–
Other financial liabilities	50.3	50.3	47.4	–	2.9
Non-derivative financial liabilities	2,580.2	3,020.7	1,160.7	716.5	1,143.5

The financial liabilities as of the reporting date largely pertain to K+S AKTIENGESELLSCHAFT. They are the result of bonds issued in June of 2012, with a volume of € 500.0 million and a maturity of ten years, with a fixed interest rate of 3.0 %, as well as bonds issued in December 2013, with a volume of € 500.0 million and a maturity of five years, with a fixed interest rate of 3.125 %, and bonds issued in December 2013, with a volume of € 500.0 million and a maturity of eight years, with a fixed interest rate of 4.125 %.

/ **MORE INFORMATION ON BONDS** can be found in 'K+S on the capital market' in the Management Report.

In addition, there is a USD bond taken over in 2009 as part of the acquisition of MORTON SALT with a nominal value of USD 22.6 million which matures in 2020. Interest and repayment amounts resulting from this bond are to be paid by ROHM & HAAS and are contractually covered by a bank guarantee. Reimbursement claims for interest and repayment amounts resulting from this contractual construction are listed under the item 'Receivables and other assets' in short and long term areas.

Liquidity is managed by the central treasury unit using a Group-wide cash pool system. The liquidity requirement is determined at a fundamental level by liquidity planning, and is covered by cash on hand and balances with banks as well as committed credit facilities. The existing syndicated credit line of € 800 million, set to run until July 2015, was renewed ahead of schedule in 2013 and increased under attractive terms. The previous credit line, which was unused, was replaced by a new credit line to the amount of € 1 billion which was extended in the year under review for the period of one year until June 2019. There is a further option to extend the credit line by one year.

/ **MORE INFORMATION ON LIQUIDITY RISKS** can be found in the Risk Report on page 93.

The following table shows the Group's liquidity analysis for derivative financial instruments. The table is based on non-discounted gross cash flows for derivative financial instruments which are offset gross.

2014 LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENTS TAB: 3.9.51

	Cash flows				
	2014 Carrying amount	2014 Total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
in € million					
Gross fulfilment					
Foreign currency derivatives ¹	15.0	32.8	6.5	26.3	—
Payment obligation ²		-1,762.9	-1,307.8	-455.1	—
Payment claim ²		1,795.7	1,314.3	481.4	—

¹ On the reporting date, the simple currency options sold have no intrinsic value and therefore do not create cash flow.

² Translation of payment transactions in foreign currency at spot rate.

2013 LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENTS TAB: 3.9.52

	Cash flows				
	2013 Carrying amount	2013 Total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
in € million					
Gross fulfilment					
Foreign currency derivatives ¹	-13.8	-9.1	-14.8	5.7	—
Payment obligation ²		-952.0	-815.7	-136.3	—
Payment claim ²		942.9	800.9	142.0	—

¹ On the reporting date, the simple currency options sold have no intrinsic value and therefore do not create cash flow.

² Translation of payment transactions in foreign currency at spot rate.

(26) FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of the Group's financial instruments:

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS TAB: 3.9.53

	Measurement category under IAS 39	2014		2013	
		Carrying amount	Fair value	Carrying amount	Fair value
in € million					
Investments in affiliated companies and equity interests	Available for sale	13.1	13.1	13.1	13.1
Loans	Loans and receivables	0.6	0.6	0.8	0.8
Financial assets		13.7	13.7	13.9	13.9
Accounts receivable – trade	Loans and receivables	732.9	732.9	737.9	737.9
Other receivables and non-derivative financial assets	Loans and receivables	140.4	140.4	92.2	92.2
Derivatives	Held for trade	56.2	56.2	22.9	22.9
Other assets	non-IFRS 7	106.5	106.5	92.9	92.9
Other receivables and assets		303.1	303.1	208.0	208.0
Securities and other financial investments	Loans and receivables	461.6	461.7	722.7	723.4
Securities and other financial investments	Available for sale	106.5	106.5	312.8	312.8
Cash on hand and balances with banks	Loans and receivables	375.2	375.2	996.3	996.3
Cash on hand and balances with banks	Available for sale	—	—	15.0	15.0
Financial liabilities	Financial liabilities at amortised cost	1,551.3	1,696.1	2,255.2	2,304.2
Accounts payable – trade	Financial liabilities at amortised cost	284.6	284.6	271.5	271.5
Other non-derivative financial liabilities	Financial liabilities at amortised cost	38.8	38.8	50.3	50.3
Derivatives	Held for trade	39.9	39.9	25.2	25.2
Liabilities from finance leases	IFRS 7	3.0	3.0	3.2	3.2
Other liabilities	non-IFRS 7	30.5	30.5	33.4	33.4
Remaining and other liabilities		112.2	112.2	112.1	112.1

The carrying amounts of the financial instruments, aggregated according to the measurement categories of IAS 39, are as follows:

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AGGREGATED ACCORDING TO MEASUREMENT CATEGORIES			TAB: 3.9.54
	2014	2013	
in € million			
Financial assets available for sale	119.6	340.9	
Loans and receivables	1,710.7	2,549.9	
Financial assets held for trade	56.2	22.9	
Financial liabilities at amortised cost	1,874.7	2,577.0	
Financial liabilities held for trade	39.9	25.2	

The fair values accompanying the financial instruments are mostly based on the market information available on the balance sheet date. They can be assigned to one of the three levels of the fair value hierarchy in accordance with IFRS 13.

Level 1 financial instruments are calculated on the basis of prices quoted on active markets for identical assets and liabilities. Level 2 financial instruments are calculated on the basis of input factors which can be derived from observable market data, or on the basis of market prices for similar instruments. Level 3 financial instruments are calculated on the basis of input factors that cannot be derived from observable market data.

