FINANCIAL REPORT 2013

Experience growth.

CONTENT

[1] The Management Report of K+S Aktiengesellschaft and the Group Management Report for financial year 2013 are combined. The annual financial statements of K+S Aktiengesellschaft in accordance with the German Commercial Code (HGB) and the combined Management Report are published simultaneously in the German Federal Gazette (Bundesanzeiger).

TEN-YEAR SUMMARY K+S GROUP [1,2]

		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Profit and Loss											
Revenues	€ million	3,950.4	3,935.3	3,996.8	4,632.7	3,573.8	4,794.4	3,344.1	2,957.7	2,815.7	2,538.6
– thereof Potash and Magnesium Products business unit	€ million	2,037.6	2,290.6	2,133.6	1,867.0	1,421.7	2,397.4	1,407.9	1,238.9	1,197.2	1,031.2
– thereof Salt business unit	€ million	1,751.4	1,484.8	1,710.1	1,728.8	1,014.6	618.6	545.1	485.8	398.0	357.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	€ million	907.2	1,033.3	1,146.0	953.0	411.8	1,484.4	413.9	401.1	383.1	289.5
– thereof Potash and Magnesium Products business unit	€ million	667.5	867.2	833.8	567.1	317.2	1,286.3	255.1	235.7	236.1	—
– thereof Salt business unit	€ million	235.9	179.5	337.9	369.7	200.3	77.6	76.5	92.0	85.9	—
EBITDA margin	%	23.0	26.3	28.7	20.6	11.5	31.0	12.4	13.6	13.6	11.4
Depreciation [3]	€ million	251.3	229.2	239.8	238.5	173.8	141.7	128.2	123.1	132.2	126.6
Operating earnings (EBIT I)	€ million	655.9	804.1	906.2	714.5	238.0	1,342.7	285.7	278.0	250.9	162.9
– thereof Potash and Magnesium Products business unit	€ million	552.5	770.9	739.5	475.9	231.7	1,203.2	177.9	158.6	151.8	71.2
– thereof Salt business unit	€ million	117.8	61.6	211.4	238.1	140.4	45.2	47.8	67.6	25.0	23.9
EBIT I margin	%	16.6	20.4	22.7	15.4	6.7	28.0	8.5	9.4	8.9	6.4
– Potash and Magnesium Products business unit	%	27.1	33.7	34.7	25.5	16.3	50.2	12.6	12.8	12.7	6.9
– Salt business unit	%	6.7	4.1	12.4	13.8	13.8	7.3	8.8	13.9	6.3	6.7
Group earnings, adjusted [4,5]	€ million	434.8	637.4	581.8	445.3	93.6	979.3	175.3	176.2 [6]	161.3	103.5
Group earnings from continued operations, adjusted [4]	€ million	437.1	538.1	625.6	453.8	93.6	979.3	175.3	176.2 [6]	161.3	103.5
Earnings per share, adjusted [4,5]	€	2.27	3.33	3.04	2.33	0.56	5.94	1.06	1.07 [6]	0.95	0.61
Earnings per share from continued operations, adjusted [4]	€	2.28	2.81	3.27	2.37	0.56	5.94	1.06	1.07 [6]	0.95	0.61
Cash flow											
Operating Cash flow	€ million	755.7	607.2	633.4	826.4	534.8	802.7	(108.3)	202.4	220.9	201.7
Capital expenditure [3]	€ million	742.5	465.5	293.1	188.6	177.6	197.5	171.6	130.5	107.1	131.9
Free Cash flow	€ million	(53.6)	(359.4)	(233.7)	648.7	(811.1)	632.5	(249.1)	(227.4)	126.5	(22.9)
Balance Sheet											
Balance sheet total	€ million	7,498.2	6,596.6	6,056.9	5,573.7	5,217.1	3,473.8	2,964.8	2,830.9	2,259.1	2,147.7
Equity	€ million	3,396.6	3,393.9	3,084.6	2,651.6	2,094.6	1,718.3	931.8	1124.3	942.1	880.6
Equity ratio	%	45.3	51.4	50.9	47.6	40.1	49.5	31.4	39.7	41.7	41.0
Net indebtedness as of 31 Dec.	€ million	1,037.0	827.3	610.8	732.5	1,351.3	570.0	1,085.1	718.3	321.4	340.5
Net indebtedness / EBITDA	x	1.1	0.8	0.5	0.8	3.3	0.4	2.6	1.8	0.8	1.2
Working capital	€ million	844.9	1,025.7	840.9	959.4	970.5	962.3	570.6	603.1	456.4	333.1
Return on Capital Employed (ROCE)	%	15.2	19.9	25.2	22.0	9.3	64.0	15.5	17.4	19.5	14.2
Employees											
Employees as of 31 Dec. [7]	number	14,421	14,362	14,338	14,186	15,208	12,368	12,033	11,873	11,012	10,988
Average number of employees [7]	number	14,348	14,336	14,155	14,091	13,044	12,214	11,959	11,392	11,017	11,068
The Share											
Book value per share	€	17.75	17.73	16.12	13.85	10.94	10.41	5.65	6.81	5.54	5.18
Dividend per share [8]	€	0.25	1.40	1.30	1.00	0.20	2.40	0.50	0.50	0.45	0.33
Dividend yield [8]	%	1.1	4.0	3.7	1.8	0.5	6.0	1.2	2.4	3.5	3.3
Closing price as of 31 Dec. [9]	XETRA, €	22.38	35.00	34.92	56.36	39.99	39.97	40.69	20.55	12.76	9.78
Market capitalisation	€ billion	4.3	6.7	6.7	10.8	7.7	6.6	6.7	3.4	2.1	1.7
Enterprise value as of 31 Dec.	€ billion	5.3	7.5	7.3	11.5	9.0	7.2	7.8	4.1	2.4	2.0
Average number of shares [10]	million	191.40	191.40	191.33	191.34	166.15	164.95	164.94	164.96	169.24	170.00

UNITS AT A GLANCE [1,2]

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

in € million	2013	2012	2011	2010	2009
Revenues	2,037.6	2,290.6	2,133.6	1,867.0	1,421.7
EBITDA	667.5	867.2	833.8	567.1	317.2
EBIT I	552.5	770.9	739.5	475.9	231.7
Capital expenditure	606.5	332.9	162.1	96.9	107.4
Employees (number)	8,367	8,310	8,188	7,900	7,818

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

SALT BUSINESS UNIT

in € million	2013	2012	2011	2010	2009
Revenues	1,751.4	1,484.8	1,710.1	1,728.8	1,014.6
EBITDA	235.9	179.5	337.9	369.7	200.3
EBIT I	117.8	61.6	211.4	238.1	140.4
Capital expenditure	107.4	111.3	112.3	79.0	48.0
Employees (number)	5,091	5,092	5,230	5,235	5,279

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

COMPLEMENTARY ACTIVITIES

in € million	2013	2012	2011	2010	2009
Revenues	159.4	153.7	150.4	134.0	120.7
EBITDA	31.7	28.3	29.0	27.7	21.7
EBIT I	24.7	21.1	17.9	21.2	15.2
Capital expenditure	3.4	6.3	4.3	4.2	4.6
Employees (number)	293	293	290	280	278

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

[1] Information refers to the continued operations of the K+S Group.
[2] The figures of the year 2012 were adjusted due to the change of IAS 19. Further information can be found in the Notes on page 143.

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

← Footnotes Ten-Year Summary

[1] Unless stated otherwise, information refers to the continued operations of the K+S Group. The discontinued operations of the COMPO business are also included up to 2009, and also the discontinued operations of the nitrogen business up to 2010. The balance sheet and therefore the key figures working capital, net indebtedness, net indebtedness / EBITDA and book value per share also include in 2010 the discontinued operations of the COMPO business and in 2011 also the discontinued operations of the nitrogen business.
[2] The figures of the year 2012 were adjusted due to the change of IAS 19. Further information can be found in the Notes on page 143.
[3] Investments in or depreciation on property, plant and equipment, intangible assets and investment properties as well as depreciation on financial assets.
[4] The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I (see also 'Notes to the income statement and the statement of comprehensive income' on page 146). In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2013: 28.6 % (2012: 28.5 %).
[5] Earnings from continued and discontinued operations.
[6] Without non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.
[7] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.
[8] The figure for 2013 corresponds to the dividend proposal; the dividend yield is based on the year-end closing price.
[9] The price of the K+S share since the capital increase in December 2009 has been traded ex subscription right. Historical values were not adjusted.
[10] Total number of shares less the average number of own shares held by K+S.

"AS A COMMODITIES COMPANY, WE THINK AND ACT LONG-TERM"

Dear Shareholders,

The K+S Group faced many challenges in 2013. Thanks to our robust business model and the commitment displayed by our employees, we've nevertheless managed to post one of the best results in the history of our Company with operating earnings of 656 million euros.

As we usually do at this time, we would like to review the events of the past year with an eye toward the future. On this occasion, we are holding a Q & A with questions we received from our investors in particular, where we can clarify what the future holds and how we are responding to changing market conditions.

On behalf of the Board of Executive Directors, I would like to thank our shareholders and all our customers and partners for the trust you've placed in the K+S Group by making us your partner of choice. We also thank our employees for their dedication to helping our business succeed!

Thank you very much and all the very best!

Norbert Steiner

NORBERT STEINER
CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS

INTERVIEW WITH NORBERT STEINER, KASSEL, 28 FEBRUARY 2014

Mr. Steiner, looking back at 2013, how would you rate it for K+S?

In 2013, K+S again proved that we are a company capable of operationally and strategically adapting to an ever-changing business environment while ensuring our long-term success.

But the past year turned out differently than anticipated.

That's true. We started out confidently in 2013. The de-icing salt business held strong due to favourable winter conditions in Europe and acceptable conditions in the US. The potash business also had a promising start, with prices remaining level. On July 30th, Russian Uralkali issued a statement that they would cease cooperation with Belarusian Belaruskali and increase production while reducing prices. This announcement immediately gave rise to many questions – not just for the K+S Group. We carefully analysed the situation and drew our own conclusions, acting where appropriate. With our "Fit for the Future" programme, we are exercising an increased cost control and improved efficiency strategy.

Before we come to the measures that have already been implemented, one more question about the current business environment: Has the market for potash products found itself in a state of upheaval for a long time to come?

It was surprising to experience how the statements made by one competitor could shake the market to such a degree. All the participants in the market saw themselves confronted with a situation of great uncertainty. This caused price pressure, of course. However, our experience shows that these kinds of market disruptions generally subside again.

What strengths does K+S possess that will help the Group to hold its own in this difficult environment?

It's not about holding our own. We are well prepared and our customers will continue to rely on us in the future! Our Company has been continuing to evolve in a systematic way. We are heavily investing in our future. Our two-pillar business strategy gives us a clear positioning, with robust business units providing good regional and product portfolio diversification. Unlike any of our competitors, the Salt business unit produces on three continents and is able to fulfil demand in numerous areas where salt is used by offering every grade of quality. The Potash and Magnesium Products business unit is close to its customers in Europe and is also a reliable supplier to selected overseas regions. And this doesn't just apply to potassium chloride, the standard product. Thanks to fertilizer specialities and industrial products, our portfolio is far more diverse than that of our competitors.

You mentioned a cost cutting programme that was announced in November. What progress are you making?

The “Fit for the Future” programme is about more than just cutting costs. We do, of course, want to reduce our costs to enhance the competitiveness of the K+S Group over the long term. However, we also see potential for greater efficiency within and between our operating and administrative areas. That’s why we are also working to improve our organisational structure and processes. “Fit for the Future” is well underway. We are making good progress in further detailing the initiatives and have already implemented first measures.

Did the Uralkali announcement help explain why a programme of this kind was needed?

To some extent, yes. But K+S has always attached great importance to cost structures. That’s true for all our divisions. With “Fit for the Future”, we combined programmes that were in play well before the Uralkali announcement with further optimisations that we judged were now necessary given the new challenges. Our employees are ready to be actively involved in proceeding down this path, and they understand why it matters.

You are keeping firmly to two things: The Werra package of measures and the Legacy Project. Couldn’t you wait with the capital expenditure until the situation on the potash market clears up?

That would be a mistake. Firstly, the purpose of the Werra measures is to improve water protection and to reduce the negative externalities of potash mining. As a corporation we have given our word and we intend to keep it. However, this should not be dismissed as a matter of course given the significantly tougher business environment. I also don’t want to conceal that I personally have had my doubts about whether this is a proportionate ecological response, given that Werra and Weser are also affected by factors other than K+S. Regarding the Legacy Project, it is vital to proceed with developing our plant in the Canadian province of Saskatchewan. When completed, this project will ensure our participation in the growing potash market, and introduce greater flexibility into our cost base. To apply a farming image to Legacy: We are sowing now to reap a good harvest later.

So, are you making progress in Canada?

We are on schedule with the construction work and the preparations. Comprehensive engineering planning of the plant was completed in the autumn of 2013, so we can confirm the schedule and costs. Costs will total 4.1 billion Canadian dollars and the plant will become operational in the summer of 2016. Legacy will then provide benefits in the medium term and quickly begin to increase profitability and reduce the indebtedness of the Group.

Critics say these types of projects are not worthwhile in a market where there is an imminent danger of overcapacity and low prices. What is your response?

As a commodities company, we think and act long term. The potash market rewards patience and we are not going to allow ourselves to be deflected from our path by temporary upheavals. The global population will continue to grow. There will be as many as 10 billion people living on our planet in 2050. This means that the demand for food will increase, while, at the same time, usable arable land per capita will decrease. New opportunities will evolve. Africa, for example, is a continent with great potential. We will also continue to profit from these trends, which remain relevant in other areas of everyday life. I would like to repeat that our Potash and Magnesium Products business unit produces more than just fertilizers. To provide just a few examples, we also supply products for the chemical industry, for oil and gas exploration, and for people's health and nutrition.

The salt business gets more attention in the winter months in particular. What makes this business so attractive for K+S?

The number of applications for salt (sodium chloride) is enormous. You usually think of de-icing salt and food grade salt. What many people don't know is that salt is just as essential for the production of glass and plastics as it is for water softening and for pharmaceutical industry purposes. If I tried to list every area there would be no time for further questions so I will stop here, but there are countless applications for sodium chloride and we deliver the base products for them in the form of salt. With our "Umbrella Girl", we also have an iconic brand in our portfolio in the United States. Last but not least, for the extraction of raw materials underground or by solution means, there is scarcely any difference between potash and magnesium mining, and salt. So we profit very well from cross cutting technologies across our Potash and Magnesium Products and Salt business units.

Let's talk about the shareholder structure of K+S Aktiengesellschaft. Why is the K+S share so popular among short sellers above all?

More than 40 % of our shares are held by private investors, about the same as institutional investors. Today, it's possible to sell shares you don't even have, to speculate on falling prices. For some, it's even a business model. Regardless of an individual's investment philosophy, we maintain a good relationship with all capital market participants. Our strategy gives our stakeholders long-term benefits. This might not appeal to everyone at a particular moment in time. However, you cannot follow every fashion, because your long-term strategy will suffer the consequences.

Nevertheless, you want to reduce dividend payments despite your strong balance sheet?

This was a difficult decision as we are deviating significantly from our long standing dividend policy. However, we cannot only look back to 2013. Great challenges still lie ahead of us. The potash market is still fragile and it is uncertain whether it has really bottomed. As already mentioned, we have implemented "Fit for the Future" to react to that and this programme is an enormous effort for both the Company and our employees. Our bond investors – who invested 1.5 billion euros in the last two years – have placed their trust in us. By accepting a lower dividend our shareholders – the owners of the Company – would strengthen our balance sheet further and support the growth of the Group. We would still not be overcapitalised though. Our objective is quite clear, to return to our long-term oriented dividend policy as soon as possible, in other words to a payout ratio of 40 – 50 % of the adjusted Group earnings.

Let’s take a look at the future. What do you expect for 2014 in terms of revenues and earnings?

In the case of prices in the Potash and Magnesium Products business unit, we started the year from a significantly lower price base than in 2013. For the Salt business unit, we’re projecting volumes that are on the high level of last year, but here too, prices have fallen, and not only for de-icing salt. Accordingly, the expectation for Group revenue is moderately below fiscal 2013. As a result of lower average prices and the proportion of fixed costs customary in mining, operating EBIT I should be significantly lower than in the preceding year, even after the savings to be achieved through the “Fit for the Future” programme have been factored in.

What capital expenditure is planned and how will it impact cash flow?

Group capital expenditures will see a strong increase. As planned, the largest amounts we are investing are in the development of our potash plant in Canada and in the Werra measures. In total, the capital expenditure should come to about 1.2 billion euros and will therefore result in highly negative free cash flow in 2014.

When you take a look into the future, how do you rate the prospects for the K+S Group?

Despite the great challenges that lie ahead of us, we remain confident. The K+S Group is an economically sound and robust company with a proven strategy for reliably serving our customers and for offering our employees an exciting and challenging environment. And that is something that our investors will profit from too!

TO OUR SHAREHOLDERS

1

1.1 VISION

SOURCE OF GROWTH AND LIFE THROUGH NUTRIENTS AND MINERALS

1.2 THE BOARD OF EXECUTIVE DIRECTORS [1]

NORBERT STEINER
LAWYER, CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS

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

DR. BURKHARD LOHR
BUSINESS ADMINISTRATION GRADUATE

was born in Essen in 1963. After completing his Business Administration studies at the University of Cologne, he joined MANNESMANN AG in 1991. From 1993 onwards, he held various functions at HOCHTIEF AG, Essen, including as member of the management of the Munich branch and as CFO of HOCHTIEF CONSTRUCTION AG, Essen. In 2001, Burkhard Lohr obtained his Dr. rer. pol. degree from the Technical University of Braunschweig. As of 2006, as CFO of HOCHTIEF AG, he was responsible for Finance, Investor Relations, Accounting, Controlling and Taxes. In 2008, he also became Personnel Director. Since 1 June 2012, he has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT, responsible for Corporate Controlling, Corporate Procurement, Corporate Tax, Finance & Accounting and Internal Audit, as well as for CHEMISCHE FABRIK KALK GMBH and all direct shareholdings of K+S AKTIENGESELLSCHAFT, as far as they are not assigned to another area of responsibility.

DR. ANDREAS RADMACHER [2]
ENGINEERING GRADUATE

was born in Dortmund in 1965. After studying mining in Clausthal-Zellerfeld and Aachen, he became a research assistant at DMT GMBH in Essen; parallel to this, he obtained a doctorate in engineering. In 1995, he joined STEAG AG, where, after a spell at a power plant site, he worked at the company's head office in Essen. He then came to the US ENRON group, for which he worked at various positions in London, Oslo and Frankfurt am Main from 1998. In 2002, he switched to RWE and was a member of the Board of Executive Directors of RWE TRANSGAS A.S. in Prague. In 2003, he was appointed to the Board of Executive Directors of RWE ENERGY AG, before becoming CEO of RWE TURKEY HOLDING A.S. in Istanbul in 2009. Since September 2013, Dr. Andreas Radmacher has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT with responsibility for the Potash and Magnesium Products business unit.

[1] Please find the responsibilities of the Board of Executive Directors valid until 31 December 2013 on page 30.

[2] A member of the Board of Executive Directors since 1 September 2013.

MARK ROBERTS
BACHELOR OF SCIENCE (MARKETING)

was born in New Jersey, USA, in 1963. He started his professional career at VICTAULIC CORPORATION OF AMERICA, serving as a marketing manager. He joined ASHLAND CHEMICAL COMPANY in 1988 as a sales representative and national account manager. In 1992, he joined POTASH IMPORT & CHEMICAL CORPORATION (PICC), the U.S. distribution company of K+S KALI, as a sales manager, and subsequently became its vice-president. In 2004, he became PICC's President, and in April 2008, he was named CEO of INTERNATIONAL SALT COMPANY (ISCO) in Clarks Summit, Pennsylvania, USA. On 1 October 2009, Mark Roberts became CEO of MORTON SALT in Chicago, Illinois, USA. Since 1 October 2012, he has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT with responsibility for the Salt business unit.

GERD GRIMMIG
ENGINEERING GRADUATE

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

DR. THOMAS NÖCKER
LAWYER

was born in Neukirchen-Vluyn in 1958. After studying law and subsequently obtaining a doctorate from Münster University, he completed his legal traineeship, inter alia in Düsseldorf and Montreal, Canada. In 1991, he started his professional career at RAG AG, where he held various positions. Subsequently, in 1998, he was appointed member of the Board of Executive Directors of RAG SAARBERG AG and was responsible for personnel, legal affairs and IT management / organisation. Dr. Thomas Nöcker has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since August 2003. He is Personnel Director and is responsible for Corporate HR and Corporate IT as well as for the Business Center (HR Services, IT Services, Communication Services, Real Estate & Facility Management, Financial Accounting, Logistics Procurement Europe, Project Management, Insurances, Legal and Procurement Europe) and K+S TRANSPORT GMBH.

1.3 SUPERVISORY BOARD REPORT

Dear Shareholders,

The following report of the Supervisory Board informs you about the activities of the Supervisory Board in financial year 2013 and the findings of the audit of the 2013 annual financial statements and consolidated financial statements.

The focal points of our meetings and discussions included:
+ the business situation of the K+S GROUP,
+ the K+S GROUP strategy,
+ the progress in developing the potash deposits acquired in Canada (Legacy Project),
+ the selection of suitable candidates to replace those members of the Board of Executive Directors and the Supervisory Board whose terms of office are set to expire.

The K+S GROUP mourns the loss of Mr. Gerhard R. Wolf. The honorary chairman of the Supervisory Board died on 24 October 2013 at the age of 77. For 19 years – from 1989 to 2008 – Mr. Wolf accompanied the Company's fortunes as chairman of the Supervisory Board and the K+S GROUP is greatly indebted to him for his services in this capacity. Mr. Wolf had been honorary chairman of the Supervisory Board since 2008. The Supervisory Board, the Board of Executive Directors and the employees of K+S will honour his memory in appreciation.

ADVICE TO THE BOARD OF EXECUTIVE DIRECTORS AND MONITORING OF MANAGEMENT

In financial year 2013, the Supervisory Board diligently performed the control and consultancy tasks imposed on it by law, the Articles of Association and its bylaws. A large number of matters were discussed in depth and resolutions were adopted regarding transactions requiring approval. We have advised the Board of Executive Directors on an ongoing basis on the management of the Company and monitored the latter's executive management. We were constantly involved in a timely and appropriate fashion in decisions of fundamental importance. The Board of Executive Directors informed us on a regular basis, promptly and comprehensively about the course of business, the earnings and financial position, the employment situation, the progress of important investment projects, the planning and, in particular, the further strategic development of the Company. Deviations from planning were explained to the Supervisory Board in detail. The risk situation and risk management were always carefully considered. The Supervisory Board was briefed by the Board of Executive Directors, including in conference calls, on an ongoing basis and in detail, particularly following the events of 30 July 2013 (departure of URALKALI from the BPC sales organisation). At the end of July 2013, the chairman of the Supervisory Board visited the Legacy Project in the province of Saskatchewan together with the chairman of the Board of Executive Directors and convinced himself on-site of the competence of the partially new management and the efficiency of the controlling system.

The Supervisory Board regularly received written reports from the Board of Executive Directors for the preparation of meetings. Even outside meetings, the chairman of the Supervisory Board maintained close contact with the Board of Executive Directors and discussed significant events and upcoming decisions with it. At relevant separate meetings prior to the meetings of the Supervisory Board, the shareholder and employee representatives discussed important matters on the agendas.

With regard to business transactions, which were of considerable importance to the Company, the Supervisory Board was also immediately and comprehensively informed in writing by the Board of Executive Directors between the regular meetings.

The attendance of the 16 Supervisory Board members at the seven Supervisory Board meetings during the period under review was, on average, 96 %. Four Supervisory Board members respectively were unable to participate in a meeting. Thus, in 2013 too, no Supervisory Board member participated in fewer than half of the meetings. Committee meetings were fully attended.

SUPERVISORY BOARD MEETINGS

A total of five ordinary and two extraordinary Supervisory Board meetings were held during the course of financial year 2013.

At the meeting of 13 March 2013, the Supervisory Board, in the presence of the auditor, reviewed the annual financial statements, the consolidated financial statements and the management reports, approved the financial statements on the recommendation of the audit committee and agreed to the proposal of the Board of Executive Directors for the appropriation of profits for financial year 2012. The business situation and the outlook for the current year were discussed in depth and the proposed resolutions for the 2013 Annual General Meeting approved. The Supervisory Board also, upon a proposal of the personnel committee, appointed Dr. Andreas Radmacher to the Board of Executive Directors for the period from 1 September 2013 to 31 August 2016.

In the extraordinary meeting held on 22 April 2013, the Supervisory Board, after intensive discussion, approved the decision of the Board of Executive Directors, due to changed conditions (including own investments in port facilities, higher labour costs than originally estimated), to increase the corresponding capital expenditure budget for the new potash plant in Canada (Legacy) to CAD 4.1 billion (about € 3 billion). The original estimate of CAD 3.25 billion was based on a feasibility study prepared in November 2011.

At the meeting on 13 May 2013, the Board of Executive Directors provided comprehensive information about the results for and the business situation in the first quarter. Following the Annual General Meeting held on 14 May 2013, the meeting was continued with the first participation of the newly appointed members and Mr. Michael Vassiliadis was re-elected deputy chairman of the Supervisory Board; the committees were newly staffed in part.

At the Supervisory Board meeting held on 20 and 21 August 2013, the Board of Executive Directors' report on the strategic orientation of the Potash and Magnesium Products and Salt business units was extensively discussed. Other focal points were the reporting of the Board of Executive Directors on current developments on the potash markets after the departure of URALKALI from the BPC sales organisations on 30 July 2013 and the possible resulting consequences. The issue of the disposal of saline wastewater of the Werra and Neuhof-Ellers sites was also dealt with in detail.

On 25 October 2013, a further extraordinary meeting of the Supervisory Board was held. At it, the Board of Executive Directors first explained the progress of the investigations concerning the causes of the tragic mining accident in Unterbreizbach on 1 October 2013.

The Board of Executive Directors also reported on the current business situation of the K+S GROUP and on the content and objectives of the "Fit for the Future" project. The focus of further discussions was on the intention of the Board of Executive Directors to take additional financing measures in the form of bonds, promissory notes or private placements in the next six months. The Supervisory Board agreed to this plan and authorised the Board of Executive Directors to determine how exactly the financing measures are to be organised within the given framework, subject to the respective current capital market conditions.

