



2018 Annual Financial Statements*

K+S Aktiengesellschaft

* The Management Report of K+S AKTIENGESELLSCHAFT and the Group Management Report for the 2018 financial year are combined in the 2018 Annual Report. The Company is exempt from the obligation to prepare a non-financial statement pursuant to Section 289b ff. of the German Commercial Code (*Handelsgesetzbuch* – HGB).

Contents

2018 ANNUAL FINANCIAL STATEMENTS*	1
Contents	1
Income Statement	1
Balance Sheet	2
Notes	3
Basis of Preparation	3
Accounting Policies	3
Currency translation	6
Notes to the income statement	6
Notes to the Balance Sheet	9
Current assets	10
Other disclosures	14

Income Statement

	Notes	2017	2018
In € thousand			
Revenues	1	136,263	137,788
Cost of sales		141,761	152,411
Gross profit		-5,498	-14,623
Selling expenses		1,934	4,617
General and administrative expenses		32,723	30,239
Research costs		2,278	2,399
Other operating income	2	146,328	100,450
Other operating expenses	3	129,470	118,951
Income from long-term equity investments	4	76,628	323,978
– of which from profit transfers		76,331	283,503
Income from other securities and long-term loans		-	-
Other interest and similar income	5	10,921	10,537
– of which from affiliated companies		5,987	4,380
Write-downs of long-term financial assets and securities classified as current assets		223	90
Expenses for loss absorption	4	81	31
Interest and similar expenses	5	149,609	179,189
– of which from affiliated companies		40,731	48,614
Taxes on income	6	24,454	10,339
Earnings after taxes/Net income/loss for the financial year		-112,393	74,487
Withdrawal from other revenue reserves		179,383	-
Net retained profits	15	66,990	74,487

Balance Sheet

	Notes	31 December 2017	31/12/2018
In € thousand			
Intangible fixed assets		8,447	9,938
Tangible fixed assets		61,443	61,418
Long-term financial assets	10	6,923,797	6,662,959
Fixed assets	9	6,993,687	6,734,315
Inventories	11	1,677	4,800
Receivables and other assets	12	427,435	754,143
Securities		6,170	6,070
Cash-in-hand, bank balances		46,506	78,924
Current assets		481,788	843,937
Prepaid expenses	13	14,348	10,327
Positive consolidation difference arising from offsetting of assets	14	-	41
ASSETS		7,489,823	7,588,620
Subscribed capital		191,400	191,400
Capital reserves		701,616	701,616
Revenue reserves		1,006,413	1,006,413
Net retained profits		66,990	74,487
Equity	15	1,966,419	1,973,916
Provisions for pensions and similar obligations	16	2,568	24,514
Provisions for taxes		25,827	9,734
Other provisions	17	208,207	224,580
Provisions		236,602	258,828
Liabilities	18	5,281,299	5,351,423
Prepaid expenses		5,503	4,453
TOTAL EQUITY AND LIABILITIES		7,489,823	7,588,620

Notes

BASIS OF PREPARATION

K+S AKTIENGESELLSCHAFT is a listed public limited company (*Aktiengesellschaft*) entered in the commercial register of Kassel Local Court under number HRB 2669 with its registered office at Bertha-von-Suttner-Str. 7, 34131 Kassel, Germany.

The annual financial statements of K+S AKTIENGESELLSCHAFT as at 31 December 2018 have been prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch* – HGB) and the German Stock Corporation Act (*Aktiengesetz* – AktG). The financial year corresponds to the calendar year.

In the interests of clearer presentation, individual balance sheet and income statement items have been grouped together. These items are listed and explained separately in the Notes. The individual items in the annual financial statements are presented in thousands of euro (T€). Rounding differences may arise in percentages and figures.

K+S AKTIENGESELLSCHAFT is the parent company and prepares consolidated financial statements and a Group management report. These can be found on the K+S Group website (www.k-plus-s.com).

ACCOUNTING POLICIES

RECOGNITION OF INCOME AND EXPENSES

Income is recognised when the goods have been delivered and services performed and the risk has been transferred.

GOVERNMENT AND PRIVATE ASSISTANCE

Government assistance for assets (for example, investment grants, investment allowances) is subtracted directly from the carrying amount (net method). The gross method is applied in the case of private assistance for assets (for example, building costs grants, tool costs allowances).

INTANGIBLE ASSETS

Acquired intangible assets are recognised at cost and amortised on a straight-line basis over their expected useful lives. Internally generated intangible fixed assets are not recognised. A write-down to the lower fair value is recorded in the event of probable permanent impairment. If the reasons for the write-down cease to exist, the write-down is reversed up to amortised cost.

TANGIBLE FIXED ASSETS

Tangible fixed assets are measured at cost less depreciation. In addition to directly attributable costs, the cost of internally generated equipment also includes a pro rata share of material and production overheads, including depreciation and write-downs. Borrowing costs are not capitalised.

Movable assets acquired before 1 January 2010 are generally depreciated using the declining balance method. Movable assets acquired after 31 December 2009, as well as immovable assets, are depreciated using the straight-line method.

The depreciation rate is based on the expected useful life of the asset. For buildings this is usually 14 to 33 years, for technical equipment and machinery five to 25 years and for other equipment, operating and office equipment three to 13 years. Low-value assets which do not exceed € 800 net are written off in full in the year of their acquisition or production. Low-value assets exceeding € 800 net are depreciated over the respective company-specific useful life.

Write-downs are recorded in the event of probable permanent impairment. If the reasons for the write-down cease to exist, the write-down is reversed up to amortised cost.

Gallery and excavation work is not recognised.

LONG-TERM FINANCIAL ASSETS

Shares in affiliated companies, other long-term equity investments and long-term securities are carried at cost or, in the case of probable permanent impairment, at the lower fair value on the balance sheet date.

Loans are recognised at cost or, in the case of non-interest-bearing or low-interest loans, at present value. Write-downs are recognised for identifiable risks.

The company does exercise the option of writing down long-term financial assets even in cases where impairment is not permanent.

INVENTORIES

Inventories are recognised at cost, observing the lower-of-cost-or-market principle. Besides direct costs, the cost of inventories includes appropriate shares of the necessary material and production overheads as well as write-downs of fixed assets if attributable to production.

RECEIVABLES AND OTHER ASSETS

Receivables are recognised at nominal or present value, depending on their maturity. Write-downs are recognised for individual risks and a global valuation allowance is recognised for general credit risk.

Other assets are reported at the lower of cost or fair value.

SECURITIES CLASSIFIED AS CURRENT ASSETS

Securities reported in current assets are carried at cost, or at the lower stock market price or fair value on the balance sheet date.

PREPAID EXPENSES

The company exercises the option in Section 250(3) HGB allowing for the recognition of discounts arising from the assumption of liabilities as a prepaid expense.

OFFSETTING OF ASSETS/LIABILITIES, OFFSETTING OF INCOME/EXPENSES

Assets that are used solely to discharge pension obligations and outstanding settlement amounts from long-term account obligations and to which all other creditors have no access (plan assets (*Deckungsvermögen*) within the meaning of Section 246(2) Sentence 2 HGB) are measured at fair value. In the income statement, income and expenses from these assets are offset against the expense arising from the accrual of interest on the relevant obligations, and the balance is shown under net interest income. In the balance sheet, these assets are offset against the respective underlying liabilities. The resulting surplus obligations are reported under provisions for pensions and similar obligations (pension obligations) and under other provisions (outstanding settlement amounts from long-term account obligations). A surplus on the asset side is reported as the excess of plan assets over pension liability.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The amount required to fulfil pension obligations is determined using the projected unit credit method, applying actuarial principles. In determining the discount rate matching the maturity, the company exercises the option according to Section 253(2) Sentence 2 HGB. Pension obligations are discounted globally using the average market interest rate over the previous ten years determined by Deutsche Bundesbank resulting from an assumed remaining term of 15 years. This discount rate is 3.21% as at the balance sheet date. Effects of interest rate changes are shown in the financial result.

The assumed rate of increase in salaries and pensions is 1.8%. The mortality rates are based on the Heubeck mortality tables (RT 2018 G, previous year: 2005 G).

OTHER PROVISIONS

Other provisions are recognised for all uncertain liabilities and expected losses from executory contracts, taking into account expected future price and cost increases. Provisions with a remaining term of more than one year are discounted using the average market interest rate for the previous seven years determined and announced by Deutsche Bundesbank matching the maturity.