The following table shows the fair value assets and debts to accompany the financial instruments:

ACCOMPANYING ASSETS AND LIABILITIES MEASURED AT FAIR VALUE									TAB: 3.9.55
	2014				2013				
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	
in € million									
Assets	162.7	106.5	56.2	—	350.7	327.8	22.9	—	
Derivative financial instruments that are not part of a hedge under IAS 39	56.2	—	56.2	—	22.9	—	22.9	—	
Financial assets available for sale	106.5	106.5	—	—	327.8	327.8	—	—	
Equity and liabilities	39.9	—	39.9	—	25.2	—	25.2	—	
Derivative financial instruments that are not part of a hedge under IAS 39	39.9	—	39.9	—	25.2	—	25.2	—	

The derivative financial instruments are largely made up of currency derivatives. In the case of forward exchange transactions, the accompanying fair value is calculated on the basis of forward exchange rates; we use option pricing models to calculate currency options. In addition, the risk of counterparty default is taken into account when performing the calculations.

Fair values for financial assets available for disposal are based on prices quoted on active markets.

It is not possible to determine fair values reliably for equity instruments measured at acquisition cost due to the absence of active markets. This includes shares in (non-consolidated) subsidiaries, joint ventures, associated companies and equity interests. It is assumed that the carrying amounts correspond to fair values on the balance sheet date.

In the case of trade accounts receivable, other receivables and non-derivative assets as well as liquid assets, the carrying amounts correspond to their fair values, as their maturities are largely short term.

The fair values of securities and other financial investments belonging to the 'Loans and receivables' category correspond to the present values of the payments associated with these balance sheet items (Level 2).

In the case of financial liabilities, fair value is based on market prices if active markets exist (Level 1); if not, we use the present value of future payment streams (Level 2). We use market interest rates with suitable maturity to calculate discounts.

In the case of trade accounts payable, other non-derivative liabilities and other liabilities, it is assumed that the carrying amounts correspond to the fair values for these instruments as their maturities are mostly short term.

For loans and liabilities from finance leases, we assume that the carrying amounts correspond to the fair values due to insignificant deviations in market and computational interest rates.

The following table shows the net results from financial instruments:

NET RESULTS FROM FINANCIAL INSTRUMENTS		TAB: 3.9.56	
	2014	2013	
in € million			
Financial assets available for sale	4.8	6.6	
Loans and receivables	49.1	-16.0	
Financial assets and liabilities held for trading	-2.0	-10.4	
Financial liabilities at amortised cost	-26.4	5.2	

The net result from financial assets available for sale is primarily made up of gains or losses on equity investments.

The net result from loans and receivables includes, for the most part, the effects of currency translation and changes in allowances.

The net result from financial assets and liabilities held for trading is predominantly made up of effects arising from the fair value measurement and realisation of derivative financial instruments.

The net result from liabilities measured at amortised cost stems mainly from the effects of foreign currency translation.

Total interest income and expenses for financial assets and liabilities that are measured at fair value without recognition in profit or loss were as follows:

NET INTEREST INCOME FROM FINANCIAL INSTRUMENTS		TAB: 3.9.57	
	2014	2013	
in € million			
Interest income	23.7	23.6	
Interest expenses	-84.8	-65.6	

Interest risks are created by a change in market interest rates, which may have an impact on interest payable or receivable, and also by the fair value of the financial instrument. This can cause corresponding changes to earnings or equity. In accordance with IFRS 7, risks of change in interest rates must be described using a sensitivity analysis. This analysis is based on the following assumptions:

The effect on earnings or equity identified by way of the sensitivity analysis is based on the total on the balance sheet date and demonstrates the hypothetical effect over one year.

Changes in market interest rates for primary financial instruments with variable interest rates have an impact on net interest income and are taken into account in an earnings-orientated sensitivity analysis.

Changes in market interest rates for primary financial instruments with fixed interest rates, stated at an amortised cost, do not have an impact on earnings or equity and are therefore not taken into account during the sensitivity analysis. While these instruments are subject to interest risk when reinvested, this is not taken into account in a sensitivity analysis carried out on the balance sheet date.

Furthermore, there were no interest rate derivatives required to be included in a sensitivity analysis on the balance sheet date.

Consequently, an increase of the interest rate level by 1 percentage point on the balance sheet date would lead to an improvement in net interest income of € 5.1 million (previous year: € 5.5 million). A decrease in the interest rate level by 1 percentage point on the balance sheet date would lead to a deterioration of net interest income of € 2.6 million (previous year: € 3.2 million).

In addition to receivables and liabilities in the Group currency (€), we also have items in foreign currencies. Had the euro appreciated or depreciated against foreign currencies (primarily the US dollar) by 10 %, the change in the fair value recognised in profit or loss of the net balance of foreign currency receivables and liabilities would have equalled ± € 24.4 million (previous year: ± € 23.8 million).

In addition, on the balance sheet day, there existed investments for which the contracting parties – usually banks – provided collateral. These are known as repo transactions and are secured investments. The collateral, which cannot be used in other ways, is agreed upon with the contracting party using a 'basket', defined mainly by investment class, ratings, countries and currencies. The aforementioned criteria determine the loan value at which the collateral will be taken into account; in other words, when the rating decreases or the transferability of the respective collateral is reduced, the loan value is also reduced and additional collateral must be provided. The given framework of the potential collateral depends on our internal monitoring, which, fundamentally, takes into account the rating and the value of the particular credit default swaps.

(27) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

In the K+S GROUP, general business practice is associated with various risks for which we have recognised provisions, provided that conditions have been fulfilled. Apart from that, there are no further risks which would lead to the disclosure of contingent liabilities. In 2014, liabilities from incomplete capital expenditure projects totalled € 840.1 million (previous year: € 382.4 million). For additional financial liabilities due to leasing, please see the information under Note (28).

(28) LEASING

Certain technical equipment and machinery, such as networks connected to our Legacy Project in Canada, are used by way of finance leasing and are capitalised as such, as economic ownership of the leased asset is attributed to the K+S GROUP. Specifically, this applies to the following items:

LEASED FINANCIAL ASSETS		TAB: 3.9.58	
	2014	2013	
in € million			
Land, land rights and buildings	0.8	1.0	
Technical equipment and machinery	33.7	18.1	
Ships	1.3	1.3	
Other equipment, operating and office equipment	0.1	0.3	
Total	35.9	20.7	

The relevant payment obligations from finance lease contracts are due as follows:

LEASING LIABILITIES		TAB: 3.9.59				
	Minimum leasing payments		Interest component received		Leasing liabilities	
	2014	2013	2014	2013	2014	2013
in € million						
Due in up to 1 year	1.1	1.1	0.5	0.5	0.6	0.6
Due in 2–5 years	3.4	3.3	1.7	1.7	1.7	1.6
Due in more than 5 years	1.3	1.9	0.6	0.9	0.7	1.0
Total	5.8	6.3	2.8	3.1	3.0	3.2

During the current business year, and in the previous business year, there were no additional leasing payments (above and beyond the minimum leasing costs) recognised in profit or loss based on contractual conditions for finance leasing. There were no existing subleasing contracts as of the balance sheet date.