At the last ordinary meeting of the year, on 20 November 2013, the Board of Executive Directors first discussed the current business situation on the fertilizer and salt markets and provided a forecast of the anticipated revenues and earnings of the K+S GROUP in 2013. The Supervisory Board also dealt with the status and further action concerning the Legacy Project, and was briefed on this by Dr. Lamp, the project manager working in Saskatoon. Planning for 2014, including the investment and financing framework conditions for the coming years, was examined in depth – also from the angle of conformity with strategic goals – and then approved. Furthermore, approval was given to the 2013/2014 joint declaration on conformity of the Board of Executive Directors and the Supervisory Board concerning the German Corporate Governance Code (see page 25).

COMMITTEE MEETINGS

In addition to the mediation committee required by law, the Supervisory Board has established three further committees for the support of its responsibilities: the audit committee, the personnel committee and the nomination committee. An overview of the committees with their personnel composition can be found in the 'Corporate Governance' section on page 25 and on the website of K+S AKTIENGESELLSCHAFT under 'Corporate Governance'.

The audit committee met three times in 2013. On 27 February 2013, in the presence of the auditor as well as the chairman of the Board of Executive Directors and the chief financial officer, the committee examined the annual financial statements 2012 of K+S AKTIENGESELLSCHAFT, the consolidated financial statements 2012, the combined management report and the proposal of the Board of Executive Directors for the appropriation of profits. In addition, an in-depth examination was conducted of the hedging of translation risks, the outfinancing of pension obligations, liquidity and the provisions for mining obligations. It was also decided to propose to the plenum that DELOITTE & TOUCHE GMBH should be proposed to the Annual General Meeting as auditor for fiscal year 2013. On 21 August 2013, the committee discussed in detail with the chairman of the Board of Executive Directors and the chief financial officer the K+S GROUP's internal control system. Moreover, the committee acknowledged and approved the report delivered by the chairman of the Board of Executive Directors on the status of the compliance organisation and on the compliance programme of the K+S GROUP. Dr. Nöcker also reported on the subject of IT security in the K+S GROUP. At the meeting of the audit committee on 20 November 2013, the Board of Executive Directors reported on developments with respect to donations, consultancy fees and other non-recurring costs. The committee also acknowledged and approved the report prepared by the chief financial officer on internal audit work within the K+S GROUP. Finally, the committee discussed the key areas of the 2013 audit. Outside the meetings, via conference calls held on 4 May, 5 August and 8 November 2013, the respective quarterly reports awaiting publication were discussed between the members of the audit committee, the chairman of the Board of Executive Directors and the chief financial officer.

The personnel committee, which prepares the personnel decisions of the Supervisory Board and is responsible for other matters concerning the Board of Executive Directors, met a total of five times in 2013. During the meetings, it dealt in particular with the selection and recommendation of suitable persons for the position of board member with responsibility for the Potash and Magnesium Products business unit, as well as with the structure and long-term succession planning of the Board of Executive Directors. It also dealt with the agreeing of goals and their attainment with the members of the Board of Executive Directors, as well as with the appropriateness of the remuneration of the Board of Executive Directors in relation to senior management and the total workforce. Moreover, based on its proposal the Supervisory Board has defined an upper threshold for benefits for the remuneration of the Board of Executive Directors. Detailed information about the level of remuneration of the Board of Executive Directors in 2013 as well as the structure of the remuneration system, which has not changed materially since its approval by the Annual General Meeting on 11 May 2010, can be found on pages 34 – 43.

The members of the nomination committee met on two occasions in 2013. The subjects of discussions held mainly related to the reappointment or replacement of the six shareholder representatives whose terms of office were set to expire in 2013, as well as to long-term succession planning.

No meeting of the mediation committee was called in the past financial year.

CONFLICTS OF INTEREST

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

AUDIT OF THE 2013 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

DELOITTE & TOUCHE GMBH, Hanover, audited the annual financial statements of K+S AKTIENGESELLSCHAFT, which were prepared by the Board of Executive Directors in accordance with the rules of the German Commercial Code (HGB), and the consolidated financial statements, which were prepared on the basis of the IFRS INTERNATIONAL FINANCIAL REPORTING STANDARDS, as well as the combined management report and Group management report for financial year 2013 and issued unqualified audit certificates in each case. The aforementioned documents, the Board of Executive Directors' recommendation concerning the appropriation of the accumulated profit and the audit reports of DELOITTE & TOUCHE GMBH, each of which had been submitted to the members of the audit committee and the Supervisory Board on time, were, in the presence of the auditor on each occasion, dealt with comprehensively at the audit committee meeting held on 28 February 2014, as well as at the Supervisory Board meeting held on 12 March 2014. All questions raised at the meetings were answered satisfactorily by the Board of Executive Directors and the auditor. After itself examining the annual financial statements, the consolidated financial statements, the combined management report and Group management report, the Supervisory Board did not raise any objections. It agreed with the Board of Executive Directors in its assessment of the position of K+S AKTIENGESELLSCHAFT and of the Group and, at the suggestion of the audit committee, approved the financial statements for financial year 2013. The 2013 annual financial statements of K+S AKTIENGESELLSCHAFT were thus ratified. The Supervisory Board also concurred with the proposal of the Board of Executive Directors for the Corporate Governance Report.

The resolution on the appropriation of profits proposed by the Board of Executive Directors was also examined, particularly with regard to the present and the future expected financial situation of the K+S GROUP. Following extensive discussion, the Supervisory Board approved the proposal made by the Board of Executive Directors.

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

In silent mourning for the employees who lost their lives in 2013.

ON BEHALF OF THE SUPERVISORY BOARD

Ralf Bethke

DR. RALF BETHKE
CHAIRMAN OF THE SUPERVISORY BOARD

KASSEL, 12 MARCH 2014

K+S ON THE CAPITAL MARKET

K+S SUCCESSFULLY ISSUES two new bonds / Turbulence on the potash market causes the share prices of all potash producers to fall sharply / K+S share price down significantly on previous year

2

CAPITAL MARKET KEY INDICATORS

TAB: 2.0.1

		2013	2012	2011	2010	2009
Year-end closing price (XETRA)	€	22.38	35.00	34.92	56.36	39.99
Highest price (XETRA)	€	37.53	40.86	58.60	56.65	53.04
Lowest price (XETRA)	€	15.92	30.40	33.35	35.94	29.85
Average number of shares[1]	million	191.40	191.40	191.33	191.34	166.15
Year-end market capitalisation	€ billion	4.3	6.7	6.7	10.8	7.7
Average daily trading volume	million units	2.75	1.27	1.42	1.50	1.73
Enterprise Value (EV) as of 31 Dec.	€ billion	5.3	7.5	7.3	11.5	9.0
Enterprise value to revenues (EV/revenues)	x	1.4	1.9	1.8	2.5	2.5
Enterprise value to EBITDA (EV/EBITDA)	x	5.9	7.3	6.4	12.1	21.8
Enterprise value to EBIT I (EV/EBIT I)	x	8.1	9.3	8.0	16.1	37.8
Book value per share	€/share	17.75	17.73	16.12	13.85	10.94
Earnings per share, adjusted[2,3]	€/share	2.27	3.33	3.04	2.33	0.56
Dividend per share[4]	€/share	0.25	1.40	1.30	1.00	0.20
Total dividend payment[4]	€ million	47.9	268.0	248.8	191.4	38.3
Payout ratio[4,5]	%	11.0	42.0	42.8	43.0	40.9
Dividend yield (closing price)[4]	%	1.1	4.0	3.7	1.8	0.5

[1] Total number of shares less the average number of own shares held by K+S.
[2] The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I, which eliminates effects from changes in the market value of the hedges (see also 'Notes to the income statement and the statement of comprehensive income' on page 146). Related effects on deferred and cash taxes are also eliminated; tax rate for 2013: 28.6% (2012: 28.5%).
[3] Information refers to continued and discontinued operations of the K+S Group.
[4] The figure for 2013 corresponds to the dividend proposal; the dividend yield is based on the year-end closing price.
[5] Applied to the adjusted earnings per share.

K+S SHARE

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

K+S BOND (SEPTEMBER 2014)

WKN/ISIN: A1A 6FV/DE000A1A6FV5
Stock exchange listing:
Luxembourg Stock Exchange
Issue volume: € 750 million
Denomination: € 1,000
Issue price: 99.598%
Interest coupon: 5.000%
Due: 24 September 2014
Bond rating: S&P: BBB; Moody's: Ba1

K+S BOND (JUNE 2022)

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

K+S BOND (DECEMBER 2018)

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

K+S BOND (DECEMBER 2021)

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

COMPANY RATING:

S&P: BBB (Outlook: negative)
Moody's: Ba1 (Outlook: stable)

2.1 THE SHARE

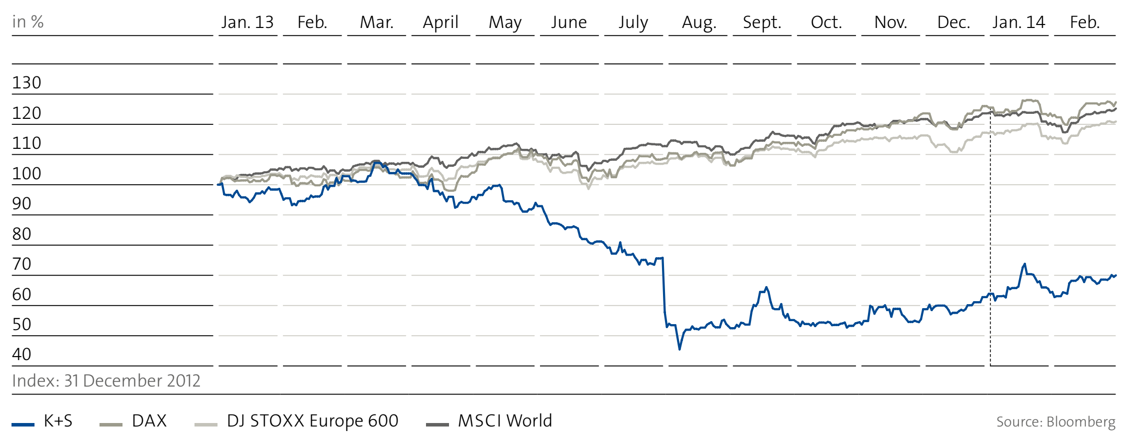
LOW LEVEL OF INTEREST RATES BOOSTS SHARE PRICES ON INTERNATIONAL STOCK EXCHANGES

In 2013, the international stock markets continued to profit from the extensive provision of liquidity by the central banks as well as from the economic recovery in the United States and in Europe. Speculation about the US central bank possibly tightening its loose monetary policy and the US budget debate only weighed on the international stock exchanges temporarily. The German DAX index posted a sharp increase of 25.5 % in 2013, reaching 9,552 points at the end of the year. The European stock index DJ STOXX EUROPE 600 rose by 17.4 % to 328 points and the global MSCI WORLD index by 24.1 % to 1,661 points. / FIG: 2.1.1

K+S SHARE PRICE UNDER SIGNIFICANT PRESSURE IN THE SECOND HALF OF THE YEAR

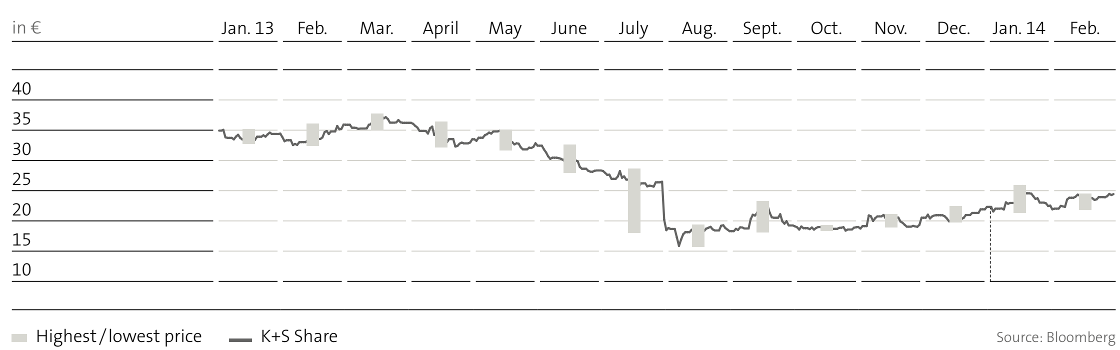
The K+S share posted a substantial decline in 2013, performing significantly worse than the benchmark indices. The stock was particularly depressed by the announcement of an aggressive volume policy by URALKALI at the end of July 2013, which resulted in a sharp drop in the share prices of all potash producers and subsequently caused the share prices to become highly volatile. In the following months, however, the K+S share recovered significantly from its low of € 15.92. This was due to speculation that the Russian / Belarusian BPC sales organisation might be revived along with the expectation that tensions on the potash market may ease as well as – in the context of K+S' salt business – the start of winter weather in North America. / FIG: 2.1.2

PERFORMANCE OF THE K+S SHARE IN COMPARISON TO DAX, DJ STOXX EUROPE 600 AND MSCI WORLD FIG: 2.1.1



Source: Bloomberg

MONTHLY HIGHEST, LOWEST AND AVERAGE PRICE OF K+S SHARE FIG: 2.1.2



Source: Bloomberg

/ YOU CAN FIND THE CURRENT SHARE PRICE AND FURTHER INFORMATION ABOUT THE SHARE at www.k-plus-s.com/en/ks-aktie

Because of the turbulence on the potash market, the value of the share fell significantly over a 5-year comparative period, losing some 24 % including dividends. / TAB: 2.1.1

PERFORMANCE OF THE K+S SHARE SINCE THE START OF THE YEAR IN RELATION TO COMPETITORS

We are also following the performance of our share compared with our publicly traded competitors. They include, above all, the North American fertilizer producers POTASHCORP and MOSAIC, the Russian potash producer URALKALI as well as the salt manufacturer COMPASS from the United States. / FIG: 2.1.1

Down some 36 %, the K+S share closed the year significantly lower than a year ago. The share prices of competitors URALKALI, POTASHCORP and MOSAIC also fell substantially, declining by 30 %, 19 % and 17 % respectively. Only salt producer COMPASS was able to post a gain of some 7 %.

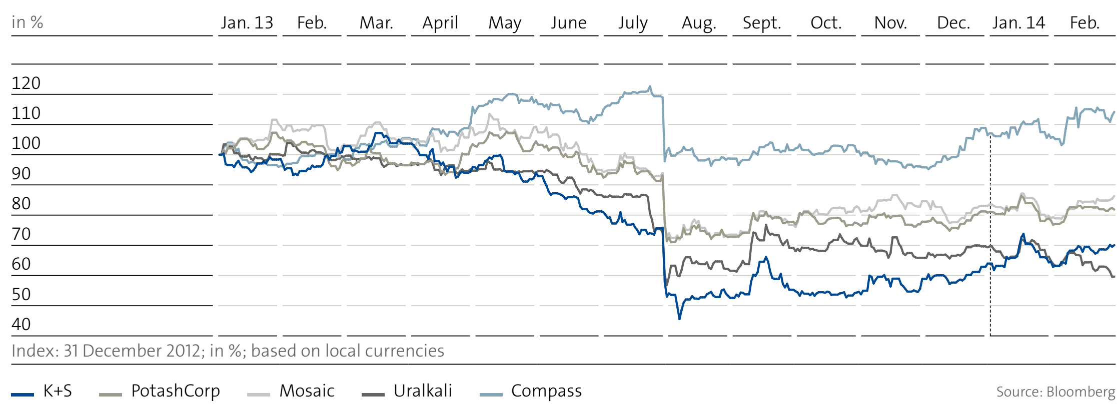
K+S SHARE PRICE RECOVERING AT THE BEGINNING OF 2014

In January, positive newsflow from the potash sector as well as continuing strong de-icing salt sales volumes in North America resulted in a tangible increase of the K+S share price to more than € 25. In the further course, the share price stabilised at about € 24. The renewal of contracts of Russian and North American producers for potash shipments to China were perceived as a first indication of stabilisation in the sector. On 28 February 2014, the share price closed at about € 24 or roughly 9 % above the closing price of 2013.

PERFORMANCE TAB: 2.1.1

in %	1 year 2013	5 years 2009–2013	10 years 2004–2013
K+S share (excluding dividends)	(36.1)	(40.9)	+ 334.0
K+S share (including dividends)	(32.1)	(24.3)	+ 495.6
DAX (performance index)	+ 25.5	+ 98.6	+ 140.9
DJ STOXX Europe 600	+ 17.4	+ 65.5	+ 43.2
MSCI World	+ 24.1	+ 80.5	+ 60.3

PERFORMANCE OF THE K+S SHARE IN RELATION TO PEERS FIG: 2.1.3



Index: 31 December 2012; in %; based on local currencies

Source: Bloomberg

At the end of February, the share prices of our competitors were slightly higher year-to-date, with the exception of URALKALI (about (15 %)).

SHAREHOLDER STRUCTURE

There were no significant changes in our shareholder structure in 2013. Under the free float definition applied by DEUTSCHE BÖRSE AG, the free float is about 90 %.

Shareholders with a share of over 5 % are:

+ MERITUS TRUST COMPANY LIMITED via EUROCHEM GROUP SE: 9.88 % (notification of 12 July 2011)
+ BLACKROCK INC.: 5.08 % (notifications of 11 May 2012)

/ FIG: 2.1.4

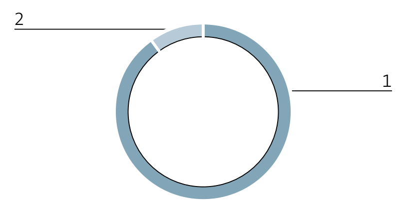
According to a shareholder survey carried out by an external provider in October 2013, free-float was held in equal parts by institutional investors and retail investors. In terms of geographical distribution, about 53 % of our shares were held by investors in Germany, followed by Russia (8 %), the United States (7 %) and Great Britain (7 %).

AMERICAN DEPOSITARY RECEIPTS FOR TRADING IN NORTH AMERICA

In North America, we offer an AMERICAN DEPOSITARY RECEIPTS (ADR) programme to assist investors there in trading in K+S securities and thus to expand the international shareholder basis. As the ADRs are quoted in US dollars and the dividends are also paid in US dollars, their form is essentially similar to that of US stocks. Two ADRs are based on one K+S share. The ADRs are traded on the OTC (over-the-counter) market in the form of a "level 1" ADR programme. The K+S ADRs are listed on the OTCQX trading platform.

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

SHAREHOLDER STRUCTURE AS AT 28 FEBRUARY 2014 FIG: 2.1.4



	in %	2013	2012
1	Freefloat	90.1	90.1
2	Meritus Trust Company Limited	9.9	9.9

BOND PRICES AND YIELDS TAB: 2.2.1

in %	28.02.2014 Price	28.02.2014 Yield	31.12.2013 Price	31.12.2013 Yield
K+S bond (September 2014)	102.4	0.7	102.9	0.8
K+S bond (June 2022)	99.3	3.1	95.3	3.6
K+S bond (December 2018)	105.3	2.0	102.8	2.5
K+S bond (December 2021)	108.9	2.8	104.4	3.5

2.2 BONDS AND RATING

THE K+S BONDS

For the purposes of securing long-term financing and for optimising the maturity profile, the K+S GROUP issued two new bonds on 6 December 2013, each with a volume of € 500 million and with maturities of five and eight years respectively. The new issues were oversubscribed several times and were placed on attractive financing terms. The five-year bond has an interest coupon of 3.125 % p.a. and the interest coupon for the eight-year bond is 4.125 % p.a. The proceeds from the bond issues are designated for the financing of capital expenditure in the Legacy Project, the refinancing of existing liabilities and for general corporate purposes.

As a result of the continued high provision of liquidity by the ECB and other major central banks in the year under review, the bond prices of obligors with good credit ratings remained on a high level on the capital market with yields remaining comparatively low. However, the statements by URALKALI triggered a rise in the yield and a related substantial price decrease in the case of the bond maturing in June 2022. The prices and yields of the K+S bonds as of the respective reporting date are presented in table 2.2.1. / TAB: 2.2.1 / FIG: 2.2.1

RATING

Since the start of 2009, we have been submitting ourselves to an external rating process. The uncertainties in the potash market in the second half of the year led to credit rating adjustments. On 6 November 2013, the rating agency MOODY's set the rating to "Ba1" with a "stable" outlook. On 18 November 2013, STANDARD & POOR's rated us "BBB" with a "negative" outlook.

2.3 INVESTOR RELATIONS

RESEARCH COVERAGE OF K+S

The very extensive research coverage of K+S remained almost unchanged compared with the previous year. The banks regularly analysing us range from an investment boutique with regional expertise to major banks with an international approach. In financial year 2013, 31 banks analysed us on a regular basis.

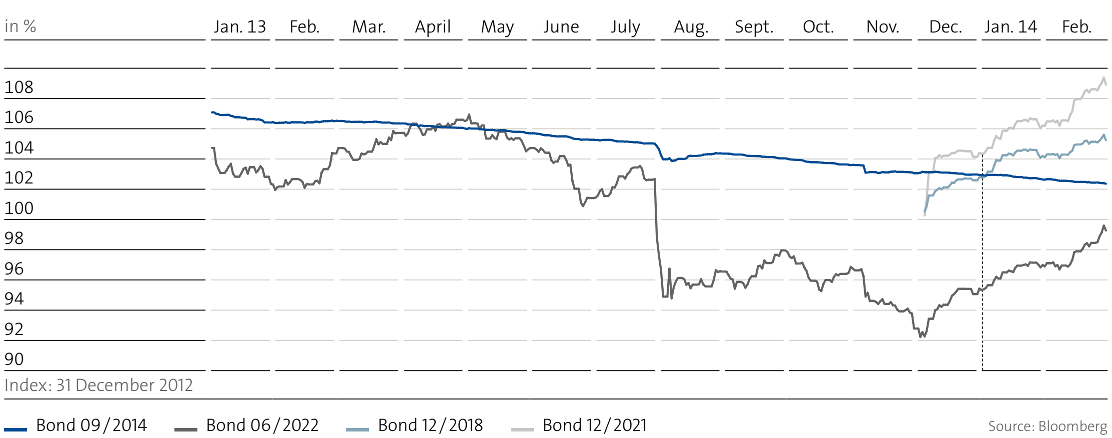
According to the most recent of the regularly conducted research surveys, 4 banks gave us a "buy/accumulate" recommendation, 7 a "hold/neutral" recommendation and 9 banks a "reduce/sell" recommendation. The average target share price was at about € 20. The Investor Relations section of our website carries a constantly updated overview of current research recommendations as well as consensus forecasts for revenues and earnings.

/ MORE INFORMATION on this is available on our website at www.k-plus-s.com under 'Investor Relations/K+S Share'.

K+S INVESTOR RELATIONS OFFERS A COMPREHENSIVE RANGE OF INFORMATION

In the past year, we have responded to the ever greater need for information on the part of the capital market by offering 44 road shows and conference days. We held investor meetings in Europe, North America, Asia and Australia. We also organised numerous one-on-one meetings and conference calls. We intensified our contact with private shareholders through participation in retail roadshows in Germany. The aim of our Investor Relations work is transparent and fair financial communication with all market participants, in order to maintain and strengthen confidence in the quality and integrity of our management, and provide comprehensive, fast and optimally objective information about our strategy as well as about all events relevant to the capital markets that concern the K+S GROUP.

PRICE DEVELOPMENT OF THE K+S BONDS FIG: 2.2.1



Source: Bloomberg

CORPORATE GOVERNANCE

THE PRINCIPLES OF MODERN CORPORATE GOVERNANCE form the basis of our internal decision-making and control processes / Pro-active and transparent communication is our demand

3

K+S pursues the goal of responsible and transparent corporate governance and control, oriented towards the creation of long-term value. This principle forms the basis of our internal decision-making and control processes.

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

3.1 DECLARATION ON CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

DECLARATION ON CONFORMITY 2013/14

In December 2013, the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT submitted the following joint declaration on conformity in accordance with Sec. 161 of the German Stock Corporation Act (Aktiengesetz – AktG):

"We declare that the recommendations of the Government Commission on the German Corporate Governance Code, published by the German Ministry of Justice in the official part of the German Federal Gazette on 15 June 2012, was complied with in 2013 except for the recommendations in item 5.1.2 paragraph 2 sentence 3 (Determination of an age limit for the members of the Board of Executive Directors) and item 5.4.1 paragraph 2 sentence 1 (to the extent that an age limit is to be determined for Supervisory Board members) and that the recommendations of the Government Commission on the German Corporate Governance Code, published by the German Ministry of Justice in the official part of the German Federal Gazette on 13 May 2013, will be complied with in 2014 with the same exception. We do not believe that it is necessary or practicable to determine strict age limits for the members of the Board of Executive Directors and the Supervisory Board, since the ability to carry out the work of the respective corporate body does not necessarily end when a certain age is reached, but depends solely on the respective individual capabilities. Also considering particularly the demographic developments, age limits therefore conflict with the general interest of the Company to staff its corporate bodies in the best possible way.

Kassel, December 2013"

/ THIS AND ALL EARLIER DECLARATIONS ON CONFORMITY are carried on the Internet at www.k-plus-s.com in the 'Corporate Governance' section.

Only the following of the numerous suggestions contained in the Code have not been fully implemented by K+S:

+ The Annual General Meeting has not as yet been carried live on the Internet in its full length (Code Item 2.3.4), but was only carried up to the end of the speech by the chairman of the Board of Executive Directors.
+ The suggestion of Item 3.7 paragraph 3 is – as hitherto – only taken up if, in the event of a takeover bid, an extraordinary General Meeting were to be convened only in the cases indicated.

GOVERNING BODIES OF THE COMPANY

The governing bodies of the Company are the Annual General Meeting, the Board of Executive Directors and the Supervisory Board. The powers vested in these bodies are governed by the German Stock Corporation Act, the Articles of Association and the bylaws of the Board of Executive Directors and the Supervisory Board.

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

The shareholders assert their rights at the Annual General Meeting and decide on fundamental matters affecting K+S AKTIENGESELLSCHAFT by exercising their voting rights. Each share carries one vote (one share, one vote principle). All documents of decision-making importance are also made available to the shareholders on our website. The Annual General Meeting is also carried live on the Internet until the end of the speech by the chairman of the Board of Executive Directors. Shareholders can exercise their voting rights by means of an authorised representative of their choice and can issue instructions to them or can also vote by absentee ballot. The granting of a power of attorney and the issuance of instructions are also possible through an electronic power of attorney and voting instruction system on the K+S website. Shortly after the end of the Annual

General Meeting, we publish details of attendance and the results of the voting also on the Internet.