Provisions for mining obligations related to mine and shaft backfilling are stated at the present value of expected future expenses. For obligations with a maturity of less than 50 years, present value is determined using an average discount rate of 2.13% and assuming an inflation rate of 1.5%. The discount rate is based on the weighted average market interest rate for the preceding seven financial years that corresponds to the remaining maturity. As a departure from the previous year, mining obligations for tailings pile maintenance with a maturity of more than 50 years are again discounted at the interest rate of 2.75%, which was calculated using the above method as at 31 December 2017. This approach takes account of the fact that, in the continuing low interest rate environment, it makes little sense to apply to liabilities in perpetuity the legal provisions laid down in Section 253(2) HGB in conjunction with the German Regulation on the Discounting of Provisions (*Rückstellungsabzinsungsverordnung*, RückAbzinsV). At the same time, the long-term average interest rate has, since the Bundesbank started publishing these rates, been determined annually on the basis of 50-year interest rates published by the Bundesbank. An adjustment is made, if the long-term average interest rate drops below the interest rate as at 31 December 2017. If the previous year's method had been used, the mining obligations reported would have been € 35 million higher. Provisions for mining damage are determined on the basis of past instances of damage in order to take account of the actual risk. The provisions for length-of-service bonuses are determined for completed periods of service in accordance with the modified entry age normal method (*Teilwertverfahren*), applying actuarial principles. The amount required to settle long-term account obligations is determined according to the present value method. This discount rate was 2.32% as at the balance sheet date. Effects of changes in the interest rate for long-term account obligations are reported in the financial result. The assumed rate of increase in salaries and pensions is 1.8%. The mortality rates are based on the Heubeck mortality tables (RT 2018 G).

LIABILITIES

Liabilities are recognised at their settlement amount.

DEFERRED TAXES

Deferred taxes are set aside to cover the temporary differences between the tax base of assets, liabilities and prepaid expenses/deferred income and their carrying amounts in the financial statements according to HGB. Apart from the differences in its own balance sheet items, K+S AKTIENGESELLSCHAFT also recognises reporting and measurement differences in tax group subsidiaries. Losses and interest carried forward are recognised as long as these can be offset against taxable income within the next five years. Deferred taxes are measured on the basis of the combined income tax rate of 30.0% for the consolidated tax group of K+S AKTIENGESELLSCHAFT. In addition to the corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% on this amount, this includes an average trade tax rate of 14.2%.

The overall resulting tax liability is reported in the balance sheet as a deferred tax liability. The company does not exercise the option provided for in Section 274 (1) Sentence 2 HGB to recognise tax relief as a deferred tax asset.

Negative consolidation differences as at the balance sheet date arise especially from measurement differences on receivables from and liabilities to affiliated companies. Positive con-

consolidation differences result primarily from differences in the carrying amounts of other provisions (in particular mining provisions), intangible assets and tangible fixed assets. After offsetting positive and negative consolidation differences, there was an asset surplus for the year under review that was not recognised in the balance sheet.

HEDGES AND DERIVATIVE FINANCIAL INSTRUMENTS

No hedging relationships within the meaning of Section 254 HGB were recognised during the financial year. Derivative financial instruments are recognised according to the imparity principle in conformity with general accounting principles under commercial law. Asset-side derivative financial instruments are reported up to their acquisition cost. If their fair value is below cost, the derivatives are written down to the lower fair value. In the case of a negative fair value, a provision is recognised for expected losses. Liabilities-side derivative financial instruments are carried at no less than the amount of the option premium received. If the negative fair value exceeds the value of the liability recognised, a provision is recognised for expected losses.

CURRENCY TRANSLATION

The acquisition costs of assets purchased in a foreign currency and proceeds from sales in a foreign currency are reported at the euro reference rates prevailing on the transaction date.

Liabilities in a foreign currency with a remaining maturity of no more than one year are measured at the mean spot exchange rate on the balance sheet date. All other liabilities denominated in a foreign currency are valued at the exchange rate on the transaction date or the higher mean spot exchange rate on the balance sheet date.

Receivables denominated in a foreign currency with a remaining maturity of no more than one year are measured at the mean spot exchange rate on the balance sheet date. All other receivables denominated in a foreign currency are measured at the exchange rate on the transaction date or the lower mean spot exchange rate on the balance sheet date.

NOTES TO THE INCOME STATEMENT

(1) REVENUES

SALES BY OPERATING ACTIVITY

	2017	2018
In € thousand		
IT	39,292	40,049
Animal hygiene products	40,986	42,484
Other	55,985	55,255
	136,263	137,788

SALES BY REGION

	2017	2018
In € thousand		
Germany	115,901	118,868
Rest of Europe	1,759	1,940
Rest of world	18,603	16,980
	136,263	137,788

(2) OTHER OPERATING INCOME

	2017	2018
In € thousand		
Currency translation gains	90,330	12,981
Income from hedging transactions	38,511	63,332
Income from the charging of services to Group companies	242	17,225
Income from the reversal of provisions	13,615	2,888
Income from disposals of tangible assets	1,334	382
Unrealised profits from the disposal of securities	65	120
Other income	2,231	3,522
	146,328	100,450

Income of € 5,299 thousand (previous year: € 15,510 thousand) is attributable to other financial years and results mainly from the reversal of provisions.

(3) OTHER OPERATING EXPENSES

	2017	2018
In € thousand		
Currency translation losses	44,405	37,183
Expenses from hedging transactions	51,006	30,148
Consulting expenses	643	21,836
Net additions/utilisation/expenses for closed plants	2,111	6,922
Expenses for expected losses from hedging transactions	4,256	4,487
Post-employment benefit costs	3,760	4,375
Taxes for prior years	1,252	1,407
Expenses for real estate	412	384
Expenses related to approval processes	2,367	103
Losses from the disposal of securities	2,584	4
Other expenses	16,674	12,102
	129,470	118,951

Expenses of € 3,908 thousand (previous year: € 1,500 thousand) are attributable to other financial years and result mainly from taxes for prior years.

(4) INVESTMENT INCOME

	2017	2018
In € thousand		
Income from profit transfers	76,331	283,503
Other investment income	297	40,475
Income from long-term equity investments	76,628	323,978
Expenses for loss absorption from affiliated companies	-81	-31
	76,547	323,947

Income from profit transfers consists mainly of the transfer of profits from K+S KALI GMBH, K+S SALZ GMBH, K+S ENTSORGUNG GMBH, K+S TRANSPORT GMBH and K+S VERSICHERUNGSVERMITTLUNGS GMBH. Other investment income was from affiliated companies and amounted to € 40,471 thousand in the reporting period (previous year: € 293 thousand).

(5) NET INTEREST INCOME

	2017	2018
In € thousand		
Other interest and similar income	10,320	10,537
– of which from affiliated companies	5,987	4,380
Income from other securities and long-term loans	1	1
– of which from affiliated companies	-	-
Interest expense in allocations to pension provisions offset against income/expenses from plan assets	600	-
– of which interest expense in allocations to pension provisions	–8,435	-
– of which income/expenses from plan assets for pension provisions	9,035	-
Interest and similar income	10,921	10,537
Interest expense in allocations to pension provisions offset against income/expenses from plan assets	-	–17,743
– of which interest expense in allocations to pension provisions	-	–10,546
– of which income/expenses from plan assets for pension provisions	-	–7,197
Expenses from unwinding of discounted other long-term provisions	–26,695	–14,840
Other interest and similar expenses	–122,915	–146,606
– of which to affiliated companies	–40,731	–48,614
Interest and similar expenses	149,609	179,189
	–138,688	–168,652

(6) TAXES

	2017	2018
In € thousand		
Taxes on income	24,454	10,339
Other taxes	1,034	2,004
	25,488	12,343

Expenses of € 9,885 thousand related to previous years is included in taxes on income (previous year: income of € 5,272 thousand).

Other taxes are allocated to individual operating areas.

(7) COST OF MATERIALS

	2017	2018
In € thousand		
Cost of raw materials, consumables and supplies, and of purchased merchandise	23,816	26,418
Cost of purchased services	45,869	56,849
	69,685	83,267

(8) PERSONNEL EXPENSES

	2017	2018
In € thousand		
Wages and salaries	73,155	79,863
Social security costs	12,725	12,812
Post-employment benefit costs	5,879	5,601
Other employee benefit costs	17	21
	91,776	98,297

Post-employment benefit costs do not include the interest portion of the allocations to pension provisions. This is reported as an interest expense in net interest income.