In order to handle transport needs for the new K+S location in Canada, a Canadian railway company, CANADIAN PACIFIC RAILWAY, will add a siding track to their railroad network. The contractual obligations arising from this agreement qualify as finance leasing, and will lead to an estimated balance sheet carrying amount of CAD 96 million by the second half of 2016.

The K+S GROUP has only minor obligations as a lessor.

The K+S GROUP is also a lessee in terms of operating leases. Given the relevant contractual arrangements, these assets are not to be carried under fixed assets. Operating leases exist, for example, for factory and office equipment (e.g., printers, photocopiers, IT peripherals), as well as for vehicles and storage capacity. Expenditure arising from operating leasing in 2014 came to € 47.7 million (previous year: € 53.6 million). The nominal value of future minimum leasing payments from operating leases is distributed as follows over future periods:

OBLIGATIONS FROM OPERATING LEASES (NOMINAL VALUES)			TAB: 3.9.60	
			2014	2013
	in € million			
– due in following year			31.2	31.4
– due in the years 2 to 5			93.5	89.2
– due after 5 years			86.9	92.7
Total			211.6	213.3

In the case of both finance leases and operating leases, there are some rental extensions and/or purchase options available, as well as a small number of price adjustment clauses.

NOTES TO THE SEGMENT REPORTING

Segment reporting is presented on page 118.

(29) DEFINITION OF SEGMENTS

Segments are defined according to products. This corresponds to the internal organisational and reporting structure of the K+S GROUP.

The Potash and Magnesium segment combines the production and marketing of potash fertilizers and fertilizer specialities as well as potash and magnesium compounds for technical, industrial and pharmaceutical applications.

The Salt segment encompasses the production and marketing of food grade salt, industrial salt and salt for chemical use, de-icing salt and sodium chloride brine.

The Complementary Activities segment bundles together not only recycling activities and waste disposal and/or reutilisation in potash and rock salt mines and CATSAN® and THOMAS® granulation, but also other activities important for the K+S GROUP. The K+S GROUP possesses its own logistics service provider in K+S TRANSPORT GMBH and its subsidiary. CHEMISCHE FABRIK KALK GMBH trades in different basic chemicals.

The accounting and valuation procedures applied to determine segment information are in basic terms identical to the accounting and valuation principles of the K+S GROUP.

(30) PRINCIPLES OF SEGMENT ASSET AND DEBT ALLOCATION

Assets, provisions and liabilities are allocated to a segment according to their use or origin. If they are used by or originate in more than one segment, they are allocated based on appropriate keys.

Financial assets (with the exception of equity interests) and long-term financial liabilities are not allocated to a segment.

(31) PRINCIPLES OF SEGMENT EARNINGS ALLOCATION

The data for determining segment earnings are based on income statements according to the total cost method (internal reporting structure of the K+S GROUP). Income statements for companies included within the segment earnings are allocated to segments in accordance with profit centre accounting.

Operating earnings (EBIT I) are treated by the K+S GROUP as the most important internal earnings figure and as an indicator of earnings capacity. In addition to not including net interest income and tax expense, other income and expenses affecting the financial result are not taken into account in segment earnings allocation. In addition, certain results from operating anticipatory hedges are eliminated in these calculations, as tax effects are taken into account (see also 'Notes to the income statement and statement of comprehensive income' on page 130).

Business unit earnings are presented on a consolidated basis. Intra-segment deliveries and services are also consolidated.

(32) PRINCIPLES FOR TRANSFER PRICES BETWEEN SEGMENTS

Transfer prices for deliveries and services between segments are treated as if they were to be paid by an external third party in exactly the same situation and under the same circumstances. Methods for determining transfer prices are documented on a timely basis and maintained at all times. The price comparison method, the resale price method, the cost plus method or a combination of all three may be applied when determining transfer prices for deliveries and services. We select the method which best reflects the way external prices are determined in comparable markets.

(33) ADDITIONAL SEGMENT INFORMATION

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

For obligations not claimed in 2013, we released provisions to a total of € 53.0 million (previous year: € 20.0 million). The reporting period includes an insurance payment of € 34.3 million following an interruption in operations at our Unterbreizbach location.

SALT BUSINESS UNIT

For obligations not claimed during the reporting period, we released provisions to a total of € 6.8 million (previous year: € 4.7 million). In the previous year, the disposal of fixed assets resulted in income of € 4.6 million and a loss of € 10.9 million. The profits and losses resulting from the disposal of fixed assets during the reporting period were not significant. In the previous year, expenditure due to impairment in property value amounted to € 8.1 million and is disclosed in other operating expenses.

COMPLEMENTARY ACTIVITIES

During the reporting period, unplanned depreciation in property value was carried out to a total of € 1.6 million and is disclosed in other operating expenses.

(34) NOTES TO THE RECONCILIATION ITEMS

Reconciliation of segment figures to corresponding items in the consolidated financial statements of the K+S GROUP includes items allocated to central functions as well as consolidation-related effects. The main items are:

RECONCILIATION SEGMENT FIGURES		TAB: 3.9.61	
in € million	2014	2013	
Reconciliation of segment results (EBIT I)¹			
Reconciliation of segment assets	-44.6	-39.1	
	-44.6	-39.1	
Reconciliation of segment assets			
Fixed assets	82.2	78.8	
Deferred tax assets	74.4	33.4	
Market values of derivatives	38.9	10.4	
Refund claims for income taxes	74.4	29.4	
Other receivables	75.7	87.4	
Cash and cash items	730.6	1,792.9	
Consolidation-related effects	-457.4	-491.0	
	618.7	1,541.3	
Reconciliation of segment liabilities			
Provisions for pensions and similar obligations	25.9	0.2	
Other provisions	61.8	50.6	
Deferred tax liabilities	275.8	196.1	
Market values of derivatives	19.7	23.3	
Financial liabilities	1,551.2	2,255.1	
Other liabilities	44.1	60.4	
Income tax liabilities	58.1	49.1	
Consolidation-related effects	-164.3	-49.8	
	1,872.4	2,585.0	

¹ The K+S Group is managed, inter alia, on the basis of operating earnings (EBIT I). Reconciliation of EBIT II to operating earnings (EBIT I) is recorded below the income statement (see also the 'Notes to the income statement and the statement of comprehensive income' on page 130).