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

OPERATIONS OF THE BOARD OF EXECUTIVE DIRECTORS

The Board of Executive Directors manages the Company at its own responsibility in accordance with the law, the Articles of Association and its bylaws, taking into account the resolutions adopted by the Annual General Meeting. The Board of Executive Directors represents the Company in its dealings with third parties. Pursuant to Art. 5 Para. 1 of the Articles of Association, the Board of Executive Directors comprises at least two members. The number of members is determined by the Supervisory Board. At the end of 2013, the Board of Executive Directors consisted of six members. The bylaws govern their cooperation and the allocation of business responsibilities. The affected members of the Board of Executive Directors are required to be informed about matters concerning more than one business unit or department; measures which also concern other segments or departments or deviate from the usual day-to-day business are required to be agreed with the other members of the Board of Executive Directors. If possible, such matters are to be discussed at meetings of the Board of Executive Directors and measures are to be resolved there, if necessary. A resolution should always be passed concerning important business transactions and measures.

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

/ **FURTHER INFORMATION ABOUT THE COMPOSITION OF THE BOARD OF EXECUTIVE DIRECTORS AND THE DISTRIBUTION OF RESPONSIBILITIES** can be found on page 12 as well as on our website under 'Corporate Governance'.

The main instrument of the Board of Executive Directors for the exercise of its managerial responsibility and its duty of supervision is the internal control system (ICS). The ICS includes principles, regulations, measures and procedures, which are oriented towards the organisational preparation and implementation of management decisions. It consists of the components "internal control system" and "internal monitoring system" and is reviewed on a regular basis.

Control of the K+S GROUP is exercised through regular discussions between the Board of Executive Directors and the corporate departments. Meetings of the Board of Executive Directors take place on a regular basis every two weeks. The starting point for the management of the Group as a whole and the corporate departments are the targets of the Board of Executive Directors, which are derived from the vision and overall strategy of the K+S GROUP. An essential instrument for the implementation of the goals and targets is the totality of internal regulations of the K+S GROUP. A number of controlling instruments are available to the management. Furthermore, the risk and compliance management system as well as the internal audit are important elements of the internal control system.

The internal monitoring system is intended to ensure attainment of the planned corporate goals and compliance with the rules of the internal control system. It consists of process-integrated as well as process-independent monitoring measures.

/ **FURTHER INFORMATION ABOUT THE INTERNAL CONTROL SYSTEM AND ITS COMPONENTS** can be found in the 'Enterprise Management and Supervision' section on page 57, and about the risk management system on page 94 in the Risk Report.

OPERATIONS OF THE SUPERVISORY BOARD

Pursuant to Art. 8 Para. 1 of the Articles of Association, the Supervisory Board's composition is governed by mandatory statutory provisions. It currently consists of 16 members and is subject to co-determination in accordance with the German Co-Determination Act (Mitbestimmungsgesetz). The Supervisory Board members are thus elected as representatives of the shareholders by the Annual General Meeting and as employee representatives by the employees of the K+S GROUP in Germany on a 50-percent basis. An election is held every five years. The term of office of the chairman ends at the close of the Annual General Meeting 2017, that of Mr. Cardona at the close of the Annual General Meeting 2015 and those of the remaining members at the close of the Annual General Meeting 2018.

/ **FURTHER INFORMATION ABOUT THE COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES** can be found on page 31 as well as on our website under 'Corporate Governance'.

The Supervisory Board oversees and advises the Board of Executive Directors in connection with the carrying on of business. It is involved in all decisions of fundamental importance in sufficient time and appropriately. The Board of Executive Directors informs it on a regular basis, promptly and comprehensively about the course of business, the earnings and financial position, the employment situation, as well as the planning and further development of the Company. The Supervisory Board regularly receives written reports from the Board of Executive Directors for the preparation of meetings. After thorough review and discussion, the Supervisory Board adopts resolutions on the reports and proposals, where necessary. In the case of particular business transactions of great importance to the Company, the Supervisory Board is also provided with immediate and extensive information by the Board of Executive Directors between regular meetings. The Supervisory Board regularly carries out an efficiency review in the form of a questionnaire in order to obtain pointers for the future work of the Supervisory Board and its committees.

/ **FURTHER DETAILS ON THE SUPERVISORY BOARD'S ACTIVITIES IN FINANCIAL YEAR 2013** can be found in the 'Supervisory Board Report'.

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

+ The audit committee performs the tasks arising from the German Stock Corporation Act as well as from Item 5.3.2 of the German Corporate Governance Code. It is particularly involved in monitoring the accounting process and the effectiveness of the internal control system, the risk management system, the internal audit system, and the compliance as well as in the audit of the financial statements. It also discusses the quarterly and half-yearly financial reports with the Board of Executive Directors prior to publication. On the basis of his professional experience as former head of the Central Legal Affairs, Tax and Insurance Department and as former Chief Compliance Officer of BASF SE, Dr. Sünner (independent financial expert), chairman of the audit committee, possesses comprehensive knowledge and experience with respect to the application of accounting principles and internal control procedures. The audit committee consists of six members and includes an equal number of representatives of the shareholders and of the employees.
+ The personnel committee is responsible for preparing the appointment of members of the Board of Executive Directors, including long-term succession planning. With regard to determining the total remuneration of the individual members of the Board of Executive Directors, the committee submits proposals for resolutions to the plenary meeting of the Supervisory Board. The chairman of the Supervisory Board is simultaneously the chairman of this committee. The personnel committee consists of four members and includes an equal number of representatives of the shareholders and of the employees.
+ The nomination committee recommends suitable Supervisory Board candidates to the Supervisory Board to be proposed to the Annual General Meeting. The chairman of the Supervisory Board is simultaneously the chairman of this committee. The committee consists of four members, all of whom are representatives of the shareholders.
+ The mediation committee performs the tasks set forth in Sec. 31 Para. 3 Sent. 1 of the German Co-Determination Act. The chairman of the Supervisory Board is simultaneously the chairman of this committee. The four members of the committee include an equal number of representatives of the shareholders and of the employees.

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

OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD

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

Mindful of this, the Supervisory Board resolved the following[1]:

"The Supervisory Board shall ensure that its members are persons of integrity, associated with the social market economy, and have competence and many years of

[1] The age limit for members of the Supervisory Board previously contained in the objectives for the composition of the Supervisory Board has been removed for the reasons cited in the declaration on conformity concerning the German Corporate Governance Code.

experience in the management of and/or consulting services to commercial enterprises or business-oriented institutions. Experience and specific knowledge of the main fields of activity of the Company are desirable. At least one independent financial expert must belong to the Supervisory Board.

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

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

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

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

BOARD OF EXECUTIVE DIRECTORS AND SUPERVISORY BOARD COOPERATION

The Supervisory Board is kept informed by the Board of Executive Directors at regular intervals in a timely and comprehensive manner about all issues relevant to the Company as a whole concerning corporate strategy, planning, business development and the financial and earnings position as well as about any particular business risks and opportunities. In addition, the Chairman of the Supervisory Board is in close contact with the Chairman of the Board of Executive Directors about all relevant topics. Important business transactions and measures require the consent of the Supervisory Board; more information on this can be found in Sec. 12 of the bylaws of the Supervisory Board.

CONFLICTS OF INTERESTS

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

D&O INSURANCE

K+S has taken out D&O insurance, among other things, in case, on the basis of statutory third-party liability provisions, a claim for compensation is raised against members of the Board of Executive Directors or of the Supervisory Board because of a breach of duty committed in the exercise of their activity. The deductible is 10% of the respective damage up to a maximum of 1.5 times the fixed annual remuneration. The D&O insurance also applies to managers.

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

In accordance with Sec. 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), members of the Board of Executive Directors and of the Supervisory Board must disclose purchases and disposals of K+S shares to K+S AKTIENGESELLSCHAFT.

In 2013, K+S AKTIENGESELLSCHAFT issued the following notifications concerning directors' dealings:
/ TAB: 3.1.1, 3.1.2
/ A CONSTANTLY UPDATED TABLE can be found on our website at www.k-plus-s.com/en/meldungen/directors-dealings

On 31 December 2013, the members of the Board of Executive Directors and of the Supervisory Board held less than 1% of the shares of K+S AKTIENGESELLSCHAFT and related financial instruments.

COMPLIANCE

Our compliance system creates the organisational prerequisites for applicable law, our internal regulations, and the regulatory standards recognised by the Company to be known throughout the Group and for

DIRECTORS' DEALINGS OF MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS TAB: 3.1.1

	Date	Transaction	Number	Price in €	Volume in €
Dr. Thomas Nöcker	14.08.2013	Share purchase	3,000	18.3268	54,980.40
Dr. Burkhard Lohr	13.08.2013	Share purchase	6,000	18.16269	108,976.14
Dr. Thomas Nöcker	28.06.2013	Share purchase	2,000	28.45	56,900.00
Dr. Susanne Nöcker / Dr. Thomas Nöcker	14.05.2013	Share purchase	30	32.88	986.40
Dr. Susanne Nöcker / Dr. Thomas Nöcker	14.05.2013	Share purchase	100	31.98	3,198.00
Dr. Thomas Nöcker	14.05.2013	Share purchase	2,000	35.9625	71,925.00

DIRECTORS' DEALINGS OF MEMBERS OF THE SUPERVISORY BOARD TAB: 3.1.2

	Date	Transaction	Number	Price in €	Volume in €
Dr. Eckart Sünner	15.08.2013	Share purchase	6,000	18.10	108,600.00
Dr. Karl Heidenreich	15.03.2013	Share purchase	1,000	35.32	35,320.00
Heide Heidenreich / Dr. Karl Heidenreich	15.03.2013	Share purchase	1,000	35.325	35,325.00
Heide Heidenreich / Dr. Karl Heidenreich	09.01.2013	Share purchase	500	33.42	16,710.00

K+S COMPLIANCE SYSTEM FIG: 3.1.1

compliance with them to be monitored. We thus want not only to avoid the risks of liability, culpability and fines as well as other financial disadvantages for the Company, but also ensure a positive reputation for the Company, its corporate bodies and employees in the public eye. We regard it as a matter of course that breaches of compliance are pursued and punished.

The Board of Executive Directors has entrusted a chief compliance officer, who reports directly to the chairman of the Board of Executive Directors, with coordinating and documenting a group-wide compliance system. He heads the central compliance committee to which the compliance representatives as well as the heads of departments of K+S AKTIENGESELLSCHAFT belong, who perform compliance-relevant tasks (e.g. internal audit, legal affairs, personnel, environmental protection, occupational safety, quality management).

Over and above the legal obligations, we have defined for ourselves core values and principles (the Code of Conduct) which form a compulsory framework for our conduct and our decisions as well as provide orientation for our corporate actions. Our core values and principles are published on our homepage at www.k-plus-s.com in the 'About K+S' section. Every employee is made familiar with these core values and principles that apply throughout the Group, as well as with the Company guidelines derived from them. Obligatory training sessions for potentially affected employees are held in relation to specific issues (e.g. anti-trust law, anti-corruption measures, money laundering and terrorism financing, environmental protection, work safety). The employees have the possibility of seeking advice internally in compliance-related matters. Moreover, we have set up external hotlines (ombudspersons) for the notification of compliance breaches, anonymously if desired. / FIG: 3.1.1

ACCOUNTING AND AUDITS

International Financial Reporting Standards (IFRS) are applied in preparing the consolidated financial statements of K+S AKTIENGESELLSCHAFT. The audits for 2013 were conducted by DELOITTE & TOUCHE GMBH, Hanover, which has issued a declaration of independence pursuant to Item 7.2.1 of the German Corporate Governance Code. The auditor is appointed by the Supervisory Board, acting on a recommendation submitted by the audit committee, after the main topics to be covered by the audit and the fees have been agreed with the auditor elected by the Annual General Meeting. The chairman of the Supervisory Board and the chairman of the audit committee are advised by the auditor without delay of any reasons giving rise to exclusion or partiality that may arise during the audit if they cannot be eliminated immediately. Furthermore, the auditor should immediately advise of all findings and occurrences of relevance to the tasks of the Supervisory Board that may arise during the audit. In addition, the auditor is required to advise the Supervisory Board or make an appropriate note in the audit report if, during the course of the audit, he ascertains any facts suggesting incompatibility with the declaration on conformity issued by the Board of Executive Directors and the Supervisory Board in accordance with Sec. 161 of the German Stock Corporation Act.

TRANSPARENCY

It is our goal to provide information about the position of the Company and about all significant changes in business to shareholders, shareholder associations, financial analysts, the media and the interested general public by means of regular, open and current communications simultaneously and in an equal manner. We publish all important information such as information on the Annual General Meeting, press releases, ad hoc disclosures and notifications of voting rights, all financial reports, corporate/sustainability reports, but also analysts' recommendations and consensus forecasts as well as Company presentations from roadshows and investors' conferences on our website.

The financial calendar can be found in the Financial Report, in the half-yearly and quarterly financial reports as well as on the Company's website. The Company's Articles of Association and the bylaws of the Board of Executive Directors and the Supervisory Board can also be viewed on this website as well as detailed information on the implementation of the recommendations and suggestions contained in the German Corporate Governance Code. An e-mail newsletter provides information about new developments in the Group.

3.2 MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

As of 31 December 2013

Norbert Steiner (born in 1954), lawyer, Chairman

+ Corporate Development / Legal affairs / Compliance
+ Investor Relations
+ Corporate Communications
+ Executive Staff Matters / International HR Co-ordination

In office until 11 May 2015
First appointed: 12 May 2000

Supervisory Board appointments:

+ TALANX AG, Hanover
+ HDI V.A.G., Hanover
+ K+S KALI GMBH (chairman), Kassel[1]

Gerd Grimmig (born in 1953), engineering graduate

+ Mining
+ Geology
+ Engineering / Energy
+ Research and Development
+ Environment, Occupational Safety, Quality Management
+ Inactive Plants
+ Waste Management and Recycling
+ Animal Hygiene Products

+ K+S CONSULTING GMBH
+ MSW CHEMIE GMBH

In office until 30 September 2014
First appointed: 1 October 2000

Supervisory Board appointments:
+ K+S KALI GMBH, Kassel[1]

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

+ Finance and Accounting
+ Group Controlling
+ Taxes
+ Internal Audit
+ Global Governance and Materials Management
+ Insurance
+ Data Protection

In office until 31 May 2015
First appointed: 1 June 2012

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

+ Personnel (incl. Health Management)
+ IT
+ Organisation and Project Management
+ Real Estate Management
+ Knowledge Management
+ Global Logistics Strategy
+ Logistics Purchasing
+ K+S TRANSPORT GMBH
+ CFK GMBH (Trading)

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

Supervisory Board appointments:
+ K+S KALI GMBH, Kassel[1]

Dr. Andreas Radmacher (born in 1965), engineering graduate

+ Potash and Magnesium Products

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

Supervisory Board appointments:
+ K+S KALI GMBH, Kassel (since 24 April 2013)[1]

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

+ Salt

In office until 30 September 2015
First appointed: 1 October 2012

Supervisory Board appointments:
+ SALT INSTITUTE, Alexandria, Virginia, USA

[1] Group appointment.

/ CVS OF THE MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS can be found on our website at www.k-plus-s.com/en/vorstand

3.3 MEMBERS OF THE SUPERVISORY BOARD

As of 31 December 2013

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

Entrepreneur (as member of the Supervisory Boards mentioned below)

Supervisory Board chairman since 14 May 2008
In office until the end of the 2017 AGM
First appointed: 1 July 2007

Further Supervisory Board appointments:
+ BENTELER INTERNATIONAL AG, Salzburg (vice-chairman)
+ DJE KAPITAL AG, Pullach (chairman)
+ SÜDDEUTSCHE ZUCKERRÜBENVERWERTUNGS-GENOSSENSCHAFT EG, Stuttgart-Ochsenfurt
+ SÜDZUCKER AG Mannheim/Ochsenfurt, Mannheim

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

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

In office until the end of the 2018 AGM
First appointed: 7 May 2003

Further Supervisory Board appointments:
+ BASF SE, Ludwigshafen
+ EVONIK AG, Essen (vice-chairman)
+ STEAG GMBH, Essen (vice-chairman)
+ RAG STIFTUNG, Essen

Ralf Becker (born in 1960), trade union secretary
Employee representative

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

In office until the end of the 2018 AGM
First appointed: 1 August 2009

Further Supervisory Board appointments:
+ CONTINENTAL REIFEN DEUTSCHLAND GMBH, Hanover (vice-chairman)
+ DEUTSCHE SHELL HOLDING GMBH, Hamburg
+ DEUTSCHE SHELL GMBH, Hamburg
+ SHELL DEUTSCHLAND OIL GMBH, Hamburg

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

Deputy General Manager of the DEUTSCHE SCHUTZVEREINIGUNG FÜR WERTPAPIERBESITZ E.V., Düsseldorf

In office until the end of the 2018 AGM
First appointed: 7 May 2003

Further Supervisory Board appointments:
+ A.S. CRÉATION TAPETEN AG, Gummersbach

George Cardona (born in 1951), economist
Shareholder representative

Entrepreneur (as member of the supervisory bodies mentioned below)

In office until the end of the 2015 AGM
First appointed: 9 October 2009

Other supervisory bodies:
+ Board of DONALINK LTD., Cyprus
+ Board of ERGLIS LTD., Cyprus
+ Board of EUROCHEM GROUP SE, Cyprus
+ Board of HAMILTON ART LTD., Isle of Man
+ Board of HAMILTON JETS LTD., Bermuda
+ Board of HAREWOOD HOUSE LTD., Jersey, Channel Islands
+ Board of LINEA LTD., Bermuda
+ Board of LINETRUST PTC LTD., Bermuda
+ Board of MADAKE LTD., Cyprus
+ Board of SIBENERGY PLC., Cyprus
+ Board of STRATEGIC MINERALS PLC., Great Britain
+ Board of SUEK PLC., Cyprus
+ Board of VALISE LTD., Bermuda
+ Board of VALTON LTD., Bermuda
+ Board of WESTLINE PTC LTD., Bermuda
+ Board of WISHBORNE GOLD PLC., Gibraltar

Wesley Clark (born in 1951), master's degree in business administration
Shareholder representative

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

In office until the end of the 2018 AGM
First appointed: 14 May 2013

Further Supervisory Board appointments:
+ Board of PATRIOT SUPPLY HOLDINGS, INC., Fort Worth, Texas, USA (non-executive chairman)
+ Board of MORRISON SUPPLY CORPORATION, Fort Worth, Texas, USA (non-executive chairman)
+ Board of ABC SUPPLY CORPORATION, Beloit, Wisconsin, USA
+ Board of CLARCOR INC., Franklin, Tennessee, USA
+ Board of STANFORD UNIVERSITY GRADUATE SCHOOL OF BUSINESS, California, USA

Harald Döll (born in 1964), energy facility electrical expert
Employee representative

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

In office until the end of the 2018 AGM
First appointed: 1 August 2009

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

Head of K+S KALI GMBH's Werra plant

In office until the end of the 2018 AGM
First appointed: 14 May 2008

Axel Hartmann (born in 1958), foreign trade merchant
Employee representative

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

In office until the end of the 2018 AGM
First appointed: 14 May 2013

Rüdiger Kienitz (born in 1960), mining technologist
Employee representative

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

In office until the end of the 2018 AGM
First appointed: 26 March 1998

Klaus Krüger (born in 1954), mining technologist
Employee representative

Chairman of the Collective Works Council of the K+S GROUP
Chairman of the Works Council of K+S KALI GMBH's Zielitz plant

In office until the end of the 2018 AGM
First appointed: 9 August 1999

Dieter Kuhn (born in 1958), mining engineer
Employee representative

First vice-chairman of the Collective Works Council of the K+S GROUP
Chairman of the Works Council of the Bernburg plant of ESCO GMBH & CO. KG

In office until the end of the 2018 AGM
First appointed: 7 May 2003

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

Solicitor

In office until the end of the 2018 AGM
First appointed: 7 May 2003

Further Supervisory Board appointments:
+ IFCO-SYSTEMS N.V., Amsterdam (chairman)
+ LEHNKERING GMBH, Duisburg (vice-chairman)
+ VTG AG, Hamburg

Other appointments to supervisory bodies:
+ DAL – DEUTSCHE-AFRIKA-LINIEN GMBH & CO. KG, Hamburg
+ TIME:MATTERS GMBH, Neu-Isenburg (chairman)
+ COLADA ACQUICO S.À.R.L, Luxembourg

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

Divisional director of COMMERZBANK AG

In office until the end of the 2018 AGM
First appointed: 14 May 2013

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

Pensioner (former member of the Board of Executive Directors of SÜDZUCKER AG Mannheim/Ochsenfurt, Mannheim)

In office until the end of the 2018 AGM
First appointed: 7 May 2003

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

Solicitor (Of COUNSEL, ALLEN & OVERY LLP, Mannheim office)

In office until the end of the 2018 AGM
First appointed: 28 April 1992

Further Supervisory Board appointments:
+ INFINEON TECHNOLOGIES AG, Neubiberg

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

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

+ Dr. Eckart Sünner (chairman)
+ Ralf Becker
+ Dr. Ralf Bethke
+ Klaus Krüger
+ Dr. Annette Messemer
+ Michael Vassiliadis

NOMINATION COMMITTEE

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

PERSONNEL COMMITTEE

+ Dr. Ralf Bethke (chairman)
+ Jella S. Benner-Heinacher
+ Klaus Krüger
+ Michael Vassiliadis

MEDIATION COMMITTEE

+ Dr. Ralf Bethke (chairman)
+ Klaus Krüger
+ Dr. Eckart Sünner
+ Michael Vassiliadis

3.4 REMUNERATION REPORT

In the following, we explain the basic features of the remuneration systems for the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT, together with the concrete design of the individual components.

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS

REMUNERATION STRUCTURE

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

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

The fixed remuneration as basic remuneration not related to performance is paid monthly. In addition to this, the members of the Board of Executive Directors receive benefits, in particular contributions to pension, health and long-term care insurance as well as in-kind benefits, which consist mainly of the use of company cars.

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

/ **FURTHER INFORMATION ABOUT THE CALCULATION OF THE COST OF CAPITAL AND THE RETURN ON TOTAL INVESTMENT** can be found on page 80.

The structure of the annual remuneration in a normal year provides for a fixed remuneration of 40 % and variable, short-term performance-related components of 60 %. Of the variable component, 80 % is linked to the performance of the Company, i.e. to the return on total investment achieved; the remaining 20 % is dependent on personal performance. Variable remuneration of 100 % is reached if, on the one hand, the return on total investment achieved reaches at least 115 % of the respective cost of capital rate and, on the other hand, personal performance was assessed as being 100 %. Remuneration on the basis of the return on total investment is capped at a value of 21 percentage points above the minimum return. The ranges for target accomplishment of the two variable remuneration components are between 0 and about 150 %. Moreover, benefits have also been capped since 2013. The chief financial officer receives 1.1 times the remuneration, and the chairman of the Board of Executive Directors 1.5 times.

In addition, it is possible to obtain income from a long-term incentive programme based on key figures as a variable component of remuneration with a long-term incentive and risk character. It is based on a multi-annual assessment in accordance with the value contributions achieved. The Company's success is thus determined on the basis of two four-year periods. The value contribution is derived as follows:

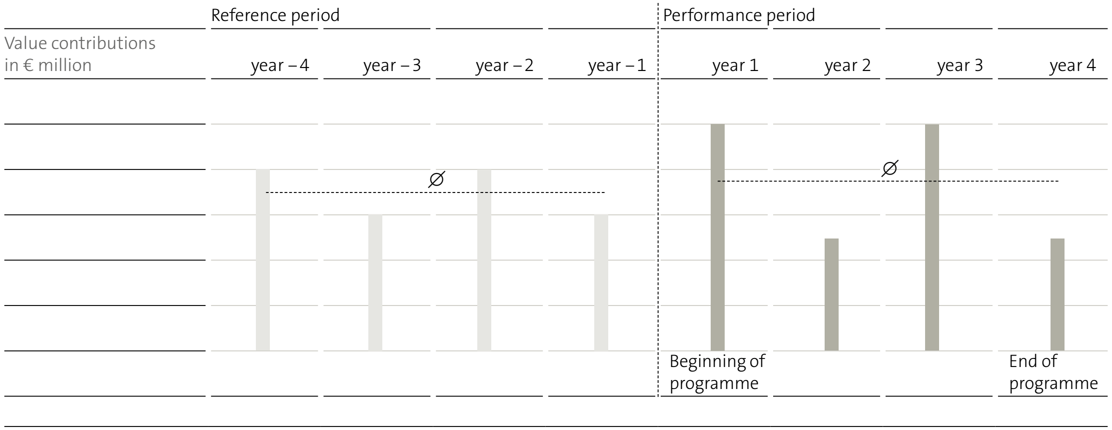
Operating earnings (EBIT I)
\+ Interest income of the financial year
– Cost of capital (before taxes) of the financial year
= Value contribution

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

To determine the result of a LTI tranche, two four-year periods are compared (a "reference period" and a "performance period"). The reference period covers the four years before the commencement of the particular LTI, while the performance period covers the four years of the particular LTI term. The following diagram shows the time periods of the LTI programme.

/ FIG: 3.4.1

LTI-PROGRAMME FIG: 3.4.1



LTI-PROGRAMMES 2010 TO 2013 FIG: 3.4.2

in € million	2006	2007	2008¹	2009	2010	2011¹	2012	2013	2014	2015	2016	Result
LTI 2010				**Ø 162**				**Ø 360**				Difference = 198 € million
	114	68	500	(32)	334	500	384	222	—	—	—	Payment² = 696.5 € thousand
LTI 2011	—				**Ø 217**		**not yet complete** (Ø to date 369)					
	—	68	500	(32)	334	500	384	222	—	—	—	
LTI 2012	—	—				**Ø 326**		**not yet complete** (Ø to date 303)				
	—	—	500	(32)	334	500	384	222	—	—	—	
LTI 2013	—	—	—				**Ø 297**		**not yet complete** (Ø to date 222)			
	—	—	—	(32)	334	500	384	222	—	—	—	

Reference period Performance period

¹ In the years 2008 and 2011, the cap limit was reached due to very good value contributions.
² For an ordinary member of the Board of Executive Directors; payment is made in April of the year following the end of the programme.

At the beginning of an LTI, the average of the four value contributions of the reference period is computed, and after the expiry of the programme, the average of the four value contributions of the performance period is determined. The difference between these average value contributions is reflected as a percentage on a scale from € (200) million to € +200 million. A stable development, i.e. a difference of € 0 million, corresponds to 100 % and is defined as a normal year. In such a normal year, the variable component of remuneration with a long-term incentive character for an ordinary member of the Board of Executive Directors is € 350,000. In the case of underperformance, the payment decreases on a straight-line basis to 0 % in line with the percentage deviation. In the case of overperformance, the payment increases correspondingly up to an upper limit of 200 % (= € 700,000). For the chief financial officer, the component of remuneration is 1.1 times, and for the chairman of the Board of Executive Directors it is 1.5 times.