NOTES TO THE BALANCE SHEET

(9) FIXED ASSETS

	Gross carrying amounts				Depreciation, amortisation and write-downs							Net carrying amounts	
In € thousand	Balance as at 1/1/2018	Additions	Disposals	Reclassifications	Balance as at 31/12/2018	Balance as at 1/1/2018	Additions	Disposals	Reclassifications	Write-ups	Balance as at 31/12/2018	Balance as at 31/12/2018	Balance as at 31/12/2017
Intangible fixed assets													
Acquired concessions, industrial and similar rights and assets, and licences in such rights and assets	31,053	3,304	11,784	1,017	23,590	24,519	2,758	11,784	-	-	15,493	8,097	6,534
Prepayments	1,913	945	-	-1,017	1,841	-	-	-	-	-	-	1,841	1,913
	32,966	4,249	11,784	-	25,431	24,519	2,758	11,784	-	-	15,493	9,938	8,447
Tangible fixed assets													
Land, land rights and buildings including buildings on third-party land	82,015	94	391	-	81,717	45,436	1,487	389	-	-	46,534	35,183	36,579
Technical equipment and machinery	48,518	546	899	18	48,184	31,238	2,429	436	-	-	33,231	14,953	17,280
Other equipment, operating and office equipment	56,992	3,267	1,026	448	59,680	50,598	3,146	996	-	-	52,748	6,932	6,394
Prepayments and assets under construction	1,189	3,627	-	-466	4,350	-	-	-	-	-	-	4,350	1,189
	188,714	7,534	2,316	-	193,931	127,272	7,062	1,821	-	-	132,513	61,418	61,442
Long-term financial assets													
Shares in affiliated companies	6,950,781	49	260,835	-	6,689,995	27,066	49	-	-	-	27,115	6,662,880	6,923,715
Other long-term equity investments	66	-	-	-	66	-	-	-	-	-	-	66	66
Long-term securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other loans and other long-term financial assets	17	-	4	-	13	-	-	-	-	-	-	13	17
	6,950,864	49	260,839	-	6,690,074	27,066	49	-	-	-	27,115	6,662,959	6,923,798
Fixed assets	7,172,544	11,832	274,939	-	6,909,436	178,857	9,869	13,605	-	-	175,121	6,734,315	6,993,687

(10) LONG-TERM FINANCIAL ASSETS

The statement of shareholdings according to Sections 285 (11) and (11b) HGB is presented separately in the "List of shareholdings".

CURRENT ASSETS**(11) INVENTORIES**

	2017	2018
In € thousand		
Raw materials, consumables and supplies	1,535	1,977
Work in progress	142	2,823
	1,677	4,800

(12) RECEIVABLES AND OTHER ASSETS

	2017	2018
In € thousand		
Trade receivables	14,694	15,295
Receivables from affiliated companies	372,377	646,505
Other assets	40,364	92,343
– of which due after more than one year	213	5
	427,435	754,143

Of the receivables from affiliated companies, € 240,079 thousand (previous year: € 101,462 thousand) were intragroup receivables and € 283,503 thousand (previous year: € 76,331 thousand) were receivables from profit and loss transfer. Receivables from investment income were € 40,471 thousand (previous year: € 293 thousand). Moreover, € 53,277 thousand related to the issue of a short-term loan to a subsidiary. Otherwise they consist primarily of trade receivables of € 29,473 thousand (previous year: € 11,502 thousand).

(13) PREPAID EXPENSES

Prepaid expenses consist of discounts of € 1,850 thousand (previous year: € 2,636 thousand) within the meaning of Section 250(3) HGB.

(14) POSITIVE CONSOLIDATION DIFFERENCES ARISING FROM OFFSETTING OF ASSETS AND PROVISIONS FOR LONG-TERM ACCOUNTS

	2017	2018
In € thousand		
Settlement amount for long-term account obligations	633	1,288
Fair value of cover fund	-	1,328
Net long-term account obligation (provision)	633	41

The cover fund includes balances with banks. Balances with banks are measured at their principal amounts as at the balance sheet date. The cost of the plan assets is € 1,328 thousand.

(15) EQUITY**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. Each share has a nominal value of € 1.00.

AUTHORISED CAPITAL

As at 31 December 2018, the Company's authorised capital totalled €38.28 million (nominal), which can be issued in tranches or through the issuance of up to 38.28 million no-par value registered shares.

The Board of Executive Directors was authorised by the Annual General Meeting on 12 May 2015 to increase the Company's share capital, with the approval of the Supervisory Board, once or several times, by a total of up to €19,140,000.00, by issuing up to 19,140,000 new, no-par value registered shares in the period up to 11 May 2020 (Authorised Capital). The Board of Executive Directors was further authorised on 11 May 2016 to increase the Company's share capital, with the approval of the Supervisory Board, once or several times, by a total of up to €19,140,000.00, by issuing up to 19,140,000 new, no-par value registered shares in the period up to 10 May 2021 (Authorised Capital II).

DISCLOSURES REGARDING TREASURY SHARES

The Company did not hold any treasury shares in the year under review.

According to the resolution passed by the Annual General Meeting on 12 May 2015, the Board of Executive Directors was authorised to acquire treasury shares up to 10% of the share capital in the period up to 11 May 2020. 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 made on a stock exchange or a public purchase offer addressed to all shareholders, the purchase price per share (excluding transaction costs) paid by the company may not exceed or fall below the applicable stock exchange price by more than 10%.

CAPITAL RESERVES

	2017	2018
<i>In € thousand</i>		
As at 1 January	701,616	701,616
As at 31 December	701,616	701,616

OTHER REVENUE RESERVES

	2017	2018
<i>In € thousand</i>		
As at 1 January	1,166,444	1,006,413
Difference from the sale of own shares	-9	-
Allocation in accordance with resolution passed by the Annual General Meeting	19,361	-
Withdrawal from other revenue reserves	-179,383	-
As at 31 December	1,006,413	1,006,413

NET RETAINED PROFITS

	2017	2018
<i>In € thousand</i>		
Net retained profits as at 1 January	76,781	66,990
Dividend distributed for previous year	-57,420	-66,990
Allocation to other revenue reserves (resolution passed by the Annual General Meeting)	-19,361	-
Net income/net loss for the financial year	-112,393	74,487
Withdrawal from other revenue reserves	179,383	-
Net retained profits as at 31 December	66,990	74,487

(16) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

There is no shortfall in the provisions for pensions and similar obligations. In the balance sheet, pension provisions are offset against assets to which creditors have no access and which are intended solely for the fulfilment of pension obligations.

As at the balance sheet date, the amount required to settle pensions and similar obligations was € 123,370 thousand (not including liabilities from deferred compensation). Offset against the fair value of the plan assets amounting to € 98,856 thousand, this results in the recognition of a provision for pensions and similar obligations of € 24,514 thousand. In addition, liabilities from deferred compensation total € 2,168 thousand; these are covered by insurance policies with

matching maturities. The settlement amount was offset in full against the fair value of the insurance policies (€ 2,168 thousand).

Due to a change in the law in March 2016, the average period for determining the applicable rate for calculating provisions for post-employment benefits was increased from seven to ten years. The difference amounts to € 14,090 thousand.

The plan assets comprise securities, reinsurance policies and bank balances. The securities are measured at market price and bank balances at their nominal value as at the balance sheet date. The fair value of the reinsurance policies was determined based on the actuarial reserve of the insurance policies according to the business plan, plus any available balance from profit participation. The cost of the plan assets is € 110,258 thousand.

(17) OTHER PROVISIONS

Other provisions adequately take into account all identifiable risks from executory contracts and uncertain liabilities. They arise mainly from mining obligations. The rest are mainly provisions for personnel obligations and for expected losses from executory contracts.

(18) LIABILITIES

	2017	2018
In € thousand		
Bonds	2,125,000	2,225,000
Liabilities to banks	822,000	945,950
Trade payables	14,869	16,328
Liabilities to affiliated companies	2,240,991	2,083,950
Other liabilities	78,439	80,196
– of which tax liabilities	1,127	1,522
– of which social security liabilities	221	1
	5,281,299	5,351,423

Of the liabilities to affiliated companies, liabilities from intragroup financing account for € 2,052,493 thousand (previous year: € 2,213,263 thousand). The other liabilities are trade payables.