(35) REVENUES BY REGION

The breakdown of revenues by geographical location for the K+S GROUP is as follows:

REVENUES BY REGION		TAB: 3.9.62	
in € million	2014	2013	
Europe	1,601.2	1,744.7	
– of which Germany	568.2	629.9	
North America	1,358.0	1,196.8	
– of which USA	1,071.2	911.6	
South America	471.9	547.7	
– of which Brazil	351.6	425.1	
Asia	295.1	362.7	
Africa, Oceania	95.5	98.5	
Total revenues	3,821.7	3,950.4	

Allocation is based on the registered office of customers. No individual customer accounted for more than 10 % of the total revenue in the 2013 and 2014 financial years.

(36) LONG-TERM ASSETS BY REGION

The long-term assets of the K+S GROUP comprise intangible assets, tangible assets and investment properties. They break down into geographical regions as follows:

NON-CURRENT ASSETS BY REGION		TAB: 3.9.63	
in € million	2014	2013	
Europe	1,507.4	1,367.3	
– of which Germany	1,444.8	1,312.6	
North America	3,130.6	2,065.9	
– of which USA	1,007.0	893.3	
– of which Canada	2,104.8	1,154.7	
South America	496.7	443.0	
– of which Chile	490.9	437.3	
Total assets	5,134.7	3,876.2	

The allocation is performed according to the location of the relevant assets.

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement is presented on page 109. Non-cash transactions from discontinued operations were not taken into account.

/ FURTHER EXPLANATIONS ON THE CASH FLOW STATEMENT can be found in the Management Report on page 76.

(37) FURTHER INFORMATION ABOUT THE CASH FLOW STATEMENT

NET CASH AND CASH EQUIVALENTS			TAB: 3.9.64
	2014	2013	
in € million			
Cash and cash equivalents (according to balance sheet)	375.2	1,011.3	
Cash invested with affiliated companies	0.9	—	
Cash received from affiliated companies	–5.8	–6.3	
Net cash and cash equivalents	370.3	1,005.0	

Cash and cash equivalents include cheques, cash on hand and balances with banks, as well as financial investments with a term that generally does not exceed three months from the time of acquisition. These financial investments consist predominantly of short-term deposits at credit institutions and other cash equivalent investments.

Cash investments with affiliated companies are listed under 'Other receivables and assets', and cash received from affiliated companies is listed under 'Other liabilities'.

Payments and profit transfers from non-consolidated companies totalled € 5.0 million during the reporting period (previous year: € 7.4 million).

During the reporting period, non-cash additions to fixed assets equalled a total of € 135.7 million (previous year: € 50.1 million). This led to a corresponding increase in liabilities from deliveries and services, as well as current provisions.

OTHER INFORMATION

AUDITOR'S FEES			TAB: 3.9.65
	2014	2013	
in € million			
Audit service	0.7	0.7	
Other services	0.2	0.2	
Auditor's fees	0.9	0.9	

The auditing services include auditing the consolidated financial statements and annual financial statements of all consolidated German companies.

GOVERNMENT ASSISTANCE			TAB: 3.9.66
	2014	2013	
in € million			
Investment grants/premiums	3.7	1.2	
Performance-related assistance	0.2	7.5	
Government assistance	3.9	8.7	

The investment grants/premiums included here relate to sums received for developing areas in the Federal Republic of Germany, the United States and Canada.

Performance-related assistance concerns support that is provided by the Federal Labour Office (Bundesagentur für Arbeit) in accordance with the German Law on Partial Retirement (Altersteilzeitgesetz).

AFFILIATED COMPANIES AND RELATED PARTIES

In addition to the subsidiaries included in our consolidated financial statements, the K+S GROUP is affiliated with other related companies; these include non-consolidated subsidiaries, joint ventures and companies on which the K+S GROUP is able to exercise decisive influence (associated companies). A complete overview of all related companies can be taken from the list of all shareholdings on page 163.

The following table shows K+S GROUP transactions with non-consolidated subsidiaries which took place during the reporting period. The business transactions were subject to normal market conditions.

TRANSACTIONS WITH NON-CONSOLIDATED SUBSIDIARIES		TAB: 3.9.67	
	2014	2013	
in € million			
Trade revenues	29.5	48.8	
Deliveries and services received	24.7	26.9	
Income from dividend payments and profit transfers	4.8	7.3	
Other income	0.5	0.6	
Other expenses	1.8	2.6	

Trade revenues are mostly the result of goods sold by consolidated companies to foreign distribution companies. Deliveries and services received largely consist of deliveries of explosives to a German subsidiary as well as commissions which were invoiced by foreign distribution companies.

On 31 December 2014, the following outstanding balances with non-consolidated subsidiaries were disclosed:

BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES		TAB: 3.9.68	
	2014	2013	
in € million			
Receivables from affiliated companies	7.0	4.5	
– from bank transactions	0.9	–	
Liabilities to affiliated companies	11.2	11.2	
– from bank transactions	5.8	6.3	

On the balance sheet date, as in the previous year, there were no allowances on receivables from affiliated companies. There are no contingency insurance plans for receivables from subsidiaries. The receivables and liabilities from bank transactions are the result of centralised withdrawal and investment of cash at K+S AKTIENGESELLSCHAFT (cash pooling). On the balance sheet date, there were no loans to non-consolidated subsidiaries.

Transactions carried out by the K+S GROUP together with joint ventures and associated companies are immaterial from a Group perspective.

Related parties are defined as persons who are responsible for the planning, management and monitoring of a company. They include the Board of Executive Directors and the Supervisory Board. The remuneration of related party persons is presented in the following section as well as in the Remuneration Report section in the combined Management Report. There were no other material transactions with related parties.