Payment is made in April of the year following the end of the programme. In the event of termination of the employment contract or reaching retirement age, a discounted payment on a pro rata basis of all current tranches is normally made in April of the following year. / FIG: 3.4.2

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

The LTI programme replaces the system in place between 1999 and 2009 with the possibility for income to be obtained by exercising stock options as a variable

ILLUSTRATIVE CALCULATION OF THE ANNUAL REMUNERATION OF A MEMBER OF THE BOARD OF EXECUTIVE DIRECTORS TAB: 3.4.1

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

[1] Return on total investment ≙ minimum return; personal achievement of target ≙ 100 %.
[2] Return on total investment ≙ 0 %; personal achievement of target ≙ 0 %.
[3] Return on total investment ≥ minimum return + 21 percentage points; personal achievement of target ≙ about 150 %.
[4] Difference of the average value contributions of reference and performance period = € 0 million ≙ 100 %.
[5] Difference of the average value contributions of reference and performance period ≤ € (200) million ≙ 0 %.
[6] Difference of the average value contributions of reference and performance period ≥ € +200 million ≙ 200 %.

component of remuneration with a long-term incentive and risk character. As part of a virtual stock option programme, whose structure is identical to that for the remaining stock option programme participants, members of the Board of Executive Directors were for the last time in 2009 able to use 30 % of their performance-related remuneration for own investments in K+S shares. By acquiring such basic shares, the participants received virtual options that trigger a cash payment when exercised. The amount of the cash payment is determined according to the relative performance of the K+S share in relation to the DAX benchmark. The basic prices of the K+S share and the DAX decisive for the calculation of performance correspond to the average share price during the 100 trading days until the respective base reference date (the third from last Friday before the Ordinary Annual General Meeting). A subsequent change of the success targets or comparison parameters is impossible.

The options granted up to 2009 expire after a total period of five years, after which the unexercised options expire without compensation. After a lock-up period of two years, it is possible to exercise the options within two time windows per year, in May and November, following the publication of the quarterly figures. In order to be able to exercise the options, the basic shares must be held in succession until the day the option is exercised. In the event of a change of control, a special window opens up for the exercise of all still outstanding options.

In the event of withdrawal or resignation, those virtual options that have not yet been exercised by that time expire.

Table 3.4.1 shows a sample calculation of the annual remuneration of a member of the Board of Executive Directors. / TAB: 3.4.1

AMOUNT OF REMUNERATION

Details of the remuneration of the Board of Executive Directors for the financial year 2013 are provided in individualised form. / TAB: 3.4.2, 3.4.3

On average, the salary of the Board of Executive Directors in the previous year was 5.3 times that of senior management worldwide and 30.4 times that of total workforce.

The total remuneration of the Board of Executive Directors related to six members, five of whom were in office all-the-year. The term of office of Dr. Andreas Radmacher commenced on 1 September 2013. In the previous year, the Board of Executive Directors consisted of six members, three of whom were in office all-the-year. All the components of the remuneration of the Board of Executive Directors are regularly reviewed every three years.

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS (GRANTED ALLOWANCES)

	Norbert Steiner, CEO Member of the Board of Executive Directors since 05/2000				Dr. Burkhard Lohr, CFO Member of the Board of Executive Directors since 06/2012				Gerd Grimmig Member of the Board of Executive Directors since 10/2000				Dr. Thomas Nöcker Member of the Board of Executive Directors since 08/2003			
in € thousand	2012	2013	2013 (min)	2013 (max)	2012	2013	2013 (min)	2013 (max)	2012	2013	2013 (min)	2013 (max)	2012	2013	2013 (min)	2013 (max)
Fixed remuneration	620.0	620.0	620.0	620.0	256.7	440.0	440.0	440.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0
Benefits[1]	25.4	26.3	26.3	50.0	14.6	23.9	23.9	50.0	31.1	31.1	31.1	50.0	24.6	24.5	24.5	50.0
Total	**645.4**	**646.3**	**646.3**	**670.0**	**271.3**	**463.9**	**463.9**	**490.0**	**431.1**	**431.1**	**431.1**	**450.0**	**424.6**	**424.5**	**424.5**	**450.0**
One-year variable remuneration	1,180.0	967.5	—	1,354.5	481.3	687.5	—	995.5	750.0	625.0	—	905.0	750.0	625.0	—	905.0
Multi-year variable remuneration[4]	792.8	1,044.8	—	1,050.0	—	—	—	—	528.5	696.5	—	700.0	528.5	696.5	—	700.0
LTI	792.8	1,044.8	—	1,050.0	—	—	—	—	528.5	696.5	—	700.0	528.5	696.5	—	700.0
Deferral	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	**2,618.2**	**2,658.6**	**646.3**	**3,074.5**	**752.6**	**1,151.4**	**463.9**	**1,485.5**	**1,709.6**	**1,752.6**	**431.1**	**2,055.0**	**1,703.1**	**1,746.0**	**424.5**	**2,055.0**
Service costs	378.7	481.6	481.6	481.6	255.4	425.0	425.0	425.0	258.8	314.6	314.6	314.6	252.2	337.1	337.1	337.1
Total remuneration	**2,996.9**	**3,140.2**	**1,127.9**	**3,556.1**	**1,008.0**	**1,576.4**	**888.9**	**1,910.5**	**1,968.4**	**2,067.2**	**745.7**	**2,369.6**	**1,955.3**	**2,083.1**	**761.6**	**2,392.1**

[1] Benefits have been capped at € 50,000 since 2013.
[2] A US dollar rate is stipulated for translation of the remuneration. Because disbursements are first translated at current rates, this might need to be compensated at the end of the year.
[3] Transfer of the residual terms of claims from LTI programmes which Mr. Roberts received as CEO of MORTON SALT.
[4] All claims from LTI programmes are paid proportionately up to 30 September 2012 in April 2013.

In 2013, the remuneration of the Board of Executive Directors was not raised. As shown in figure 3.4.2 on page 36, the value contributions generated in the four-year performance period were higher than those of the reference period. Consequently, the 2010 LTI programme attained a value of 196.7 %.

The values of the stock options acquired but not yet exercised in the framework of the option programme offered for the last time in 2009 are shown in table 3.4.4 (value had they been exercised on 31 December 2013). / TAB: 3.4.4

In 2013, one member of the Board of Executive Directors (Mr. Felker) exercised virtual options of the still ongoing 2009 option programme.

PENSION COMMITMENTS

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

The pension modules are calculated on the basis of 40 % of the fixed annual remuneration of the respective member of the Board of Executive Directors. The annual total pension under this modular system is limited upwards, in order to avoid unreasonable pensions in the case of long-standing appointments (>15 years). The amount is computed in accordance with actuarial principles and put aside for retirement; the factors for

TAB: 3.4.2

Mark Roberts[2,3] Member of the Board of Executive Directors since 10/2012				Dr. Andreas Radmacher Member of the Board of Executive Directors since 09/2013				Joachim Felker 10/2005–09/2012			
2012	2013	2013 (min)	2013 (max)	2012	2013	2013 (min)	2013 (max)	2012	2013	2013 (min)	2013 (max)
100.0	400.0	400.0	400.0	—	133.3	133.3	133.3	300.0	—	—	—
14.0	35.5	35.5	50.0	—	22.3	7.3	50.0	16.3	—	—	—
114.0	**435.5**	**435.5**	**450.0**	**—**	**155.6**	**140.6**	**183.3**	**316.3**	**—**	**—**	**—**
187.5	625.0	—	905.0	—	208.0	—	301.7	562.5	—	—	—
—	112.4	—	122.4	—	—	—	—	1,366.1	—	—	—
—	112.4	—	122.4	—	—	—	—	1,366.1	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
301.5	**1,172.9**	**435.5**	**1,477.4**	**—**	**363.6**	**140.6**	**485.0**	**2,244.9**	**—**	**—**	**—**
107.1	376.3	376.3	376.3	—	146.9	146.9	146.9	244.3	—	—	—
408.6	**1,549.2**	**811.8**	**1,853.7**	**—**	**510.5**	**287.5**	**631.9**	**2,489.2**	**—**	**—**	**—**

VIRTUAL STOCK OPTION PROGRAMME 2009

TAB: 3.4.4

		Option programme 2009	
		Number of options	Value in € thousand as of 31.12.2013
Norbert Steiner	2013	190,000	0.0
	2012	190,000	0.0
Joachim Felker	2013	0	0.0
	2012	152,900	0.0
Gerd Grimmig	2013	153,060	0.0
	2012	153,060	0.0
Dr. Thomas Nöcker	2013	152,900	0.0
	2012	152,900	0.0
Total	**2013**	**495,960**	**0.0**
	2012	**648,860**	**0.0**

the creation of the modules for 2013 for the members of the Board of Executive Directors are between 9.0 and 15.0 %, depending on their age; these factors decrease with increasing age. The individual pension modules earned during the financial years are totalled and, when the insured event occurs, the respective member of the Board of Executive Directors or, if applicable, his survivors, receives the benefit he is entitled to. The upper limit for an ordinary member of the Board of Executive Directors is € 225,000, and for the chairman of the Board of Executive Directors it is € 300,000. The figures will be reviewed in a three-year cycle – beginning with financial year 2014 – and adjusted if necessary.

Only on payment are pension benefits adjusted in line with changes in the “consumer price index for Germany”. Claims on the modules acquired are vested.

If a Board of Executive Directors mandate ends, the retirement pension starts on completion of the 65th year of life, unless it is to be paid on the basis of an occupational or a general disability or as a survivor’s pension in the event of death. In the event of an occupational or general disability of a member of the Board of Executive Directors before pension age has been reached, that member receives a disability pension in the amount of the pension modules created by the time that such disability occurs. If the disability occurs before the 55th year of life has been reached, modules are fictitiously created on the basis of a minimum value for the years that are missing before the 55th year of life. In the event of death of an active or a former mem-

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS (FUNDS INFLOW)

	Norbert Steiner, CEO Member of the Board of Executive Directors since 05/2000		Dr. Burkhard Lohr, CFO Member of the Board of Executive Directors since 06/2012		Gerd Grimmig Member of the Board of Executive Directors since 10/2000		Dr. Thomas Nöcker Member of the Board of Executive Directors since 08/2003		Mark Roberts[1] Member of the Board of Executive Directors since 10/2012	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
in € thousand										
Fixed remuneration	620.0	620.0	440.0	256.7	400.0	400.0	400.0	400.0	400.0	100.0
Benefits	26.3	25.4	23.9	14.6	31.1	31.1	24.5	24.6	35.5	14.0
Total	**646.3**	**645.4**	**463.9**	**271.3**	**431.1**	**431.1**	**424.5**	**424.6**	**435.5**	**114.0**
One-year variable remuneration	1,180.0	1,102.0	481.3	—	750.0	720.0	750.0	720.0	187.5	—
Multi-year variable remuneration	792.8	1,050.0	—	—	528.5	700.0	528.5	700.0	7.8	—
Plan description (Term of the plan)	2009–2012	2008–2011	—	—	2009–2012	2008–2011	2009–2012	2008–2011	2008–2011	—
Other	—	—	—	—	—	—	—	—	—	—
Total	**2,619.1**	**2,797.4**	**945.2**	**271.3**	**1,709.6**	**1,851.1**	**1,703.0**	**1,844.6**	**630.8**	**114.0**
Pension expenses	481.6	378.7	425.0	255.4	314.6	258.8	337.1	252.2	376.3	107.1
Total remuneration	**3,100.7**	**3,176.1**	**1,370.2**	**526.7**	**2,024.2**	**2,109.9**	**2,040.1**	**2,096.8**	**1,007.1**	**221.1**

[1] All claims arising from LTI programmes were paid proportionately up to 30 September 2012 in April 2013.

ber of the Board of Executive Directors, the surviving spouse receives 60 %, each orphan 30 % and each half-orphan 15 % of the benefit. The maximum amount for the benefit for surviving dependants must not exceed 100 % of the benefit. If this amount is reached, the benefit is reduced proportionately. If a member of the Board of Executive Directors departs after completing his 60th year of life, claims can already be asserted according to the benefit commitment.

For members of the Board of Executive Directors, the following amounts were allocated to the pension provisions in 2013. / TAB: 3.4.5

The pension module earned by each of the members of the Board of Executive Directors in 2013 results in pension expenses, which are calculated in accordance with actuarial principles. The increase in fair values in comparison to the previous year's figure is attributable to the fact that the period until the assumed start of the pension is one year shorter.

EARLY TERMINATION OF BOARD OF EXECUTIVE DIRECTORS' CONTRACTS

In the event of a recall of the appointment as board member, a member of the Board of Executive Directors receives, at the time of the termination, a severance payment of 1.5 times the fixed remuneration, however, up to a maximum amount of the total remuneration for the remaining period of the contract of service. For all Board of Executive Directors' contracts concluded since 2012, only the upper limit for severance payments is 1.5 times the annual fixed remuneration for all remuneration components.

TAB: 3.4.3

	Dr. Andreas Radmacher Member of the Board of Executive Directors since 09/2013		Joachim Felker 10/2005–09/2012	
	2013	2012	2013	2012
	133.3	—	—	300.0
	22.3	—	—	16.3
	155.6	**—**	**—**	**316.3**
	—	—	—	720.0
	—	—	—	700.0
	—	—	—	2008–2011
	—	—	—	—
	155.6	**—**	**—**	**1,736.3**
	146.9	—	—	244.3
	302.5	**—**	**—**	**1,980.6**

PENSIONS [1] TAB: 3.4.5

in € thousand		Age	Fair value as of 1.1.	Pension expenses [2]	Fair value as of 31.12.
Norbert Steiner	2013	59	4,684.2	645.6	5,331.6
	2012		3,225.2	536.7	4,684.2
Joachim Felker	2013	61	—	—	—
	2012		2,060.6	345.3	2,991.2
Gerd Grimmig	2013	60	3,837.2	448.9	4,063.3
	2012		2,918.5	401.8	3,837.2
Dr. Thomas Nöcker	2013	55	2,881.5	437.9	3,308.3
	2012		1,863.7	343.5	2,881.5
Dr. Burkhard Lohr	2013	50	255.4	434.0	665.7
	2012		—	255.4	255.4
Mark Roberts	2013	50	107.0	380.0	464.7
	2012		—	107.0	107.0
Dr. Andreas Radmacher	2013	47	0.0	146.9	146.9
	2012		—	—	—
Total	**2013**		**11,765.3**	**2,493.3**	**13,980.4**
	2012		**10,068.0**	**1,989.7**	**14,756.5 [3]**

[1] According to IFRS.
[2] Including interest expenses.
[3] Including the fair value of the former member of the Board of Executive Directors Mr. Joachim Felker.

In the event of an early dissolution of a Board of Executive Directors' contract as the result of a takeover ("change of control"), the payment of the fixed remuneration and bonuses outstanding until the end of the original term of appointment is made plus a compensatory payment if there is no reason that justifies a termination without notice of the contract of the person concerned. The bonus is calculated in accordance with the average of the preceding two years. The compensatory payment is 1.5 times the annual fixed remuneration. In addition, there is an upper limit on severance payments, in keeping with which claims arising from the "change of control" clause may not exceed the value of the combined annual remuneration for three years. In the event of a change of control, the members of the Board of Executive Directors enjoy no extraordinary right of termination.

MISCELLANEOUS

In the year under review, with regard to their activity as members of the Board of Executive Directors, the members were not promised or granted benefits by third parties. Apart from the service contracts mentioned, there are no contractual relationships between the Company or its Group companies with members of the Board of Executive Directors or persons closely related to them.

The total remuneration of the previous members of the Board of Executive Directors and their surviving spouses came to € 1.5 million (previous year: € 1.1 million) during the year under review. The increase is due to a waiting allowance with duration until September 2014 for Mr. Felker.

REMUNERATION OF THE SUPERVISORY BOARD

REMUNERATION STRUCTURE

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

/ FURTHER INFORMATION ABOUT THE CALCULATION OF THE COST OF CAPITAL AND THE RETURN ON TOTAL INVESTMENT can be found on page 80.

The members of the audit committee each receive annual remuneration of € 15,000, and the members of the personnel committee of € 7,500. For his or her activity on the nomination committee, each member receives annual remuneration of € 7,500 if at least two meetings have taken place in the respective year. The chairmen of these committees shall receive twice this amount and a vice-chairman 1.5 times the amount of this remuneration. Finally, for participation in a meeting of the Supervisory Board or one of its committees to which he or she belongs, each member of the Supervisory Board receives an attendance allowance of € 750; in the case of more than one meeting on the same day, however, a maximum of € 1,500 per day. The members of the Supervisory Board are entitled to the reimbursement from the Company of any expenses necessary and reasonable for the performance of their duties, as well as to the reimbursement of any value added tax (VAT) to be paid as a consequence of their activities in the capacity of Supervisory Board members.

REMUNERATION OF THE SUPERVISORY BOARD [1] TAB: 3.4.6

in €		Fixed remu-neration	Audit committee	Personnel committee	Nomination committee	Attendance allowance	Total
Dr. Ralf Bethke (Chairman)	2013	200,000	15,000	15,000	15,000	12,000	257,000
	2012	200,000	15,000	15,000	15,000	12,000	257,000
Michael Vassiliadis (Vice-Chairman)	2013	150,000	15,000	7,500	—	9,000	181,500
	2012	150,000	15,000	7,500	—	8,250	180,750
Ralf Becker	2013	100,000	15,000	—	—	5,250	120,250
	2012	100,000	15,000	—	—	6,000	121,000
Jella S. Benner-Heinacher	2013	100,000	—	3,750 [2]	3,750 [3]	7,500	115,000
	2012	100,000	—	—	7,500	6,000	113,500
George Cardona	2013	100,000	—	—	3,750 [2]	5,250	109,000
	2012	100,000	—	—	—	3,000	103,000
Wesley Clark (since 14.5.2013)	2013	63,014	—	—	—	3,000	66,014
	2012	—	—	—	—	—	—
Harald Döll	2013	100,000	—	—	—	5,250	105,250
	2012	100,000	—	—	—	3,000	103,000
Dr. Rainer Gerling	2013	100,000	—	—	—	5,250	105,250
	2012	100,000	—	—	—	3,000	103,000
Axel Hartmann (since 14.5.2013)	2013	63,014	—	—	—	3,000	66,014
	2012	—	—	—	—	—	—
Rainer Grohe (until 14.5.2013)	2013	36,986	—	3,750	—	4,500	45,236
	2012	100,000	—	7,500	—	5,250	112,750
Dr. Karl Heidenreich (until 14.5.2013)	2013	36,986	7,500	—	—	3,000	47,486
	2012	100,000	15,000	—	—	6,000	121,000
Rüdiger Kienitz	2013	100,000	—	—	—	5,250	105,250
	2012	100,000	—	—	—	3,000	103,000
Klaus Krüger	2013	100,000	15,000	7,500	—	11,250	133,750
	2012	100,000	15,000	7,500	—	8,250	130,750
Dieter Kuhn	2013	100,000	—	—	—	5,250	105,250
	2012	100,000	—	—	—	3,000	103,000
Dr. Bernd Malmström	2013	100,000	—	—	7,500	6,750	114,250
	2012	100,000	—	—	7,500	4,500	112,000

REMUNERATION OF THE SUPERVISORY BOARD[1] (CONTINUED) TAB: 3.4.6

in €		Fixed remuneration	Audit committee	Personnel committee	Nomination committee	Attendance allowance	Total
Dr. Annette Messemer (since 14.5.2013)	2013	63,014	7,500	—	—	4,500	75,014
	2012	—	—	—	—	—	—
Dr. Rudolf Müller	2013	100,000	—	—	7,500	6,750	114,250
	2012	100,000	—	—	7,500	6,000	113,500
Renato De Salvo (until 14.5.2013)	2013	36,986	—	—	—	2,250	39,236
	2012	100,000	—	—	—	3,000	103,000
Dr. Eckart Sünner	2013	100,000	30,000	—	—	6,750	136,750
	2012	100,000	30,000	—	—	6,000	136,000
Total	**2013**	**1,750,000**	**105,000**	**37,500**	**37,500**	**111,750**	**2,041,750**
	2012	**1,750,000**	**105,000**	**37,500**	**37,500**	**86,250**	**2,016,250**

[1] Without reimbursement for the value added tax (VAT) to be paid by the members of the Supervisory Board as a consequence of their activities.
[2] Member of the committee since 14.5.2013.
[3] Member of the committee until 14.5.2013.

AMOUNT OF REMUNERATION

Details of the remuneration of the Supervisory Board for the financial year 2013 are provided in individualised form by table 3.4.6. / TAB: 3.4.6

Additionally, in 2013, members of the Supervisory Board were reimbursed expenses totalling € 58.5 thousand (previous year: € 16.8 thousand). The increase can be attributed in particular to increased travel activities by Supervisory Board members to sites of the K+S GROUP. In financial year 2013, no remuneration was paid for activities on the Supervisory Board of subsidiaries; neither were benefits for personally performed services, in particular consultancy or brokerage services, – with one exception – granted to the members of the Supervisory Board.

COMBINED MANAGEMENT REPORT

UNCERTAINTIES IN THE POTASH MARKET MARK THE YEAR 2013

Signs of stabilisation in the Potash and Magnesium Products business unit discernible / Normalisation of de-icing salt business after a weak previous year / Group revenues at € 3.95 billion overall stable / Operating earnings (EBIT I) significantly below previous year due to price effects / Legacy Project proceeding according to plan / Programme "Fit for the future" progressing well

4

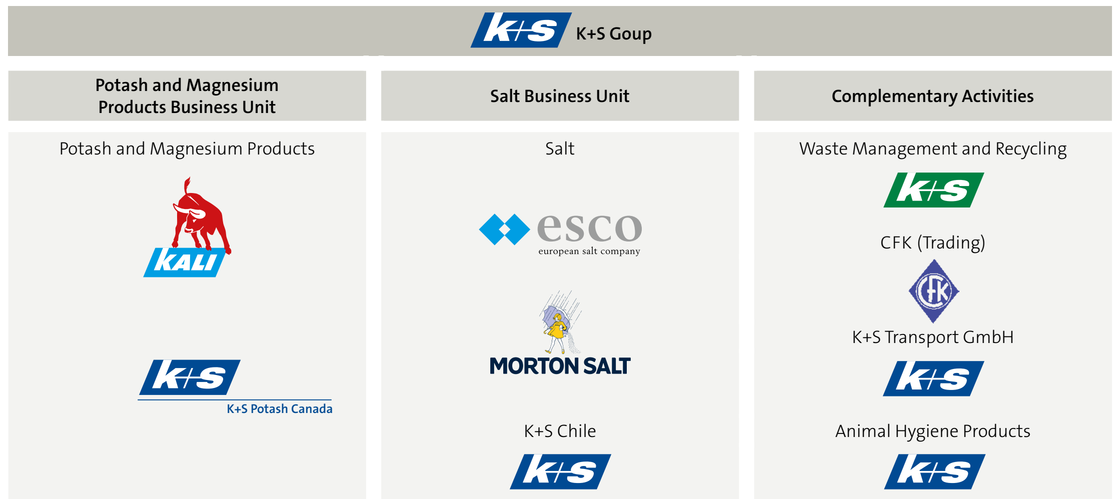
4.1 GROUP STRUCTURE AND BUSINESS OPERATIONS

GROUP LEGAL STRUCTURE

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

/ **DETAILS REGARDING SUBSIDIARIES, EQUITY INTERESTS AND RELATED COMPANIES** can be found in the list of shareholdings in the Notes to the consolidated financial statements on page 177.

ORGANISATIONAL STRUCTURE FIG: 4.1.1



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

In comparison to 31 December 2012, the scope of consolidation changed as follows: UBT SEE- UND HAFEN- SPEDITION GMBH ROSTOCK was merged into K+S TRANSPORT GMBH as of 1 January 2013. In addition, SPL PÉRU S.A.C. was consolidated for the first time as of 1 January 2013, while K+S MINING ARGENTINA S.A. is no longer consolidated as of 1 January 2013. K+S KALI ATLANTIQUE S.A.S. was dissolved as of 3 July 2013. In connection with internal Group restructuring, K+S CZ A.S. was merged into SOLNÉ MLÝNY A.S. (SMO) and then renamed K+S CZECH REPUBLIC A.S. In addition, the following companies were established and consolidated for the first time: 1786987 ALBERTA LTD., K+S NORTH AMERICA ASSET MANAGEMENT GMBH as well as K+S NORTH AMERICA SALT ASSET MANAGEMENT GMBH & CO. KG. The formation of these companies is related to a reorganisation in 2013 with the objective of bundling our Canadian activities in the potash and salt segment in the company K+S NETHERLANDS HOLDING B.V.

ORGANISATIONAL STRUCTURE

The reporting of the K+S GROUP is divided into three business units that are interlinked in terms of strategic, technical and economic aspects. Enterprise management and supervision are exercised by K+S AKTIENGESELLSCHAFT in Kassel. / FIG: 4.1.1

/ SUPPLEMENTARY INFORMATION ABOUT THE PRODUCTS AND SERVICES OF THE K+S GROUP can be found in the Corporate / Sustainability Report and on our website www.k-plus-s.com

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

The Potash and Magnesium Products business unit extracts potash and magnesium crude salts at six mines in Germany, which are further processed there and at a former mining site to create end products or intermediate products. Furthermore, three processing sites in France belong to the business unit. The annual production capacity of the business unit is up to 7.5 million tonnes of potash and magnesium products. As a result of the acquisition of the Canadian company POTASH ONE – today's K+S POTASH CANADA GP – in 2011, the business unit will in future have the possibility of increasing the annual production capacity with the Legacy Project by at least 2.86 million tonnes over the long term. A broad distribution network facilitates the sale of the products in Europe and overseas. The Potash and Magnesium Products business unit is predominantly reflected in K+S KALI GMBH, its subsidiaries and K+S POTASH CANADA GP.

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

IMPORTANT PRODUCTS AND SERVICES

The Potash and Magnesium Products business unit offers its customers fertilizers, products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and food industries as well as intermediate products for the production of feed. Potassium chloride is the best-selling product group. The natural mineral fertilizer with universal areas of application is used globally, in particular for important crops, such as cereals, corn, rice and soy beans. Potassium chloride is directly spread on fields as a granulate or mixed first with other straight fertilizers in bulk blenders to produce what are known as "bulk blends". We also supply potassium chloride as a fine-grain "standard" product to the fertilizer industry, which processes it along with other nutrients to produce complex fertilizers. The fertilizer specialities of the business unit differ from classic potassium chloride either because they are chloride-free or because of different nutrient formulas with magnesium, sulphur and trace elements.