Liabilities due within one year consist of:

	2017	2018
In € thousand		
Bonds	500,000	-
Liabilities to banks	60,000	466,450
Trade payables	14,869	16,328
Liabilities to affiliated companies	1,501,467	2,083,950
Other liabilities	30,273	75,084
	2,106,609	2,641,812

Liabilities due after more than one year consist of:

	2017	2018
In € thousand		
Bonds	1,625,000	2,225,000
Liabilities to banks	762,000	479,500
Trade payables	-	-
Liabilities to affiliated companies	739,524	-
Liabilities to affiliated companies due after 1 year	739,385	-
FC measurement	139	-
Other liabilities	48,166	5,111
	3,174,690	2,709,611

Liabilities due after more than five years consist of:

	2017	2018
In € thousand		
Liabilities to banks	40,000	-
Other liabilities	-	-
	40,000	-

OTHER DISCLOSURES

No material changes have occurred in economic conditions or the industry situation since the end of the financial year.

(19) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

	2017	2018
<i>In € thousand</i>		
Liabilities from sureties and other guarantees	730,396	739,142
– of which for affiliated companies	723,921	730,664
	730,396	739,142

Based on the information available about the net assets, financial position and results of operations of the companies as at the balance sheet date, the risk of a claim from contingent liabilities was considered low.

OTHER FINANCIAL OBLIGATIONS

	2017	2018
<i>In € thousand</i>		
Obligations from unfinished investment projects	1,046	13,242
Obligations from long-term rental, leasing and service contracts		
due in the following year	16,299	15,481
– of which to affiliated companies	-	-
due in 2 to 5 years	39,511	30,646
– of which to affiliated companies	-	-
	56,856	59,369

There are control and profit/loss transfer agreements with affiliated companies which also include loss absorption.

(20) EMPLOYEES

	2017	2018
<i>Annual average</i>		
Employees covered by collective wage agreements	553	593
Employees not covered by collective wage agreements	389	414
Trainees	20	22
	962	1,029

(21) DERIVATIVE FINANCIAL INSTRUMENTS

No hedges within the meaning of Section 254 HGB were recognised during the financial year.

The following derivatives were held as at 31 December 2018:

In € thousand	Nominal values ¹⁾	Fair values	Carrying amounts ²⁾
USD/EUR forward exchange contracts maturing in 219			
– positive fair values	94,666	1,274	-
– negative fair values	556,539	–3,552	–3,552
CAD/EUR forward exchange contracts maturing in 2019			
– positive fair values	-	-	-
– negative fair values	56,885	–935.4	–935.4
GBP/EUR forward exchange contracts maturing in 2019			
– positive fair values	6,003	15	-
– negative fair values	-	-	-
Cross-currency swap			
– positive fair values	17,991	3,480	-
– negative fair values	-	-	-
Interest rate caps maturing in 2019			
– positive fair values	140,000	-	-
– negative fair values	-	-	-
Interest rate caps maturing in 2021			
– positive fair values	118,000	164	-
– negative fair values	-	-	-

¹⁾ Translated into euros using weighted hedge rates

²⁾ Reported under other provisions.

The fair values calculated correspond to the value of the derivatives if they had been unwound as at the balance sheet date. The values are calculated using recognised actuarial methods commonly used by market participants. These calculations were based particularly on the following parameters that applied on the balance sheet date:

- + the spot exchange rates for the currencies concerned,
- + the interest rate level,
- + the agreed hedging rates and strike prices,
- + the traded volatilities.

(22) INFORMATION ON AMOUNTS EXCLUDED FROM DISTRIBUTION

An amount excluded from distribution of € 25,688 thousand (previous year: € 29,152 thousand) arises from the measurement of assets at fair value (plan assets) in accordance with Sections 268(8) and 253(6) HGB as at the balance sheet date. The unallocated reserves exceed the amount excluded from distribution. There was no distribution restriction with regard to net retained profits.

(23) AUDITOR'S FEES

The total auditor's fee for the financial year is included in the corresponding disclosure in the notes to the consolidated financial statements of K+S AKTIENGESELLSCHAFT. Audit services comprise the audit of the consolidated financial statements and of the annual financial statements of the German companies included in the consolidated financial statements. The other assurance services relate primarily to the issuance of comfort letters, energy law compliance audits and the EMIR audit. The auditor provided tax advisory and other advisory services to a small extent.

(24) TOTAL REMUNERATION OF THE SUPERVISORY BOARD AND THE BOARD OF EXECUTIVE DIRECTORS

	2017	2018
In € thousand		
Total remuneration of the Supervisory Board	2,052	2,043
– of which fixed	1,947	1,966
Total remuneration of the Board of Executive Directors	4,653	5,117
– of which fixed	2,396	2,193
– of which performance-related	2,099	1,338
– of which LTI programme	-	1,585
Total remuneration of former members of the Board of Executive Directors and their surviving dependents	2,062	2,112
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	19,455	28,472

Additional disclosures can be found in the remuneration report in the Combined Management Report of the K+S Group.

(25) DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (*Aktiengesetz – AktG*) concerning the recommendations made by the Government Commission on the German Corporate Governance Code was issued by the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT for 2018/2019 and is available to shareholders on the K+S Group website (www.k-plus-s.com).

(26) LIST OF SHAREHOLDINGS

List of shareholdings of K+S AKTIENGESELLSCHAFT in accordance with Section 285(11) and (11b) HGB (in thousands):

