

# H1/18 Half-Yearly Financial Report

## K+S GROUP

- + Revenues moderately and EBITDA slightly up year-on-year in the second quarter
  - + Potash and Magnesium Products business unit benefits from increased sales volumes and higher market prices
  - + Earnings still negatively impacted by production limitations
  - + Exchange rate developments and higher logistics costs lead to earnings decrease in the Salt business unit
  - + Improvement in adjusted free cash flow and net debt/EBITDA ratio compared to the previous year
- 
- + K+S confirms significant EBITDA increase for the 2018 financial year, however, range of € 660–740 million below capital markets' expectations

## KEY PERFORMANCE DATA

KEY INDICATORS (IFRS)							
		Q2/17	Q2/18	%	H1/17	H1/18	%
<b>Revenues</b>	€ million	<b>742.0</b>	<b>811.9</b>	<b>+ 9.4</b>	<b>1,868.4</b>	<b>1,981.7</b>	<b>+ 6.1</b>
– of which Potash and Magnesium Products business unit	€ million	387.1	440.5	+ 13.8	860.8	929.2	+ 7.9
– of which Salt business unit	€ million	315.7	326.9	+ 3.5	926.6	962.5	+ 3.9
– of which Complementary Activities	€ million	38.8	43.9	+ 13.1	80.3	88.7	+ 10.5
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	€ million	<b>101.9</b>	<b>105.1</b>	<b>+ 3.1</b>	<b>312.8</b>	<b>341.9</b>	<b>+ 9.3</b>
– of which Potash and Magnesium Products business unit	€ million	71.4	90.6	+ 26.9	152.6	211.4	+ 38.5
– of which Salt business unit	€ million	29.0	23.3	– 19.7	164.4	144.2	– 12.3
– of which Complementary Activities	€ million	6.1	8.0	+ 31.1	15.4	17.9	+ 16.2
<b>EBITDA margin</b>	%	<b>13.7</b>	<b>12.9</b>	<b>–</b>	<b>16.7</b>	<b>17.3</b>	<b>–</b>
– Potash and Magnesium Products business unit	%	18.4	20.6	–	17.7	22.8	–
– Salt business unit	%	9.2	7.1	–	17.7	15.0	–
– Complementary Activities	%	15.7	18.2	–	19.2	20.2	–
<b>Operating earnings (EBIT I)</b>	€ million	<b>28.5</b>	<b>13.4</b>	<b>– 53.0</b>	<b>165.9</b>	<b>160.4</b>	<b>– 3.3</b>
– of which Potash and Magnesium Products business unit	€ million	31.4	21.1	– 32.8	73.3	73.6	+ 0.4
– of which Salt business unit	€ million	0.4	4.0	> 100	106.2	106.1	– 0.1
– of which Complementary Activities	€ million	3.9	6.8	+ 74.4	10.9	15.4	+ 41.3
Earnings after tax, adjusted <sup>1</sup>	€ million	18.9	– 9.4	–	113.5	74.2	– 34.6
Earnings per share, adjusted <sup>1</sup>	€	0.10	– 0.05	–	0.59	0.39	– 34.6
Capital expenditure <sup>2</sup>	€ million	133.0	91.2	– 31.4	410.4	153.7	– 62.5
Depreciation and amortisation <sup>2</sup>	€ million	73.4	91.7	+ 24.9	146.9	181.5	+ 23.6
Net cash flows from operating activities	€ million	117.4	59.4	– 49.4	384.4	292.2	– 24.0
Adjusted free cash flow <sup>3</sup>	€ million	– 80.8	– 48.6	+ 39.8	– 25.6	94.2	–
Net debt as of 30 June	€ million	–	–	–	3,745.2	4,129.3	+ 10.3
Net debt/EBITDA (LTM)		–	–	–	8.1	6.8	–
Equity ratio	%	–	–	–	44.6	42.8	–
Return on capital employed (LTM)	%	–	–	–	2.1	3.2	–
Book value per share as of 30 June	€	–	–	–	22.44	21.61	– 3.7
Average number of shares	million	191.4	191.4	–	191.4	191.4	–
Employees as of 30 June <sup>4</sup>	number	–	–	–	14,570	14,809	+ 1.6
Market capitalisation as of 30 June	€ billion	–	–	–	4.29	4.05	– 5.7
Enterprise value (EV) as of 30 June	€ billion	–	–	–	8.04	8.18	+ 17.4

<sup>1</sup> The adjusted key indicators 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 capital expenditure in Canadian dollars. Related effects on deferred and cash taxes are also eliminated; tax rate in Q2/18: 29.9% (Q2/17: 29.6%).

<sup>2</sup> Concerns cash investments as well as depreciation of property, plant and equipment and amortisation of intangible assets, taking claims for reimbursement from claim management into account.

<sup>3</sup> Adjusted for purchases/sales of securities and other financial investments.

<sup>4</sup> FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.

Rounding differences may arise in the percentages and numbers shown in this Half-Yearly Financial Report.

## MANAGEMENT REPORT

# 1

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<b>1.1</b>	Group Structure and Business Activities	2
<b>1.2</b>	Corporate Strategy and Corporate Governance	2
<b>1.3</b>	Overview of the Course of Business	2
<b>1.4</b>	Results of Operations, Financial Position and Net Assets	4
<b>1.5</b>	Presentation of Segments	9
<b>1.6</b>	Employees	13
<b>1.7</b>	Research and Development	13
<b>1.8</b>	Report on Risks and Opportunities	14
<b>1.9</b>	Report on Post-Balance Sheet Date Events	14
<b>1.10</b>	Report on Expected Developments	14
<b>1.11</b>	Responsibility Statement from the Legal Representatives of K+S Aktiengesellschaft	17

## 1.1 GROUP STRUCTURE AND BUSINESS ACTIVITIES

Please see the relevant sections of our 2017 Annual Report (starting on page 29) for a full description of our Group's legal and organisational structure and business activities, including products and services.

The section entitled 'Changes in the basis of consolidation' can be found on page 23 in the Notes to this Half-Yearly Financial Report. Otherwise, the Group structure and business activities described in the 2017 Annual Report remained largely unchanged.

## 1.2 CORPORATE STRATEGY AND CORPORATE GOVERNANCE

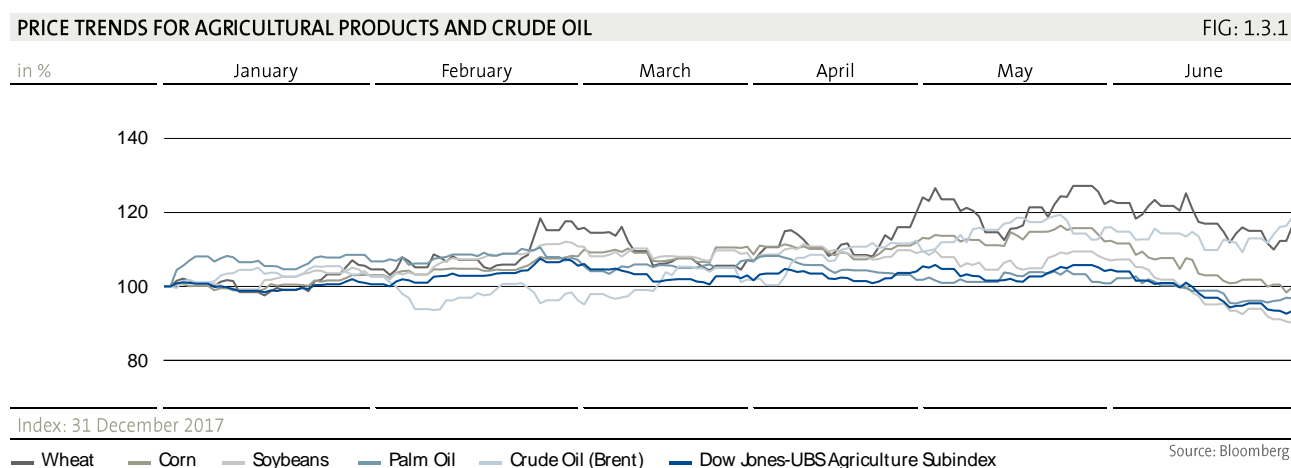
There were no changes in the corporate strategy or corporate governance in the second quarter. Please see the relevant sections entitled 'Declaration on Corporate Governance' (starting on page 55) and 'Corporate Strategy' (starting on page 75) in the 2017 Annual Report for a detailed description of our current corporate strategy and corporate governance. There you can find information on our Group strategy SHAPING 2030 published in October 2017.

## 1.3 OVERVIEW OF THE COURSE OF BUSINESS

### MACROECONOMIC ENVIRONMENT

Soft commodities have been developing unevenly since the beginning of the year. While the price of soybeans, for example, has fallen by 10%, the price of wheat increased by 17% in the first half of 2018. The DOW JONES-UBS AGRICULTURE SUBINDEX, which tracks developments in the prices of corn, soybeans, sugar, wheat, soy oil, cotton and coffee, was down by around 7% year-on-year in the first half of the year.

The Brent crude oil price rose sharply in the course of the six months and stood at approximately USD 79 per barrel at the end of June. The average price in the second quarter of 2018 of around USD 75 was significantly higher than the previous year's figure (Q2/17: USD 52). The average price of NCG Natural Gas Year Futures, which focus primarily on western and southern Germany, also experienced a demand-related increase compared with the same quarter of the previous year, rising to around € 19/MWh (Q2/17: € 16/MWh).



The US dollar was trading at EUR/USD 1.17 as of 30 June 2018. The average exchange rate for the quarter was EUR/USD 1.19 (Q2/17: EUR/USD 1.10).

## IMPACT ON K+S

Changes in the macroeconomic environment had the following key effects on the course of business of K+S:

- + The K+S GROUP's energy costs are affected in particular by the cost of purchasing natural gas. Due to higher production volumes in the Potash and Magnesium Products business unit, these rose slightly year-on-year in the reporting period. Our long-term purchasing agreements with favourable conditions make us more independent of market price development.
- + Foreign currency hedging system: The use of hedging instruments for the Potash and Magnesium Products business unit resulted in an average exchange rate of EUR/USD 1.14 in the second quarter of 2018 including hedging costs (Q2/17: EUR/USD 1.12). We also enter into CAD/USD hedges for the operating costs for the Bethune plant, which are paid in Canadian dollars. Our exchange rate including hedging costs averaged USD/CAD 1.32 in the second quarter of 2018, which was more beneficial for us than procuring the currency in the cash market. The hedging system mitigated the negative currency effects in earnings.
- + Prices of key soft commodities continued to trade at a comparatively low level at the end of the reporting period. At the same time, the input costs, for example for fertilizer, were relatively low despite the most recent price increases. The resulting earnings prospects should continue to give farmers sufficient incentive to increase yield per hectare by making use of plant nutrients.

/ Further details on the foreign currency hedging system can be found on page 88 of the 2017 Annual Report.

## SECTOR-SPECIFIC ENVIRONMENT

The conditions in the principal sales regions and the competitive positions of the individual business units described in the 2017 Annual Report (starting on page 36) have remained essentially unchanged.

### POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

In the quarter under review, the industry situation in the Potash and Magnesium Products business unit was characterised by strong demand. International prices for potassium chloride and for our specialties continued to increase almost everywhere. In Brazil, the published market price of granulated potassium chloride rose further. Market prices for potassium chloride in South East Asia also continued to rise. In Europe, prices for granulated potassium chloride have remained stable.

### SALT BUSINESS UNIT

The industrial salt business developed particularly encouragingly in the second quarter of 2018 on the back of stronger demand from South America. General conditions for sales of consumer products and salts for the food industry remained largely unchanged compared to the previous year. Demand for premium products (sea salt and kosher salt) was once again robust. Higher global demand for pharmaceutical salts continued to be seen.

Good winter conditions at the beginning of the year reduced inventories of de-icing salt at US customers, particularly in the northern regions of the Midwest and in Canada. Favourable late winter conditions in Europe also had a positive effect on the de-icing salt business.