These products are used for crops which have a greater need for magnesium and sulphur, such as rape or potatoes, as well as for chloride-sensitive special crops, such as citrus fruits, wine or vegetables. In addition, the business unit offers a wide range of high-quality potassium and magnesium products for industrial applications, available in different degrees of purity and in specific grain sizes. These are used, for example, in chlorine-alkaline electrolysis in the chemical industry, in the production of glass and synthetic materials, in the mineral oil industry, in metallurgical processes, in the textile industry, in biotechnology, in oil and gas exploration, as well as in the recycling of synthetic materials. Furthermore, the Potash and Magnesium Products business unit provides a product portfolio meeting the especially high demands of the pharmaceutical, cosmetics, food and animal feed industries. Customer orientation and specialist consulting are key elements in the range of services offered by the business unit. A team of consultants, consisting of regional consultants as well as globally active agriculturalists, provides important information and suggestions for innovations regarding the use of plant nutrients in agriculture. Technical application consulting for industrial products is available worldwide.

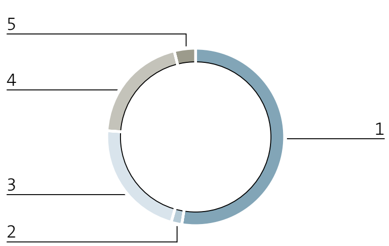
/ SUPPLEMENTARY INFORMATION ABOUT THE PRODUCTS AND SERVICES OF THE POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT can be found in the Corporate / Sustainability Report and on our website www.k-plus-s.com

IMPORTANT SALES REGIONS AND COMPETITIVE POSITIONS

The business unit achieves a good half of its revenues in Europe. Here it benefits from the logistically favourable proximity of the production sites to European customers. In South America, particularly in Brazil, as well as in Asia, the business unit also holds noteworthy competitive positions. / FIG: 4.1.2

The Potash and Magnesium Products business unit is the world's fifth-largest and in Western Europe the largest producer of potash products and, in 2013, had an approximately 10 % share in the global sales volume of potash. Important competitors are the North American companies POTASHCORP, MOSAIC and AGRIUM, which operate the joint sales organisation CANPOTEX, Russian URALKALI and Belarusian BELARUSKALI which acted together through the sales organisation BPC, Israel's ICL, Jordan's APC and Chile's SQM. In addition to potassium chloride – and in contrast to its key competitors – the business unit offers fertilizer specialities containing potassium, sulphur and magnesium and occupies the leading position worldwide in this market segment. With its products for industrial, technical and pharmaceutical applications too, K+S is among the most competitive manufacturers worldwide and is by far the largest supplier in Europe.

POTASH AND MAGNESIUM PRODUCTS – SALES VOLUMES BY REGION FIG: 4.1.2



in %		2013	2012
1	Europe	52.6	50.6
	– of which Germany	14.0	14.9
2	North America	2.1	2.4
3	South America	21.5	21.3
4	Asia	20.1	21.6
5	Africa, Oceania	3.7	4.1

SALT BUSINESS UNIT

In the Salt business unit, the K+S GROUP extracts and markets food grade salt, industrial salt, salt for chemical use and de-icing salt. With an annual production capacity of about 30 million tonnes of salt, K+S is the world's largest supplier of salt products. The business unit comprises the sub-units ESCO – EUROPEAN SALT COMPANY GMBH & CO. KG (ESCO), Hanover, whose activities are mainly focused on Europe, Chilean K+S CHILE S.A. (formerly SOCIEDAD PUNTA DE LOBOS S.A. (SPL)), Santiago de Chile, with activities in South America and the United States, as well as MORTON SALT, INC., Chicago, one of the largest salt producers in North America. ESCO operates three rock salt mines, two brine plants, as well as several plants processing evaporated salt in Germany, France, the Netherlands, Portugal and Spain, and has numerous distribution sites in Europe. To strengthen its market position, ESCO took over the Czech salt processing company SOLNÉ MLÝNY A.S. (SMO), an important supplier of salt products in the Czech Republic and other European regions, at the start of 2012. The annual production capacity of ESCO is about 8.0 million tonnes of crystallised salt and 1.7 million tonnes of salt in brine. K+S CHILE extracts rock salt in Salar Grande de Tarapacá by means of cost-effective open-cast mining. In 2013, the production capacity was expanded to about 8 million tonnes per year. Moreover, SALINA DIAMANTE BRANCO operates a sea salt facility with an annual capacity of 0.5 million tonnes in the north-eastern part of Brazil. In the United States, K+S CHILE distributes its salt products via the INTERNATIONAL SALT COMPANY (ISCO). Furthermore, Chilean shipping company EMPREMAR S.A., with a fleet of two ships of its own as well as additional chartered ships providing maritime logistics for the salt business in South America, also forms part of the Salt business unit. MORTON SALT operates six rock salt mines, seven solar salt plants and nine plants processing evaporated salt in the United States, in Canada and in the Bahamas. The annual production capacity is about 13 million tonnes of salt. The Salt business unit is represented in Europe as well as North America and South America with its own distribution units and via platform companies of the K+S GROUP. Furthermore, the business unit exports salt products to Asia and other regions of the world.

IMPORTANT PRODUCTS AND SERVICES

The Salt business unit offers its customers food grade salt, industrial salt, salt for chemical use and de-icing salt, which are all based on sodium chloride (common salt). Depending on the particular applications, the products differ primarily in terms of their grain size, the degree of purity, the form in which they are supplied and possible additives. In the food grade salt product segment, the K+S GROUP produces both salt for the foodstuff industry as well as food grade salt for end users, to which also premium products such as kosher salt or low-sodium salt belong. Industrial salts are used by dyeing works, in the textile industry, in the production of foodstuffs for animals, for the preserving of fish, in drilling fluids used for the extraction of oil and natural gas, as well as in many other industrial areas. Pharmaceutical salts are a key element in infusion and dialysis solutions. In the industrial salt segment too, products for end users such as water-softening salts are manufactured. Salt for chemical use is one of the most important raw materials for the chemical industry. In electrolysis plants, it is split into chlorine, caustic soda and hydrogen. It reaches the end user in the form of, for example, a component of various synthetics. Winter road clearance services, public and private road authorities, road maintenance depots and commercial bulk customers procure de-icing agents from the K+S GROUP, and household packages for end users round off the product range. In addition, de-icing salts are on offer, which, through the addition of calcium chloride, create more heat when in contact with ice and snow than conventional products and thus work more quickly, especially at very low temperatures.

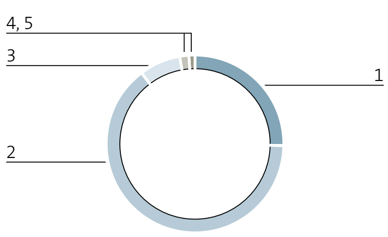
/ FURTHER INFORMATION ABOUT PRODUCTS, SERVICES AND AREAS OF APPLICATION OF THE SALT BUSINESS UNIT can be found in the Corporate/Sustainability Report.

IMPORTANT SALES REGIONS AND COMPETITIVE POSITIONS

The key sales regions of the Salt business unit in Europe include Germany, the Benelux countries, France, Scandinavia, the Iberian Peninsula, the Czech Republic, Poland and the Baltic states, while the United States, Canada, Brazil, and Chile are markets of particular importance on the American continent. The de-icing salt business is strongly dependent on weather conditions. Thanks to its unique network of production facilities in Europe, North America and South America, K+S can, however, respond more flexibly to fluctuations in demand for de-icing salt than the local competitors. In the other segments, owing to the limited possibility for substitution in most applications, the demand situation is relatively stable. While the market with respect to salt is comparatively mature in Western Europe and only exhibits slight growth rates, a trend towards a stronger increase in demand is being observed in the emerging market countries. / FIG: 4.1.3

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

SALT – SALES VOLUMES BY REGION FIG: 4.1.3



	in %	2013	2012
1	Europe	25.5	24.4
	– of which Germany	11.1	9.1
2	North America	64.5	61.1
3	South America	7.7	11.0
4	Asia	1.6	3.4
5	Africa, Oceania	0.7	0.1

COMPLEMENTARY ACTIVITIES

In addition to disposal activities for underground disposal and reutilisation of waste in potash and rock salt mines, and the salt slag and building material recycling (waste management and recycling) as well as the granulation of animal hygiene products such as CATSAN® and THOMAS®, at the Salzdetfurth site, the term "Complementary Activities" bundles further smaller, though attractive, activities for the K+S GROUP. K+S TRANSPORT GMBH, Hamburg, acts as the K+S GROUP's own logistics service provider. CHEMISCHE FABRIK KALK GMBH (CFK) trades in a greater number of basic chemicals.

IMPORTANT PRODUCTS AND SERVICES

The Waste Management and Recycling business unit uses the underground caverns created as a result of the extraction of crude salts for the long-range safe disposal of waste and for waste recycling while employing the available infrastructure of active potash and rock salt mines. The business unit operates two underground storage sites. The waste stored there is isolated permanently from the biosphere. Additionally, the K+S GROUP operates five underground reutilisation plants for waste. Officially approved waste is used here to fill caverns. Flue gas cleaning residues, for example, are suitable for underground reutilisation. The salt deposits used by the K+S GROUP for the disposal of waste and for waste recycling are impervious to gas and liquids as well as securely separated from the layers carrying groundwater. A combination of geological and artificial barriers thus ensures the highest possible degree of safety. For the secondary aluminium industry, the segment offers smelting salts and the recycling of salt slag. Building material recycling also belongs to the range of services.

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

At the Salzdetfurth site, a way has been found to successfully continue to use existing plants and extensive sections of the infrastructure of a disused potash plant economically, preserving jobs and even again significantly expanding operations. Here we granulate, for example, the well-known brand products CATSAN® and THOMAS® for MARS GMBH.

CFK's product range comprises a selection of basic chemicals. They include caustic soda, nitric acid, sodium carbonate (soda) as well as calcium chloride and magnesium chloride.

IMPORTANT SALES REGIONS AND COMPETITIVE POSITIONS

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

KEY SITES

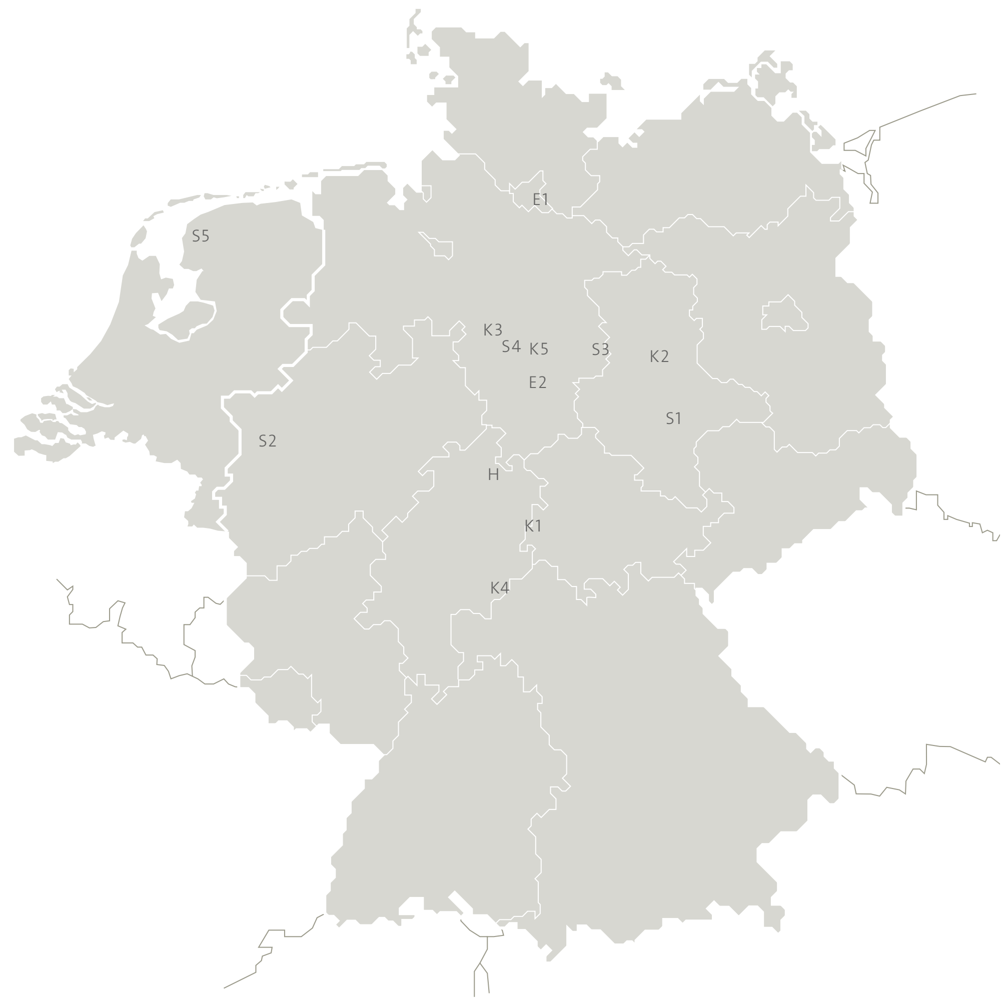
At the end of 2013, the K+S GROUP employed more than 14,000 people in Germany and abroad. Figures 4.1.4 and 4.1.5 indicate the most important K+S GROUP sites and the number of staff employed by them. / FIG: 4.1.4, 4.1.5

IMPORTANT SITES IN EUROPE FIG: 4.1.4

	Site	Employees (FTE)[1]
K+S sites in Kassel, Germany (K+S AG / K+S KALI / K+S Entsorgung / K+S IT Services)	H	877
Kaliverbundwerk Werra, Germany (Heringen / Merkers / Philippsthal / Unterbreizbach)	K1[2] ⚒	4,391
Zielitz potash plant, Germany	K2[2] ⚒	1,823
Sigmundshall potash plant, Germany	K3[2] ⚒	761
Neuhof-Ellers potash plant, Germany	K4 ⚒	751
Bergmannssegen-Hugo potash plant, Germany	K5[2]	137
Bernburg salt mine, Germany	S1[2] ⚒	469
Borth salt mine, Germany	S2 ⚒	328
Braunschweig-Lüneburg salt mine, Germany	S3 ⚒	184
esco headquarters, Hanover, Germany	S4	89
Frisia Zout B.V. brine plant, Harlingen, The Netherlands	S5	86
K+S Transport GmbH, Hamburg, Germany	E1	126
Granulation of animal hygiene products, Bad Salzdetfurth, Germany	E2	119

[1] FTE = Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours; including trainees.
[2] Site with waste management activities.

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



IMPORTANT SITES IN AMERICA FIG: 4.1.5

	Site	Employees (FTE)[1]
K+S Potash Canada GP (Legacy Project), Saskatchewan, Canada	K6 ⚒	157
Morton Salt headquarters, Chicago, USA	S6	232
Salina Diamante Branco sea salt facility, Natal, Brazil	S7	231
Rittman evaporated salt facility, USA	S8	225
Ojibway salt mine, Canada	S9 ⚒	214
Grand Saline salt mine, USA	S10 ⚒	200
K+S Chile open-cast salt mining operations, Tarapacá Desert / Patillos, Chile	S11 ⚒	169
Fairport salt mine, USA	S12 ⚒	156
Weeks Island salt mine, USA	S13 ⚒	155
Pugwash salt mine, Canada	S14 ⚒	153
Hutchinson evaporated salt facility, USA	S15	152
Silver Springs evaporated salt facility, USA	S16	150
Mines Seleine salt mine, Canada	S17 ⚒	146
Inagua sea salt facility, Bahamas	S18	145
K+S Chile headquarters, Santiago de Chile, Chile	S19	141
Grantsville solar salt facility, USA	S20	134
Manistee evaporated salt facility, USA	S21	115
Empremar shipping company, Santiago de Chile, Chile	S22	105
Windsor evaporated salt facility, Canada	S23	96
ISCO distribution company, Clarks Summit, USA	S24	80
Newark evaporated salt and sea salt facility, USA	S25	69
Port Canaveral processing site, USA	S26	52
Lindbergh brine plant, Canada	S27	52
Canadian Salt headquarters, Montreal, Canada	S28	38
Glendale evaporated salt facility, USA	S29	31

[1] FTE = Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours; including trainees.

K = Potash and Magnesium Products
S = Salt
⚒ Potash and rock salt mining

MANAGEMENT AND CONTROL

DECLARATION ON CORPORATE GOVERNANCE

The Declaration on Corporate Governance in accordance with Sec. 289a of the German Commercial Code (Handelsgesetzbuch – HGB) is shown in the 'Corporate Governance' section on page 25. It forms an integral part of the combined Management Report of K+S AKTIENGESELLSCHAFT and the K+S GROUP. With this declaration, the Board of Executive Directors and the Supervisory Board also provide a report in accordance with Item 3.10 of the German Corporate Governance Code. It includes the declaration pursuant to Sec. 161 of the German Stock Corporation Act (AktG), the description of how the Board of Executive Directors and the Supervisory Board function, as well as the composition and procedures of the committees and further information regarding corporate governance.

BASIC FEATURES OF THE REMUNERATION SYSTEM

The information to be disclosed in accordance with Sec. 289 Para. 2 No. 5 and Sec. 315 Para. 2 No. 4 of the German Commercial Code (HGB) and Items 4.2.4, 4.2.5 and 5.4.6 Para. 3 of the German Corporate Governance Code is contained in the Remuneration Report of the 'Corporate Governance' section on page 25; the Remuneration Report constitutes an integral part of the combined Management Report of K+S AKTIENGESELLSCHAFT and the K+S GROUP.

LEGAL INFLUENCING FACTORS

/ **INFORMATION ON RISKS ARISING FROM CHANGES IN LEGAL FRAMEWORK CONDITIONS** can be found in the Risk Report on page 101.

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

ITEM 1: COMPOSITION OF SUBSCRIBED CAPITAL

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

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

Each share carries one vote; no restrictions apply to voting rights or to the transfer of shares. No corresponding shareholder agreements are known to the Board of Executive Directors.

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

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

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

There are no shares with special rights conferring control powers.

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

No voting right controls apply.

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

The appointment and dismissal of the Board of Executive Directors are governed by Sec. 84 AktG. Accordingly, the members of the Board of Executive Directors are appointed by the Supervisory Board for a maximum term of five years. In accordance with Art. 5 of the Articles of Association, the Board of Executive Directors of K+S AKTIENGESELLSCHAFT comprises at least two members. The number of members is determined by the Supervisory Board. The Supervisory Board can appoint a member of the Board of Executive Directors chairman of the Board of Executive Directors. The Supervisory Board can rescind the appointment of a member of the Board of Executive Directors or the appointment of the chairman of the Board of Executive Directors for important reasons.

Amendments to the Articles of Association can be resolved by the Annual General Meeting by a simple majority of the share capital represented (Sec. 179 Para. 2 AktG in conjunction with Art. 17 Para. 2 of the Articles of Association) unless statutory provisions impose larger majority requirements.

ITEM 7: BOARD OF EXECUTIVE DIRECTORS' AUTHORISATIONS CONCERNING THE POSSIBILITY OF ISSUING OR BUYING BACK SHARES

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

The Board of Executive Directors is furthermore authorised, with the approval of the Supervisory Board, to dispose of shares in the Company which were acquired on the basis of an authorisation in accordance with Sec. 71 Para. 1 No. 8 AktG on a stock exchange or by means of a public offer directed to all shareholders. In the following cases, the shares may be disposed of by other means and thus with the subscription rights of the shareholders excluded:

+ Disposal against consideration comprising payment of a cash sum that does not significantly undercut the relevant stock exchange price;
+ Issuance of shares as consideration for the purpose of acquiring companies, parts of companies or interests in companies;
+ Servicing of convertible bonds and bonds with warrants, which have been issued on the basis of authorisation granted by the Annual General Meeting. Currently, such an authorisation does not exist.

The authorisation to exclude subscription rights applies in respect of all shares representing a proportionate amount of the share capital that is not greater than 10 % of the share capital at the time of the adoption of the resolution or at the time of exercising the authorisation, depending on when the amount of the share capital is the smaller amount. The maximum limit of 10 % of the share capital is reduced by the proportionate amount of the share capital corresponding to those shares that are issued in connection with a capital increase from authorised capital or from conditional capital excluding subscription rights while this authorisation is in effect.

The Board of Executive Directors is finally authorised, with the approval of the Supervisory Board, to cancel shares in the Company which were acquired on the basis of an authorisation in accordance with Sec. 71 Para. 1 No. 8 AktG and with no additional resolution of the Annual General Meeting being required to effect such cancellation. The shares have to be cancelled in accordance with Sec. 237 Para. 3 No. 3 AktG without a capital decrease in such a way that, as a result of the cancellation, the proportion of the remaining no-par value shares in the share capital is increased pursuant to Sec. 8 Para. 3 AktG.

The authorisations to purchase own shares as well as to dispose of and cancel them may be exercised in whole or in part each time and several times in the latter case.

The authorisation granted by the Annual General Meeting to the Board of Executive Directors to purchase own shares of the Company to a limited extent is a common instrument available in many companies. By being able to resell own shares, the Company is placed in a position to, for example, gain long-term investors in Germany and abroad or to finance acquisitions flexibly. The continued possibility of cancelling own shares is also a common alternative the use of which lies in the interest of the Company and its shareholders.

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

In 2013, K+S concluded a syndicated credit line for € 1 billion. All bank advances made within the framework of the credit line will become due and payable immediately and the entire credit line will become redeemable in accordance with the conditions set out in this agreement if one person acting alone or more persons acting in concert acquire control over K+S AKTIENGESELLSCHAFT. In the case of the four bonds issued by K+S AKTIENGESELLSCHAFT in 2009, 2012 and 2013 too, the bond holders, in the event of a change of control, have the right to terminate debentures that have not yet been redeemed.

The provisions that credit agreements and bond conditions contain for the event of a change of control are customary and reasonable from the perspective of protecting the legitimate interests of the creditors.

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

Agreements of this type exist with the members of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT and are explained in detail in the Remuneration Report on page 34. The stock option programme for the Board of Executive Directors and for senior management, granted for the last time in 2009, provides for the opening of a special time window for the exercise of all still outstanding options in the event of a change of control. The exact form of this programme, which is identical for the Board of Executive Directors and for senior management, is also explained in the Remuneration Report (see page 34). The programme with a long-term incentive character (LTI), introduced in 2010 for the Board of Executive Directors and for senior management, includes no compensation agreements.

The existing compensation agreements with the members of the Board of Executive Directors and the special time window of exercise governed by the stock option programme for the Board of Executive Directors and for senior management in the event of a takeover bid, which was granted for the last time in 2009, take into appropriate consideration both the legitimate interests of those concerned and of the Company and its shareholders.

4.2 CORPORATE STRATEGY

VISION AND MISSION

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

/ **OUR VISION** can be found on page 11 of this Financial Report, while further information is also available in the Corporate / Sustainability Report.

GROWTH STRATEGY

We consistently pursue our two-pillar strategy. With the purchase of POTASH ONE and MORTON SALT as well as the divestment of COMPO and K+S NITROGEN, we have focussed our management resources and financial means on the Potash and Magnesium Products as well as Salt business units over the past few years. Our goal is to continue growing in both pillars. The components of the K+S growth strategy are shown in figure 4.2.1 and subsequently discussed. The sustainable growth of the enterprise value in the form of a premium on the cost of capital before taxes of at least 15 % is central to our financial objectives. **/ FIG: 4.2.1**

/ **FURTHER INFORMATION ABOUT DISCONTINUED OPERATIONS** can be found on page 134 of the Notes to the consolidated financial statements.

DIFFERENTIATION AND SUSTAINABLE MARGIN GROWTH THROUGH SPECIALISATION

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

/ **DETAILED INFORMATION REGARDING OUR MARKET POSITION** can be found in the 'Organisational Structure' section on page 46.

INCREASING EFFICIENCY AND EXPLOITING SYNERGIES

With regard to the competitiveness of the Potash and Magnesium Products and Salt business units, the cost position is a key success factor. Our focus in this regard is on the consistent pursuit of cost-cutting and flexibilisation initiatives throughout the process chains. For this reason, 2013 saw us launch the "Fit for the Future" programme, which is to make a lasting contribution to improving our cost and organisational structures. Our goal is to achieve cost savings of the order of € 500 mil-

COMPONENTS OF THE K+S GROWTH STRATEGY FIG: 4.2.1

Differentiation and Sustainable Margin Growth through Specialisation	Expansion of Strategic Business Units through Acquisitions and Cooperations

Expansion of a Balanced Regional Portfolio	Setting Standards for Quality, Reliability and Service	Increasing Efficiency and Exploiting Synergies

lion in total by 2016 on the current budget for the period in question. K+S expects to reduce costs by a good € 150 million in 2014. In this regard, the optimisation of the international production network as well as the associated volume flows and logistics costs will play an important role. The broadly comparable mining processes make the realisation of synergies between the Potash and Magnesium Products and Salt business units possible in the exchange of technical, geological and logistics know-how as well as economies of scale in the procurement of machines and auxiliary materials.

EXPANSION OF A BALANCED REGIONAL PORTFOLIO

Worldwide, both potash and salt markets are characterised by seasonal and regional fluctuations in demand. The strategy of the K+S GROUP is aimed at a balanced regional portfolio, which makes a balance of weather-related fluctuations and a cushioning of cyclical market trends possible.

SETTING STANDARDS FOR QUALITY, RELIABILITY AND SERVICE

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

STRATEGIC DIRECTION OF THE BUSINESS UNITS

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

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

POTASH AND MAGNESIUM PRODUCTS

The Potash and Magnesium Products business unit is seeking to attain a balanced market presence in the important agricultural regions of Europe, South America and Asia to facilitate the levelling out of seasonal differences as well as to reduce cyclical regional demand effects. Expanding the market presence in important overseas regions and tapping into new attractive sales areas in future growth regions will therefore be pursued further.

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

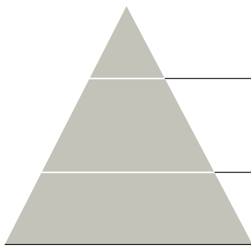
Optimising our production structures is a further key focus. We want to make the best possible of the resources available to us. With our "package of measures on water protection", our goal is to reduce the occurrence of saline waste water in comparison to 2006 by about 50 % to 7 million m³ by the end of 2015 through changes in the production processes and through new process technology too.