As at 31/12/2018

Company name	Company's registered office		Capital share	Currency	Rate	Equity	Result for the year	
4 K+S Verwaltungs GmbH	Kassel	Germany	100.00%	EUR		308	0	
Al Biariq for Fertilizer Plant Co. Ltd.	Riyadh	Saudi Arabia	30.00%	SAR	4.2954	49,122	-2,955	⁵⁾
Beienrode Bergwerks-GmbH	Kassel	Germany	89.81%	EUR		1,354	2	
Börde Container Feeder GmbH	Haldensleben	Germany	33.30%	EUR		884	317	⁵⁾
Canadian Brine, Ltd.	Pointe Claire	Canada	100.00%	CAD	1.5605	525	-3	⁹⁾
Chemische Fabrik Kalk GmbH	Cologne	Germany	100.00%	EUR		10,442	-907	
Compania Minera Punta de Lobos Ltda.	Santiago de Chile	Chile	100.00%	USD	1.145	6,164	2,701	⁹⁾
Deutscher Straßen-Dienst GmbH	Hanover	Germany	100.00%	EUR		60	2,383	¹⁾
Empresa de Servicios Ltda.	Santiago de Chile	Chile	100.00%	USD	1.145	418	-3	⁹⁾
Empresa Maritima S.A.	Santiago de Chile	Chile	99.59%	USD	1.145	33,853	2,700	⁹⁾
esco - european salt company GmbH & Co. KG	Hanover	Germany	100.00%	EUR		110,057	16,553	
esco benelux N.V.	Diegem	Belgium	100.00%	EUR		9,591	383	⁹⁾
esco france S.A.S.	Levallois-Perret	France	100.00%	EUR		10,011	1,374	⁹⁾
esco international GmbH	Hanover	Germany	100.00%	EUR		40,902	17,292	¹⁾
esco Spain S.L.	Barcelona	Spain	100.00%	EUR		3,023	894	⁹⁾
esco Verwaltungs GmbH	Hanover	Germany	100.00%	EUR		63	3	
Fachschule f. Wirtschaft und Technik Gem. GmbH	Clausthal	Germany	9.40%	EUR		560	22	²⁾
Frisia Zout B.V.	Harlingen	Netherlands	100.00%	EUR		10,570	-999	⁹⁾
Glendale Salt Development, LLC	Chicago	USA	100.00%	USD	1.145	3,886	131	⁹⁾
Grainpulse Limited	Kampala	Uganda	44.00%	UGX	4,224.2	10,976,838	-829,566	³⁾
Ickenroth GmbH	Staudt	Germany	100.00%	EUR		1,790	-54	¹⁾
Imperial Thermal Products, Inc.	Chicago	USA	100.00%	USD	1.145	0	0	⁸⁾
Inagua General Store, Ltd.	Nassau	Bahamas	100.00%	USD	1.145	-1,080	-898	⁹⁾
Inversiones Columbus Ltda.	Santiago de Chile	Chile	100.00%	USD	1.145	8,580	7	⁹⁾
Inversiones Empremar Ltda.	Santiago de Chile	Chile	100.00%	USD	1.145	18,912	24	⁹⁾
Inversiones K+S Sal de Chile SpA	Santiago de Chile	Chile	100.00%	CLP	794.63	71,798,256	109,751	⁹⁾
ISX Oil & Gas Inc.	Calgary	Canada	100.00%	CAD	1.5605	-519	-519	⁹⁾
K plus S Africa (Pty) Ltd.	Johannesburg	South Africa	100.00%	ZAR	16.485	59	-6	⁵⁾
K plus S Middle East FZE	Jebel Ali, Dubai	United Arab Emirates	100.00%	AED	4.2005	1072	223	⁹⁾
K plus S Salt Australia Pty Ltd	Perth	Australia	100.00%	AUD	1.622	9,409	-1,872	⁹⁾
K+S An-Instituts Verwaltungsgesellschaft mbH	Kassel	Germany	100.00%	EUR		12	-13	
K+S Asia Pacific Pte. Ltd.	Singapore	Singapore	100.00%	SGD	1.5591	25,605	6,358	⁹⁾
K+S Bahamas Salt Asset Management GmbH & Co. KG	Kassel	Germany	100.00%	EUR		51,272	1,402	
K+S Baustoffrecycling GmbH	Sehnde	Germany	100.00%	EUR		81	-19	¹⁾
K+S Belgium Holding B.V.B.A.	Diegem	Belgium	100.00%	USD	1.145	56,155	-11	
K+S Beteiligungs GmbH	Kassel	Germany	100.00%	EUR		210,751	-31	¹⁾
K+S Brasileira Fertilizantes e Produtos Industriais Ltda.	São Paulo	Brazil	100.00%	BRL	4.444	3,775	-3,879	⁵⁾
K+S Canada Holdings Ltd.	Vancouver	Canada	100.00%	CAD	1.5605	5,740,006	429	⁹⁾
K+S Chile S.A.	Santiago de Chile	Chile	99.64%	USD	1.145	499,673	32,106	⁹⁾
K+S Czech Republic a.s.	Prague	Czech Republic	100.00%	CZK	25.724	177,994	10,975	⁹⁾
K+S Denmark Holding ApS	Hellerup	Denmark	100.00%	DKK	7.4655	4,854	1,106	⁵⁾
K+S Entsorgung (Schweiz) AG	Delémont	Switzerland	100.00%	CHF	1.1269	1,110	376	⁵⁾
K+S Entsorgung GmbH	Kassel	Germany	100.00%	EUR		7,506	11,510	¹⁾
K+S Fertilizers (India) Private Limited	New Delhi	India	100.00%	INR	79.73	15,671	2,981	⁴⁾
K+S Finance Belgium BVBA	Diegem	Belgium	100.00%	USD	1.145	2,734,054	63,492	⁹⁾
K+S Finance Ltd.	St. Julians	Malta	100.00%	EUR		374,054	14	⁹⁾
K+S France S.A.S.	Dombasle sur Meurthe	France	100.00%	EUR		21,266	2,046	⁹⁾
K+S (Huludao) Magnesium Products Co. Ltd.	Huludao	China	100.00%	CNY	7.8751	13,348	880	⁹⁾
K+S Investments Ltd.	St. Julians	Malta	100.00%	EUR		381,050	919	⁹⁾
K+S Italia S.r.L.	Verona	Italy	100.00%	EUR		1,475	1,106	⁵⁾
K+S KALI France S.A.S.	Reims	France	100.00%	EUR		2,588	905	⁹⁾
K+S Kali GmbH	Kassel	Germany	100.00%	EUR		383,760	154,186	¹⁾
K+S KALI Wittenheim S.A.S.	Wittenheim	France	100.00%	EUR		2,535	590	⁹⁾
K+S Legacy GP Inc.	Vancouver	Canada	100.00%	CAD	1.5605	50	0	⁹⁾
K+S Mining Argentina S.A.	Buenos Aires	Argentina	100.00%	ARS	43.145	22	-889	⁵⁾
K+S Montana Holdings, LLC	Chicago	USA	100.00%	USD	1.145	844,692	5,546	⁹⁾
K+S Netherlands Holding B.V.	Harlingen	Netherlands	100.00%	EUR		4,408,948	-41,366	⁹⁾
K+S North America Asset Management GmbH	Kassel	Germany	100.00%	EUR		119	-1	

K+S North America Corporation	Chicago	USA	100.00%	USD	1.145	12,895	2,644	⁹⁾
K+S North America Salt Asset Management GmbH & Co. KG	Kassel	Germany	100.00%	EUR		684,689	32,558	
K+S Perú S.A.C.	Lima	Peru	100.00%	PEN	3.8575	20,370	-9,939	⁹⁾
K+S Polska Sp. z o.o.	Poznan	Poland	100.00%	PLN	4.3014	7,165	2,772	⁵⁾
K+S Potash Canada General Partnership	Vancouver	Canada	100.00%	CAD	1.5605	5,329,888	-162,021	⁹⁾
K+S Salz GmbH	Hanover	Germany	100.00%	EUR		4,614,035	44,146	¹⁾
K+S Salt LLC	Chicago	USA	100.00%	USD	1.145	1,602,678	61,667	⁹⁾
K+S Transport GmbH	Hamburg	Germany	100.00%	EUR		2,698	8,753	¹⁾
K+S UK & Eire Ltd.	Hertford	United Kingdom	100.00%	GBP	0.8945	453	253	⁵⁾
K+S Versicherungsvermittlungs GmbH	Kassel	Germany	100.00%	EUR		25	980	¹⁾
K+S Windsor Salt Ltd.	Vancouver	Canada	100.00%	CAD	1.5605	6,311,214	84,059	⁹⁾
Kali AG	Frauenkappelen	Switzerland	100.00%	CHF	1.1269	1,416	499	⁵⁾
Kali-Union Verwaltungsgesellschaft mbH	Kassel	Germany	100.00%	EUR		23,969	6,106	¹⁾
Lehrter Wohnungsbau GmbH	Lehrte	Germany	6.67%	EUR		12,566	-1,755	⁵⁾
Montana US Parent Inc.	Chicago	USA	100.00%	USD	1.145	-1	0	⁹⁾
Morton Bahamas Ltd.	Nassau	Bahamas	100.00%	USD	1.145	22,678	9,059	⁹⁾
Morton China National Salt (Shanghai) Salt Co., Ltd.	Shanghai	China	45.00%	CNY	7.8751	22,901	2,414	⁵⁾
Morton Salt, Inc.	Chicago	USA	100.00%	USD	1.145	1,642,406	14,965	⁹⁾
MSW Chemie GmbH	Langelsheim	Germany	100.00%	EUR		725	-25	
Nieders. Gesellschaft zur Endablagerung von Sonderabfall mbH	Hanover	Germany	0.10%	EUR		10,022	1,361	⁷⁾
OOO K+S Rus	Moscow	Russian Federation	100.00%	RUB	79.326	4	-3	⁵⁾
Poldergemeinschaft Hohe Schaar	Hamburg	Germany	8.66%	EUR		0	0	⁵⁾
Pristav Pardubice a.s.	Pardubice	Czech Republic	0.41%	CZK	25.724	15,837	-756	⁷⁾
Salina Diamante Branco Ltda.	Rio de Janeiro	Brazil	100.00%	BRL	4.444	14,479	-11,662	⁹⁾
Saline Cerebos S.A.S.	Levallois-Perret	France	100.00%	EUR		5,064	296	⁹⁾
Servicios Maritimos Patillos S.A.	Santiago de Chile	Chile	100.00%	USD	1.145	4,514	1,716	⁹⁾
Servicios Portuarios Patillos S.A.	Santiago de Chile	Chile	99.89%	USD	1.145	46,694	3,114	⁹⁾
Shenzhen K+S Trading Co. Ltd.	Shenzhen	China	100.00%	CNY	7.8751	51,492	746	⁵⁾
VATEL Companhia de Produtos Alimentares S.A.	Alverca	Portugal	100.00%	EUR		133	-274	⁹⁾
Weeks Island Landowner, LLC	Chicago	USA	100.00%	USD	1.145	980	-4	⁹⁾
Werra Kombi Terminal Betriebsgesellschaft mbH	Philippsthal	Germany	50.00%	EUR		407	195	⁵⁾
Wohnbau Salzdettfurth GmbH	Bad Salzdettfurth	Germany	100.00%	EUR		1,820	0	¹⁾
Zoll Pool Hamburg AG	Hamburg	Germany	1.43%	EUR		350	55	⁶⁾

¹⁾ Control and profit/loss transfer agreement with parent company (net income/loss for the year before profit or loss transfer).

²⁾ Financial year from 1 August to 31 July – Annual financial statements as at 31/07/2018.