## RELATED PARTIES

Please see the relevant sections in the Notes on page 28 for a detailed description of significant transactions with affiliated companies and related parties.

## 1.4 RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

## RESULTS OF OPERATIONS

KEY INDICATORS						TAB: 1.4.1
	Q2/17	Q2/18	%	H1/17	H1/18	%
in € million						
<b>Revenues</b>	<b>742.0</b>	<b>811.9</b>	<b>+ 9.4</b>	<b>1,868.4</b>	<b>1,981.7</b>	<b>+ 6.1</b>
– of which Potash and Magnesium Products business unit	387.1	440.5	+ 13.8	860.8	929.2	+ 7.9
– of which Salt business unit	315.7	326.9	+ 3.5	926.6	962.5	+ 3.9
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– of which Potash and Magnesium Products business unit	71.4	90.6	+ 26.9	152.6	211.4	+ 38.5
– of which Salt business unit	29.0	23.3	– 19.7	164.4	144.2	– 12.3
<b>Operating earnings (EBIT I)</b>	<b>28.5</b>	<b>13.4</b>	<b>– 53.0</b>	<b>165.9</b>	<b>160.4</b>	<b>– 3.3</b>
– of which Potash and Magnesium Products business unit	31.4	21.1	– 32.8	73.3	73.6	+ 0.4
– of which Salt business unit	0.4	4.0	> 100	106.2	106.1	– 0.1
<b>Return on capital employed (LTM, in %)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2.1</b>	<b>3.2</b>	<b>–</b>

## REVENUES

Revenues of the K+S GROUP rose to € 811.9 million in the second quarter of 2018 from € 742.0 million in the prior-year period. In addition to increased sales volumes, mainly from the ramp-up of the potash plant in Bethune, Canada, this was due to higher prices for potassium chloride and fertilizer specialties. Higher sales volumes in the de-icing salt business also contributed to this trend. An unfavourable development of exchange rates had a negative impact. Revenues for the first six months of 2018 rose to € 1,981.7 million (H1/17: € 1,868.4 million) on the back of the aforementioned effects. In the Salt business unit, lower average prices and negative currency effects put a damper on the revenue trend in contrast to the previous year.

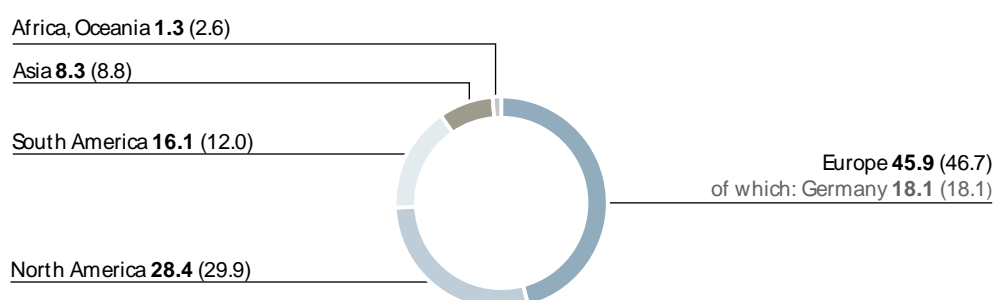
## VARIANCE COMPARED WITH PREVIOUS YEAR

	Q2/18	H1/18
in %		
<b>Change in revenues</b>	<b>+ 9.4</b>	<b>+ 6.1</b>
– volume/structure-related	+ 9.1	+ 10.1
– price/pricing-related	+ 4.5	+ 2.1
– currency-related	– 4.2	– 6.1
– consolidation-related	–	–

Detailed figures for average prices and sales volumes can be found in Tables 1.5.3 and 1.5.6.

In the quarter under review, over 54% of revenues were generated by the Potash and Magnesium Products business unit, followed by Salt with more than 40% and Complementary Activities (5%).

## REVENUES BY REGION APRIL – JUNE 2018 (IN %)



Previous year's figures in brackets

## DEVELOPMENT OF SELECTED COST TYPES

Cost of sales increased to € 581.6 million in the second quarter of 2018 (Q2/17: € 509.1 million). This was due primarily to the production at the Bethune plant in Canada. Owing to the resulting increase in sales volumes, selling expenses increased from € 147.5 million in the previous year to € 158.9 million in the reporting period. In the first half of 2018, cost of sales amounted to € 1,356.3 million after € 1,208.2 million in the previous year, while selling expenses increased to € 384.3 million (H1/17: € 351.9 million).

In addition to the effects described, personnel expenses, freight, material and energy costs are particularly important for K+S. In the first half of 2018, personnel expenses increased to € 288.4 million in the second quarter of 2018 (Q2/17: € 268.2 million) and in the first half of the year to € 571.7 million (H1/17: € 557.0 million). This development was particularly due to ongoing personnel increase at the integrated Werra plant. Freight costs of € 173.2 million and € 416.9 million respectively were tangibly higher in the second quarter and in the first half of 2018 compared to the previous year's figures (Q2/17: 158.6; H1/17: € 366.7 million), largely as a result of volume factors caused by increased deliveries from the new potash mine in Bethune. Expenses for raw materials and supplies and for purchased materials (material costs) rose to € 144.4 million in the second quarter of 2018 (Q2/17: € 129.2 million) and to € 270.0 million in the first half of the year (H1/17: € 263.7 million). K+S incurred expenses of € 62.1 million for energy in the second quarter (Q2/17: € 61.1 million). Energy costs also increased to € 130.2 million in the first half of the year (H1/17: € 127.3 million). The slight increase is mainly due to higher production volumes in the Potash and Magnesium Products business unit.

## OPERATING EARNINGS EBITDA AND EBIT I

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for the K+S GROUP amounted to € 105.1 million in the quarter under review (Q2/17: € 101.9 million). Especially in the Potash and Magnesium Products business unit, sales volumes were boosted by the ramp-up of production at the new Bethune potash plant in Canada. Earnings in the Salt business unit were reduced largely by higher logistics costs and negative currency factors. Operating earnings (EBIT I) for the K+S GROUP amounted to € 13.4 million, falling short of the prior-year figure (Q2/17: € 28.5 million). This was mainly due to the start of depreciation of the new Bethune plant. EBIT II in the reporting quarter amounted to € –18.8 million (Q2/17: € 56.1 million) and was attributable to the valuation of outstanding anticipatory hedges as of the balance sheet date.

In the first half of 2018, EBITDA amounted to € 341.9 million, an increase of over 9% year-on-year (H1/17: € 312.8 million). This earnings performance is due primarily to the higher sales volumes than in the previous year, especially in the Potash and Magnesium Products business unit, and to a strong de-icing salt business resulting from favourable winter conditions. In contrast to that, like in the first quarter, there was still limited personnel and machine availability at the Werra plant. Negative currency factors and higher logistics costs in the Salt business unit also reduced earnings. EBIT I decreased to € 160.4 million in the first six months from € 165.9 million in the previous year due to higher depreciation and amortisation. The depreciation and amortisation charge to be deducted for the first six months was € 181.5 million (H1/17: € 146.9 million). EBIT II in the first half of 2018 stood at € 117.9 million (H1/17: € 204.3 million).

In accordance with IFRSs, the changes in fair value arising from hedging transactions are reported in the income statement. EBIT II includes all earnings from operating hedges, i.e. both reporting date-related measurement effects and earnings from realised operating hedging derivatives. Any effects on earnings arising from the hedging of underlying transactions relating to financing that are not reflected in EBIT are reported in the financial result.

RECONCILIATION TO OPERATING EARNINGS (EBIT I) AND EBITDA					TAB: 1.4.3
	Q2/17	Q2/18	H1/17	H1/18	
in € million					
<b>Earnings after operating hedges (EBIT II)</b>	<b>56.1</b>	<b>-18.8</b>	<b>204.3</b>	<b>117.9</b>	
Income (-)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	-24.5	22.2	-30.1	22.9	
Elimination of prior-period changes in the fair value of operating anticipatory hedges	-2.8	10.0	-4.3	19.6	
Recognised income (-)/expenses (+) of currency hedging for capital expenditure in Canada	-0.3	-	-4.0	-	
<b>Operating earnings (EBIT I)</b>	<b>28.5</b>	<b>13.4</b>	<b>165.9</b>	<b>160.4</b>	
Depreciation and amortisation (+)/impairment losses (+)/reversals of impairment losses (-) on non-current assets	85.0	93.4	164.7	184.6	
Capitalised depreciation expenses recognised directly in equity (-) <sup>1</sup>	-11.6	-1.7	-17.8	-3.1	
<b>EBITDA</b>	<b>101.9</b>	<b>105.1</b>	<b>312.8</b>	<b>341.9</b>	

<sup>1</sup> Relates to depreciation of assets used to create other items of property, plant and equipment. The depreciation expenses are capitalised as part of cost and not charged to profit or loss.

## FINANCIAL RESULT

The financial result in the quarter under review was significantly lower at € -24.9 million (Q2/17: € -3.8 million). This change results in particular from higher finance costs than in the previous year, because interest costs are being capitalised since the plant in Bethune, Canada, came on stream. The financial result in the first half of 2018 amounted to € -55.7 million compared with € -12.3 million in the previous year.

/ Further details on the financial result and actuarial interest rates for provisions can be found in the Notes starting on page 24.

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

Group earnings after taxes and non-controlling interests decreased to € -32.0 million in the second quarter of 2018 (Q2/17: € 38.3 million). In terms of earnings per share, this gives a figure of € -0.17 (Q2/17: € 0.20). An average number of 191.4 million outstanding no-par value shares was used as the basis for the calculation. Group earnings after taxes and non-controlling interests in the first half of the year amounted to € 44.4 million (H1/17: € 140.5 million). In terms of earnings per share, this represents a drop of € 0.50 year-on-year to € 0.23 (H1/17: € 0.73).

Group earnings after taxes adjusted for changes in the fair value of derivatives decreased to € -9.4 million in the second quarter of 2018 (Q2/17: € 18.9 million), resulting in a figure of € -0.05 per share, down from € 0.10 for the same quarter of the previous year. After the first six months, adjusted Group earnings after taxes stood at € 74.2 million (H1/17: € 113.5 million). Adjusted earnings per share amounted to € 0.39 in the same period compared with € 0.59 in the previous year.

## FINANCIAL POSITION

### SECOND-QUARTER CAPITAL EXPENDITURE DOWN SIGNIFICANTLY YEAR-ON-YEAR

CAPITAL EXPENDITURE <sup>1</sup>							TAB: 1.4.4
	Q2/17	Q2/18	%	H1/17	H1/18	%	
in € million							
Potash and Magnesium Products business unit	105.3	70.0	-33.5	363.2	118.1	-67.5	
Salt business unit	26.1	18.9	-27.6	44.2	32.3	-26.9	
Complementary Activities	0.2	1.1	> 100	1.0	1.4	+ 40.0	
Reconciliation	1.3	1.2	-7.7	1.9	1.9	-	
<b>K+S Group</b>	<b>133.0</b>	<b>91.2</b>	<b>-31.4</b>	<b>410.4</b>	<b>153.7</b>	<b>-62.5</b>	

<sup>1</sup> Concerns cash investments in property, plant and equipment and intangible assets, taking claims for reimbursement from claim management into account.

The K+S GROUP invested a total of € 91.2 million in the second quarter of 2018 (Q2/17: € 133.0 million), mainly to sustain operations. This decrease year-on-year is largely due to the completion of the plant in Bethune, Canada, which reduced capital expenditure in the Potash and Magnesium Products business unit. Capital expenditure in the Salt business unit were still concentrated on investments for the Ojibway plant in Canada.