The strategic fields of action arising for the future of the Potash and Magnesium Products business unit are as shown in figure 4.2.2. / FIG: 4.2.2

SALT

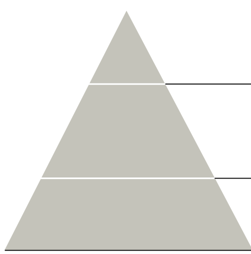
The Salt business unit particularly aims to achieve further growth in selected regions and product segments. At the same time, the efficiency of existing structures will be constantly optimised by means of continuous improvement. With the purchase of the Czech salt processing company SOLNÉ MLÝNY A.S. (SMO) in 2012, our subsidiary ESCO came an important step closer towards realising its goal of

STRATEGY POTASH AND MAGNESIUM PRODUCTS FIG: 4.2.2



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

STRATEGY SALT FIG: 4.2.3



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

expanding its market position in Eastern Europe. After its successful integration, the further expansion of business in the growth regions of Eastern Europe will be continued. In the important de-icing salt product segment, sales volumes are to be increased over the coming five years.

In addition, the Salt business unit aims to advance its expansion into Asia. As well as growing deliveries of salt for chemical industry application, MORTON SALT is to be established there in selected regions and segments. By means of on-site personnel, not only is the strategic goal of increasing sales volumes and strengthening customer loyalty to be achieved in the product and customer segments already served, but new segments are also to be tapped into.

In the region of North America, the expansion of the chemical industry salt business is a strategic focal point. As a result of lower energy prices, the local chlorine-alkaline industry is growing. MORTON SALT's aim is to partake of this development to a particular degree on the basis of its extensive production network.

In Latin America, the Salt business unit intends to launch the very successful Chilean retail brands LOBOS and BIOSAL in Peru within the next two years.

For the Salt business unit, we see the strategic fields of action for the future as shown in figure 4.2.3. / FIG: 4.2.3

STRATEGY FOR DEALING WITH SUSTAINABILITY ISSUES

As a commodities company, we must think and act in long terms. For us, sustainable development means future viability. We will only be economically successful in the long term if, in our corporate actions, which are aimed at achieving sustainable economic success, we also take ecological and social aspects into consideration appropriately. An early and systematic identification and evaluation of these issues as well as social trends and their inclusion in our management processes help us to boost our current business, seize new business opportunities and minimise risks.

STRATEGIC GROUP STRUCTURE

As regards the shaping of the Group structure in terms of company law, the optimisation of Group financing and tax optimisation are the main focuses.

STRATEGIC FINANCING MEASURES

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

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

/ INFORMATION ABOUT THE GOALS OF FINANCIAL MANAGEMENT can be found in the 'Financial Position' section on page 81.

As part of these objectives, we renewed the existing syndicated credit line in financial year 2013. The new credit line in the amount of € 1 billion runs until June 2018 and can be extended twice until June 2020 by one year each time. In addition, a corporate bond with a maturity of ten years (issue volume: € 500 million; interest coupon: 3.0 % p.a.) was already issued in 2012. At the end of 2013, we placed a further two bonds with maturities of five years (issue volume: € 500 million; interest coupon: 3.125 % p.a.) and eight years (issue volume: € 500 million; interest coupon: 4.125 % p.a.). These measures, the other liquidity and future cash flows serve the repayment of the corporate bond due in September 2014 (issue volume: € 750 million; interest coupon: 5.0 % p.a.), the financing of the Legacy Project in Canada as well as general corporate purposes.

Liquidity is managed by the central treasury department. We strive for a constant liquidity reserve for the K+S GROUP of at least € 300 million. With investments, we pursue the goal of optimising the income earned from liquid funds at low risk.

/ INFORMATION ABOUT FUTURE FINANCING MEASURES can be found in the Forecast Report on page 114.

4.3 ENTERPRISE MANAGEMENT AND SUPERVISION

The internal control system (ICS) of the K+S GROUP is the chief instrument for the Board of Executive Directors to exercise its managerial responsibility and its oversight duty. The ICS includes principles, regulations, measures and procedures, which are oriented towards the organisational preparation and implementation of management decisions. It serves in particular:

+ the achievement of established corporate goals;
+ to secure the effectiveness and economic efficiency of business operations;
+ the adequacy and reliability of internal and external accounting procedures;
+ the purpose of compliance with laws, internal regulations and instructions of the management;
+ the promotion of correct, economic, purposeful and effective processes, and
+ to secure assets against fraud, waste, abuse and mismanagement.

The ICS of the K+S GROUP consists of the components "internal management system" and "internal monitoring system". The continuous monitoring of the effectiveness of the systems established across the Group constitutes a key element of the ICS. **/ FIG: 4.3.1**

THE INTERNAL CONTROL SYSTEM OF THE K+S GROUP FIG: 4.3.1

Internal management system		
Vision, Mission	Strategy, Goals	Internal regulations
Controlling tools	Compliance	Opportunity and risk management

↑↓

Internal monitoring system	
Process-integrated monitoring measures	Process-independent monitoring measures

INTERNAL CONTROL SYSTEM OF THE K+S GROUP

Control of the K+S GROUP is exercised through regular discussions between the Board of Executive Directors and the Company's departments. Meetings of the Board of Executive Directors take place on a regular basis every two or three weeks. The internal control system covers all areas of the Company. Thus, short response times to changes in all areas and on all decision-making levels of the K+S GROUP can be guaranteed. In the event of significant changes of relevance to earnings, this is immediately reported to the management and the Board of Executive Directors.

VISION, MISSION, STRATEGY AND GOALS AS THE STARTING POINT FOR THE MANAGEMENT OF THE GROUP AS A WHOLE

The starting point for the management of the Group as a whole or the Company's departments are the targets determined by the Board of Executive Directors, which are derived from the vision, mission and overall strategy of the K+S GROUP.

CONTROLLING TOOLS

The following controlling tools are available to the management:

ROLLING FORECASTS

For the current financial year and the two subsequent years, a generally monthly rolling forecast of earnings and liquidity is established, which can be accessed by authorised employees via an internal electronic portal.

MONTHLY REPORTING

The corporate departments report on a monthly basis on current developments and variances with respect to output, sales, revenues, personnel, capital expenditure as well as other financial indicators. This information is also available via the above-mentioned portal. Furthermore, operational early indicators are continuously analysed. For instance, the price development of futures for agricultural raw materials permits a rough estimate of the earnings prospects of the agricultural sector and provides, among other things, indications of the demand for potash and magnesium products, the sales volume and the possible capacity utilisation. In the Salt business unit, the tendering process for de-icing salts provides an indication of the development of market shares and prices. Across the Group, the development of gas and oil prices is an important indicator of how energy costs could develop in future, and the development of freight costs on the transport routes relevant to us is an early indicator of future freight costs and of our regional portfolio.

QUARTERLY MANAGEMENT DIALOGUE

A so-called management dialogue takes place every quarter between the Board of Executive Directors and the heads of the Potash and Magnesium Products and Salt business units as well as other units. At each meeting, an overview of the respective current market situation and a rolling forecast is given. Furthermore, during the course of the year, key issues such as the definition of the strategy and its systematic implementation within annual and medium-term planning and the setting of goals and their achievement are discussed.

BODIES / COMMITTEES

To support the management, cross-business-unit committees regularly examine topics concerning, among others, personnel, compliance and information technology. Special committees have been established to review and assess capital expenditure projects and acquisitions / divestments. Special committees in the area of procurement, so-called procurement councils, support the Group-wide transfer of approved methods as well as the use of synergies between the regionally already very well established procurement departments. In addition, a sustainability committee systematically monitors issues of relevance to sustainability in order to identify social, ecological and also economic trends early on and to prepare recommendations for their inclusion in the management processes.

NON-FINANCIAL PERFORMANCE INDICATORS AND FINANCIAL PERFORMANCE INDICATORS

In addition to the financial performance indicators described below, the non-financial performance indicators, which are relevant for our economic position, are described on page 60 in the 'Important Non-financial Performance Indicators' section.

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

+ EBITDA and operating earnings EBIT I
+ Capital expenditure
+ Free cash flow
+ Return on capital employed (ROCE)
+ Adjusted Group earnings after taxes

/ **DEFINITIONS OF THE INDICATORS USED HERE** can be found on page 180.

The management of the activities of our operating units is exercised on the basis of the aforementioned performance indicators, with particular importance attributed to EBITDA and EBIT I, as these are, in our opinion, the appropriate variables for assessing earnings capacity. EBITDA also forms the basis for determining the level of Group indebtedness, which, among other things, is a target variable of the capital structure. Further key figures for the management of the capital structure, its target figures and its actually achieved values can be found on page 74. The capital expenditure is also an important management variable both at the operating unit and Group level to achieve a targeted allocation of our financial resources. In considering cash flow figures, the free cash flow is of particular relevance due to the high capital expenditure over the coming years.

/ **THE COMPARISON OF THE ACTUAL AND FORECAST COURSE OF BUSINESS** on page 74 includes the key indicators EBIT I, EBITDA and adjusted Group earnings after taxes.

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

/ **A PRESENTATION AND DESCRIPTION OF THE DEVELOPMENT OF EARNINGS FIGURES IN THE LAST FIVE YEARS** can be found in the 'Earnings Position' section on page 81 and that of cash flow and capital expenditure in the Financial Position section on page 85.

COMPLIANCE

It is self-evident that compliance is the fundamental attitude for all activities of the K+S GROUP. The compliance system is oriented towards ensuring that behaviour conforms to the rules.

/ **FURTHER INFORMATION ABOUT THE SUBJECT OF COMPLIANCE** can be found in the 'Corporate Governance' section on page 25.

RISK MANAGEMENT

The main task of risk management is to identify, evaluate, manage and communicate risks. The identified risks form the basis from which management measures are derived.

/ **FURTHER INFORMATION ON THE RISK MANAGEMENT SYSTEM** can be found in the Risk Report on page 94.

OPPORTUNITY MANAGEMENT

The principal task of opportunity management is to identify, evaluate, manage and communicate opportunities.

/ **FURTHER INFORMATION ON THE OPPORTUNITY MANAGEMENT SYSTEM** can be found in the Opportunity Report on page 109.

INTERNAL MONITORING SYSTEM OF THE K+S GROUP

The internal monitoring system is intended to ensure attainment of the planned corporate goals and compliance with the rules of the internal control system. It consists of process-integrated as well as process-independent monitoring measures.

PROCESS-INTEGRATED MONITORING MEASURES

Process-integrated monitoring measures are used to manage operational risks. These include loss risks, which have their origin in inappropriate or incorrect internal processes, actions or systems. Their identification, evaluation and control are key aspects of the process-integrated monitoring measures. When designing processes, risks for the achievement of process goals must always be analysed and corresponding controls established. Controls should reveal the probability of errors occurring in work processes and errors that have actually occurred. Thus, upstream controls comprise measures intended to prevent errors. These measures are integrated into both our structural and procedural organisation. Downstream controls are used to identify errors that have already occurred early on, in order to intervene in a corrective way and thus to ensure correct process management.

PROCESS-INDEPENDENT MONITORING MEASURES

Process-independent monitoring measures are neither integrated into the work process nor are they responsible for the result of the monitored process. In the K+S GROUP, they are carried out by the internal audit department. The annual assessment of the operational functionality of the ICS is supported by the results of audits performed.

4.4 IMPORTANT NON-FINANCIAL PERFORMANCE INDICATORS

In keeping with our "Core Values and Principles", our actions are oriented towards achieving sustainable economic success while taking account of the associated social and ecological aspects. We are convinced that sustainable corporate management pays off: It opens up opportunities, avoids risks and makes an important contribution to the successful further development of the Company.

/ **MORE INFORMATION** can be found at www.k-plus-s.com/en/vision-und-werte/grundwerte.html

A cross-business-unit and interdisciplinary sustainability committee meets regularly and is dedicated to the early, systematic identification and prioritisation of sustainability matters and initiatives. Many aspects of sustainability at K+S are integrated into the core business across business units and departments. As part of our sustainability management, we draw up recommendations and decision papers for the Board of Executive Directors. Basing on the approaches developed in previous years, the Board of Executive Directors resolved the adoption of a sustainability road map in July 2013. The road map is a concrete action plan for the Company and defines, in nine consecutive steps, how material issues under our sustainability strategy are identified and evaluated in a systematic process. Sustainability at K+S is understood as a management task. We will continue along the road we have started out on, and so 2014 will see new processes defined and implemented and group wide management supported.

/ **OUR SUSTAINABILITY REPORTING IS BASED ON THE GLOBAL REPORTING INITIATIVE (GRI). FURTHER INFORMATION** can be found in our Corporate/Sustainability Report.

Below, we will look at three of the issues that are described in depth in our Corporate/Sustainability Report:

+ Employees
+ Water and water protection
+ Energy efficiency and climate protection

EMPLOYEES

KEY AREAS OF PERSONNEL MANAGEMENT

Due to the expansion of our business in North and South America, we have become more international. Consequently, other corporate cultures and modes of thinking have enriched the Company. The task of our personnel management was and is to accompany this change process and to further integration. We are currently developing an integrated personnel management system to also support our employees group wide and to deploy them in the best possible manner.

Alongside these global objectives, individual companies belonging to our Group also have regional focal points. In Germany, for example, the focus is on recruiting new employees in good time because of demographic change. The central challenge for K+S POTASH CANADA is to recruit and train employees for the upcoming, specific challenges posed by the Legacy Project. / TAB: 4.4.1

NUMBER OF EMPLOYEES STABLE

The number of K+S GROUP employees reported includes the core workforce, trainees and temporary employees (without students and interns). The number of employees is computed on a full-time equivalent (FTE) basis, i.e., part-time positions are weighted in accordance with their respective share of working hours.

As of 31 December 2013, the K+S GROUP employed a total of 14,421 employees (FTE). Compared with 31 December 2012 (14,362 FTE), the number thus remained roughly the same. In the Potash and Magnesium Products business unit, there was a slight increase in the number of employees in order to maintain the volume of crude salt extracted, for intensifying activities in the area of environmental protection as well as for the Legacy Project in Canada.

In terms of averages, the picture was a similar one: In the year under review, an average of 14,348 people were employed at K+S (2012: 14,336).

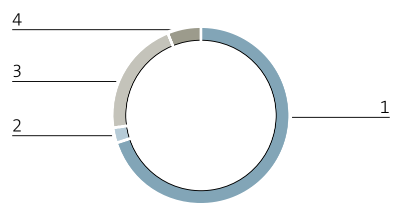
As a result of the increasing internationalisation of the K+S GROUP, in the meantime, 30 % of employees are located outside Germany and more than a quarter outside Europe. / FIG: 4.4.1

EMPLOYEES BY UNIT[1] TAB: 4.4.1

in full-time Equivalents (FTE) as of 31 December[2]	2013	2012	%
Potash and Magnesium Products business unit	8,367	8,310	+0.7
Salt business unit	5,091	5,092	–
Complementary Activities	293	293	–
Departments of K+S Aktiengesellschaft	670	667	+0.5
K+S Group	**14,421**	**14,362**	**+0.4**

[1] Information refers to the continued operations of the K+S Group.
[2] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.

EMPLOYEES BY REGION FIG: 4.4.1



	in %	2013	2012
1	Germany	70	70
2	Rest of Europe	3	3
3	North America	21	21
4	South America	6	6

DIVERSITY AND EQUALITY OF OPPORTUNITY

The diversity of our employees is a factor in our commercial success. We respect internationally recognised human rights and act in accordance with the laws of the countries in which we operate. We reject all forms of child and forced labour. The granting of equality of opportunity and the rejection of all forms of discrimination are self-evident for us. We have laid this down in our Core Values and Principles.

PROPORTION OF WOMEN IN MANAGEMENT POSITIONS

In 2011, K+S signed up to a voluntary commitment on the part of the 30 DAX-listed companies to increase the proportion of women in management positions. We set ourselves the goal of increasing the number of female managers in Germany by about 30 % by 2020. The proportion of women in management positions would then be around 10 % and correspond to the proportion of women in the total workforce of K+S in Germany.

However, we do not consider a ratio to be the measure of all things. In principal, we fill vacancies with the most suitable candidates. A strictly gender-neutral recruitment, selection and appointment process is a matter of course for K+S.

In 2013, the proportion of female employees in the K+S GROUP was 11.7 % (2012: 11.7 %), in Germany 9.1 % (2012: 8.9 %) and at administrative sites on average 37.9 % (2012: 40.4 %). The proportion of female managers across the Group was 13.0 % (2012: 11.3 %) and in Germany 11.2 % (2012: 10.0 %). Thus, with respect to the voluntary commitment, we are on track.

AGE STRUCTURE AND TURNOVER

At present, the average age of our employees is 42 years. There are significant differences internationally. While K+S CHILE has a relatively young workforce – average age: 39 – the employees of MORTON SALT have an average age of 48. For ESCO, the average age is 42, and for K+S KALI, 41.

On average, our employees are employed by us for 16 years. The turnover rate – i.e., the ratio of departures to the average staff level – is 4.3 %. These figures document the high level of loyalty of our employees towards the Company.

PROMOTING INTEGRATION

In 2013, severely handicapped employees accounted for 7.0 % of the workforce in Germany (2012: 7.5 %). We are thus significantly above the German national average. In close cooperation with the authorities and our representatives for severely handicapped persons, we reserve workplaces adapted for handicapped persons, thus fostering the integration of these employees. In total twelve persons in a position of trust represent the interests of severely handicapped employees at the German sites.

PARENTING ABSENCE AND PROMOTION OF REINTEGRATION

We support our employees with family-friendly measures. These include individual part-time working models, additional release periods possible for cases when employees have to provide urgently needed care, advanced education available to employees during parenting absences and, last but not least, our own children's day-care facility at the Kassel site.

TRAINING

For K+S, vocational training is an important investment in the future. Our training activities are also a commitment to Germany as a location, which, as a competitive industrial base, needs new generations of well-trained specialists. As of 31 December 2013, 602 (2012 : 607) young people at 11 sites prepared themselves to start their careers in 17 training professions at K+S in Germany, of whom 167 trainees were taken on in 2013 (2012: 177). At the end of the year, the training ratio was, at 5.9 %, at the high level of the previous year. In total, we have invested € 14.7 million in training (2012: € 15.3 million).

PERSONNEL DEVELOPMENT

Our goal is to develop and use the potential of our employees in the best possible manner. We want to fill specialist and managerial positions primarily from within our own ranks and thus to enable our employees to have long-term and attractive careers. To ensure group wide succession planning in Germany and abroad across all business units, we initiate the measures necessary to achieve this in good time.

By seconding employees to Group companies in other countries, we promote collaboration as well as the transfer of knowledge within the K+S GROUP and strengthen the specialist and intercultural skills of our employees.

Since 2009, we have gradually been expanding our graduate trainee programmes and by now offer around 25 places per year, primarily in the technical area. Last year, we launched an international trainee programme that systematically prepares employees at sites in Germany, Chile and the United States for responsible tasks in our international Group.

FURTHER TRAINING AND ADVANCED EDUCATION

We provide selected employees from the technical and mining areas of our German companies with further training at the Technical College for Economy and Technology in Clausthal-Zellerfeld (Fachschule für Wirtschaft und Technik – FWT) in order to become a technician or gain a more advanced qualification bringing with it the prospect of a management career. At present, 60 employees are completing their two-year technical training, and 13 employees are qualifying as engineers.

Moreover, we award grants to our employees for full-time bachelor's or master's studies. These employees can complete the necessary internships or working student activities at our sites. They continue to belong to the Company throughout their studies. The number of grants is based on the needs of the Company. At present, 19 employees are participating in "K+S StudiumPlus".

Our companies in the United States, in Canada and Chile reimburse, in full or in part, the tuition fees of employees, with whom it has been agreed that the training being received by them at a university recognised by the Company is relevant to their profession.

In addition to advanced education measures that are required by law, the K+S GROUP also offers specialised, interdisciplinary, IT and language training as well as special seminars for managers. Employees receive direct support for new and complex tasks by means of accompanying training measures. In the annual or employee interviews, employees and their supervisors jointly determine possible advanced education requirements.

In 2013, our employees completed a total of 7,540 advanced education measures (2012: 8,646). Thus, the average number of training hours per year and employee was 10.4 hours.

Expenditure on personnel development in Germany totalled about € 13.1 million and thus fell by 12 % (2012: € 14.9 million). Of this, € 9.3 million was attributable to advanced education measures (2012: € 11.2 million) and € 3.4 million to further training measures (2012: € 3.4 million). We spent € 0.3 million (2012: € 0.3 million) on personnel marketing. MORTON SALT invested € 1.8 million in personnel development, K+S POTASH CANADA € 0.16 million, and K+S CHILE € 0.3 million.

PERSONNEL EXPENSES

In 2013, the personnel expenses of the K+S GROUP were € 968.2 million and, thus, slightly below the level of the previous year (2012: € 986.2 million). While expenditure arising from pay settlements under collective bargaining agreements rose and personnel expenses increased due to a higher average number of employees, costs declined as a result of exchange rate factors and accruals for performance-related remuneration fell. Without provision effects, pure personnel costs rose in comparison with the previous year for the same reasons by € 19.9 million or 2 % to € 974.3 million. In the previous year, the share of variable remuneration in personnel expenses was € 40.1 million or about 4 % (2012: € 71.4 million or about 7 %).

In 2013, expenditure on wages and salaries totalled € 738.6 million ((2)%) and expenses for social security contributions € 200.3 million ((2)%). Our expenditure on company pensions amounted to € 29.3 million in the year under review and was thus € 0.1 million above the level of the previous year.

During the year under review, personnel expenses per employee amounted to € 67,483 (previous year: € 68,492) and thus fell by a good 1 %. This is attributable in particular to lower variable remuneration.

WORK SAFETY

Our goal is to ensure the greatest possible degree of occupational safety for our employees. Protecting our employees from possible dangers is always a priority. All K+S companies have drawn up occupational safety programmes in line with their site-specific challenges and in compliance with local legislation. Our internal rules and regulations are currently being reviewed to make our group-wide processes more uniform. We review the effectiveness of our occupational safety measures by means of internal audits. Corrective measures such as training or repairs are derived from any deviations from standards and documented. Our audit procedure is based on "Guidelines for auditing management systems" (DIN ISO 19011:2011).

In 2013, at our sites, 879 injuries (2012: 975) occurred, as did 210 accidents at work (2012: 214) with working hours lost. The average number of working hours lost per accident at work was 16 calendar days (2012: 21). The "accidents at work with working hours lost per one million working hours" key ratio was 8.5 (2012: 8.6).

Unfortunately, we had to record the accidental deaths of five employees in 2013. On 1 October 2013, three miners lost their lives as a result of an outburst of carbon dioxide triggered by extraction blasting at our Unterbreizbach mine. We did not consider the occurrence of an outburst with such effects to be possible. We want to optimise the nature and scope of our safety measures, which will only be possible after the causes of the outburst have been carefully evaluated. The results of the investigations conducted by public authorities were not available at the time this report went to press. The accident shows that despite constant advances in the safety technology used in mining, there can be no absolute safety, especially not in the case of carbon dioxide outbursts.

In addition to the three miners who lost their lives underground, two more people died while travelling on business by car outside the plant site. In addition, an employee of an external company died in an accident.

/ **ADDITIONAL INFORMATION ABOUT WORK SAFETY, PREVENTION AND OTHER EMPLOYEE ISSUES** can be found in our Corporate / Sustainability Report.

WATER AND WATER PROTECTION

USE OF WATER

We are working continuously to reduce the use of water in our production plants and to lower our wastewater volumes still further.

Due to the nature of the deposits, the mining and processing of potassium-containing crude salts in Germany is technically, in part, more demanding than in the case of our competitors in other countries. However, in addition to potassium (13 to 27 % potassium chloride), our deposits also contain magnesium and sulphur (11 to 27 % magnesium sulphate). This enables us to produce not only potassium chloride but also a series of high-grade speciality products for agriculture and industry.

Because the crude salt also contains non-recyclable salts and other solid elements, these must be separated from the valuable substances and disposed of. Depending on the quality of the crude salt, for the refinement we use processes such as thermal dissolution, flotation or, in combination with these two, electrostatic separation (ESTA process). While the first two processes, which are internationally standard, require the use of water, electrostatic separation, developed by K+S, is a “dry” process. Depending on the process, residues from production therefore arise either in solid form or dissolved in water. The amount of production residues from potash mining is determined by the composition of the crude salt and can therefore not be avoided.

In salt mining, we distinguish between rock salt, which is extracted from the mine and then ground into the desired grain size, and evaporated salt, which is produced from saturated brine. The brine is obtained by feeding freshwater into a salt dome via drill holes, as a result of which the salt dissolves and is then extracted as saturated brine. The water of the brine is vaporised and in this way the salt which is first dissolved is extracted as evaporated salt. No production residues occur.

In 2013, we used 134.2 million m³ of water (previous year: 146.8 million m³ of water). Seawater withdrawal amounted to 272.9 million m³. Specific water use amounted to 4.7 m³ / tonne of product (previous year: 5.2 m³ / tonne of product). We set ourselves the target of lowering this specific key figure by the end of 2014 to below 4 m³ / tonne of product.
/ **FIG: 4.4.2**

WASTEWATER

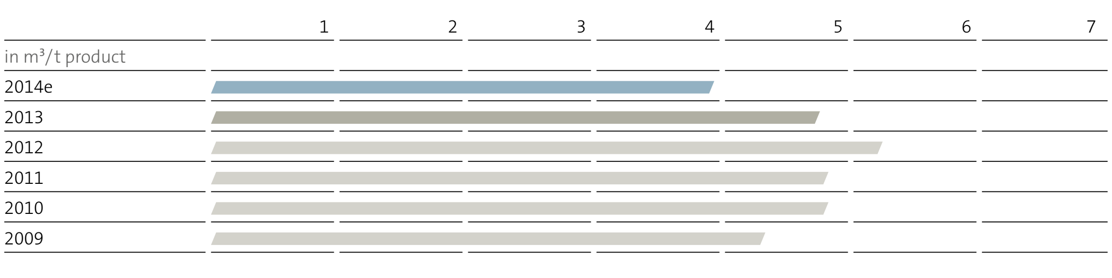
We distinguish between saline wastewater, wastewater from production and wastewater from sanitary facilities which we either discharge into freshwater or saline water or inject into plate dolomite.