³⁾ Annual financial statements as at 30 June 2018.

⁴⁾ Annual financial statements as at 31 March 2018.

⁵⁾ Annual financial statements as at 31 December 2017.

⁶⁾ Annual financial statements as at 31 December 2016.

⁷⁾ Annual financial statements as at 31 December 2015.

⁸⁾ Inactive companies.

⁹⁾ Data according to IFRS.

**(27) MEMBERS OF THE SUPERVISORY BOARD IN THE 2018 FINANCIAL YEAR
(INFORMATION ON OTHER SUPERVISORY BOARD APPOINTMENTS AND SUPERVISORY
BODIES AS AT 31 DECEMBER 2018)**

**DR RER. NAT. ANDREAS KREIMEYER (BORN 1955), *DIPLOM-BIOLOGE* (DIPLOMA IN BIOLOGY),
CHAIRMAN OF THE SUPERVISORY BOARD**

SHAREHOLDER REPRESENTATIVE

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

In office until the end of the 2020 Annual General Meeting

First appointed: 12 May 2015

Other supervisory board appointments: Karlsruhe Institut für Technologie (KIT), Karlsruhe,
Germany
(Vice Chairman of the Supervisory Board)

Other supervisory bodies: C.H. Boehringer Sohn AG & Co. KG, Ingelheim
(Member of the Advisory Council)

RALF BECKER (BORN 1965), TRADE UNION SECRETARY, VICE CHAIRMAN

EMPLOYEE REPRESENTATIVE

Regional Director North of the IG Bergbau, Chemie, Energie trade union, Hanover, Germany

In office until the end of the 2023 Annual General Meeting

First appointed: 1 August 2009

Other supervisory board appointments: Continental Reifen Deutschland GmbH, Hanover, Ger-
many (Vice Chairman)
Deutsche Shell Holding GmbH, Hamburg, Germany
Deutsche Shell GmbH, Hamburg
Shell Deutschland Oil GmbH, Hamburg

PETRA ADOLPH (BORN IN 1964), MASTER OF POLITICAL SCIENCE AND LITERATURE

EMPLOYEE REPRESENTATIVE

Secretary to the Management Board (co-determination/social policy), IG Bergbau, Chemie, Ener-
gie trade union, Hanover, Germany

In office until the end of the 2023 Annual General Meeting

First appointed: 15 May 2018

Other supervisory board appointments: CEWE Stiftung & Co. KGaA, Oldenburg, Germany

ANDRÉ BAHN (BORN 1968), ELECTRICIAN

EMPLOYEE REPRESENTATIVE

Vice Chairman of the Collective Works Council of the K+S Group

Chairman of the Works Council of the Werra plant, K+S KALI GmbH, Kassel, Germany

In office until the end of the 2023 Annual General Meeting

First appointed: 15 May 2018

JELLA BENNER-HEINACHER (BORN 1960), LAWYER

SHAREHOLDER REPRESENTATIVE

Deputy General Manager of the Deutsche Schutzvereinigung für Wertpapierbesitz e.V., Düssel-
dorf, Germany

In office until the end of the 2023 Annual General Meeting
 First appointed: 7 May 2003

Other supervisory board appointments: A.S. Création Tapeten AG, Gummersbach, Germany
 (Vice Chairwoman)

PETER BLECKMANN (BORN 1962), AUTO MECHANIC

EMPLOYEE REPRESENTATIVE

Vice Chairman of the Collective Works Council of the K+S Group
 Chairman of the Works Council of the Borth plant, esco - european salt company GmbH & Co.
 KG, Hanover, Germany

In office until the end of the 2023 Annual General Meeting
 First appointed: 15 May 2018

PHILIP FREIHERR VON DEM BUSSCHE (BORN 1950), DIPLOM-KAUFMANN (DIPLOMA IN BUSINESS ADMINISTRATION)

SHAREHOLDER REPRESENTATIVE

Entrepreneur/Farmer

In office until the end of the 2020 Annual General Meeting
 First appointed: 12 May 2015

Other supervisory bodies: Bernard Krone Holding SE & Co. KG, Spelle (Chairman of the Supervisory Board)
 DF World of Spices GmbH, Dissen (Member of the Advisory Board)
 Grimme GmbH & Co. KG, Damme, Germany (Chairman of the Advisory Board)
 Pfeifer und Langen IHKG, Cologne (Member of the Shareholders' Committee) (until 31 December 2018)
 DLG e.V. Frankfurt am Main (Chairman of the Supervisory Board) (until 22 February 2018)

GEORGE CARDONA (BORN 1951), ECONOMIST

SHAREHOLDER REPRESENTATIVE

Economist

In office until the end of the 2020 Annual General Meeting
 First appointed: 09 October 2009

Other supervisory bodies: Board of Banque Havilland (Monaco) S.A.M., Monaco
 (Director, since 18 September 2018)

DR ELKE ELLER (BORN IN 1962), DEGREE IN ECONOMICS AND BUSINESS MANAGEMENT

SHAREHOLDER REPRESENTATIVE

Member of the Executive Board of TUI Aktiengesellschaft, Hanover, Germany

In office until the end of the 2023 Annual General Meeting
 First appointed: 15 May 2018

Other supervisory board appointments: TUI Group companies
 TUI Deutschland GmbH, Hanover, Germany
 TUIfly GmbH, Langenhagen, Germany

Other supervisory bodies: TUI Group companies
 TUI Belgium N.V., Oostende, Belgium
 TUI Nederland N.V., Rijswijk, Netherlands

GERD GRIMMIG (BORN IN 1953), DEGREE IN MINING ENGINEERING

SHAREHOLDER REPRESENTATIVE

Retired (former member of the Board of Executive Directors of K+S Aktiengesellschaft, Kassel, Germany)

In office until the end of the 2023 Annual General Meeting
 First appointed: 15 May 2018

AXEL HARTMANN (BORN 1958), EINZELHANDELSKAUFMANN (TRAINED RETAIL SALESMAN)

EMPLOYEE REPRESENTATIVE

Chairman of the General Works Council of the K+S GROUP
 Chairman of the Works Council of the Neuhoef-Ellers plant of K+S KALI GMBH, Kassel, Germany

In office until the end of the 2023 Annual General Meeting
 First appointed: 14 May 2013

MICHAEL KNACKMÜß (BORN 1975), AUTO MECHANIC

EMPLOYEE REPRESENTATIVE

Chairman of the Works Council of the Zielitz plant of K+S KALI GMBH, Kassel, Germany

In office until the end of the 2023 Annual General Meeting
 First appointed: 11 July 2014

THOMAS KÖLBL (BORN 1962), DIPLOM-KAUFMANN (DIPLOMA IN BUSINESS ADMINISTRATION)

SHAREHOLDER REPRESENTATIVE

Chief Financial Officer of Südzucker AG, Mannheim

In office until the end of the 2020 Annual General Meeting
 First appointed: 10 May 2017

Other supervisory board appointments: Südzucker Group companies
 CropEnergies AG, Mannheim, Germany (Vice Chairman)

Other supervisory bodies: Südzucker Group companies
 AGRANA Stärke GmbH, Vienna, Austria (Member of the Supervisory Board)
 AGRANA Zucker GmbH, Vienna, Austria (Member of the Supervisory Board)
 ED&F MAN Holdings Limited, London, United Kingdom (member of the Board of Directors (non-executive))
 Freiburger Holding GmbH, Berlin, Germany (member of the Supervisory Board)
 PortionPack Europe Holding B. V., Oud-Beijerland, Netherlands (Chairman of the Supervisory Board)
 Raffinerie Tirlemontoise S. A., Brussels, Belgium (Member of the Conseil d'Administration)
 Saint Louis Sucre S. A. S., Paris, France (member of the Comité de Supervision)

Südzucker Polska S. A., Wroclaw, Poland (member of the Supervisory Board)
Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim, Germany (Chairman of the Advisory Board)

GERD KÜBLER (BORN 1967), DIPLOM-INGENIEUR (DIPLOMA IN ENGINEERING)

EMPLOYEE REPRESENTATIVE

Head of Mining, K+S AKTIENGESELLSCHAFT, Kassel, Germany

In office until the end of the 2023 Annual General Meeting

First appointed: 1 January 2016

NEVIN MCDOUGALL (BORN 1967), MASTER OF AGRICULTURE (AGRICULTURAL ECONOMICS & BUSINESS)

SHAREHOLDER REPRESENTATIVE

President & Chief Commercial Officer, A&L Canada Laboratories Inc., London, Canada