## NET CASH FLOWS FROM OPERATING ACTIVITIES UP ON PRIOR-YEAR FIGURE

OVERVIEW OF CASH FLOWS		TAB: 1.4.5	
	H1/17	H1/18	
in € million			
Net cash flows from operating activities	384.4	292.2	
Net cash flows from/(used in) investing activities	- 419.8	- 245.0	
<b>Free cash flow</b>	<b>- 35.4</b>	<b>47.2</b>	
Adjustment for purchases/sales of securities and other financial investments	9.8	47.0	
<b>Adjusted free cash flow</b>	<b>- 25.6</b>	<b>94.2</b>	

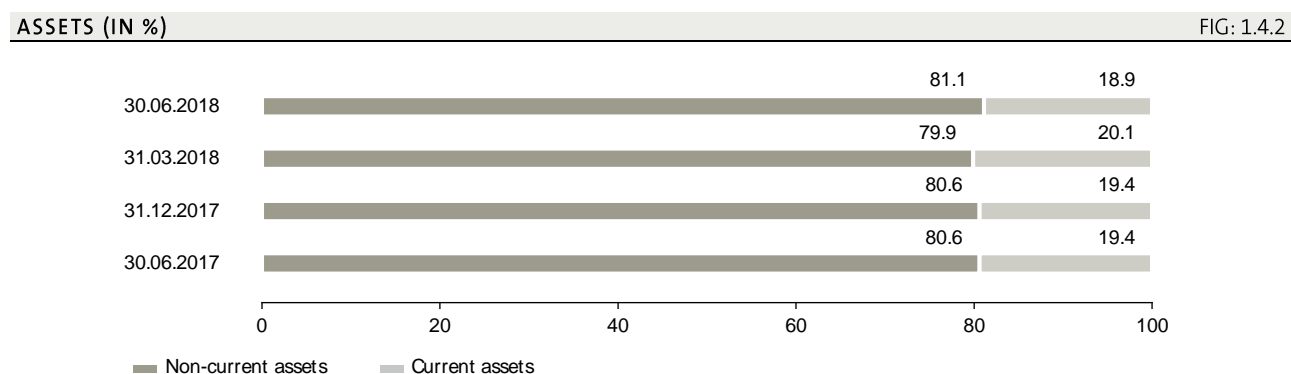
Net cash flows from operating activities came to € 292.2 million in the first half of 2018 (H1/17: € 384.4 million). The decrease was mainly due to higher income tax and interest payments.

Net cash flows used in investing activities (after adjusting for purchases/sales of securities and other financial investments) amounted to € - 198.0 million (H1/17: € - 410.0 million), an improvement primarily resulting from lower payments for property, plant and equipment. The adjusted free cash flow came to € 94.2 million, up from € - 25.6 million in the previous year.

Net cash flows used in financing activities stood at € - 24.8 million in the reporting period (H1/17: € 258.8 million), due primarily to a decrease in the amount of outside financing. As of 30 June 2018, net cash and cash equivalents amounted to € 199.1 million (31 December 2017: € 175.7 million; 30 June 2017: € 347.3 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.

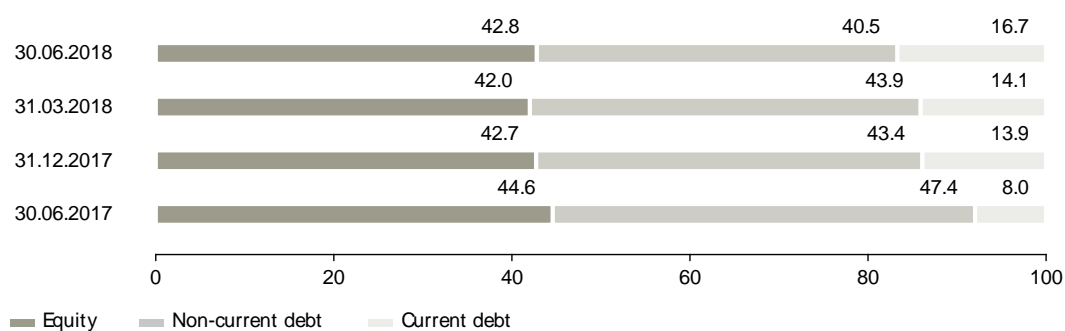
## NET ASSETS

Total assets of the K+S GROUP amounted to € 9,676.1 million as of 30 June 2018 (31 December 2017: € 9,754.4 million). Property, plant and equipment decreased to € 6,609.1 million (31 December 2017: € 6,692.6 million), largely due to currency fluctuations. Cash and cash equivalents, current and non-current securities and other financial investments rose to € 272.5 million (31 December 2017: € 201.0 million).



At € 4,138.0 million, equity was close to the figure for 31 December 2017 (€ 4,160.7 million). The dividend payment in particular reduced the level of equity, whereas earnings for the first half of the year, among other things, had a positive effect on equity. The increase resulting from the first-time application of IFRS 9 in the carrying amounts by € 51.6 million was recognised in other comprehensive income as of 1 January 2018. The equity ratio was 42.8% at the reporting date.

/ Further details on material changes in equity can be found in the Notes starting on page 27.

**EQUITY AND LIABILITIES (IN %)** FIG: 1.4.3

As of 30 June 2018, financial liabilities amounted to € 3,067.6 million (31 December 2017: € 3,021.7 million). The increase was attributable in particular to the issue of money market instruments. As of 30 June 2018, the most significant provisions of the K+S GROUP related to mining obligations of € 1,007.9 million (31 December 2017: € 1,000.0 million) as well as to pensions and similar obligations of € 177.2 million (31 December 2017: € 166.4 million).

/ Further details of the main changes in individual balance sheet items can be found in the Notes on page 27.

Net debt of the K+S GROUP at the reporting date was € 4,129.3 million (31 December 2017: € 4,140.5 million; 30 June 2017: € 3,745.2 million). The slight decrease versus 31 December 2017 was due to a positive free cash flow resulting from a significant drop in capital expenditure. Consequently, net financial liabilities (excluding provisions) slightly fell from € 2,974.1 million to € 2,944.2 million. The net debt/EBITDA ratio was reduced further since 31 December 2017 from a factor of 7.2 to a factor of 6.8 as of 30 June 2018. We are therefore well on track to achieving our goal of cutting the net debt/EBITDA ratio from 8.1x (as of H1/17) in half by 2020.

**NET DEBT** TAB: 1.4.6

in € million	30 June 2017	31 December 2017	30 June 2018
Cash on hand and bank balances	352.3	182.6	207.0
Non-current securities and other financial investments	7.0	7.0	7.0
Current securities and other financial investments	22.9	11.4	58.5
Financial liabilities	-2,851.2	-3,021.7	-3,067.6
Liabilities from finance leases	-143.4	-173.0	-169.1
Reimbursement claim Morton Salt bond	20.8	19.6	20.0
<b>Net financial liabilities</b>	<b>-2,591.6</b>	<b>-2,974.1</b>	<b>-2,944.2</b>
Provisions for pensions and similar obligations	-162.9	-166.4	-177.2
Provisions for mining obligations	-990.7	-1,000.0	-1,007.9
<b>Net debt</b>	<b>-3,745.2</b>	<b>-4,140.5</b>	<b>-4,129.3</b>

## 1.5 PRESENTATION OF SEGMENTS

### POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

KEY INDICATORS						TAB: 1.5.1
	Q2/17	Q2/18	%	H1/17	H1/18	%
in € million						
Revenues	387.1	440.5	+ 13.8	860.8	929.2	+ 7.9
– of which potassium chloride	163.3	205.9	+ 26.1	353.2	430.5	+ 21.9
– of which fertilizer specialities	160.1	173.7	+ 8.5	371.5	376.3	+ 1.3
– of which industrial products	63.8	60.9	– 4.5	136.1	122.4	– 10.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	71.4	90.6	+ 26.9	152.6	211.4	+ 38.5
Operating earnings (EBIT I)	31.4	21.1	– 32.8	73.3	73.6	+ 0.4

### REVENUES

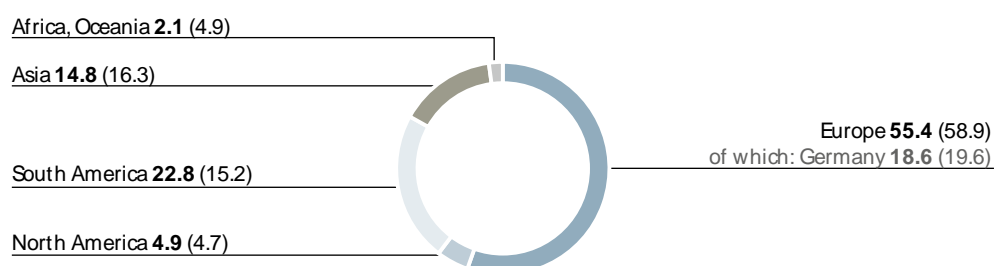
In the quarter under review, revenues for the Potash and Magnesium Products business unit were up almost 14% on the figure for the prior-year period at € 440.5 million (Q2/17: € 387.1 million). Higher sales volumes than in the previous year – due in particular to the ramp-up of production volumes at the Bethune potash mine – had a positive effect. Furthermore, in the potassium chloride segment better market prices than in the previous year gave a boost to revenues, especially in the overseas regions. Average prices for fertilizer specialities also trended upwards compared with the prior-year period. Negative currency factors had an offsetting effect. In the first half of 2018, revenues for the Potash and Magnesium Products business unit were up around 8% on the prior-year figure (H1/17: € 860.8 million) at € 929.2 million.

/ A description of the market environment in the Potash and Magnesium Products business unit can be found in the section entitled 'Sector-specific environment' on page 3.

VARIANCE COMPARED WITH PREVIOUS YEAR			TAB: 1.5.2
	Q2/18	H1/18	
in %			
<b>Change in revenues</b>	<b>+ 13.8</b>	<b>+ 7.9</b>	
– volume/structure-related	+ 10.3	+ 7.1	
– price/pricing-related	+ 7.0	+ 4.8	
– currency-related	– 3.5	– 4.0	
– consolidation-related	–	–	

Previous year's figures in brackets

REVENUES BY REGION APRIL – JUNE 2018 (IN %)	FIG: 1.5.1
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In the quarter under review, sales volumes in the Potash and Magnesium Products business unit climbed to 1.71 million tonnes from 1.54 million tonnes in the prior-year period. Production volumes from the new Bethune potash mine led to higher sales volumes. Additionally due to the long winter, the spring fertilising season was postponed until the second quarter. Part of the sales volume shortfall in the first quarter was made up in the quarter under review. As a result of continued limited personnel availability and machinery uptime at the Werra plant at times, our production level there in the first half of 2018 was still below the technically feasible capacity and was therefore unable to realize the full potential of the market. The sales volume generated by the Potash and Magnesium Products business unit came to 3.66 million tonnes in the first half of 2018 compared with 3.36 million tonnes in the previous year.

At 0.88 million tonnes, sales volumes of potassium chloride in the second quarter of 2018 were considerably higher than the previous year's level, mainly due to higher overall production levels (Q2/17: 0.71 million). Sales volumes in the fertilizer specialities segment were level with the prior year at 0.65 million tonnes (Q2/17: 0.64 million tonnes). In the industrial products segment, slight decreases were recorded with volumes of 0.18 million tonnes sold (Q2/17: 0.19 million tonnes).

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION <sup>1</sup>										TAB: 1.5.3
		Q1/17	Q2/17	H1/17	Q3/17	Q4/17	2017	Q1/18	Q2/18	H1/18
<b>Revenues</b>	<b>€ million</b>	<b>473.7</b>	<b>387.1</b>	<b>860.8</b>	<b>357.7</b>	<b>485.0</b>	<b>1,703.5</b>	<b>488.7</b>	<b>440.5</b>	<b>929.2</b>
Europe	€ million	304.0	227.9	531.9	213.4	257.5	1,002.8	306.0	244.5	550.4
Overseas	US\$ million	180.7	175.5	356.2	170.9	264.4	791.5	224.7	233.6	458.5
<b>Sales volumes</b>	<b>t million (product)</b>	<b>1.82</b>	<b>1.54</b>	<b>3.36</b>	<b>1.41</b>	<b>1.94</b>	<b>6.71</b>	<b>1.94</b>	<b>1.71</b>	<b>3.66</b>
Europe	t million (product)	1.14	0.86	2.00	0.80	0.97	3.77	1.11	0.89	1.99
Overseas	t million (product)	0.68	0.68	1.36	0.62	0.97	2.94	0.84	0.83	1.66
<b>Average price</b>	<b>€/t (product)</b>	<b>259.8</b>	<b>252.0</b>	<b>256.2</b>	<b>253.0</b>	<b>250.1</b>	<b>253.8</b>	<b>251.6</b>	<b>257.2</b>	<b>254.2</b>
Europe	€/t (product)	265.6	265.3	265.5	268.9	264.6	266.0	276.3	274.7	276.0
Overseas	US\$/t (product)	266.2	259.0	262.6	273.4	276.5	269.0	269.1	282.8	276.0

<sup>1</sup> 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 relevant product mix and should therefore be taken as a rough indication only.