TOTAL REMUNERATION OF THE SUPERVISORY BOARD AND THE BOARD OF EXECUTIVE DIRECTORS		TAB: 3.9.69	
	2014	2013	
in € million			
Total remuneration of the Supervisory Board	2.0	2.0	
– of which fixed	2.0	2.0	
Total remuneration of the Board of Executive Directors	8.4	8.8	
– of which fixed	2.7	2.6	
– of which performance-related	3.8	3.7	
– of which LTI programmes	1.9	2.5	
Total remuneration of former members of the Board of Executive Directors and their surviving dependants	1.5	1.5	
Pension provisions for former members of the Board of Executive Directors and their surviving dependants	19.8	17.4	

The total remuneration of the Board of Executive Directors in the year under review was paid to six board members, five of whom were in office for the whole year and one of whom was in office for nine months. In the previous year, the Board of Executive Directors consisted of six members, five of whom were in office for the whole year and one of whom was in office for four months.

The remuneration system for the Board of Executive Directors consists of the following elements:

- + regular monthly payments (fixed salary) to which in-kind benefits are added
- + performance-related non-recurrent remuneration, with bonuses based on the return on total investment and on an individual performance-related component, and paid in the following financial year
- + The long-term incentive (LTI) programme

The individualised remuneration received by the members of the Board of Executive Directors in the 2014 financial year is presented in the Remuneration Report section in the Management Report on page 47.

SHAREHOLDINGS IN K+S AKTIENGESELLSCHAFT

MERITUS TRUST COMPANY LIMITED, Bermuda, owns just under 4.92 % (notice from 4 February 2015) of the shares via EUROCHEM GROUP SE and its attributable subsidiaries. MERITUS manages the industrial shareholdings of Andrey Melnichenko on a fiduciary basis. On 20 November 2014, BLACKROCK INC., New York (USA), notified us that its share of voting rights had fallen below the 5 % threshold and that it held 4.85 % of the Company.

DECLARATION OF CONFORMITY CONCERNING THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of conformity pursuant to Sec. 161 of the German Stock Corporation Act concerning the recommendations made by the 'Government Commission on the German Corporate Governance Code' has been made by the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT for 2015/2014 and is available to shareholders on the K+S GROUP homepage (www.k-plus-s.com) as well as published on page 42 of the combined Management Report.

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB)

The values in the following tables also apply, for the most part, to the previous year. If any deviations occur, these are included in a footnote on the respective company.

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB)

TAB: 3.9.70

	Company's registered office		Interests in capital	Share of voting rights
in %				
Fully consolidated German subsidiaries (16 companies)				
K+S Aktiengesellschaft	Kassel	Germany	–	–
Chemische Fabrik Kalk GmbH	Cologne	Germany	100.00	100.00
Deutscher Straßen-Dienst GmbH	Hanover	Germany	100.00	100.00
esco – european salt company GmbH & Co. KG ^{1,2}	Hanover	Germany	100.00	100.00
esco international GmbH ²	Hanover	Germany	100.00	100.00
German Bulk Chartering GmbH ³	Hamburg	Germany	100.00	100.00
K+S Bahamas Salt Asset Management GmbH & Co. KG ¹	Kassel	Germany	100.00	100.00
K+S Baustoffrecycling GmbH ³	Sehnde	Germany	100.00	100.00
K+S Beteiligungs GmbH ^{2,3}	Kassel	Germany	100.00	100.00
K+S Entsorgung GmbH ^{2,3}	Kassel	Germany	100.00	100.00
K+S KALI GmbH ^{2,3}	Kassel	Germany	100.00	100.00
K+S North America Asset Management GmbH ²	Kassel	Germany	100.00	100.00
K+S North America Salt Asset Management GmbH & Co. KG ¹	Kassel	Germany	100.00	100.00
K+S Salz GmbH ^{2,3}	Hanover	Germany	100.00	100.00
K+S Transport GmbH ^{2,3}	Hamburg	Germany	100.00	100.00
Kali-Union Verwaltungsgesellschaft mbH ^{2,3}	Kassel	Germany	100.00	100.00
Fully consolidated foreign subsidiaries (43 companies)				
Canadian Brine Ltd.	Pointe-Claire	Canada	100.00	100.00
Compania Minera Punta de Lobos Ltda.	Santiago de Chile	Chile	99.64	100.00
Empresa de Servicios Ltda.	Santiago de Chile	Chile	99.64	100.00
Empresa Maritima S.A.	Santiago de Chile	Chile	48.67	99.59
Continued on page 164				

**LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313
OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED)**

TAB: 3.9.70

in %	Company's registered office		Interests in capital	Share of voting rights
esco benelux N.V.	Diegem	Belgium	100.00	100.00
esco france S.A.S.	Levallois-Perret	France	100.00	100.00
esco Holding France S.A.S.	Dombasle-sur-Meurthe	France	100.00	100.00
esco Spain S.L.	Barcelona	Spain	100.00	100.00
Frisia Zout BV.	Harlingen	Netherlands	100.00	100.00
Glendale Salt Development, LLC	Chicago	USA	100.00	100.00
Inagua General Store Ltd.	Chicago	USA	100.00	100.00
Inagua Transports, Inc.	Chicago	USA	100.00	100.00
Inversiones Columbus Ltda.	Santiago de Chile	Chile	2.00	100.00
Inversiones Empremer Ltda.	Santiago de Chile	Chile	48.87	100.00
Inversiones K+S Sal de Chile Ltda.	Santiago de Chile	Chile	100.00	100.00
K+S Canada Holdings Ltd.	Vancouver	Canada	100.00	100.00
K+S Chile S.A.	Santiago de Chile	Chile	99.64	99.64
K+S Czech Republic a.s.	Prague	Czech Republic	100.00	100.00
K+S Finance Belgium BVBA	Diegem	Belgium	100.00	100.00
K+S Finance Ltd.	St. Julians	Malta	100.00	100.00
K+S Holding France S.A.S.	Reims	France	100.00	100.00
K+S Investments Ltd.	St. Julians	Malta	100.00	100.00
K+S KALI du Roure S.A.S.	Le Teil	France	100.00	100.00
K+S KALI France S.A.S.	Reims	France	100.00	100.00
K+S KALI Rodez S.A.S.	Sainte-Radegonde	France	97.45	97.45
K+S KALI Wittenheim S.A.S.	Wittenheim	France	100.00	100.00
K+S Montana Holdings, LLC	Chicago	USA	100.00	100.00
K+S Netherlands Holding BV.	Harlingen	Netherlands	100.00	100.00
K+S North America Corporation	New York	USA	100.00	100.00
K+S Perú S.A.C.	Lima	Peru	100.00	100.00

**LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313
OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED)**

TAB: 3.9.70

in %	Company's registered office		Interests in capital	Share of voting rights
K+S Potash Canada General Partnership	Vancouver	Canada	100.00	100.00
K+S Salt LLC	Chicago	USA	100.00	100.00
K+S Windsor Salt Ltd.	Vancouver	Canada	100.00	100.00
Montana US Parent Inc.	Chicago	USA	100.00	100.00
Morton Bahamas Ltd.	Chicago	USA	100.00	100.00
Morton Salt, Inc.	Chicago	USA	100.00	100.00
Salina Diamante Branco Ltda.	Rio de Janeiro	Brazil	100.00	100.00
Salines Cérébos S.A.S.	Levallois-Perret	France	100.00	100.00
Servicios Maritimos Patillos S.A. ⁴	Santiago de Chile	Chile	49.82	50.00
Servicios Portuarios Patillos S.A.	Santiago de Chile	Chile	99.53	99.89
Transporte por Containers S.A.	Santiago de Chile	Chile	48.04	98.71
VATEL Companhia de Produtos Alimentares S.A.	Alverca	Portugal	100.00	100.00
Weeks Island Landowner, LLC	Chicago	USA	100.00	100.00
Non-consolidated German subsidiaries (13 companies) ⁵				
1. K+S Verwaltungs GmbH	Kassel	Germany	100.00	100.00
1. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00	100.00
3. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00	100.00
4. K+S Verwaltungs GmbH	Kassel	Germany	100.00	100.00
Beienrode Bergwerks-GmbH	Kassel	Germany	89.80	89.80
esco Verwaltungs GmbH	Hanover	Germany	100.00	100.00
Ickenroth GmbH	Staudt	Germany	100.00	100.00
K+S An-Institut Verwaltungsgesellschaft mbH	Kassel	Germany	100.00	100.00
K+S Consulting GmbH	Kassel	Germany	100.00	100.00
K+S Versicherungsvermittlungs GmbH	Kassel	Germany	100.00	100.00
MSW-Chemie GmbH	Langelsheim	Germany	68.50	68.50
Verlagsgesellschaft für Ackerbau mbH	Kassel	Germany	100.00	100.00
Wohnbau Salzdetfurth GmbH	Bad Salzdetfurth	Germany	100.00	100.00

**LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313
OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED)**

TAB: 3.9.70

	Company's registered office		Interests in capital	Share of voting rights
in %				
Non-consolidated foreign subsidiaries (19 companies)⁵				
esco Nordic AB	Gothenburg	Sweden	100.00	100.00
Imperial Thermal Products Inc.	Chicago	USA	100.00	100.00
ISX Oil & Gas Inc.	Calgary	Canada	100.00	100.00
K+S Asia Pacific Pte. Ltd.	Singapore	Singapore	100.00	100.00
K+S Benelux B.V.	Breda	Netherlands	100.00	100.00
K+S Brasileira Fertilizantes e Produtos Industriais Ltda.	São Paulo	Brazil	100.00	100.00
K+S Denmark Holding ApS	Hellerup	Denmark	100.00	100.00
K+S Entsorgung (Schweiz) AG	Delémont	Switzerland	100.00	100.00
K+S Fertilizers (India) Private Limited	New Delhi	India	100.00	100.00
K+S Italia S.r.L.	Verona	Italy	100.00	100.00
K+S Legacy GP Inc.	Vancouver	Canada	100.00	100.00
K+S Mining Argentina S.A.	Buenos Aires	Argentina	100.00	100.00
K+S Polska Sp. z o.o.	Posen	Poland	100.00	100.00
K+S UK & Eire Ltd.	Hertford	United Kingdom	100.00	100.00
Kali (U.K.) Ltd.	Hertford	United Kingdom	100.00	100.00
Kali AG	Frauen- kappelen	Switzerland	100.00	100.00
K plus S Africa (Pty) Ltd.	Johannesburg	South Africa	100.00	100.00
OOO K+S Rus	Moscow	Russian Federation	100.00	100.00
Shenzhen K+S Trading Co. Ltd.	Shenzhen	China	100.00	100.00
Associated companies and joint ventures (three companies)⁶				
Börde Container Feeder GmbH	Haldensleben	Germany	33.30	33.30
Morton China National Salt (Shanghai) Salt Co. Ltd.	Shanghai	China	45.00	45.00
Werra Kombi Terminal Betriebsgesellschaft mbH	Philippsthal	Germany	50.00	50.00

**LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313
OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED)**

TAB: 3.9.70

	Company's registered office		Interests in capital	Share of voting rights
in %				
Other interests (six companies)⁷				
Wirtschaft und Technik Gem. GmbH	Clausthal	Germany	9.40	9.40
Hubwoo.com S.A.	Paris	France	0.04	0.04
Lehrter Wohnungsbau GmbH	Lehrte	Germany	6.70	6.70
Nieders. Gesellschaft zur Endablagerung von Sonderabfall mbH	Hanover	Germany	0.10	0.10
Poldergemeinschaft Hohe Schaar	Hamburg	Germany	8.66	8.66
Zoll Pool Hamburg AG ⁸	Hamburg	Germany	1.43	1.43

¹ Utilisation of the exemption provision of Sec. 264b of the German Commercial Code (HGB).

² Utilisation of the exemption provision of Sec. 291 of the German Commercial Code (HGB).

³ Utilisation of the exemption provision of Sec. 264 Para. 3 of the German Commercial Code (HGB).

⁴ Fully consolidated due to dominant influence (e. g., majority of the members of the management body).

⁵ No consolidation due to minor importance.

⁶ Equity method not used due to minor importance.