In office until the end of the 2023 Annual General Meeting

First appointed: 15 May 2018

Other supervisory bodies: Board Member of the BioEnterprise Corporation (non-profit Canadian company)

ANKE ROEHR (BORN 1964), INDUSTRIEKAUFFRAU (INDUSTRIAL MANAGER)

EMPLOYEE REPRESENTATIVE

Chairman of the Works Council of esco - european salt company GmbH & Co. KG, Hanover, Germany

Employee in sales and distribution of esco - european salt company GmbH & CO. KG, Hanover

In office until the end of the 2023 Annual General Meeting

First appointed: 1 April 2016

MEMBERS WHO STEPPED DOWN IN 2018:

WESLEY CLARK (BORN 1952), MBA

SHAREHOLDER REPRESENTATIVE

Operating Partner of Advent International Private Equity Group, Boston, Massachusetts, USA

Appointment ended as at the end of the 2018 Annual General Meeting

First appointed: 14 May 2013

Other supervisory bodies: Board of Directors of Patriot Supply Holdings, Inc., Fort Worth, Texas, USA (Non-Executive Chairman) (until 2 July 2018)
Board of Directors of ABC Supply Corporation, Beloit, Wisconsin, USA
Board of Directors of Distribution International, Inc., Fort Worth, Texas, USA (Non-Executive Chairman)

HARALD DÖLL (BORN 1964), ENERGY FACILITY ELECTRONICS ENGINEER

EMPLOYEE REPRESENTATIVE

(Former Chairman of the General Works Council of the K+S Group and Chairman of the Works Council of the Werra plant of K+S KALI GMBH)

Appointment ended as at the end of the 2018 Annual General Meeting
 First appointed: 1 August 2009

DIETER KUHN (BORN 1958), MINING ENGINEER

EMPLOYEE REPRESENTATIVE

Retired (former First Vice-Chairman
 of the General Works Council of the K+S GROUP and
 Chairman of the Works Council of the Bernburg plant of esco - european salt company GmbH &
 CO. KG)

Appointment ended as at 28 February 2018
 First appointed: 1 August 2009

DR ANNETTE MESSEMER (BORN 1964), POLITICAL SCIENTIST

SHAREHOLDER REPRESENTATIVE

Divisional Director, Commerzbank AG

Appointment ended at the end of the 2018 Annual General Meeting
 First appointed: 14 May 2013

Other supervisory bodies: Board of Directors of Essilor International S.A., Charenton-le-
 Pont, France

DR ECKART SÜNNER (BORN 1944), LAWYER

SHAREHOLDER REPRESENTATIVE

Independent solicitor at Neustadt an der Weinstraße

Appointment ended at the end of the 2018 Annual General Meeting
 First appointed: 28 April 1992

Other supervisory board appointments: Infineon Technologies AG, Neubiberg, Germany
 (Chairman since 22 February 2018)

MICHAEL VASSILIADIS (BORN 1964), CHEMICAL LABORATORY TECHNICIAN, VICE CHAIRMAN

EMPLOYEE REPRESENTATIVE

Chairman of the IG Bergbau, Chemie, Energie trade union, Hanover, Germany

Appointment ended at the end of the 2018 Annual General Meeting
 First appointed: 7 May 2003

Other supervisory board appointments: BASF SE, Ludwigshafen
 STEAG GmbH, Essen
 RAG Aktiengesellschaft, Essen (Vice- Chairman)
 RAG DSK AG, Essen (Vice- Chairman)
 RAG Stiftung, Essen, Germany
 Henkel AG & Co. KGaA, Düsseldorf (since 9 March 2018)

SUPERVISORY BOARD COMMITTEES

MEDIATION COMMITTEE

- + Dr Andreas Kreimeyer (Chairman)
- + Ralf Becker (since 15 May 2018)
- + Axel Hartmann (since 15 May 2018)
- + Thomas Kölbl (since 15 May 2018)
- + Harald Döll (until 15 May 2018)
- + Dr Eckart Sünner (until 15 May 2018)
- + Michael Vassiliadis (until 15 May 2018)

STRATEGY COMMITTEE

- + Dr Andreas Kreimeyer (Chairman)
- + Ralf Becker (since 15 May 2018)
- + Philip Freiherr von dem Bussche
- + Michael Vassiliadis (until 15 May 2018)

AUDIT COMMITTEE

- + Thomas Kölbl (Chairman, since 15 May 2018)
- + Petra Adolph (since 15 May 2018)
- + Ralf Becker
- + Jella Benner-Heinacher (since 15 May 2018)
- + Axel Hartmann
- + Dr Andreas Kreimeyer (since 15 May 2018)
- + Dr Eckart Sünner (Chairman, until 15 May 2018)
- + Dr Annette Messemer (until 15 May 2018)
- + Michael Vassiliadis (until 15 May 2018)

PERSONNEL COMMITTEE

- + Dr Andreas Kreimeyer (Chairman)
- + Ralf Becker (since 15 May 2018)
- + Dr Elke Eller (since 15 May 2018)
- + Michael Knackmuß (since 15 May 2018)
- + Jella Benner-Heinacher (until 15 May 2018)
- + Harald Döll (until 15 May 2018)
- + Michael Vassiliadis (until 15 May 2018)

NOMINATION COMMITTEE

- + Dr Andreas Kreimeyer (Chairman)
- + Jella Benner-Heinacher
- + Philip Freiherr von dem Bussche
- + George Cardona

(28) MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS (INFORMATION ON RESPONSIBILITIES AND APPOINTMENTS, UNLESS OTHERWISE STATED, AS AT: 31 DECEMBER 2018)

DR BURKHARD LOHR (BORN 1963), *DIPLOM-KAUFMANN* (DIPLOMA IN BUSINESS ADMINISTRATION), CHAIRMAN, DIRECTOR OF INDUSTRIAL RELATIONS

Communications & Brands
 Corporate Board Office
 Corporate Secretary
 Environmental & Regulatory Affairs
 Health, Safety, Management Systems & Sustainability
 Human Resources
 Internal Auditing
 Investor Relations
 Legal & GRC
 Strategy & Development

In office until 31 May 2020
 First appointed: 01 June 2012

Supervisory board appointments: K+S KALI GMBH (Chairman), Kassel, Germany¹

THORSTEN BOECKERS (BORN 1975), *BANKKAUFMANN* (TRAINED BANKER), CHIEF FINANCIAL OFFICER

Controlling
 Finance & Accounting
 Insurance
 IT
 Procurement
 Tax
 CFO units of the Americas and Europe+ operating units
 and for all direct shareholdings of the Company to the extent that they are not assigned to another area of responsibility

In office until 11 May 2020
 First appointed: 12 May 2017

Supervisory board appointments: K+S KALI GMBH, Kassel, Germany¹

MARK ROBERTS (BORN 1963), BACHELOR OF SCIENCE (MARKETING)

Americas operating unit
 Europe+ operating unit
 Global Marketing, Commercial and Supply Chain Excellence with the following sub-units: Agriculture, Industry, Consumers, Municipalities and Supply Chain Management Excellence
 Operations Excellence with the Technical Services sub-unit

In office until 30 September 2020
 First appointed: 01 October 2012

¹ Group appointment

MEMBERS WHO STEPPED DOWN IN 2018:**DR THOMAS NÖCKER (BORN 1958), LAWYER, PERSONNEL DIRECTOR**

Corporate HR

Corporate IT

Corporate Health, Safety & Environment

Business Centre and sub-units:

Communication Services

Financial Accounting

Insurance

IT Services

Logistics Europe

Procurement/Material Management Europe

Project Management

Real Estate & Facility Management

K+S TRANSPORT GMBH

K+S VERSICHERUNGSVERMITTLUNGS GMBH

WOHNBAU SALZDEFURTH GMBH

Stepped down as at 31 August 2018

First appointed: 1 August 2003

Supervisory Board appointments: K+S KALI GmbH, Kassel, Germany¹ (until 14 May 2018)

¹ Group appointment

(29) SHAREHOLDINGS IN THE COMPANY

On 27 December 2018, Dimensional Holdings Inc., Austin (USA), notified us that its share of the voting rights had exceeded the threshold of 3% and that it held 3.005% of the Company. DWS Investment GmbH, Frankfurt am Main (Germany), holds 5.69% of the shares (notified on 31 December 2018). As at the end of February 2019, no shareholder had notified us of holdings above the legal reporting threshold of 3%.