## DEVELOPMENT OF EARNINGS

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose from € 71.4 million in the previous year to € 90.6 million in the quarter under review. Above all, the reasons given for the development of revenues were essential for this. However, during the ramp-up of production in the new Bethune potash plant, several events occurred in the past quarter (e.g. strike of the logistics service provider, short-term production stillstands), which had a negative impact on earnings. In terms of product quality in Bethune, we were able to achieve initial successes, especially regarding the hardness of the granulated product. As a result, we are confident that the target quality will be achieved gradually by the end of 2019. In addition, the still limited production opportunities in Germany had an impact on earnings in the second quarter of 2018.

In the first half of 2018, EBITDA amounted to € 211.4 million, an increase of over 38% year-on-year (H1/17: € 152.6 million).

## FOCUS ON DISPOSAL OF SALINE WASTEWATER TO CONTINUE

Our largest individual project for water protection, the kainite crystallisation and flotation (KCF) facility which came on stream at the Hattorf site in January 2018, was a further important step in securing higher production levels at our integrated Werra plant. Running at full capacity, the facility now extracts around 260,000 tonnes of saleable product from previously unusable brine, thus reducing the wastewater produced by the Werra plant each year by around 20%. Other temporary measures such as remote disposal of saline solutions in decommissioned mines additionally safeguard production at the integrated Werra plant. This means that there have been no disposal-related interruptions in production there after the first quarter of 2017. However, due to the extreme drought this year, the

water flow in the Werra river has been exceedingly low for quite some time. For the period from September 2018 onwards, production standstills can therefore no longer be ruled out if the extremely dry weather conditions persist.

/ More information on this can be found in the 'Risk and Opportunity Report' on page 14.

## SALT BUSINESS UNIT

KEY FIGURES						TAB: 1.5.4
in € million	Q2/17	Q2/18	%	H1/17	H1/18	%
Revenues	315.7	326.9	+ 3.5	926.6	962.5	+ 3.9
– of which de-icing salt	30.5	48.3	+ 58.4	341.4	409.7	+ 20.0
– of which consumer products	106.1	100.7	– 5.1	209.3	198.3	– 5.3
– of which industrial salt	76.6	83.0	+ 8.4	162.1	164.9	+ 1.7
– of which food processing	60.9	53.9	– 11.5	124.9	106.1	– 15.1
– of which salt for chemical use	32.3	33.9	+ 5.0	69.8	64.7	– 7.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	29.0	23.3	– 19.7	164.4	144.2	– 12.3
Operating earnings (EBIT I)	0.4	4.0	> 100	106.2	106.1	– 0.1

## REVENUES

The Salt business unit saw revenues increase in the quarter under review to € 326.9 million (Q2/17: € 315.7 million). Negative currency factors were outweighed by higher sales volumes in the de-icing salt business. At 3.45 million tonnes, sales volumes for solid salt were up around 22% on the prior-year figure (Q2/17: 2.83 million tonnes).

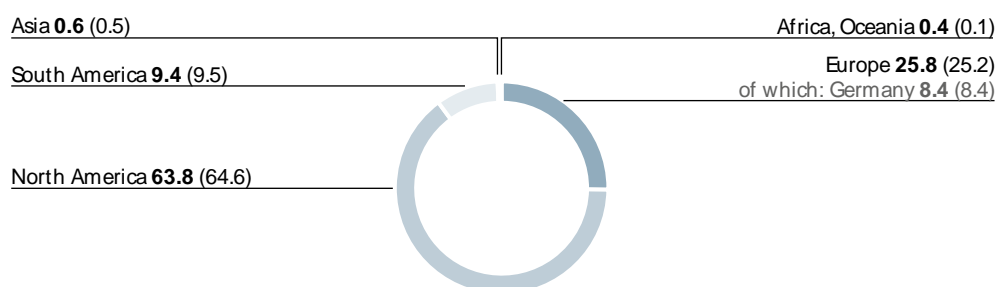
In the first half of the year, revenues were up slightly on the figure for the previous year at € 962.5 million (H1/17: € 926.6 million). Coming in at € 533.9 million, revenues from salts that are not used for road safety were down marginally on the prior-year period (H1/17: € 566.1 million). The decrease is mainly attributable to negative currency factors. At 12.78 million tonnes, total sales volumes for solid salt were considerable higher than the previous year's level (H1/17: 10.33 million tonnes).

/ A description of the market environment in the Salt business unit can be found in the section entitled 'Sector-specific environment' on page 3.

VARIANCE COMPARED WITH PREVIOUS YEAR			TAB: 1.5.5
in %	Q2/18	H1/18	
<b>Change in revenues</b>	<b>+ 3.5</b>	<b>+ 3.9</b>	
– volume/structure-related	+ 7.9	+ 13.1	
– price/pricing-related	+ 1.2	– 0.7	
– currency-related	– 5.6	– 8.5	
– consolidation-related	–	–	

## REVENUES BY REGION APRIL – JUNE 2018 (IN %)

FIG: 1.5.2



Previous year's figures in brackets

**DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY PRODUCT GROUP <sup>1</sup>** TAB: 1.5.6

		Q1/17	Q2/17	H1/17	Q3/17	Q4/17	2017	Q1/18	Q2/18	H1/18
<b>De-icing salt</b>										
Revenues	€ million	310.9	30.5	341.4	51.2	220.6	613.2	361.4	48.3	409.7
Sales volumes	t million	5.07	0.57	5.64	1.02	4.00	10.66	6.89	0.94	7.83
Average price	€/t	61.3	53.6	60.5	50.4	55.1	57.5	52.5	51.4	52.3
<b>Consumer products, food processing, industrial salt and salt for chemical use</b>										
Revenues	€ million	290.1	275.9	566.1	270.9	275.9	1,112.9	262.4	271.5	533.9
Sales volumes	t million	2.43	2.26	4.69	2.49	2.48	9.66	2.45	2.51	4.96
Average price	€/t	119.6	122.0	120.7	108.8	111.3	115.2	107.1	108.2	107.6

<sup>1</sup> Revenues include prices both inclusive and exclusive of freight costs. Prices are also affected by exchange rate movements and the relevant product mix and should therefore be taken as a rough indication only.

**DEVELOPMENT OF EARNINGS**

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for the Salt business unit decreased to € 23.3 million compared with the prior-year period (Q2/17: € 29.0 million). Here, in addition to negative currency factors, higher logistics costs, particularly in the trucking sector, impacted earnings.

In the first half of the year, EBITDA for the business unit declined tangibly due to the aforementioned reasons compared to the prior-year level to € 144.2 million (H1/17: € 164.4 million).

**COMPLEMENTARY ACTIVITIES****KEY INDICATORS** TAB: 1.5.7

	Q2/17	Q2/18	%	H1/17	H1/18	%
in € million						
Revenues	38.8	43.9	+ 13.1	80.3	88.7	+ 10.5
– of which Waste Management and Recycling	21.2	22.7	+ 7.1	43.0	46.4	+ 7.9
– of which K+S Transport GmbH	2.4	2.6	+ 8.3	5.1	5.2	+ 2.0
– of which Animal Hygiene Products	9.2	10.4	+ 13.0	20.2	21.3	+ 5.4
– of which CFK (Trading)	6.0	8.1	+ 35.0	12.0	15.8	+ 31.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	6.1	8.0	+ 31.1	15.4	17.9	+ 16.2
Operating earnings (EBIT I)	3.9	6.8	+ 74.4	10.9	15.4	+ 41.3

**REVENUES**

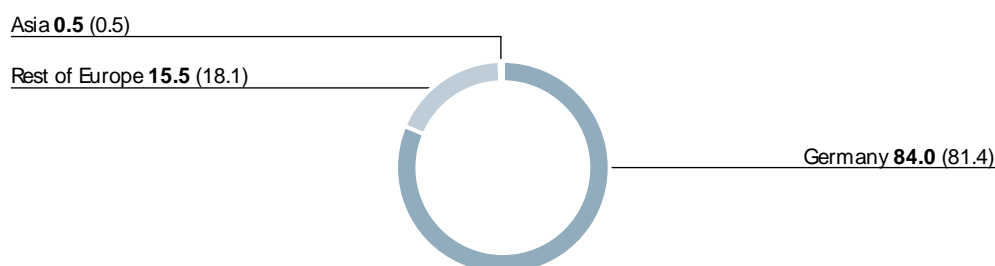
Third-party revenues generated by Complementary Activities in the second quarter stood at € 43.9 million (Q2/17: € 38.8 million), while total revenues came to € 51.3 million (Q2/17: € 45.7 million). In the first half of the year, revenues with third parties amounted to € 88.7 million (H1/17: € 80.3 million). Total revenues came to € 103.8 million (H1/17: € 94.8 million).

**VARIANCE COMPARED WITH PREVIOUS YEAR** TAB: 1.5.8

	Q2/18	H1/18
in %		
<b>Change in revenues</b>	<b>+ 13.1</b>	<b>+ 10.5</b>
– volume/structure-related	+ 7.7	+ 4.7
– price/pricing-related	+ 5.4	+ 5.8
– currency-related	–	–
– consolidation-related	–	–

REVENUES BY REGION APRIL – JUNE 2018 (IN %)

FIG: 1.5.3



Previous year's figures in brackets

## DEVELOPMENT OF EARNINGS

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for Complementary Activities climbed to € 8.0 million in the quarter under review (Q2/17: € 6.1 million). In the first six months of the year, earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 17.9 million (H1/17: € 15.4 million), mainly as a result of higher volumes.

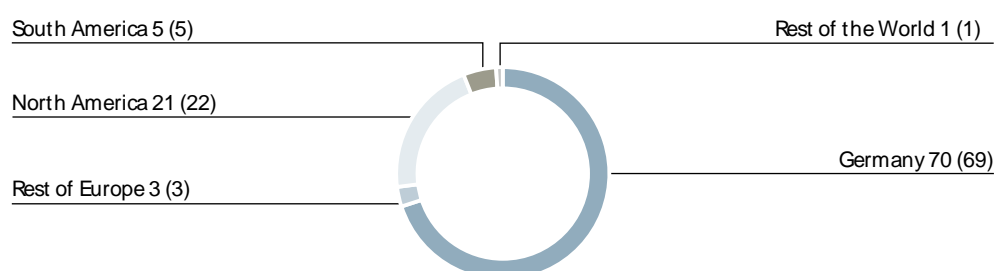
## 1.6 EMPLOYEES

### NUMBER OF EMPLOYEES UP SLIGHTLY YEAR-ON-YEAR

As of 30 June 2018, the K+S GROUP employed a total of 14,809 people (full-time equivalents), a slight increase on the figure for 30 June 2017 (14,570 employees). The average number of people employed over the quarter was 14,844 (Q2/17: 14,556). Just under a third of employees are located outside Germany and more than a quarter outside Europe. The number of trainees in Germany was 413 on 30 June 2018, representing a decline from the previous year (30 June 2017: 441).

EMPLOYEES BY REGION AS OF 30 JUNE 2018 (IN %)

FIG: 1.6.1



Previous year's figures in brackets

## 1.7 RESEARCH AND DEVELOPMENT

In the quarter under review, research costs increased to € 4.9 million from € 3.1 million in the prior-year period. Research costs in the first half of the year stood at € 6.9 million, down from € 8.8 million in the previous year; capitalised development costs amounted to € 0.4 million (H1/17: € 0.3 million).