⁷ Statement of amount of equity and earnings of the last financial year omitted due to minor importance.

⁸ In the previous year, shares in capital and voting rights equalled 1.96.

MEMBERS OF THE SUPERVISORY BOARD

A list of members of the Supervisory Board and its committees can be found in the Management Report on page 34; this list is also part of the Consolidated Notes.

MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

A list of members of the Board of Executive Directors and its responsibilities can be found in the Management Report on page 37; this list is also part of the Consolidated Notes.

Kassel, 27 February 2015

K+S AKTIENGESELLSCHAFT
BOARD OF EXECUTIVE DIRECTORS

FURTHER INFORMATION

DEFINITIONS OF KEY FINANCIAL INDICATORS

BOOK VALUE PER SHARE	= $\frac{\text{Equity}}{\text{Total number of shares as of 31 Dec.}}$	RETURN ON EQUITY	= $\frac{\text{Adjusted Group earnings after taxes}^1}{\text{Adjusted equity}^{1,2}}$
ENTERPRISE VALUE	= Market capitalisation + net indebtedness	RETURN ON REVENUES	= $\frac{\text{Adjusted Group earnings}^1}{\text{Revenues}}$
EQUITY/ASSETS RATIO I	= $\frac{\text{Equity}}{\text{Operating assets}}$	RETURN ON TOTAL INVESTMENT	= $\frac{\text{Adjusted earnings before taxes}^{1,3} + \text{interest expenses}}{\text{Adjusted balance sheet total}^{1,2,4}}$
EQUITY/ASSETS RATIO II	= $\frac{\text{Equity} + \text{non-current debt}}{\text{Operating assets}}$	VALUE ADDED	= $(\text{ROCE} - \text{weighted average cost of capital before taxes}) \times (\text{operating assets}^2 + \text{working capital}^2)$
INDEBTEDNESS I	= $\frac{\text{Bank loans and overdrafts}}{\text{Equity}}$	WORKING CAPITAL	= Inventories + receivables and other assets ⁵ – current provisions – accounts payable trade – other payables ⁵
INDEBTEDNESS II	= $\frac{\text{Net indebtedness}}{\text{Equity}}$		
LIQUIDITY RATIO I	= $\frac{\text{Cash on hand and balances with banks} + \text{current securities and other financial investments}}{\text{Current debt}}$		
LIQUIDITY RATIO II	= $\frac{\text{Cash on hand and balances with banks} + \text{current securities and other financial investments} + \text{current receivables}}{\text{Current debt}}$		
LIQUIDITY RATIO III	= $\frac{\text{Current assets}}{\text{Current debt}}$		
NET FINANCIAL LIABILITIES	= Financial liabilities – cash on hand and balances with banks – securities and other financial investments		
NET INDEBTEDNESS	= Financial liabilities + provisions for pensions and similar obligations + non-current provisions for mining obligations – cash on hand and balances with banks – securities and other financial investments		
OPERATING ASSETS	= Intangible assets + property, plant and equipment + shares in affiliated companies + participating interests		
RETURN ON CAPITAL EMPLOYED (ROCE)	= $\frac{\text{Operating earnings (EBIT I)}}{\text{Operating assets}^2 + \text{working capital}^{2,4}}$		

¹ Adjusted for the effects of market value changes of operating forecast hedges still outstanding; for adjusted Group earnings, the resulting tax effects were also eliminated.

² Annual average.

³ Including earnings before taxes of discontinued operations.

⁴ Adjusted for reimbursement claims and corresponding obligations.

⁵ Without the market values of operating forecast hedges still outstanding as well as derivatives no longer in operation, but including premiums paid for derivatives used for operating purposes; without receivables and liabilities from financial investments; adjusted for reimbursement claims as well as the surplus of the CTA plan assets.

GLOSSARY

BASIC ENGINEERING	Basic engineering focuses on technical requirements and is based on the conceptual design (feasibility study including planning for licences and permits) and financial cost of the investment project.	COMPLEX FERTILIZERS	contain more than one nutrient, as a rule nitrogen, phosphorus and potassium as well as – depending on need and application – magnesium, sulphur or trace elements. As a result of the combination of raw materials in the production process and subsequent granulation, every single grain of the fertilizer contains precisely the same combination of nutrients; this allows for even spreading of the nutrients on the field.
BRINE	Aqueous rock salt solution. Natural brine is obtained through drilling underground deposits of brine or through the controlled drill-hole solution mining procedure and also produced through the dissolution of mined rock salt.	COMPLIANCE	Compliance (conforming with regulations) denotes adherence to laws, internal corporate regulations and guidelines as well as regulatory standards recognised by the Company. A compliance system is intended to avoid risks of liability, penalties and fines as well as other financial disadvantages for the Company and to ensure a positive reputation in the public.
BULK BLENDERS	Operators of bulk fertilizer equipment, in which various nutrients are combined.	COST OF CAPITAL	also WACC (weighted average cost of capital); denotes the opportunity costs arising for equity providers and/or lenders through capital made available to the Company. The weighted average cost of capital rate is derived from the aggregate of the interest claim to which a contributor of equity would be entitled in respect of his equity share as well as the interest on debt in respect of the share of interest-bearing debt in total capital. As this is considered from an after-tax perspective, the average interest on debt is reduced by the corporate tax rate.
CARNALLITE	Carnallite is a colourless mineral composed of the main components potassium chloride and magnesium chloride. It is used in magnesium extraction and as plant nutrient in fertilizers.	CRYSTALLISED SALT	In contrast to liquid brine, crystallised salt is salt that exists in solid form, such as food-grade salt and de-icing salt.
CASH FLOW	Net balance of incoming and outgoing payments during a reporting period.	DETAIL ENGINEERING	Detail engineering builds on basic engineering and includes the procurement, production planning, construction, commissioning and project controlling phases.
CAVERN	In mining, a cavern is a large, artificially created underground cavity.		
CHLORINE-ALKALINE ELECTROLYSIS	In chlorine-alkaline electrolysis, chlorine, caustic soda solution and hydrogen are produced as a result of the decomposition of the basic substance sodium chloride with the aid of electricity. Alternatively, potassium hydroxide solution is produced by the application of potassium chloride. The important basic chemicals of chlorine, caustic soda solution, hydrogen and potassium hydroxide solution form the basis of numerous chemical products.		