(30) PROPOSAL FOR THE APPROPRIATION OF PROFITS

The net retained profits generated by K+S AKTIENGESELLSCHAFT in the 2018 financial year totalled € 74,487 thousand. The Board of Executive Directors intends to propose to the Annual General Meeting on 15 May 2019 the payment of a dividend of € 0.25 per no-par value share (€ 47,850 thousand). The remaining amount of € 26,637 thousand will be carried forward to the new account.

Kassel, 5 March 2019

K+S Aktiengesellschaft

Board of Executive Directors

INDEPENDENT AUDITOR'S REPORT

to K+S Aktiengesellschaft, Kassel

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit opinions

We have audited the annual financial statements of K+S Aktiengesellschaft, Kassel, consisting of the balance sheet as at 31 December 2018, the income statement for the financial year from 1 January to 31 December 2018 and the notes, including the presentation of accounting policies. In addition, we audited the management report of K+S Aktiengesellschaft, Kassel, which is combined with the group management report, for the financial year from 1 January to 31 December 2018. In conformity with German legal regulations, we have not audited the parts of the combined management report specified in the Annex to the independent auditor's report with regard to their content.

In our opinion, based on our knowledge obtained during the audit,

- the accompanying annual financial statements comply in all material respects with the regulations of the German Commercial Code (Handelsgesetzbuch – HGB) applicable to corporations and give a true and fair view of the company's net assets and financial position as at 31 December 2018 as well as its results of operations for the financial year from 1 January to 31 December 2018 in accordance with German generally accepted accounting principles and
- the accompanying combined management report provides a suitable view of the company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the content of the parts of the combined management report specified in the Annex to the independent auditor's report.

Pursuant to Section 322(3) Sentence 1 HGB, we state that our audit has not led to any reservations with respect to the propriety of the annual financial statements and the combined management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred to as "EU Audit Regulation") and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Our responsibilities under these requirements and principles are further described in the "Auditor's responsibility for the audit of the annual financial statements and the combined management report" section of our report. We are independent of the company in accordance with European and German commercial law and rules of professional conduct and we have fulfilled our other ethical responsibilities applicable in Germany in accordance with these requirements. In addition, pursuant to Article 10(2) f) of the EU Audit Regulation, we declare that we have not provided any prohibited non-audit services pursuant to Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and combined management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the following we present the key audit matter in our view: the impairment of shares in affiliated companies.

Our presentation of this key audit matter is structured as follows:

- a) Description (including reference to corresponding information in the annual financial statements),
- b) Auditor's response.

Impairment of shares in affiliated companies

- a) In the annual financial statements for the period ended 31 December 2018 in accordance with the German Commercial Code (HGB), K+S Aktiengesellschaft reports shares in affiliated companies totalling €6,662.9 million in the financial assets item. This corresponds to 87.8% of total assets.

At least once a year, the shares are tested for impairment by the legal representatives. The fair values were determined using the capitalised earnings method (*Ertragswertverfahren*) taking into account the capital asset pricing model (CAPM) for determining the cost of equity. The value of the companies was determined by projecting the planned net distributions from mid-term planning for the forecast period from 2019 to 2021. The planned net distributions outside of the forecast period were calculated based on the result expected for 2021 at an annual growth rate of 1%.

The result of this valuation depends heavily on the estimates and judgement of the legal representatives with regard to future cash flows, the long-term growth rate and the applied discount rate.

Accordingly, the valuation is subject to considerable uncertainty. This matter was therefore a special focus of our audit.

The information provided by the legal representatives on shares in affiliated companies is presented in the notes in the "Accounting policies" section and in Sections 10 and 26.

- b) In the course of our audit, we examined the process for testing the shares in affiliated companies for impairment and reviewed the audit-relevant controls included in that process.

We obtained assurance of the appropriateness of the future cash flows used in the calculation. To do so, we, for example, compared these figures with the current budgets from the three-year planning adopted by the legal representatives and approved by the Supervisory Board, as well as with general and industry-specific market expectations.

As even relatively small changes in the applied discount rate can have significant effects on the value in use determined in this way, we also compared the assumptions and parameters applied to determine the discount rate, particularly the risk-free interest rate and the market risk premium, with our own assumptions and publicly available data and verified the calculation method.

Other information

The legal representatives are responsible for the other information. The other information comprises:

- the unaudited sections of the management report mentioned in the Annex to the independent Auditor's report,
- assurance by the legal representatives on the annual financial statements and the combined management report pursuant to Sections 264(2) Sentence 3 HGB and Section 289(1) Sentence 5 HGB and
- the remaining components of the annual report, with the exception of the audited financial statements and the combined management report and our Auditor's Report.

Our audit opinions on the annual financial statements and the combined management report do not extend to cover the other information, and accordingly we do not issue an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the annual financial statements, the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be substantially misstated.

Responsibilities of the legal representatives and the Supervisory Board for the annual financial statements and the combined management report

The legal representatives are responsible for the preparation of the annual financial statements, which comply in all material respects with the regulations of the German Commercial Code (HGB) applicable to corporations, and for ensuring that the annual financial statements give a true and fair view of the net assets, financial position, and results of operations of the company in accordance with German generally accepted accounting principles. In addition, the legal representatives are responsible for the internal controls, which, in accordance with German generally accepted accounting principles, they have identified as necessary in order to enable the preparation of annual financial statements that are free from material misstatements, whether intentional or unintentional.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. Furthermore, they have the responsibility to disclose matters relating to the company's ability to continue as a going concern, if relevant. In addition, they are responsible for using the going concern basis of accounting, unless prevented from doing so by actual or legal circumstances.

In addition, the legal representatives are responsible for the preparation of the combined management report, which as a whole provides a suitable view of the company's position, is consistent with the annual financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for such arrangements and measures (systems) which they have deemed necessary in order to enable the preparation of a combined management report in accordance with the applicable German legal regulations and to furnish sufficient and appropriate evidence for the statements in the combined management report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and the combined management report.

Auditor's responsibilities for the audit of the annual financial statements and the combined management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides a suitable view of the company's position and is consistent with the annual financial statements and the findings of the audit in all material respects, is in accordance with the German legal regulations, and suitably presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and generally accepted German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

As part of an audit, we exercise professional judgement and maintain professional scepticism. We also

- identify and assess the risks of material misstatements in the annual financial statements and in the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- obtain an understanding of internal controls relevant to the audit of the annual financial statements and the arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the company.
- evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- form a conclusion on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements and combined management report, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- evaluate the overall presentation, structure, and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner such that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German generally accepted accounting principles.
- evaluate the consistency of the combined management report with the annual financial statements, its legal consistency, and the view provided of the company's position.
- perform audit procedures on the forward-looking information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we particularly evaluate the significant assumptions underlying the forward-looking information by the legal representatives and evaluate the correct derivation of forward-looking information from these assumptions. We do not issue an independent opinion on the forward-looking information or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking information.

We communicate with those charged with governance, among other matters, on the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control, which we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the annual financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report on the annual financial statements unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS**Other information pursuant to Article 10 of the EU Audit Regulation**

We were appointed by the Annual General Meeting on 15 May 2018 to audit the financial statements. We were engaged by the Supervisory Board on 23 August 2018. We have been engaged continuously as the auditors of the financial statements of K+S Aktiengesellschaft, Kassel, since financial year 1972.

We confirm that the audit opinions contained in this auditor's report are consistent with the supplementary report to the audit committee pursuant to Article 11 of the EU Audit Regulation ("Prüfungsbericht").

RESPONSIBLE AUDITOR (WIRTSCHAFTSPRÜFER)

The auditor (Wirtschaftsprüfer) responsible for the audit is Dr Christian H. Meyer.

Hanover, 5 March 2019

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

(Heiner Kompenhans) (Dr Christian H. Meyer)

Auditor

Auditor

Annex to the independent Auditor's report: unaudited parts of the combined management report

The content of the following parts of the combined management report has not been audited by us:

- c) the Non-Financial Statement contained in the chapter "Non-financial statement" as well as in the chapter "Corporate strategy" in the sections "Sustainability programme", "K+S Group action areas", "Concrete sustainability targets through 2030" and "Stakeholder dialogue" as well as in the chapter "Declaration on corporate governance" in the section "Sustainability management" in accordance with Sections 289b-289e of the HGB as well as Sections 315b and 315c of the HGB,
- d) the declaration on corporate governance contained in the section "declaration on corporate governance" of the combined management report in accordance with Sections 289f and 315d of the HGB.