Please see the relevant sections on page 43 of our 2017 Annual Report for a detailed description of research and development activities; the goals and areas of focus described there continue to apply.

## 1.8 REPORT ON RISKS AND OPPORTUNITIES

Please see the relevant comments in our 2017 Annual Report from page 65 onwards and from page 100 onwards for a detailed description of the system for the management of risks and opportunities as well as potential risks and opportunities. The risks and opportunities described there have changed as follows as of 30 June 2018:

For the risk of additional weather-related costs described in the Annual Report 2017 on page 105, special conditions have arisen due to the extreme weather conditions. At the Werra site, we assume in a normal hydrological year that the plant can dispose all saline wastewater within the scope of existing permits close to the location. In a dry year, however, certain volumes of saline wastewater would have to be disposed of remotely, generating additional costs for the transportation of this waste.

Due to the extreme drought at present, the water flow in the Werra has been exceedingly low for quite some time. All available resources for remote disposal are being exhausted. For the period from September 2018 onwards, production stoppages can therefore no longer be ruled out if the extremely dry weather conditions persist. In addition to the low water flow, the water temperature could influence the production of the integrated Werra plant, as the discharge of cooling water into the Werra and Ulster is regulated by local authorities.

The risks to which the K+S GROUP is exposed, both in isolation or in interaction with other risks, are limited and do not, according to current estimates, jeopardise the continued existence of the Company. There is no offsetting of opportunities and risks or their positive and negative changes against each other.

## 1.9 REPORT ON POST-BALANCE SHEET DATE EVENTS

The report on post-balance sheet date events for the K+S GROUP (disclosures on significant events after the end of the interim reporting period) can be found in the Notes on page 28.

## 1.10 REPORT ON EXPECTED DEVELOPMENTS

### FUTURE MACROECONOMIC SITUATION

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

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT					TAB: 1.10.1
	2014	2015	2016	2017	2018e
in %; in real terms					
Germany	+ 1.9	+ 1.5	+ 1.9	+ 2.5	+ 2.5
European Union (EU-28)	+ 1.8	+ 2.4	+ 2.0	+ 2.7	+ 2.5
World	+ 2.8	+ 2.8	+ 2.5	+ 3.2	+ 3.4

Source: IMF

The INTERNATIONAL MONETARY FUND is forecasting growth of 3.4% in global gross domestic product for 2018. Global output, which had risen sharply during 2017, recently lost of some of its momentum due to political uncertainty. A slow-down was particularly noticeable in the advanced economies, while the rate of expansion in the developing countries decreased comparatively little.

### FUTURE INDUSTRY SITUATION

The medium- to long-term trends described on pages 114–115 of the 2017 Annual Report, which positively influence the demand for K+S GROUP products, still apply.



## POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

In 2018, global potash demand is expected to increase slightly compared to the previous year (previously: at least stable). In addition to the strong demand situation in the first six months, further developments will also depend on the duration and outcome of the contract negotiations with the Chinese and Indian customers, because these contract prices are considered as reference prices in many countries. Furthermore, the current extreme drought and resulting potential crop shortfalls in some key Korn - Kali regions in Europe could affect demand in the short term. However, since K+S is represented in all important agricultural regions of the world, we are confident that we will be able to compensate for dryness-related sales losses. The observed recovery in the prices of a number of agricultural products should also give the agriculture industry incentives to increase yield per hectare by making greater use of plant nutrients in the medium and long term.

## SALT BUSINESS UNIT

Despite the long-term average winter conditions in the 2017/2018 season, demand for de-icing salt was better than in the previous year. As a result, inventories of de-icing salt at customers in North America – especially in the Midwest of the United States and in Canada – are lower than in the previous year. This is expected to have a positive effect in these regions on tenders for the next winter season. However, high stocks after a milder winter on the US East coast should have a dampening effect. In Europe, a healthy early fills business is anticipated as well for the upcoming season.

Demand for consumer products and salt for food processing is expected to remain more or less stable for the remainder of 2018. In the industrial salt segment, demand is likely to rise at a moderate level, with corresponding growth rates continuing to be forecast especially for the demand for pharmaceutical salt in line with demographic developments.

## FUTURE RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Our assessment for full-year 2018 is mainly based on the following assumptions:

- + Potash and Magnesium Products business unit
  - + We continue to expect a slight upward trend in the average price overall in 2018. While a further recovery across all products in the market seems possible, for our reported price dampening effects arise in some cases from the regional mix and from the product mix, largely due to the start of production at our new plant in Canada.
  - + A hydrological normal year, the support of our alternative waste disposal measures and the effect of the kainite crystallisation and flotation (KCF) facility which came on stream for improving the production capabilities of the integrated Werra plant provide the basis for our full-year guidance. In view of the persistent extreme drought, however, we are keeping a very close eye on the wastewater situation. As a result, production interruptions can no longer be ruled out for the period from September 2018 onwards, given persistent extreme drought. However, we continue to assume that there will be no weather-related outage days until the end of the year at this location.
  - + In contrast to the previous year, we estimate a significantly higher sales volume between 7.4 and 7.8 million tonnes for the year as a whole (2017: 6.7 million tonnes).
- + Salt business unit
  - + As the 2017/18 winter season was better than in the previous year, we forecast significant volume growth in the de-icing salt business for the 2018 financial year (2017: 10.7 million tonnes). We are assuming volumes for the rest of the year based on the long-term average. Sales of salts that are not used for road safety are projected to be slightly higher than the 2017 figure (9.7 million tonnes). On the whole, we therefore expect tangibly higher sales volumes (2017: 20.3 million tonnes) in the Salt business unit.
- + K+S GROUP
  - + Average exchange rate for the year unchanged at EUR/USD 1.21 (2017: EUR/USD 1.13).

## FORECAST OF REVENUES AND EARNINGS

Our revenues in the 2018 financial year are expected to increase tangibly to between € 3.9 billion and € 4.1 billion (2017: € 3.6 billion). With earnings before interest, taxes, depreciation and amortisation (EBITDA) within a range of € 660–740 million, we continue to assume a significant improvement compared with the previous year (€ 577 million). Although this corresponds to our previously published forecast of a "significant increase", the range missed the capital markets' expectations (consensus by Vara Research GmbH as of 16 July 2018: € 797 million). For this

reason, we have classified the range of results as an insider information and announced it on 9 August 2018 with an ad hoc disclosure.

However, we anticipate a significant rise in EBITDA versus 2017 (€ 269 million) in the Potash and Magnesium Products business unit. This is primarily due to the increase in volumes produced at the Bethune site in Canada and the related improvement in earnings. In the Salt business unit, we expect an unchanged (previously: moderately higher) EBITDA compared to the previous year (€ 325 million) with tangible volume increases. Higher logistics costs will also be noticeable in the second half of the year. We will now no longer be able to fully compensate for the price declines from the first half of the year during the remainder of this year.

Particularly on the basis of our revised assessment in the Salt business unit, adjusted Group earnings after taxes are now likely to be within a range of € 110–160 million (2017: € 145 million).

## ANTICIPATED FINANCIAL POSITION AND PLANNED CAPITAL EXPENDITURE

### FURTHER SIGNIFICANT DECREASE IN CAPITAL EXPENDITURE

For now we expect capital expenditure to be below € 600 million (previously: roughly € 600 million) and therefore significantly lower than the prior-year level (2017: € 811 million) on account of continuing diminishing expenditures for our Bethune plant in Canada and an ongoing high liquidity discipline. While capital expenditure in the Salt business unit should be down tangibly on the prior-year figure (2017: € 119 million), in the Potash and Magnesium Products business unit it is likely to remain well below the previous year's level (2017: € 683 million). Our adjusted free cash flow will probably remain negative (2017: € – 390 million), though still a marked improvement on the prior-year figure. The return on capital employed (ROCE) is likely to improve further on the figure for the previous year (2017: 3.2%) given the anticipated significant rise in earnings. Based on the assumptions described, the Potash and Magnesium Products business unit in particular is expected to report ROCE significantly above the level in the previous year (2017: 1.4%). There should also be a tangible increase in the figure for the Salt business unit (2017: 8.9%).

DEVELOPMENT OF FORECASTS FOR FULL-YEAR 2018						TAB: 1.10.2
		ACTUAL 2017	Forecast 2017 Annual Report	Forecast Q1/18	Forecast Q2/18	
<b>K+S Group</b>						
Revenues	€ billion	3.63	tangible increase	tangible increase	3.90 – 4.10	
EBITDA	€ million	576.7	significant increase	significant increase	660 – 740	
Group earnings after taxes, adjusted <sup>1</sup>	€ million	145.0	significant increase	significant increase	110 – 160	
Adjusted free cash flow	€ million	– 389.8	significant improvement, still slightly negative	significant improvement, remains negative	significant improvement, remains negative	
ROCE	%	3.2	significant increase	significant increase	significant increase	
EUR/USD exchange rate	EUR/USD	1.13	1.20	1.21	1.21	
<b>Potash and Magnesium Products business unit</b>						
Sales volumes	million t	6.7	significant increase	significant increase	7.4 – 7.8	
<b>Salt business unit</b>						
Sales volumes – solid salt	million t	20.3	tangible increase	tangible increase	tangible increase	
– of which consumer products, food processing, industrial salt and salt for chemical use	million t	9.7	moderate increase	slight increase	slight increase	

<sup>1</sup> The adjusted key indicators 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 capital expenditure in Canadian dollars. Related effects on deferred and cash taxes are also eliminated; tax rate in Q2/18: 29.9% (Q2/17: 29.6%).

## 1.11 RESPONSIBILITY STATEMENT FROM THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

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

Kassel, Germany, 9 August 2018  
K+S Aktiengesellschaft  
Board of Executive Directors

FINANCIAL STATEMENTS

# 2

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2.1	Income Statement	19
2.2	Statement of Comprehensive Income	19
2.3	Balance Sheet	20
2.4	Statement of Cash Flows	21
2.5	Statement of Changes in Equity	22
2.6	Notes	23

	Summary by Quarter	29
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## 2.1 INCOME STATEMENT

INCOME STATEMENT <sup>1</sup>						TAB: 2.1.1	
	Q2/17	Q2/18	H1/17	H1/18	12M/17	LTM <sup>2</sup> /18	
in € million							
<b>Revenues</b>	<b>742.0</b>	<b>811.9</b>	<b>1,868.4</b>	<b>1,981.7</b>	<b>3,627.0</b>	<b>3,740.3</b>	
Cost of sales <sup>3</sup>	509.0	581.6	1,208.2	1,356.3	2,414.6	2,562.7	
<b>Gross profit</b>	<b>233.0</b>	<b>230.3</b>	<b>660.2</b>	<b>625.4</b>	<b>1,212.4</b>	<b>1,177.6</b>	
Selling expenses	147.5	158.9	351.9	384.3	704.5	736.9	
General and administrative expenses	53.1	57.8	112.5	115.1	231.4	234.0	
Research and development costs	3.1	4.9	8.8	6.9	16.6	14.7	
Other operating income	53.1	43.5	81.9	102.3	187.8	208.2	
Other operating expenses	55.9	46.9	104.2	80.9	186.1	162.8	
Income from investments, net	1.5	4.3	2.3	4.4	4.5	6.6	
Gains/(losses) on operating anticipatory hedges	28.0	-28.4	37.3	-27.0	61.2	-3.1	
<b>Earnings after operating hedges (EBIT II)<sup>4</sup></b>	<b>56.1</b>	<b>-18.8</b>	<b>204.3</b>	<b>117.9</b>	<b>327.3</b>	<b>240.9</b>	
Finance income	4.7	1.8	6.3	3.1	10.6	7.4	
Finance costs	16.8	28.8	27.9	58.0	53.4	83.5	
Other financial result	8.3	2.1	9.3	-0.8	16.4	6.3	
<b>Financial result</b>	<b>-3.8</b>	<b>-24.9</b>	<b>-12.3</b>	<b>-55.7</b>	<b>-26.4</b>	<b>-69.8</b>	
<b>Earnings before tax</b>	<b>52.3</b>	<b>-43.7</b>	<b>192.0</b>	<b>62.2</b>	<b>300.9</b>	<b>171.1</b>	
Income tax expense	14.1	-11.8	51.6	17.7	116.3	82.4	
– of which deferred taxes	-9.4	-24.3	-8.3	-20.5	-14.4	-26.6	
<b>Earnings for the period</b>	<b>38.3</b>	<b>-31.9</b>	<b>140.5</b>	<b>44.5</b>	<b>184.6</b>	<b>88.6</b>	
Non-controlling interests	-	0.1	-	0.1	-	0.1	
<b>Earnings after tax and non-controlling interests</b>	<b>38.3</b>	<b>-32.0</b>	<b>140.5</b>	<b>44.4</b>	<b>184.6</b>	<b>88.5</b>	
<b>Earnings per share in € (basic &amp; diluted)</b>	<b>0.20</b>	<b>-0.17</b>	<b>0.73</b>	<b>0.23</b>	<b>0.96</b>	<b>0.46</b>	

<sup>1</sup> Rounding differences may arise in percentages and numbers.