DISCONTINUED OPERATIONS	The divestment of the NITROGEN business to EUROCHEM occurred on 2 July 2012. Consequently, since the second quarter of 2012, the NITROGEN business is reported as a discontinued operation in accordance with IFRS.	EVAPORATED SALT	is produced by evaporating saturated brine, whereby sodium chloride crystallises.
EBIT I	The internal control of the K+S GROUP is carried out partly on the basis of the operating earnings EBIT I. The result from operating forecast hedges included in EBIT I corresponds, due to the elimination of all fluctuations in market value during the term, to the value of the hedge at the time of realisation (difference between spot rate and hedged rate), less the premiums paid or plus the premiums received in the case of option transactions.	FLOTATION	In production, the flotation process separates rock salt and potash or kieserite from the crude salt without heat supply. During the process, the minerals are separated into their components in a saturated saline solution as air is supplied. With the addition of flotation agents, the reusable substances adhere to the air bubbles and can thus be skimmed off after floating to the surface.
EBIT II	Under IFRS, fluctuations in market value from hedging transactions are reported in the income statement. EBIT II includes all earnings arising from operating hedging transactions, i.e. both valuation effects as at the reporting date and earnings from realised operating hedging derivatives. Earnings effects arising from the hedging of basic transactions with a financing character, whose earnings effects impact on EBIT I neither in the current financial year nor in future financial years, are stated in the financial result.	FREE FLOAT	The number of shares not held by major shareholders owning more than 5 % of the shares of a company (with the exception of shares held by investment companies and asset managers).
ELECTROSTATIC PREPARATION PROCESS (ESTA®)	The ESTA® process is a dry processing method for potash crude salts, patented by K+S. With this process, the individual crude salt elements are charged differently, to ultimately be separated into the components sodium chloride and potassium chloride with the aid of an electric field. In comparison with classical, wet processing methods, energy input and production residues are significantly reduced.	GRI – GLOBAL REPORTING INITIATIVE	The Global Reporting Initiative is a nonprofit foundation that develops cooperatively a framework for global sustainability reporting. The GRI reporting guideline specifies principles and indicators for organisations to measure their economic, environmental and social performance. The purpose is to promote transparency and comparability for sustainability reports.
ENTERPRISE VALUE	is an indicator of the value of a company frequently used by financial analysts. Enterprise value is often related to other key figures (e.g. revenues, EBITDA, EBIT), so that so-called enterprise value multiples are produced.	KIESERITE	Kieserite is a mineral component of crude salt, which is composed of the water-soluble minerals magnesium and sulphur. From the chemical perspective, it is aqueous magnesium sulphate. Kieserite serves as a basic raw material for the production of fertilizers.
		KKF	The KKF (kainite-crystallisation-flotation-plant) is a new process to significantly reduce the saline water and at the same time to increase the yield of valuable substances. By using heat energy, water is evaporated. Thereby crystallises a salt mixture, which also includes kainite – a salt containing potassium and magnesium salt. The kainite is separated by using a sorting technique (flotation) and is subsequently used for potassium sulfate production.

LIQUIDITY RATIOS	provide information about the extent to which current payment obligations are covered by cash and cash equivalents, current receivables and current assets.	SODIUM CHLORIDE	Sodium chloride (NaCl) or table salt is a crystalline mineral extracted from rock salt and sea salt. As food grade salt, sodium chloride is an indispensable mineral supplier to the human body. Sodium chloride is also used to maintain road safety and as an important element in the production of glass, paper and plastic.
OPERATING FORECAST HEDGES	To hedge future currency positions (mainly in US dollars), we use operating derivatives in the form of options and futures (see also transaction risks).	SOLUTION MINING	In solution mining, freshwater is brought into solvent (salt) rock through a drill hole, thus creating chambers filled with a water-salt solution, so-called caverns. In a subsequent step, the saturated brine is brought to surface level along a further pipeline.
PLANNING APPROVAL PROCEDURE	The planning approval procedure is an approval process for specific construction/infrastructure projects to reach planning approval decisions. As an administrative act this decision is a planning permission with a concentration effect. Therefore a permission includes many others. The process of the procedure is formalised in the Administrative Procedure Act. The procedure always includes an involvement of concerned parties in consultations to consider their interests.	TRANSACTION RISK	arises from a transaction in a foreign currency which is to be converted into the Group currency and is therefore a cash risk.
PLATE DOLOMITE (LEINE CARBONATE)	The plate dolomite (Leine carbonate) is above the salt deposits at a depth of approx. 400 to 500 metres and is covered by clay layers on both sides. It is approx. 10 metres thick and consists of limestone and dolomite rock, which already contains naturally mineralised water.	TRANSLATION RISK	arises from converting income, cash flow or balance sheet items at different periods or reporting dates, which occur in a different currency than the Group currency. This is thus a non-cash risk.
POTASSIUM CHLORIDE	Potassium chloride (KCl) is a potassium salt used as fertilizer. In addition, it is the basic raw material for all inorganic and organic potassium compounds.	VALUE ADDED	This key figure is based on the assumption that a company creates added value for the investor when the return on the average capital employed exceeds the underlying cost of capital. This excess return is multiplied by the average capital employed (annual average for operating assets and working capital) to give the company's added value for the year under review.
PRODUCTION OF GRANULATES	denotes the production of dispersible fertilizer grains which can be spread with an agricultural fertilizer spreader.	WATER-SOFTENING SALTS	remove hardeners such as calcium and magnesium from the water through an ion exchange process. Soft water is necessary or advantageous for numerous industrial processes, but also in private households.
RATING	describes the assessment of a company's ability to meet its interest and repayment obligations in a timely manner in the future. It is given by a rating agency, e.g. MOODY'S or STANDARD & POOR'S, in the form of standardised categories.		

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FINANCIAL CALENDAR

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	2015/2016
Annual General Meeting, Kassel	12 May 2015
Quarterly Financial Report, 31 March 2015	12 May 2015
Dividend payment	13 May 2015
Half-yearly Financial Report, 30 June 2015	13 August 2015
Quarterly Financial Report, 30 September 2015	12 November 2015
Report on business in 2015	10 March 2016

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