WASTEWATER MANAGEMENT IN POTASH MINING

On the basis of existing permits and in compliance with threshold values, we dispose of wastewater from production processes and saline water arising due to precipitation onto our tailing piles by discharging it into river waters and by injecting it into deeper rock strata. We either heap up the solid residues or bring them back into the mines underground.

At the Werra plant, we have already been steering the discharge of saline wastewater into the Werra via a computer system since 2000. As a result, we are succeeding in keeping to the officially set threshold value of 2,500 mg of chloride / litre of water. The steering pro-

SPECIFIC WATER CONSUMPTION[1] FIG: 4.4.2



[1] Information refers to the continued operations of the K+S Group; the year 2009 as well as the years 2009 until 2010 also include the discontinued operations of the COMPO business and the nitrogen business, respectively.

cess also takes account of factors such as fluctuating pre-existing harmful substances and variations in the flow of water in the river.

WATER-LAW PERMITS

In order to be able to continue orderly local disposal by means of injection and discharge and, thus, continue the production of the Werra plant, we have applied for the necessary water-law permits. After we had received a new injection permit in 2011, valid until the end of November 2015, in November 2012, we were also granted a permit for the discharge of saline wastewater into the Werra for a further eight years until the end of December 2020. It is based on the discharge volumes applied for by us together with a step-by-step plan effective from December 2015 to lower the currently valid threshold values.

MEASURES ON WATER PROTECTION AT THE WERRA PLANT

The implementation of the “package of measures on water protection” at the Werra plant was started in 2011. All production sites of the Verbund plant – Hattorf and Wintershall in Hesse as well as Unterbreizbach in Thuringia – are included with construction measures, further process optimisation measures and plant expansions. By the end of 2015, we will thus lower the volume of saline wastewater to an average of 7 million m^3 per year.

With our measures, we are approaching the limits of what is technically meaningful and economically viable. This should or will improve the prospects for not only our sites and their employees, but also for very many people in the region. A description of possible risks arising from a change in, refusal or court withdrawal of permits issued by public agencies in relation to the disposal of saline wastewater and solid production residues, which would result in a persistent and material adverse effect on the earnings, financial and asset position of the K+S GROUP, can be found in the Risk Report on page 94.

In 2013, the volume of saline wastewater discharged into waters or injected totalled 12.1 million m^3 or 0.43 m^3/tonne of product (previous year: 12.1 million m^3 or 0.43 m^3/tonne of product). Of this, we discharged 8.8 million m^3 or 0.31 m^3/tonne of product into waters (previous year: 7.2 million m^3 or 0.26 m^3/tonne of product) and injected 3.3 million m^3 or 0.12 m^3/tonne of product (previous year: 4.9 million m^3 or 0.17 m^3/tonne of product). / FIG: 4.4.3

In 2013, a total of € 117.8 million was invested in water protection (2012: € 80.4 million). The operating costs for water protection amounted to € 110.9 million (2012: € 103.5 million).

ENERGY EFFICIENCY AND CLIMATE PROTECTION

The K+S GROUP wants to reduce its energy input further in the long term and is working continuously to improve energy efficiency. For our competitiveness, it is important to lower energy costs despite constantly increasing energy prices. We have introduced energy management systems to achieve greater transparency with respect to both energy input and energy costs.

Group-wide we are using modern power plant technology, improving the energy input in production processes, utilising waste heat in production facilities and power plants, and reducing the energy input in the entire value chain.

ENERGY MANAGEMENT SYSTEM IN ACCORDANCE WITH DIN ISO 50001

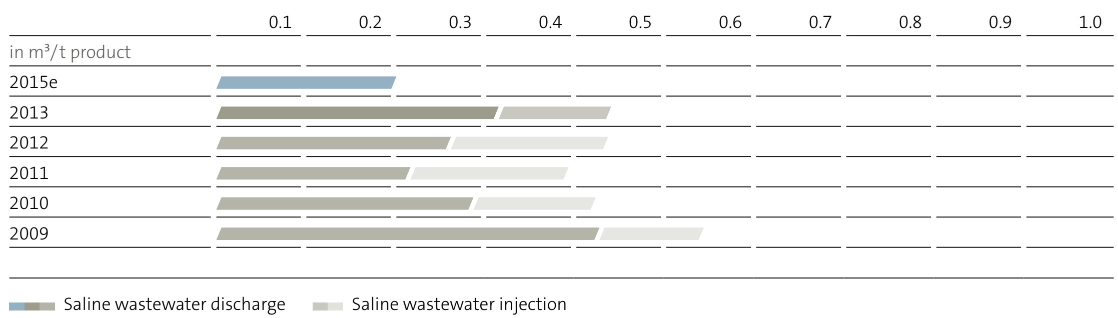
In December 2013, the energy management system for the German Group companies was certified in accordance with DIN ISO 50001. This is the prerequisite for us, an energy-intensive company with highly efficient plants, to obtain a refund of part of the energy tax paid in Germany.

ENERGY CONSUMPTION

In 2013, total energy consumption amounted to 9,236 GWh. In contrast to the previous reporting period, this amount includes all fuels. Without fuels, energy consumption came to 8,934 GWh (previous year: 8,747 GWh). Specific energy consumption per tonne of manufactured product was 321 kWh/tonne of product, without fuels, it was 311 kWh/tonne of product (previous year: 309 kWh). A total of 208 GWh of electricity was fed into the public network.

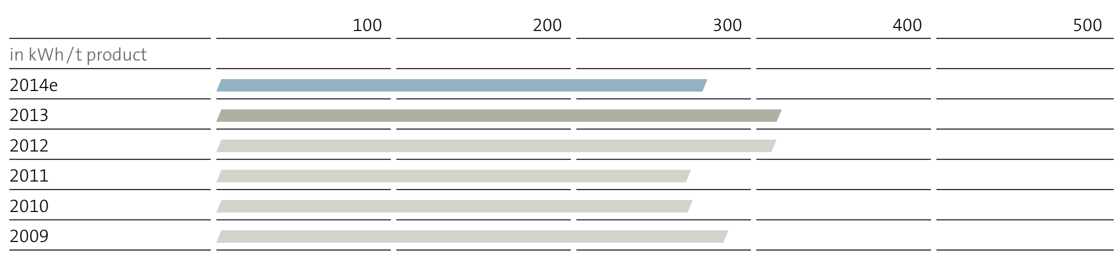
As a result, total energy consumption has increased. This applies to absolute consumption and specific consumption per tonne of manufactured product. Up to now, we were therefore not able to achieve our objective of lowering energy consumption by 2014 to below 270 kWh/tonne of product. / FIG: 4.4.4

SALINE WASTEWATER INJECTION AND DISCHARGE[1] FIG: 4.4.3



[1] Information refers to the continued operations of the K+S Group; the year 2009 as well as the years 2009 until 2010 also include the discontinued operations of the COMPO business and the nitrogen business, respectively.

SPECIFIC ENERGY CONSUMPTION[1] FIG: 4.4.4

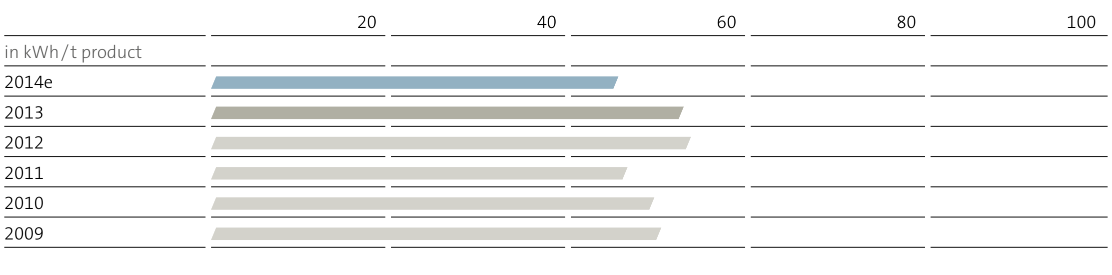


[1] Information refers to the continued operations of the K+S Group; the year 2009 as well as the years 2009 until 2010 also include the discontinued operations of the COMPO business and the nitrogen business, respectively.

EMISSIONS

CO_2 emissions from the consumption of natural gas, (light) fuel oil and electricity in 2013 amounted to 1.5 million tonnes and were therefore at the previous year's

SPECIFIC CARBON DIOXIDE EMISSIONS[1] FIG: 4.4.5



[1] Information refers to the continued operations of the K+S Group; the year 2009 as well as the years 2009 until 2010 also include the discontinued operations of the COMPO business and the nitrogen business, respectively.

level (2012: 1.5 million tonnes). Carbon dioxide emissions per tonne of manufactured product were 52 kg/tonne of product (2012: 53 kg/tonne of product). Our objective is to lower specific CO_2 emissions to 45 kg/tonne by the end of 2014. **/ FIG: 4.4.5**

EMISSIONS TRADING

Emissions trading is one of the three instruments for a sensible handling of climate gases within the Kyoto Protocol, which was adopted in 1997 under the international Framework Convention on Climate Change. In 2005, the European Emissions Trading System (EU ETS) for regulating greenhouse gas emissions in energy-intensive industries entered into force. Companies emitting more CO_2 than allowed under the emission rights allocated to them can choose whether to invest in projects to reduce emissions or to buy emission certificates on the market.

After the divestment of COMPO, 13 plants[1] of the K+S GROUP are still obliged to engage in emissions trading. This involves power plants and drying plants.

[1] We calculate our emissions on the basis of EU monitoring guidelines from 2007. The emissions of the plants are verified by external audit organisations.

4.5 RESEARCH AND DEVELOPMENT

RESEARCH AND DEVELOPMENT ACTIVITIES

GOALS AND MAIN FOCUSES OF OUR R&D ACTIVITIES

In principle, we pursue the following three equivalent goals with our research and development activities:
+ Increasing customer benefit
+ Deploying raw materials, capital, energy and personnel as effectively and efficiently as possible
+ Conserving the environment through the sustainable use of resources and the constant reduction of solid and liquid production residues

Within the framework of developing new fertilizers and improving those we already offer, we promote practice-oriented research in the sphere of plant nutrition. We work out solutions in order to meet the increased demand for food and feed due to a growing global population as well as changing dietary habits. Our agricultural application consulting, which puts results from research and development into practice, supports customers in the use of our products on site and creates a transfer of knowledge to less developed regions. The cooperation with the "Sasakawa Africa Association", a non-governmental organisation (NGO), in the "Growth for Uganda" project is an example of that. The project, which is set to run for three to five years, aims to reach about 50,000 farming households in our target regions and to make a contribution to improving the degree of self-sufficiency among and the income situation of smallholders by means of both agricultural advice as well as the granting of small loans by 15 banks. K+S has, among other things, provided a truck with laboratory equipment as a mobile training unit for conducting soil analyses. In addition, we are further developing, in application-orientated agricultural research, the project portfolio of our research institute, which is operated jointly with the University of Göttingen.

The constant review and further development of the production methods and processes used by us also serve to achieve the goals referred to. In 2013, the research and development activities for the Legacy Project were the main focus. As part of this project, we have undertaken extensive activities in solution mining and in the treatment of brine that will be extracted in the future. Further focus areas of the research on process technology are, both in the Potash and Magnesium Products and Salt business units, the continuous improvement of the production processes as well as the flexibilisation of the processes for adapting to changed raw material, production and market conditions. To meet these challenges in the future, a new centre for analysis and research is being established in the vicinity of our Unterbreizbach site. At this centre, our environmental and process analytics will be further developed and K+S research institutions from Heringen, with a focus on analytical and process technology, will be integrated. It is to start operating in 2015.

USE OF EXTERNAL R&D KNOW-HOW

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

The funds used focused on the following themes, selected examples of which are:

+ Solution mining: Having examined the available solution mining methods together with Canadian and German specialists, our experts are continually evolving them in respect of their applicability for the specific deposit circumstances of the Legacy Project.
+ International field tests: We assign global field tests to specialised and experienced agricultural testing institutes, which are accompanied on a scientific basis by our employees. This approach enables us to obtain valuable knowledge in various climatic zones, on local soils as well as in relation to a diverse range of crops and to further develop our products accordingly.
+ INSTITUTE OF APPLIED PLANT NUTRITION (IAPN): Since 2012, K+S KALI GMBH has been cooperating with the Georg-August-University of Göttingen under a public-private partnership in the INSTITUTE OF APPLIED PLANT NUTRITION. The IAPN has established itself as an interface between science and industry. The focus is on practice-oriented research in the area of plant nutrition. A rapid integration into practice of the knowledge gained by the K+S application advisers is thus guaranteed.
+ Cooperation with universities: In natural science-technical and economic areas, we cooperate with numerous universities in Germany and abroad and, in doing so, also support their graduates financially at the bachelor's, master's and doctoral levels in those areas that are the focus of our R&D activities. This allows us to identify talent early on and to recruit a new generation of qualified employees for our Company. In Germany, we are concentrating on our long-term cooperation partners in the area of mining and treatment technology.

RESEARCH FIGURES

RESEARCH COSTS AND DEVELOPMENT-RELATED CAPITAL EXPENDITURE

In the period under review, research costs totalled € 13.9 million and were thus down on the level of the previous year (2012: € 19.4 million), which was determined by projects in the solution mining area connected with the Legacy Project. The optimisation of production processes for minimising solid and liquid production residues in potash production remained a focal point. / TAB: 4.5.1

In the year under review, capitalised development-related capital expenditure was, at € 5.0 million (2012: € 14.2 million), significantly below the exceptionally high level of the previous year and was incurred in the Potash and Magnesium Products business unit once again largely in connection with the development of the first cavern of the Legacy Project. Capitalisation will result in corresponding depreciation charges for development-related capital expenditure over the coming years. / TAB: 4.5.2

RESEARCH FIGURES [1] TAB: 4.5.2

in € million	2013	2012	2011	2010	2009
Research costs	13.9	19.4	17.0	13.8	18.7
Research intensity (research costs / revenues)	0.4 %	0.5 %	0.4 %	0.3 %	0.5 %
Capitalised development-related capital expenditure	5.0	14.2	1.6	0.7	1.8
Employees (number)	86	87	77	73	78

[1] Information refers to the continued operations of the K+S Group; the year 2009 as well as the years 2009 until 2010 also include the discontinued operations of the COMPO business and the nitrogen business, respectively.

SELECTED RESEARCH AND DEVELOPMENT PROJECTS AND RESULTS

MINING AND GEOLOGY

+ The laser-based measurement of CO_2 in mine air: Along with the Fraunhofer-Heinrich-Hertz-Institut in Goslar, we are developing a laser-aided measuring device for mobile deployment underground, so that the presence of CO_2 in mine air can already be ascertained at a great distance.

RESEARCH COSTS [1] TAB: 4.5.1

in € million	2013	2012
Potash and Magnesium Products business unit	7.1	12.4
Salt business unit	3.0	3.3
Other research costs	3.8	3.7
Total	**13.9**	**19.4**

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

+ Continuous mining technology: As part of the "continuous mining technology" project, issues relating to the occurrence of dust when operating a continuous miner and a road header were examined in 2013. To evaluate the effectiveness of our de-dusting measures, a laser aerosol spectrometer was tested and found to be suitable.

PROCESS TECHNOLOGY

+ Solution mining: We have used the methods introduced in 2012 in connection with the Legacy Project to examine the release kinetics of the salt rock at various locations in the deposit using drill core samples and synthetic test samples to which various leaching solutions were applied. The results are used directly in the plant's Detail Engineering in Saskatchewan.
+ Evaporation process: At our central research institute in Heringen, the solid production residues occurring in the site-specific various evaporation processes were examined to determine their traceability and reusability in the production of potassium sulphate. The aim is to recover additional reusable substances that can serve as an intermediate product. In this context, we also employed a software for process simulation and the theoretical computation of mineral phases.
+ Automating analytics: To promote the further rapid expansion of online analytics, a working group has been formed. In close cooperation with plants, it will introduce and monitor appropriate methods and instruments for managing the production process all the way to the point of loading. At our research institute, the operation of a fully automated device chain for mineral phase analysis has been successfully launched.
+ Density separation: The research institute also combined density separation, which otherwise are used in the mineral treatment of ore, with our flotation process. The aim was to use the mechanical separa-

tion process also in the case of slighter differences in the density of the salt minerals.
+ Processing for Siegfried-Giesen: The potential operational capability of our ESTA technology was evaluated in the context of planning a processing method for Siegfried-Giesen to reduce liquid production residues.

PLANT CULTIVATION

+ Research into abiotic stress factors affecting cultivated crops: The "INSTITUTE OF APPLIED PLANT NUTRITION" (IAPN) is conducting research into drought tolerance and the efficient use of water in the case of cultivated crops as well as the transfer of knowledge in the area of plant nutrition. This includes a further training stay at the IAPN for an employee of the "Growth for Uganda" project to enable the employee to conduct plant and soil analyses on site in Uganda and provide informed advice on fertilization.
+ Development-orientated agricultural research: Together with the International Potato Research Centre CIP in Peru and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), we are working on combating poverty through the promotion of potato cultivation in the partner countries of German development cooperation in Asia and Africa as well as Central and Latin America. In 2014, the project will be extended to the countries of Ethiopia and Kenya in cooperation with the IAPN to make a sustainable contribution to soil fertility and, thus, to increasing the output of agriculture there too.

PRODUCT DEVELOPMENT

+ Further development in the industrial potash sector: K+S KALI GMBH developed a compacted product with significantly coarser graining than the customary granules. By compacting, the product's storage and transport properties were able to be considerably improved. With this product innovation, we will meet the growing demands of our customers and strengthen our position in this segment.
+ Specialities for the US food grade salt market: In order to enable food manufacturers in the United States to fulfil local guidelines on nutrition, MORTON SALT is further developing low-sodium products.

At regular intervals, all research projects are examined jointly with the clients in relation to their progress, applicability, framework conditions, the probability of realisation and return opportunities.

BRAND PORTFOLIO AND PATENTS

The K+S brand portfolio increased by 138 industrial property rights in 2013. As umbrella brands, the K+S GROUP uses, among others, CÉRÉBOS®, KALI-STIER®, MORTON®, SPL®, UMBRELLA GIRL®, VATEL® and WINDSOR®. As product brands, for example, AXAL®, REGENIT®, SALDORO®, ACTION MELT®, SEASON-ALL®, SYSTEM SAVER®, KORN-KALI®, PATENTKALI® and KALISEL® are used. Further brands are LOBOS® and the low-sodium product range BIOSAL LIGHT® for food grade salt in Chile as well as BLIZZARD WIZARD® for de-icing salt in the United States. On the reporting date, the K+S GROUP held 2,460 national proprietary rights (2012: 2,322) deriving from 556 basic trademarks. The K+S GROUP's global patent portfolio currently numbers 56 patent families, which are protected by 256 national rights (2012: 264). The patents are used, for example, in the areas of electrostatic preparation processes, granulate production and flotation. The patent portfolio remained almost the same in 2013. A small amount of licence revenues were generated.

4.6 OVERVIEW OF THE COURSE OF BUSINESS

MACROECONOMIC ENVIRONMENT

Global GDP rose by 2.9 % in 2013 and grew rather more slowly than a year ago, on account of a weak phase at the beginning of the year (2012: 3.2 %). In the industrial countries, growth rates were weighed down as compared with the previous year, especially because of tangibly weaker economic performance in the United States. In the eurozone, the recession was overcome in the middle of the year, but economic activity remained restrained nevertheless. By contrast, the developing and emerging market countries experienced an economic upturn. / TAB: 4.6.1

In the EUROPEAN UNION, total economic output rose again in the second quarter of 2013, after having been in decline for about a year and a half. Nevertheless, the recovery was insufficient to increase annual GDP. While the economies of Germany, Spain and Belgium grew slightly, output in France and Italy declined. In those regions experiencing more robust growth, domestic demand stabilised and capital expenditure also gradually began to increase again. Monetary policy was strongly expansionary and, against this backdrop, November saw the EUROPEAN CENTRAL BANK (ECB) lower its key interest rate once again to a historically lowest level of between 0 and 0.25 %.

Economic activity in the United States rose moderately in 2013, but was still affected by the after-effects of the financial and property crises. As a result, GDP rose by just 1.6 %. The FEDERAL RESERVE BANK (FED) continued its low interest rate policy in 2013, in order to revive the economy. However, private consumer spending and capital expenditure only grew slowly. But, investment in property development increased significantly. The situation on the labour market also improved, with the result that the number of people in employment rose slightly year on year.

The emerging market countries were able to post moderate economic growth. However, the lack of demand from the industrial countries as well as extensively weak domestic demand depressed growth.

In 2013, the oil price remained almost stable despite increased volatility compared with the level for the previous year. Higher prices in late summer as a result of a supply shortage on the part of OPEC countries could only be maintained temporarily. At the end of the year, the oil price stood at US$ 111 per barrel. The average price over the year for a barrel of oil was about US$ 109 and therefore down slightly on the previous year's figure of US$ 112.

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT TAB: 4.6.1

in %; real	2013	2012	2011	2010	2009
Germany	+ 0.5	+ 0.9	+ 3.4	+ 3.9	(5.0)
EU-28	0.0	(0.3)	+ 1.7	+ 2.0	(4.4)
World	+ 2.9	+ 3.2	+ 3.9	+ 5.2	(0.4)

Source: IMF

As a result of revised harvest forecasts and more favourable supply prospects, prices declined significantly for some agricultural commodities in the middle of the year and volatility increased. In particular, global corn harvests reached record levels, with the result that the price of corn fell sharply over the course of the year.

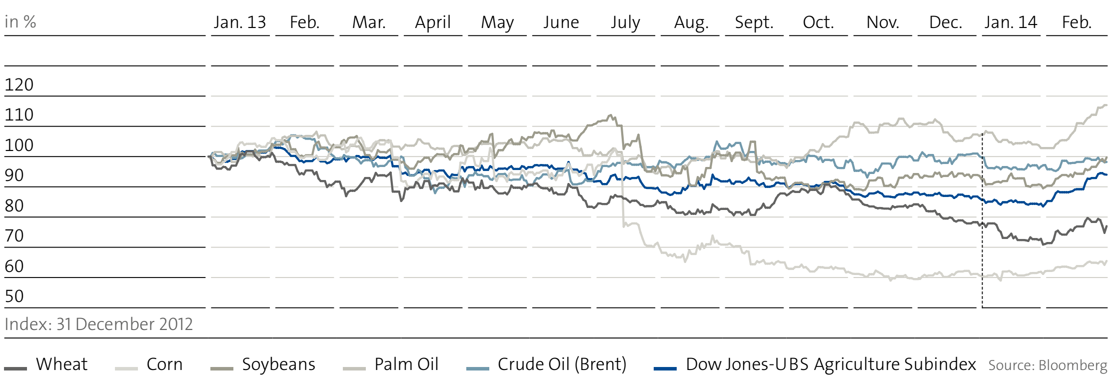
The DOW JONES-UBS AGRICULTURE SUBINDEX, which tracks futures prices for corn, soy beans, sugar, wheat, soya oil, cotton and coffee, fell by about 14 % in the year under review. / FIG: 4.6.1

In 2013, developments on the international foreign exchange markets were again influenced by the volatile US dollar exchange rate versus the euro. After standing at about EUR/USD 1.32 at the start of the year, it rose in the middle of the year to about EUR/USD 1.30, and, at the end of December, finally stood at EUR/USD 1.37, down about 4 % on the previous year (31 December 2012: EUR/USD 1.32). In terms of the average for the year, the US dollar stood at EUR/USD 1.33 and was therefore about 3 % weaker compared with the average for the previous year (2012: EUR/USD 1.29). The strengthening of the euro against the US dollar was particularly attributable to the continued easing of the European sovereign debt crisis and to improved economic data for the eurozone. / FIG: 4.6.2

IMPACT ON K+S

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

DEVELOPMENT OF PRICES FOR AGRICULTURAL PRODUCTS AND CRUDE OIL FIG: 4.6.1



+ The energy costs of the K+S GROUP are particularly affected by the costs of obtaining gas. Since a major part of the gas procurement is correlated with the price of crude oil, this has effects on our cost accounting.
+ As a result of the hedging instruments used for the Potash and Magnesium Products business unit, the exchange rate was on average EUR/USD 1.30 incl. costs and thus, more favourable than in the previous year (2012 exchange rate incl. hedging costs: EUR/USD 1.32).
+ In addition to the EUR/USD currency relationship, a relative comparison of the euro and the currencies of our competitors each in relation to the US dollar is also of importance for us. A strong US dollar has a positive impact on the earnings capacity of most of the world's potash producers in their respective local currency; this is due to the fact that the bulk of the global potash output lies outside the US dollar zone, while almost all sales (exception: business in the eurozone) are invoiced in US dollars. Figure 4.6.2 shows that the performance of the US dollar against the euro had a positive impact on the K+S GROUP's revenues in the spring of 2013 and a negative impact in the second half of the year. Compared with the currencies of the competitors from Russia and Canada, the US dollar rose moderately over the course of the year.

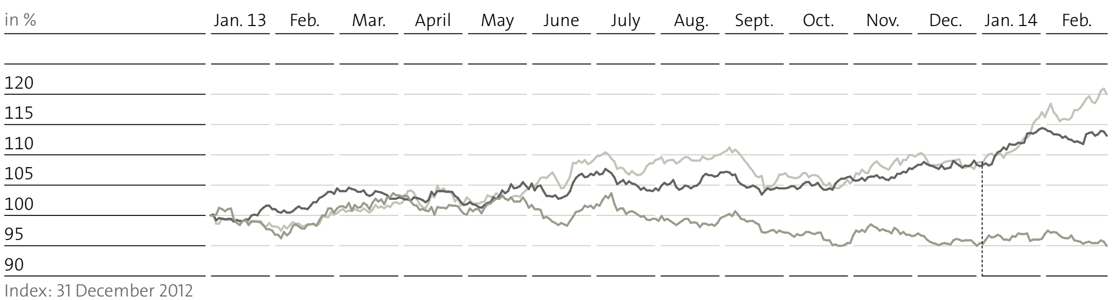
INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

The assessment by farmers to encounter a stable level of prices for fertilizers caused the demand for potash fertilizers to rise significantly in time with the start of the spring season in Europe and North America as well as in South America and South East Asia. However, the international prices for potassium chloride over the course of the first three months were below those of the same quarter of the previous year. In the second quarter too, demand continued to remain on a good level, while prices remained stable overall.

At the end of July, the announcement issued by Russian URALKALI that it would leave the BPC sales organisation operated jointly with Belarusian BELARUSKALI and its associated statements saying it would expand its own capacity and the utilisation of that capacity regardless of the price level created considerable uncertainty about future volume and price trends on the potash market. In the third quarter, this initially resulted in significant buying restraint on the part of potash customers and subsequently in a tangible reduction in the price level in some international markets as compared with the preceding quarter.