<sup>2</sup> LTM = last twelve months.

<sup>3</sup> Previous year restated due to structural distinction between production cost and selling expenses introduced in 2017. An amount of € 44.2 million (12M/17: € 91.6 million) was reclassified from selling expenses to production cost without affecting profit or loss.

<sup>4</sup> Key indicators not defined in the IFRS regulations.

## 2.2 STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME <sup>1</sup>						TAB: 2.2.1	
	Q2/17	Q2/18	H1/17	H1/18	12M/17	LTM <sup>2</sup> /18	
in € million							
<b>Earnings for the period</b>	<b>38.3</b>	<b>-31.9</b>	<b>140.5</b>	<b>44.5</b>	<b>184.6</b>	<b>88.6</b>	
Exchange differences on translation of foreign operations	-296.1	232.7	-350.4	-47.9	-528.4	-225.9	
<b>Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>	<b>-296.1</b>	<b>232.7</b>	<b>-350.4</b>	<b>-47.9</b>	<b>-528.4</b>	<b>-225.9</b>	
Remeasurement gains/(losses) on defined benefit plans	1.0	2.7	8.6	-3.9	7.8	-4.7	
<b>Other comprehensive income not to be reclassified to profit or loss</b>	<b>1.0</b>	<b>2.7</b>	<b>8.6</b>	<b>-3.9</b>	<b>7.8</b>	<b>-4.7</b>	
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>-295.1</b>	<b>235.4</b>	<b>-341.8</b>	<b>-51.8</b>	<b>-520.6</b>	<b>-230.6</b>	
<b>Total comprehensive income for the period</b>	<b>-256.8</b>	<b>203.5</b>	<b>-201.3</b>	<b>-7.3</b>	<b>-336.0</b>	<b>-142.0</b>	
Non-controlling interests	-	0.1	-	0.1	-	0.1	
<b>Total comprehensive income for the period, net of tax and non-controlling interests</b>	<b>-256.8</b>	<b>203.4</b>	<b>-201.3</b>	<b>-7.4</b>	<b>-336.0</b>	<b>-142.1</b>	

<sup>1</sup> Rounding differences may arise in percentages and numbers.

<sup>2</sup> LTM = last twelve months.

## 2.3 BALANCE SHEET

BALANCE SHEET – ASSETS <sup>1</sup>		TAB: 2.3.1		
	30 June 2017	31 December 2017	30 June 2018	
in € million				
Intangible assets	1,009.6	962.8	973.4	
– of which goodwill from acquisitions of companies	701.9	672.7	684.6	
Property, plant and equipment	6,548.0	6,692.6	6,609.1	
Investment properties	6.0	5.3	5.3	
Financial investments	19.2	21.0	73.2	
Other financial assets	77.2	46.3	49.7	
Other non-financial assets	–	29.0	19.8	
Securities and other financial investments	7.0	7.0	7.0	
Deferred taxes	106.0	95.2	111.6	
<b>Non-current assets</b>	<b>7,773.0</b>	<b>7,859.3</b>	<b>7,849.2</b>	
Inventories	676.4	690.9	682.2	
Trade receivables	505.0	714.9	631.6	
Other financial assets	147.1	107.6	91.2	
Other non-financial assets	130.3	155.9	124.8	
Income tax refund claims	33.2	31.7	31.6	
Securities and other financial investments	22.9	11.4	58.5	
Cash and cash equivalents	352.3	182.6	207.0	
<b>Current assets</b>	<b>1,867.2</b>	<b>1,895.1</b>	<b>1,826.9</b>	
<b>TOTAL ASSETS</b>	<b>9,640.2</b>	<b>9,754.4</b>	<b>9,676.1</b>	

BALANCE SHEET – EQUITY AND LIABILITIES <sup>1</sup>		TAB: 2.3.2		
	30 June 2017	31 December 2017	30 June 2018	
in € million				
Issued capital	191.4	191.4	191.4	
Share premium	645.7	645.7	645.7	
Other reserves and net retained earnings	3,457.1	3,322.1	3,299.3	
Total equity attributable to shareholders of K+S Aktiengesellschaft	4,294.2	4,159.2	4,136.4	
Non-controlling interests	1.5	1.5	1.6	
<b>Equity</b>	<b>4,295.7</b>	<b>4,160.7</b>	<b>4,138.0</b>	
Financial liabilities	2,841.8	2,451.8	2,157.4	
Other financial liabilities	135.9	154.2	113.3	
Other non-financial liabilities	8.5	10.2	11.0	
Income tax liabilities	–	48.5	45.6	
Provisions for pensions and similar obligations	162.9	166.4	177.2	
Provisions for mining obligations	990.7	1,000.0	1,007.9	
Other provisions	155.5	156.4	162.0	
Deferred taxes	275.4	252.6	247.0	
<b>Non-current liabilities</b>	<b>4,570.7</b>	<b>4,240.2</b>	<b>3,921.4</b>	
Financial liabilities	9.4	569.9	910.2	
Trade payables	245.0	288.4	202.6	
Other financial liabilities	78.0	89.3	159.7	
Other non-financial liabilities	56.8	58.8	49.3	
Income tax liabilities	92.8	54.6	42.0	
Provisions	291.8	292.3	252.9	
<b>Current liabilities</b>	<b>773.8</b>	<b>1,353.5</b>	<b>1,616.7</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,640.2</b>	<b>9,754.4</b>	<b>9,676.1</b>	

<sup>1</sup> Rounding differences may arise in percentages and numbers.

## 2.4 STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS <sup>1</sup>						TAB: 2.4.1
	Q2/17	Q2/18	H1/17	H1/18	12M/17	LTM <sup>2</sup> /18
in € million						
<b>Earnings after operating hedges (EBIT II)</b>	<b>56.1</b>	<b>- 18.8</b>	<b>204.3</b>	<b>117.9</b>	<b>327.3</b>	<b>240.9</b>
Income (-)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	-24.5	22.2	-30.1	22.9	-37.2	15.8
Elimination of prior-period changes in the fair value of operating anticipatory hedges	-2.8	10.0	-4.3	19.6	-10.3	13.6
Realised gains (-)/losses (+) from currency hedging for capital expenditure in Canada	-0.3	-	-4.0	-	-9.0	-5.0
Depreciation, amortisation, impairment losses (+)/reversals of impairment losses (-)	73.5	91.8	147.0	181.5	305.9	340.4
Increase (+)/decrease (-) in non-current provisions (excluding interest rate effects)	-2.2	0.3	-11.3	-1.4	5.4	15.3
Interest received and similar income	4.9	1.3	6.9	2.6	10.6	6.3
Realised gains (+)/losses (-) on financial assets/liabilities	-3.5	19.4	-9.4	9.1	-20.2	-1.7
Interest paid (-)	-27.2	-37.6	-29.3	-39.4	-63.5	-73.6
Income tax paid (-)	16.5	-49.6	20.2	-56.6	-36.0	-112.8
Other non-cash expenses (+)/income (-)	3.6	-3.8	3.9	-2.5	2.0	-4.4
Gain (-)/loss (+) on sale of assets and securities	0.9	4.1	2.1	-1.8	-22.4	-26.3
Increase (-)/decrease (+) in inventories	-82.8	-98.4	5.0	11.8	-31.1	-24.3
Increase (-)/decrease (+) in receivables and other operating assets	109.8	165.9	106.0	162.3	-99.9	-43.6
Increase (+)/decrease (-) in liabilities from operating activities	20.6	-30.4	-25.1	-108.5	-34.0	-117.4
Increase (+)/decrease (-) in current provisions	-25.2	-16.0	4.5	-24.3	22.9	-5.9
Allocations to plan assets	-	-1.0	-1.9	-1.0	-3.6	-2.7
<b>Net cash flows from operating activities</b>	<b>117.4</b>	<b>59.4</b>	<b>384.4</b>	<b>292.2</b>	<b>306.8</b>	<b>214.6</b>
Proceeds from sale of assets	1.1	1.9	1.7	2.1	60.0	60.4
Purchases of intangible assets	-1.7	-1.3	-2.6	-2.6	-11.3	-11.3
Purchases of property, plant and equipment	-192.1	-108.4	-403.6	-196.8	-743.5	-536.7
Purchases of financial investments	-5.5	-0.2	-5.5	-0.7	-7.6	-2.8
Proceeds from the sale of consolidated companies	-	-	-	-	5.8	5.8
Proceeds from sale of securities and other financial investments	-0.1	10.6	5.3	15.8	62.4	72.9
Purchases of securities and other financial investments	-15.1	-57.6	-15.1	-62.8	-29.3	-77.0
<b>Net cash flows used in investing activities</b>	<b>-213.4</b>	<b>-155.0</b>	<b>-419.8</b>	<b>-245.0</b>	<b>-663.5</b>	<b>-488.7</b>
Dividends paid	-57.4	-67.0	-57.4	-67.0	-	-
Proceeds from other allocations to equity	2.0	-	2.0	-	-	-
Purchase of own shares	-2.4	-	-2.4	-	-	-
Sales of own shares	0.2	-	0.2	-	-	-
Repayment (-) of borrowings	-263.9	-76.6	-353.7	-137.5	-	-
Proceeds (+) from borrowings	630.6	104.7	670.1	179.7	-	-
<b>Net cash flows from/(used in) financing activities</b>	<b>309.1</b>	<b>-38.9</b>	<b>258.8</b>	<b>-24.8</b>	-	-
<b>Cash change in cash and cash equivalents</b>	<b>213.1</b>	<b>-134.5</b>	<b>223.4</b>	<b>22.4</b>	-	-
Exchange rate-related change in cash and cash equivalents	-13.5	10.2	-14.7	1.0	-	-
Consolidation-related change in cash and cash equivalents	-	-	3.9	-	-	-
<b>Net change in cash and cash equivalents</b>	<b>199.6</b>	<b>-124.3</b>	<b>212.6</b>	<b>23.4</b>	-	-
<b>Net cash and cash equivalents as of 1 January</b>	<b>-</b>	<b>-</b>	<b>134.7</b>	<b>175.7</b>	-	-
<b>Net cash and cash equivalents as of 30 June</b>	<b>-</b>	<b>-</b>	<b>347.3</b>	<b>199.1</b>	-	-
- of which cash on hand and bank balances	-	-	352.3	207.0	-	-
- of which cash invested with affiliated companies	-	-	0.7	0.1	-	-
- of which account overdrafts	-	-	-	-	-	-
- of which cash received from affiliated companies	-	-	-5.7	-8.0	-	-

<sup>1</sup> Rounding differences may arise in percentages and numbers.<sup>2</sup> LTM = last twelve months.

## 2.5 STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY <sup>1</sup>									TAB: 2.5.1
	Issued capital	Share premium	Net retained profits/revenue reserves	Foreign currency translation reserve	Remeasurement gains/(losses) of defined benefit plans	Measurement of equity instruments at fair value	Total equity attributable to shareholders of K+S AG	Non-controlling interests	Equity
in € million									
Balance as of 1 January 2018	191.4	645.7	3,349.0	61.5	- 88.4	-	4,159.2	1.5	4,160.7
Adjustments resulting from the first-time application of IFRS 9 <sup>2</sup>	-	-	-	-	-	51.6	51.6	-	51.6
As of 1 January 2018 (adjusted)	191.4	645.7	3,349.0	61.5	- 88.4	51.6	4,210.8	1.5	4,212.3
Earnings for the period	-	-	44.4	-	-	-	44.4	0.1	44.5
Other comprehensive income after tax	-	-	-	- 47.9	- 3.9	-	- 51.8	-	- 51.8
Total comprehensive income for the period	-	-	44.4	- 47.9	- 3.9	-	- 7.4	0.1	- 7.3
Dividend for the previous year	-	-	- 67.0	-	-	-	- 67.0	-	- 67.0
Other changes in equity	-	-	-	-	-	-	-	-	-
<b>Balance as of 30 June 2018</b>	<b>191.4</b>	<b>645.7</b>	<b>3,326.4</b>	<b>13.6</b>	<b>- 92.3</b>	<b>51.6</b>	<b>4,136.4</b>	<b>1.6</b>	<b>4,138.0</b>
Balance as of 1 January 2017	191.4	645.7	3,219.9	589.9	- 96.2	-	4,550.7	1.5	4,552.2
Earnings for the period	-	-	140.5	-	-	-	140.5	-	140.5
Other comprehensive income after tax	-	-	-	- 350.4	8.6	-	- 341.8	-	- 341.8
Total comprehensive income for the period	-	-	140.5	- 350.4	8.6	-	- 201.3	-	- 201.3
Dividend for the previous year	-	-	- 57.4	-	-	-	- 57.4	-	- 57.4
Other changes in equity	-	-	2.2	-	-	-	2.2	-	2.2
<b>Balance as of 30 June 2017</b>	<b>191.4</b>	<b>645.7</b>	<b>3,305.2</b>	<b>239.5</b>	<b>- 87.6</b>	<b>-</b>	<b>4,294.2</b>	<b>1.5</b>	<b>4,295.7</b>

<sup>1</sup> Rounding differences may arise in percentages and numbers.

<sup>2</sup> See "Effects of changes in accounting policies" in the notes.



## 2.6 NOTES

### EXPLANATORY NOTES

The interim report as of 30 June 2018 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union. The statements have been prepared as condensed financial statements with selected explanatory notes as stipulated by IAS 34. With the exception of the changes described below, the accounting policies applied in the interim report are the same as those applied in the consolidated financial statements for the 2017 financial year.

Assets and liabilities denominated in foreign currency are translated at the exchange rate applicable at the balance sheet date. Income and expenses are translated at the average exchange rates for the quarter.

The interim financial statements and the interim management report have not been reviewed by the auditor (Section 115 (5) of the German Securities Trading Act (WpHG)).

### CHANGES IN THE BASIS OF CONSOLIDATION

The following company has been included in the basis of consolidation since the beginning of 2018:

- K+S VERSICHERUNGSVERMITTLUNGS GMBH

The following company was liquidated in 2018:

- INAGUA TRANSPORTS, INC.

### EFFECTS OF CHANGES IN ACCOUNTING POLICIES

First-time application of IFRS 9 as of 1 January 2018 led a remeasurement of the shares in subsidiaries, joint ventures, associates and other equity investments that are not included in the consolidated financial statements due to immateriality. These were previously measured at cost and from 2018 onwards will be recognised at fair value on the basis of the mid-term planning. The resulting increase in the carrying amounts by € 51.6 million was recognised in other comprehensive income as of 1 January 2018. In conformity with the option of simplified initial application, the prior-year figures were not restated. The other changes resulting from IFRS 9 and first-time application of IFRS 15 did not have any major effects on the interim report. Further detailed explanations on the changes in accordance with IFRS 9 and IFRS 15 can be found on pages 154 – 157 of the 2017 Annual Report.

### NEW OR AMENDED FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED

The main accounting change already issued by the IASB but not yet applied results from IFRS 16 “Leases”. This standard is effective from 1 January 2019. The new standards and interpretations and their effects are described on page 157 of the 2017 Annual Report. The K+S GROUP intends to apply the new guidance from 1 January 2019 onwards using the modified retrospective method and opt not to restate prior-year figures. The provisions of IFRS 16 will probably not be applied to short-term leases (with a maximum term of 12 months) or to low-value assets.

The K+S GROUP launched a Group-wide project to assess the impact and implement the new requirements. All accounting-relevant data of existing leases is currently being collated. It is not currently possible to reliably estimate the quantitative effects at the date of initial application because the data is incomplete and changes to the lease portfolio are expected up until the date of initial application.

## REVENUES

Total revenues are broken down as follows:

TOTAL REVENUES					TAB: 2.6.1
	Q2/17	Q2/18	H1/17	H1/18	
in € million					
Potash and Magnesium Products business unit	405.1	459.2	897.3	965.8	
Salt business unit	318.8	329.1	932.0	966.9	
Complementary Activities	45.7	51.3	94.8	103.8	
Reconciliation	-27.6	-27.7	-55.7	-54.8	
<b>Revenues</b>	<b>742.0</b>	<b>811.9</b>	<b>1,868.4</b>	<b>1,981.7</b>	

A breakdown of business unit revenues by product group can be found in the management report on pages 9 (Potash and Magnesium Products), 11 (Salt) and 12 (Complementary Activities). Business unit revenues broken down by region are also presented in the management report on pages 9 (Potash and Magnesium Products), 11 (Salt) and 13 (Complementary Activities).

## OTHER OPERATING INCOME/EXPENSES

The following significant items are included in other operating income and expenses:

OTHER OPERATING INCOME/EXPENSES					TAB: 2.6.2
	Q2/17	Q2/18	H1/17	H1/18	
in € million					
Exchange rate gains/losses	-5.3	-1.8	-7.5	-3.0	
Change in provisions	7.1	13.0	17.9	35.3	
Other	-4.6	-14.5	-32.7	-10.9	
<b>Other operating income/expenses</b>	<b>-2.8</b>	<b>-3.3</b>	<b>-22.3</b>	<b>21.4</b>	

## FINANCIAL RESULT

The financial result includes the following significant items:

FINANCIAL RESULT					TAB: 2.6.3
	Q2/17	Q2/18	H1/17	H1/18	
in € million					
Finance income	4.7	1.8	6.3	3.1	
Finance costs	-16.8	-28.8	-27.9	-58.0	
– of which: finance costs for pension provisions	-1.1	-1.8	-2.6	-2.9	
– of which: finance costs for provisions for mining obligations	-6.2	-7.4	-14.0	-15.7	
<b>Net interest</b>	<b>-12.1</b>	<b>-27.0</b>	<b>-21.6</b>	<b>-54.9</b>	
Expenses from the recognition of financial assets/liabilities	-3.5	19.4	-9.4	9.1	
Income from the measurement of financial assets/liabilities	11.8	-17.3	18.7	-9.9	
<b>Other financial result</b>	<b>8.3</b>	<b>2.1</b>	<b>9.3</b>	<b>-0.8</b>	
<b>Financial result</b>	<b>-3.8</b>	<b>-24.9</b>	<b>-12.3</b>	<b>-55.7</b>	

## INCOME TAXES

The following key items are included in income taxes:

INCOME TAX EXPENSE					TAB: 2.6.4
	Q2/17 <sup>1</sup>	Q2/18	H1/17	H1/18	
in € million					
Corporate income tax	7.9	2.0	17.3	7.5	
Trade tax	7.8	2.8	16.6	9.3	
Foreign income taxes	7.8	7.7	26.0	21.4	
Deferred taxes	-9.4	-24.3	-8.3	-20.5	
<b>Income tax expense</b>	<b>14.1</b>	<b>-11.8</b>	<b>51.6</b>	<b>17.7</b>	

<sup>1</sup>Prior-year figures have been restated.

Non-cash deferred taxes result primarily from tax loss carryforwards as well as fair value changes.

## ACTUARIAL INTEREST RATE FOR PROVISIONS

The actuarial valuation of pension provisions uses the projected unit credit method in accordance with IAS 19. The average weighted actuarial interest rate for pensions and similar obligations was 2.9% on the reporting date (31 December 2017: 2.9%, 30 June 2017: 3.0%). The average weighted discount factor for mining obligations was 3.3% as of 30 June 2018 (31 December 2017: 3.3%, 30 June 2017: 3.3%).

## FINANCIAL INSTRUMENTS

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS			TAB: 2.6.5	
	Measurement category in accordance with IAS 39	31 December 2017		
		Carrying amount	Fair value	
in € million				
Shares in affiliated companies and other long-term equity investments	Available for sale	20.6	20.6	
Loans	Loans and receivables	0.4	0.4	
<b>Financial investments</b>		<b>21.0</b>	<b>21.0</b>	
<b>Trade receivables</b>	<b>Loans and receivables</b>	<b>714.9</b>	<b>714.9</b>	
Derivatives with positive fair values	Held for trading	45.0	45.0	
Other non-derivative financial assets	Loans and receivables	109.0	109.0	
<b>Other financial assets</b>		<b>154.0</b>	<b>154.0</b>	
Securities and other financial investments	Loans and receivables	11.4	11.4	
Securities and other financial investments	Available for sale	7.0	7.0	
Cash and cash equivalents	Loans and receivables	182.6	182.6	
<b>Financial liabilities</b>	<b>Financial liabilities at amortised cost</b>	<b>3,021.7</b>	<b>3,153.6</b>	
<b>Trade payables</b>	<b>Financial liabilities at amortised cost</b>	<b>288.4</b>	<b>288.4</b>	
Derivatives with negative fair values	Held for trading	7.6	7.6	
Other non-derivative financial liabilities	Financial liabilities at amortised cost	62.9	62.9	
Liabilities from finance leases	n/a	173.0	173.0	
<b>Other financial liabilities</b>		<b>243.5</b>	<b>243.5</b>	

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS			TAB: 2.6.6	
	Measurement category in accordance with IFRS 9	30 June 2018		
		Carrying amount	Fair value	
in € million				
Shares in affiliated companies and other equity investments <sup>1</sup>	Fair value through other comprehensive income	72.9	72.9	
Loans	Amortised cost	0.3	0.3	
<b>Financial investments</b>		<b>73.2</b>	<b>73.2</b>	
<b>Trade receivables</b>	<b>Amortised cost</b>	<b>631.6</b>	<b>631.6</b>	
Derivatives with positive fair values	Fair value through profit or loss	26.3	26.3	
Other non-derivative financial assets	Amortised cost	114.6	114.6	
<b>Other financial assets</b>		<b>140.9</b>	<b>140.9</b>	
<b>Securities and other financial investments</b>	<b>Amortised cost</b>	<b>58.5</b>	<b>58.5</b>	
<b>Securities and other financial investments</b>	<b>Fair value through other comprehensive income</b>	<b>7.0</b>	<b>7.0</b>	
Cash and cash equivalents	Amortised cost	207.0	207.0	
<b>Financial liabilities</b>	<b>Amortised cost</b>	<b>3,067.6</b>	<b>3,181.7</b>	
<b>Trade payables</b>	<b>Amortised cost</b>	<b>202.6</b>	<b>202.6</b>	
Derivatives with negative fair values	Fair value through profit or loss	22.2	22.2	
Other non-derivative financial liabilities	Amortised cost	81.7	81.7	
Liabilities from finance leases	n/a	169.1	169.1	
<b>Other financial liabilities</b>		<b>273.0</b>	<b>273.0</b>	

<sup>1</sup> Following the initial application of IFRS 9 as of 1 January 2018, this item was measured at fair value of € 72.2 million.

The fair values of the financial instruments were generally determined on the basis of the market information available at the balance sheet date and are allocated to one of the three levels of the fair value hierarchy in

accordance with IFRS 13. Level 1 financial instruments are classified based on prices quoted on active markets for identical assets and liabilities. In Level 2, financial instruments are measured using input factors that can be derived from observable market data, or based on 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.

					31 December 2017
	Measurement category in accordance with IAS 39	Level 1	Level 2	Level 3	Total
in € million					
<b>Assets</b>		–	52.0	–	52.0
Derivative financial instruments	Held for trading	–	45.0	–	45.0
Securities and other financial investments	Available for sale	–	7.0	–	7.0
<b>Equity and liabilities</b>		–	7.6	–	7.6
Derivative financial instruments	Held for trading	–	7.6	–	7.6

					30 June 2018
	Measurement category in accordance with IFRS 9	Level 1	Level 2	Level 3	Total
in € million					
<b>Assets</b>		–	33.3	72.9	106.2
Shares in affiliated companies and other long-term equity investments	Fair value through other comprehensive income	–	–	72.9	72.9
Derivative financial instruments	Fair value through profit or loss	–	26.3	–	26.3
Securities and other financial investments	Fair value through other comprehensive income	–	7.0	–	7.0
<b>Equity and liabilities</b>		–	22.2	–	22.2
Derivative financial instruments	Fair value through profit or loss	–	22.2	–	22.2

## SEGMENT DISCLOSURES

TOTAL REVENUES Q2		TAB: 2.6.7		
	Third-party revenues	Intersegment revenues	Total revenues	
in € million				
Potash and Magnesium Products business unit	440.5	18.7	459.2	
Salt business unit	326.9	2.2	329.1	
Complementary Activities	43.8	7.5	51.3	
Reconciliation	0.7	- 28.4	- 27.7	
<b>K+S Group Q2/18</b>	<b>811.9</b>	<b>-</b>	<b>811.9</b>	
Potash and Magnesium Products business unit	387.1	18.0	405.1	
Salt business unit	315.7	3.1	318.8	
Complementary Activities	38.8	6.9	45.7	
Reconciliation	0.4	- 28.0	- 27.6	
<b>K+S Group Q2/17</b>	<b>742.0</b>	<b>-</b>	<b>742.0</b>	

TOTAL REVENUES H1		TAB: 2.6.8		
	Third-party revenues	Intersegment revenues	Total revenues	
in € million				
Potash and Magnesium Products business unit	929.2	36.6	965.8	
Salt business unit	962.5	4.4	966.9	
Complementary Activities	88.7	15.1	103.8	
Reconciliation	1.3	- 56.1	- 54.8	
<b>K+S Group H1/18</b>	<b>1,981.7</b>	<b>-</b>	<b>1,981.7</b>	
Potash and Magnesium Products business unit	860.8	36.5	897.3	
Salt business unit	926.6	5.4	932.0	
Complementary Activities	80.3	14.5	94.8	
Reconciliation	0.7	- 56.4	- 55.7	
<b>K+S Group H1/17</b>	<b>1,868.4</b>	<b>-</b>	<b>1,868.4</b>	

A breakdown of EBIT I and EBITDA by segment can be found in the management report on page 4.

## MATERIAL CHANGES IN INDIVIDUAL BALANCE SHEET ITEMS

Compared with the 2017 annual financial statements, total assets and total equity and liabilities as of 30 June 2018 fell by € 78.3 million.

On the assets side, non-current assets decreased by € 10.1 million, while current assets declined by € 68.2 million. The decrease in non-current assets is mainly attributable to the change of € 20.7 million in fixed assets. Conversely, deferred taxes rose by € 16.4 million. The decrease in current assets is primarily due to the decrease in trade receivables and other financial and non-financial assets in the amount of € 130.8 million. By contrast, current securities and other financial investments rose by € 47.1 million and cash and cash equivalents increased by € 24.4 million.

On the equity and liabilities side, equity was down by € 22.7 million. Non-current liabilities decreased by € 318.8 million. This was primarily due to a decrease of € 294.4 million in financial liabilities and a drop of € 40.9 million in other financial liabilities. By contrast, current liabilities increased by € 263.2 million, mainly as a result of the € 340.3 million increase in financial liabilities. Trade payables fell by € 85.8 million.

## MATERIAL CHANGES IN EQUITY

Equity is influenced by transactions that are recognised in profit or loss or in other comprehensive income, as well as by capital transactions with shareholders. Compared with the 2017 annual financial statements, net retained profits and other reserves decreased by € 22.8 million, mainly due to the dividend payment in the amount of € 67.0 million. Equity was also reduced by the changes in equity recognised in other comprehensive income resulting from foreign currency translation of subsidiaries reported in their functional currency (primarily Canadian and US dollars).

Differences arising from foreign currency translation are recorded in a separate foreign currency translation reserve, which decreased by € 47.9 million as of 30 June 2018 due to exchange rate fluctuations. The positive earnings of € 44.4 million for the first half of 2018 and the effect of € 51.6 million from the first-time application of IFRS 9 increased the level of equity.

### SEASONAL FACTORS

There are seasonal differences over the course of the year that affect the sales of plant nutrients and salt products. In the case of plant nutrients, we generally achieve our highest sales volumes in the first half of the year because of the spring fertilisation in Europe. Sales volumes of salt products – especially of de-icing salt – largely depend on wintry weather conditions during the first and fourth quarters. Overall, both these effects mean that revenues and especially earnings are generally stronger during the first half of the year.

### CONTINGENT LIABILITIES

Contingent liabilities have not changed significantly compared with the 2017 annual financial statements and can generally be classified as immaterial.

### RELATED PARTIES

Within the K+S GROUP, deliveries are made and services provided at arm's length. In addition to transactions between K+S GROUP companies, business relations are maintained with unconsolidated subsidiaries as well as with companies over which the K+S GROUP can exercise significant influence (associates). Such relationships do not have a significant influence on the consolidated financial statements of the K+S GROUP. In the K+S GROUP, related parties are mainly the members of the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT. There were no material transactions with this group of people.

### DISCLOSURES ON SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM REPORTING PERIOD

On July 11, 2018, K+S AKTIENGESELLSCHAFT successfully issued a corporate bond with a total volume of € 600 million, a coupon of 3.25% p. a. and a term until 2024. It is intended to use the liquidity from the bond issue to repay existing liabilities and for general corporate purposes.

After the end of the reporting period, after lengthy negotiation in the agreement process, the company and the works council agreed on a social plan for the employees, which will be affected by the partial closure of the Sigmundshall plant by the end of the year. The aim of the company is to provide as many employees as possible who can not be employed in Sigmundshall with a professional perspective at another location of the K+S GROUP. Therefore, the social plan that has now been adopted differs significantly from the social plans that have been concluded so far in the company, but also from the original draft of the works council.

## SUMMARY BY QUARTER

REVENUES AND OPERATING EARNINGS (IFRS)									
	Q1/17	Q2/17	H1/17	Q3/17	Q4/17	2017	Q1/18	Q2/18	H1/18
in € million									
Potash and Magnesium Products business unit	473.7	387.1	860.8	357.7	485.0	1,703.5	488.7	440.5	929.2
Salt business unit	610.9	315.7	926.6	328.8	506.6	1,762.0	635.6	326.9	962.5
Complementary Activities	41.5	38.8	80.3	39.5	40.1	159.9	44.9	43.9	88.7
Reconciliation	0.3	0.4	0.7	0.5	0.4	1.6	0.6	0.7	1.3
<b>K+S Group revenues</b>	<b>1,126.4</b>	<b>742.0</b>	<b>1,868.4</b>	<b>726.5</b>	<b>1,032.1</b>	<b>3,627.0</b>	<b>1,169.8</b>	<b>811.9</b>	<b>1,981.7</b>
Potash and Magnesium Products business unit	81.2	71.4	152.6	42.4	73.8	268.8	120.8	90.6	211.4
Salt business unit	135.3	29.0	164.4	37.3	123.5	325.2	120.9	23.3	144.2
Complementary Activities	9.3	6.1	15.4	7.1	7.9	30.3	9.8	8.0	17.9
Reconciliation	-14.9	-4.6	-19.6	-10.1	-18.0	-47.6	-14.7	-16.8	-31.5
<b>K+S Group EBITDA</b>	<b>210.9</b>	<b>101.9</b>	<b>312.8</b>	<b>76.7</b>	<b>187.2</b>	<b>576.7</b>	<b>236.8</b>	<b>105.1</b>	<b>341.9</b>
Potash and Magnesium Products business unit	41.9	31.4	73.3	1.7	6.4	81.4	52.5	21.1	73.6
Salt business unit	105.9	0.4	106.2	16.8	99.9	223.0	102.1	4.0	106.1
Complementary Activities	7.0	3.9	10.9	5.9	6.6	23.5	8.7	6.8	15.4
Reconciliation	-17.4	-7.1	-24.6	-12.1	-20.3	-57.0	-16.3	-18.4	-34.7
<b>K+S Group EBIT I</b>	<b>137.4</b>	<b>28.5</b>	<b>165.9</b>	<b>12.3</b>	<b>92.7</b>	<b>270.8</b>	<b>147.0</b>	<b>13.4</b>	<b>160.4</b>

## KEY INDICATORS

	Q1/17	Q2/17	H1/17	Q3/17	Q4/17	2017	Q1/18	Q2/18	H1/18
in € million									
Revenues	1,126.4	742.0	1,868.4	726.5	1,032.1	3,627.0	1,169.8	811.9	1,981.7
Earnings after operating hedges (EBIT II)	148.2	56.1	204.3	27.4	95.6	327.3	136.7	-18.8	117.9
Financial result	-8.5	-3.8	-12.3	-9.2	-4.9	-26.4	-30.8	-24.9	-55.7
Earnings before tax	139.7	52.3	192.0	18.2	90.7	300.9	105.9	-43.7	62.2
Income tax expense	37.5	14.1	51.6	5.8	58.9	116.3	29.5	-11.8	17.7
Earnings after tax and non-controlling interests	102.2	38.3	140.5	12.2	31.9	184.6	76.4	-32.0	44.4
Operating earnings (EBIT I)	137.4	28.5	165.9	12.3	92.7	270.8	147.0	13.4	160.4
Earnings after tax, adjusted <sup>1</sup>	94.6	18.9	113.5	1.5	30.0	145.0	83.6	-9.4	74.2
Earnings per share, adjusted <sup>1</sup> (€)	0.49	0.10	0.59	0.01	0.16	0.76	0.44	-0.05	0.39
Capital expenditure <sup>2</sup>	277.4	133.0	410.4	157.5	243.0	810.8	62.5	91.2	153.7
Depreciation and amortisation <sup>2</sup>	73.5	73.4	146.9	64.4	94.5	305.9	89.8	91.7	181.5
Working capital	841.3	-	818.9	842.3	-	968.1	929.1	-	951.9
Net debt	3,613.9	-	3,745.2	-	-	4,140.5	4,009.0	-	4,129.3

<sup>1</sup> The adjusted key indicators 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 capital expenditure in Canadian dollars. Related effects on deferred and cash taxes are also eliminated; tax rate in Q2/18: 29.9% (Q2/17: 29.6%).

<sup>2</sup> Concerns cash investments as well as depreciation, amortisation and write-downs of tangible and intangible fixed assets, taking reimbursement claims from claim management into account.

## FINANCIAL CALENDAR

DATES	
	2018/2019
Quarterly Report, 30 September 2018	15 November 2018
2018 Annual Report	14 March 2019
Quarterly Report, 31 March 2019	14 May 2019
Annual General Meeting, Kassel	15 May 2019
Dividend payment	20 May 2019
Half-Yearly Financial Report, 30 June 2019	15 August 2019

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## FORWARD-LOOKING STATEMENTS

This report contains facts and forecasts that relate to the future development of the K+S GROUP and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this time. Should the assumptions underlying these forecasts prove incorrect or should certain risks – such as those referred to in the Risk Report of the current Annual Report – materialise, actual developments and results may deviate from current expectations. The Company assumes no obligation to update the statements contained in this Report, save for the making of such disclosures as required by law.