DEVELOPMENT OF CURRENCIES FIG: 4.6.2



Euro for US$ CAN$ for US$ Rouble for US$

Source: Bloomberg

Despite good demand for potash products in Brazil and Europe in the run-up to the 2014 spring season, the uncertainty over the future price development continued. In particular, the above-mentioned statements issued by URALKALI, as well as the failure to conclude contracts with Chinese customers, continued to lead to further declining potash prices in the fourth quarter.

SALT BUSINESS UNIT

DE-ICING SALT – WESTERN EUROPE

At the beginning of 2013, the continuing winter weather caused an above-average demand compared with the previous year. In the further course of the year, this also led to an increased demand in the early stocking-up business for the 2013/14 winter season. Despite relatively mild weather conditions in the fourth quarter, the demand for de-icing salt in Western Europe was far above the level of the same quarter of the previous year.

Overall, prices were relatively stable on the high level of a year ago, with slight price pressure being noticeable in some regions of Western Europe.

DE-ICING SALT – NORTH AMERICA

In the North American regions, the tender price levels for the winter season 2013/14 came under pressure because, as a result of the winter 2012/13 being generally mild, users still had high stocks. In many regions, the winter weather that set in with snowfall in December caused an above-average demand for de-icing salt.

INDUSTRIAL SALT

While the demand for industrial salt in most South American regions remained practically unchanged, it increased slightly in some regions of Europe. In particular, the improvement in the economic trend in the eurozone contributed to this. In North America, a relatively stable demand situation arose for water softening products.

FOOD GRADE SALT

In financial year 2013, the demand for food grade salt increased slightly in Europe, whereas prices were on the level of the previous year. In the North American food grade salt market, slight price decreases were noted.

SALT FOR CHEMICAL USE

The market segment for salt for chemical use for the chemical industry in Europe continued to be characterised by oversupply in the year under review, whereas the demand situation improved in the North American regions. In Asia, the market was stable despite weak economic development.

KEY EVENTS AFFECTING THE COURSE OF BUSINESS

+ The business with potash and magnesium products was negatively affected, especially as a result of the withdrawal of Russian URALKALI from the BPC sales organisation operated jointly with Belarusian BELARUSKALI. The associated statements issued by URALKALI saying it would expand its own capacity and the utilisation of that capacity regardless of the price level created considerable uncertainty about future volume and price trends on the potash market. This initially resulted in significant buying restraint on the part of potash customers, causing international prices for potassium chloride to come under pressure as a result. The failure of North American and Russian producers to conclude contracts with Chinese customers for the second half of the year placed further pressure on prices.

+ Sales volumes of de-icing salt considerably depend on the wintry weather during the first and fourth quarters. The severe winter with its heavy snowfalls in Western Europe at the beginning of 2013 created

ACTUAL VS. FORECAST COMPARISON 2013 TAB: 4.6.2

		Forecast Financial Report 2012	Forecast Q1/13	Forecast H1/13	Forecast Q3/13	Actual 2013	Actual 2012	%
K+S Group								
Revenues	€ million	slight increase	slight increase	—	at previous year's level	3,950.4	3,935.3	+ 0.4
EBITDA	€ million	slight increase	slight increase	—	—	902.7	1,033.3	(12.2)
Operating earnings (EBIT I)	€ million	slight increase	slight increase	—	> 600	655.9	804.1	(18.4)
Financial result	€ million	stable	stable	—	—	(76.3)	(78.9)	+ 3.3
Group tax rate, adjusted[1]	%	26 – 27	26 – 27	—	—	24.6	25.8	—
Group earnings after taxes, adjusted[1,2]	€ million	slight increase	slight increase	—	just below 400	434.8	637.4	(31.8)
Earnings per share, adjusted[1,2]	€	slight increase	slight increase	—	—	2.27	3.33	(31.8)
Dividend	€	below previous year's level	below previous year's level	—	—	0.25	1.40	(82.1)
Capital expenditure[3]	€ million	just below 1,100	a good 800	about 800	about 800	742.5	465.5	+ 59.5
Depreciation and amortisation[3]	€ million	240	230	240 – 250	230	251.3	229.0	+ 9.7
EUR/USD exchange rate	EUR/USD	1.33	1.30	—	1.33	1.33	1.28	+ 3.9
Potash and Magnesium Products business unit								
Sales volume	t million	about 7	about 7	—	about 6.8	6.94	6.95	(0.3)
Salt business unit								
Sales volume crystallised salt	t million	a good 22	a good 22	—	a good 22	22.81	17.56	+ 22.9
– of which de-icing salt	t million	12 – 13	just below 13	—	a good 13	13.79	8.33	+ 65.5

[1] The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I (see also 'Notes to the income statement and the statement of comprehensive income' on page 146). In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2013: 28.6 % (2012: 28.5 %).

[2] Earnings from continued and discontinued operations.

[3] Capital expenditure in or depreciation on property, plant and equipment, intangible and investment properties as well as depreciation on financial assets.

above-average demand, while the mild weather in North America put pressure on tender prices for the 2013/14 winter season. However, the cold spell at the end of December caused demand there to pick up again appreciably.

TREND IN SHARE PRICE

/ **A DETAILED DESCRIPTION OF THE K+S SHARE PRICE, INCLUDING PRICE TRENDS, RATIOS AND FURTHER IMPORTANT INFORMATION ABOUT THE K+S SHARE** can be found in the section 'K+S on the Capital Market' on page 19.

COMPARISON OF ACTUAL AND PROJECTED COURSE OF BUSINESS

REVENUE FORECAST

The revenue forecast formulated by us on 28 February 2013 in the Financial Report 2012 assumed a slight revenue increase for 2013 compared with the preceding period. This statement also applied in the quarterly financial report Q1/13. In the context of the H1/13 half-yearly financial report published in August, it was no longer possible to adhere to this outlook on account of the considerable uncertainty over future volume and price developments on the market for potash fertilizers. In November 2013, we assumed, in the context of the quarterly financial report Q3/13, that revenues for the year as a whole would be on about the same level as in the previous year.

The revenues of the K+S GROUP in 2013, at € 3.95 billion, reached this forecast figure.

EARNINGS FORECAST

The forecast in the Financial Report published in March 2013 assumed slightly increased operating earnings EBIT I in financial year 2013 compared with the previous year as a result of the normalisation of the de-icing salt business. This statement was affirmed in the quarterly financial report Q1/13, as a tangible increase in global potash sales volumes could be assumed in the Potash and Magnesium Products business unit for 2013. In the half-yearly financial report H1/13, we could no longer maintain the forecast for reasons of commercial prudence. In the quarterly financial report Q3/13, operating earnings EBIT I of over € 600 million for 2013 as a whole could be forecast.

At € 656 million, operating earnings EBIT I of the K+S GROUP in 2013 affirmed this forecast.

CAPITAL EXPENDITURE FORECAST

In the Financial Report 2012, we had still reckoned with capital expenditure of a good € 1.1 billion for 2013, of which about € 625 million should be used for the Legacy Project. In the quarterly report Q1/13, this statement was adjusted to a good € 800 million, of which about € 375 million was for the Legacy Project, because particularly shifts in the timing of expenditures were foreseeable here. We affirmed this forecast in both the half-yearly financial report H1/13 as well as in the quarterly financial report Q3/13.

The volume of capital expenditure for the K+S GROUP in 2013 amounted to € 743 million. / TAB: 4.6.2

Unless stated otherwise, the earnings, financial and asset position refers to the continued operations of the K+S GROUP. Since the reporting on the third quarter of 2012, the NITROGEN business was stated as a "discontinued operation" in accordance with IFRS 5 as a result of its divestment on 2 July 2012.
/ **DETAILED INFORMATION REGARDING THE DISCONTINUED OPERATIONS** can be found on page 134 of the Notes.

The previous year's figures were adjusted because of the change in IAS 19.
/ **FURTHER INFORMATION** can be found in the Notes on page 143.

4.7 EARNINGS POSITION

REVENUES AT PREVIOUS YEAR'S LEVEL

In financial year 2013, revenues amounted to € 3,950.4 million and were therefore at the previous year's level (€ 3,935.3 million). A certain seasonality can generally be recognised from the quarterly revenue figures posted during the course of the year; thus, the first and fourth quarters tend to be stronger, and the second and third quarters somewhat weaker. In terms of volumes, the first quarter for the Potash and Magnesium Products business unit usually profits from the start of spring fertilizing in Europe. The de-icing salt business is normally focused on the first and fourth quarter of a year. / TAB: 4.7.1, 4.7.2

/ A DETAILED EXPLANATION OF THE REVENUES OF THE INDIVIDUAL SEGMENTS can be found on page 89.

In the first half of the year, the high sales volumes in both business units in particular had a positive effect. Whereas the Potash and Magnesium Products business unit recorded a decrease in revenues due to overall lower average prices, revenues increased significantly in the Salt business unit; a main reason for this was the wintry weather at the beginning of the year in Europe.

The second half of 2013 was impacted by market developments after the statements by Russian URALKALI that it would increase its own capacity and the utilisation of that capacity regardless of the price level, and especially the associated buying restraint on the part of potash customers. As a result, revenues in the Potash and Magnesium Products business unit decreased. However, the increase in revenues in the Salt business unit due to the good early stocking-up business in Europe and a strong fourth quarter in North America was able to make up for this decline.

The Potash and Magnesium Products business unit posted the highest revenues of all K+S GROUP's business units, accounting for 51.6 % of the total revenues, and was followed by the Salt business unit and Complementary Activities. / FIG: 4.7.1

In Europe, we achieved revenues of a good € 1.7 billion, this accounted for 44 % of total revenues. North America achieved a revenue share of 30 % and South America of 14 %. Of total revenues, 9 % was accounted for by Asia. / FIG: 4.7.2

REVENUES BY UNIT TAB: 4.7.1

in € million	Q1/13	Q2/13	Q3/13	Q4/13	2013	2012	%
Potash and Magnesium Products business unit	625.5	548.3	456.7	407.1	2,037.6	2,290.6	(11.0)
Salt business unit	614.5	285.2	321.0	530.7	1,751.4	1,484.8	+ 18.0
Complementary Activities	39.7	40.4	39.6	39.7	159.4	153.7	+ 3.7
Reconciliation	0.6	0.6	0.4	0.4	2.0	6.2	(67.7)
K+S Group	**1,280.3**	**874.5**	**817.7**	**977.9**	**3,950.4**	**3,935.3**	**+ 0.4**
Share of total revenues (%)	32.4	22.1	20.7	24.8	100.0	—	—

VARIANCE ANALYSIS TAB: 4.7.2

in %	2013
Change in revenues	**+ 0.4**
– volume / structure	+ 8.3
– prices / price-related	(5.8)
– exchange rates	(2.1)
– consolidation	—

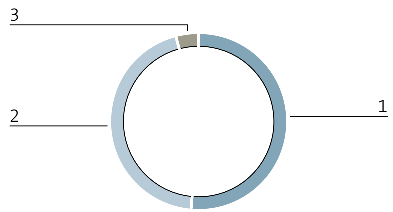
DEVELOPMENT OF ORDERS

Most of the business of the K+S GROUP is not covered by longer-term agreements concerning fixed volumes and prices.

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

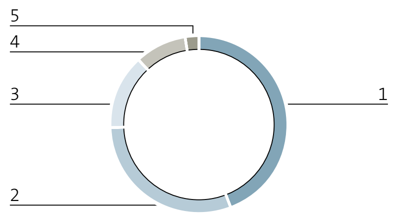
In the Salt business unit, de-icing salt contracts for the public sector in Europe, Canada and the United States are normally issued in the form of public tenders. Usually, we take part in these in the second quarter for the upcoming winter season, but also for following winter seasons. The contracts include both price and maximum volume agreements. Since the actual volumes

REVENUES BY UNIT FIG: 4.7.1



in %	2013	2012
1 Potash and Magnesium Products business unit	51.6	58.3
2 Salt business unit	44.4	37.8
3 Complementary Activities	4.0	3.9

REVENUES BY REGION FIG: 4.7.2



in %	2013	2012
1 Europe	44.2	41.9
– of which Germany	16.0	14.8
2 North America	30.3	25.9
3 South America	13.8	17.2
4 Asia	9.2	12.0
5 Africa, Oceania	2.5	3.0

depend on the weather conditions and are subject to legally permissible fluctuations, they cannot be classified as backlog of orders as such. This also applies if volumes can be carried forward to the following winter in the case of weak demand in a season.

For the above-mentioned reasons, the disclosure of the backlog of orders of the K+S GROUP is of no relevance for assessing the short- and medium-term earnings capacity.

DEVELOPMENT OF THE COST BASE

GROSS MARGIN SLIGHTLY BELOW PREVIOUS YEAR

At 43 %, the gross margin remained slightly below the level of the previous year (2012: 45 %). The cost of sales increased primarily because of the higher sales volume in the Salt business unit; savings in energy costs were able to lessen this development somewhat.

SELLING EXPENSES INCREASE TANGIBLY

In the year under review, the selling expenses of the K+S GROUP amounted to € 835.6 million (2012: € 734.2 million); more than half of this was accounted for by freights, which increased tangibly above all in the Salt business unit as a result of volume factors. The other costs for sales personnel, marketing and supply chain management rose for the same reason.

GENERAL AND ADMINISTRATIVE EXPENSES DECREASED

In 2013, general and administrative costs fell by € 5.1 million or about 3 % to € 191.7 million. Apart from adjustments for short and long-term performance-related remuneration, the decrease can be attributed to currency-related effects.

EARNINGS DEVELOPMENT IN THE PAST FINANCIAL YEAR

OPERATING EARNINGS EBITDA AND EBIT I FELL

In the year under review, earnings before interest, taxes, depreciation and amortisation (EBITDA) fell tangibly to € 907.2 million (2012: € 1,033.3 million). / TAB: 4.7.3

The operating earnings EBIT I fell in 2013 by € 148.2 million or 18.4 % to € 655.9 million (2012: € 804.1 million). These include depreciation of € 251.3 million, which increased by € 22.1 million in comparison to the previous year. At 16.6 %, the EBIT margin still reached a good level (2012: 20.4 %). / TAB: 4.7.4

/ A DETAILED EXPLANATION OF THE RESULTS OF THE INDIVIDUAL SEGMENTS can be found on page 89.

Whereas the sales volume in the Potash and Magnesium Products business unit in the first half of 2013 remained basically stable, lower prices led to declining earnings. A volume-related increase in earnings in the Salt business unit mitigated the decrease.

The second half of the year was impacted by market developments after the statements by Russian URALKALI that it would expand its own capacity and the utilisation of that capacity regardless of the price level, thus putting further pressure on international prices. This had a negative influence on operating earnings EBITDA and EBIT I. Especially an increase in earnings in the Salt business unit, due to good early stocking-up of de-icing salt, countered this development.

FINANCIAL RESULT IMPROVED

The financial result consists of net interest income and other financial result. At € (75.8) million (2012: € (84.8) million), net interest income improved in 2013. This is primarily due to lower interest expenses from compounding interest of provisions for mining obligations. In the previous year the change in the discount factor for provisions for mining obligations resulted in higher interest expenses. Additionally, increased interest income had a positive effect. Alongside interest expenses for pension provisions (2013: € (5.9) million; 2012: € (6.4) million), interest expenses for other non-current provisions, essentially provisions for mining obligations (2013: € (26.2) million; 2012: € (38.9) million) are disclosed in the financial result; both are non-cash. Overall, the financial result was € (76.3) million against € (78.9) million in the previous year.

EBITDA BY UNIT TAB: 4.7.3

in € million	Q1/13	Q2/13	Q3/13	Q4/13	2013	2012	%
Potash and Magnesium Products business unit	236.0	209.8	134.8	86.9	667.5	867.2	(23.0)
Salt business unit	100.2	18.6	37.0	80.1	235.9	179.5	+31.4
Complementary Activities	8.6	8.0	6.9	8.2	31.7	28.2	+12.4
Reconciliation[1]	(8.5)	(9.4)	(3.1)	(6.9)	(27.9)	(41.6)	+32.9
K+S Group	**336.3**	**227.0**	**175.6**	**168.3**	**907.2**	**1,033.3**	**(12.2)**
Share of total EBITDA (%)	37.1	25.0	19.4	18.6	100.0	—	—

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

EBIT I BY UNIT TAB: 4.7.4

in %	Q1/13	Q2/13	Q3/13	Q4/13	2013	2012	%
Potash and Magnesium Products business unit	209.2	182.0	107.0	54.3	552.5	770.9	(28.3)
Salt business unit	73.1	(13.5)	9.2	49.0	117.8	61.6	+91.3
Complementary Activities	6.8	6.2	5.3	6.4	24.7	21.0	+17.6
Reconciliation[1]	(11.2)	(12.1)	(5.7)	(10.2)	(39.2)	(49.4)	+20.6
K+S Group	**277.9**	**162.6**	**115.8**	**99.6**	**655.9**	**804.1**	**(18.4)**
Share of total EBIT I (%)	42.4	24.8	17.7	15.2	100.0	—	—

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

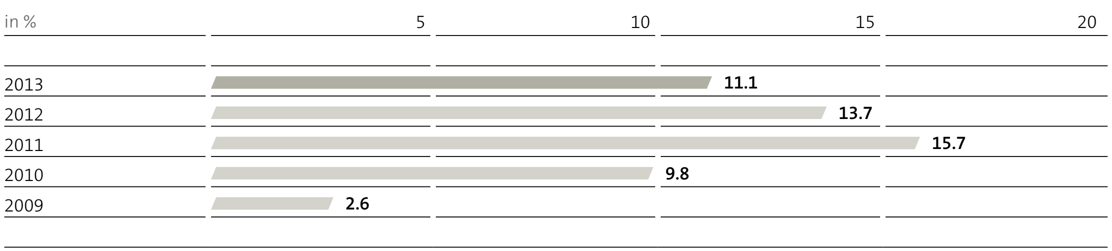
GROUP EARNINGS AND ADJUSTED GROUP EARNINGS FROM CONTINUED OPERATIONS DROPPED

In the year under review, Group earnings after taxes from continued operations amounted to € 415.1 million (2012: € 565.3 million). The tax expense amounted to € 133.2 million (2012: € 197.4 million); this amount comprises a deferred and thus non-cash tax income of € 61.1 million (2012: deferred tax income of € 33.6 million). The reason for the decrease in income taxes was mainly lower operating earnings. The anticipated income tax expense was calculated based on a domestic Group income tax rate of 28.6 % (previous year: 28.5 %).

COMPUTATION OF THE ADJUSTED GROUP EARNINGS FROM CONTINUED OPERATIONS TAB: 4.7.5

in € million	2013	2012
Group earnings from continued operations	415.1	565.3
Income (–)/expenses (+) from market value changes of operating forecast hedges still outstanding	15.5	(9.5)
Neutralising of market value changes of realised operating forecast hedges recognised in previous periods	10.3	(28.5)
Elimination of resulting deferred and cash taxes	(8.8)	10.8
Realised income (–)/expenses (+) of currency hedging for capital expenditure in Canada	5.0	—
Adjusted Group earnings from continued operations	**437.1**	**538.1**

RETURN ON REVENUES FIG: 4.7.3



To enhance comparability, we additionally report adjusted Group earnings from continued operations, which eliminate the effects from operating forecast hedges. Furthermore, the effects on deferred and cash taxes resulting from the adjustment are also eliminated. We compute adjusted Group earnings as shown in table 4.7.5. **/ TAB: 4.7.5**

Adjusted Group earnings from continued operations fell by € 101.0 million or just under 19 % to € 437.1 million (2012: € 538.1 million). The main reason for this was the declining operating earnings. The adjusted Group tax rate was 24.6 % in the year under review, after having been 25.8 % in the previous year. This decrease was especially due to a higher deferred tax income compared to the previous year.

The return on revenues at 11.1 % was at an attractive level also compared to previous years. **/ FIG: 4.7.3**

EARNINGS PER SHARE AND ADJUSTED EARNINGS PER SHARE FROM CONTINUED OPERATIONS BELOW PREVIOUS YEAR'S FIGURE

For the year under review, earnings per share from continued operations reached € 2.17. They were down about 27 % on the previous year's figure of € 2.96. Adjusted for the effects of market value fluctuations of the operating forecast hedges, adjusted earnings per share from continued operations for the year under review were € 2.28, which represents a decrease of just under 19 % (2012: € 2.81). The current computation was performed on the basis of 191.40 million no-par value shares, being the average number of shares outstanding (previous year: 191.40 million no-par value shares).

As of 31 December 2013, we held no shares of our own. At the year's end, the total number of shares outstanding of the K+S GROUP was therefore 191.40 million no-par value shares.

Undiluted, adjusted earnings per share are computed by dividing adjusted Group earnings after taxes and minority interests by the weighted average number of shares outstanding. As none of the conditions resulting in the dilution of earnings per share exist in the case of K+S

GROUP EARNINGS AND EARNINGS PER SHARE TAB: 4.7.6

in € million	Q1/13	Q2/13	Q3/13	Q4/13	2013	2012	%
Group earnings from continued operations	187.5	102.0	70.9	54.7	415.1	565.3	(26.6)
Earnings per share from continued operations (€)	0.98	0.53	0.37	0.29	2.17	2.96	(26.6)
Group earnings[1]	187.5	102.0	70.9	52.4	412.8	665.3	(38.0)
Earnings per share (€)[1]	0.98	0.53	0.37	0.27	2.16	3.48	(38.0)
Average number of shares (million)	191.40	191.40	191.40	191.40	191.40	191.40	—
Group earnings from continued operations, adjusted[2]	190.2	105.9	71.6	69.4	437.1	538.1	(18.8)
Earnings per share from continued operations, adjusted (€)[2]	0.99	0.55	0.37	0.36	2.28	2.81	(18.8)
Group earnings, adjusted[1,2]	190.2	105.9	71.6	67.1	434.8	637.4	(31.8)
Earnings per share, adjusted (€)[1,2]	0.99	0.55	0.37	0.35	2.27	3.33	(31.8)

[1] Earnings from continued and discontinued operations.
[2] The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I (see also 'Notes to the income statement and the statement of comprehensive income' on page 146). In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2013: 28.6 % (2012: 28.5 %).

at the present time, undiluted earnings per share correspond to diluted earnings per share. / TAB: 4.7.6

ADJUSTED GROUP EARNINGS AND ADJUSTED EARNINGS PER SHARE

Group earnings (including discontinued operations) reached € 412.8 million (2012: € 665.3 million). Adjusted Group earnings amounted to € 434.8 million (2012: € 637.4 million). In the previous year, € 100.0 million was still attributable to discontinued operations of the NITROGEN business.

Earnings per share (including discontinued operations) reached € 2.16 (2012: € 3.48), adjusted earnings per share were € 2.27 (2012: € 3.33). In the previous year, € 0.52 was still attributable to discontinued operations of the NITROGEN business.

/ **DETAILED INFORMATION ABOUT THE DIVESTMENT OF THE NITROGEN BUSINESS CAN BE FOUND IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** on page 134.

KEY FIGURES ON EARNINGS POSITION

MARGIN KEY FIGURES

The margin key figures were below the previous year's level as a result of the decline in earnings already described above. The earnings before interest, taxes, depreciation and amortisation (EBITDA) of € 907.2 million resulted in an EBITDA margin of 23.0 % (2012: 26.3 %), and the EBIT margin reached 16.6 % after having been 20.4 % in 2012. The return on revenues was 11.1 % (2012: 13.7 %).

/ **DEFINITIONS OF THE KEY FIGURES USED** can be found in the 'Further Information' section on page 180.

YIELD KEY FIGURES

The yield key figures also declined sharply as a result of the weaker earnings contribution: In the reporting year, the return on equity after taxes amounted to 12.8 % (2012: 19.6 %) with the return on total investment amounting to 10.9 % (2012: 16.1 %). Especially as a result of higher expenditure in the Potash and Magnesium Products business unit, the return on capital employed (ROCE) fell and was 15.2 % for the year under review, compared with 19.9 % for the previous year. It is thus significantly above our cost of capital of 8.2 % before taxes. As a result, the K+S GROUP created an added value of € 302.3 million during the past financial year. / TAB: 4.7.7

/ **A DETAILED EXPLANATION OF THE FINANCIAL PERFORMANCE INDICATORS** can be found on page 59.

COMPUTATION OF THE COST OF CAPITAL

The weighted average cost of capital rate for the K+S GROUP is derived from the aggregate of the expected

MULTIPERIOD OVERVIEW OF MARGIN AND YIELD KEY FIGURES [1] TAB: 4.7.7

Figures in %	2013	2012	2011	2010	2009
Gross margin	43.2	45.1	45.4	38.1	34.4
EBITDA margin	23.0	26.3	28.7	20.6	11.5
EBIT margin	16.6	20.4	22.7	15.4	6.7
Return on revenues [2]	11.1	13.7	15.7	9.8	2.6
Return on equity after taxes [2,3]	12.8	19.6	20.2	18.7	8.4
Return on total investment [2,3]	10.9	16.1	16.4	14.7	6.9
Return on Capital Employed (ROCE)	15.2	19.9	25.2	22.0	9.3
Weighted average cost of capital before taxes	8.2	8.7	8.6	9.5	9.9
Value Added (€ million)	302.3	452.4	597.3	406.1	(16.2)

[1] Information refers to the continued operations of the K+S Group; the year 2009, as well as the years 2009 until 2010 also include the discontinued operations of the COMPO business and the nitrogen business, respectively.
[2] The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I (see also 'Notes to the income statement and the statement of comprehensive income' on page 146). In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2013: 28.6 % (2012: 28.5 %).
[3] Information refers to the continued and discontinued operations of the K+S Group.

yield to which a contributor of equity would be entitled in respect of his equity share as well as the interest on debt in respect of the share of interest-bearing debt in total capital. As this is considered from an after-tax perspective, the average interest on debt is reduced by the corporate tax ratio.

The expected yield to which a contributor of equity would be entitled is derived from a risk-free interest rate plus a risk premium. The average of the yields of government bonds denominated in euros with a maturity of 1 to 30 years was assumed as the risk-free interest rate; at the end of 2013, this was 2.8 % (previous year: 2.2 %). The risk premium has been computed using a market risk premium of 5.5 % (2012: 5.5 %) as well as with the beta factor of 0.98 (previous year: 1.04) applicable to K+S in relation to the MSCI EUROPE benchmark index. This means that a contributor of equity would be entitled to a notional yield of 8.2 % (previous year: 7.9 %).

The average interest on debt before taxes amounts to 3.0 % (previous year: 2.7 %) and is derived from the weighted average for the interest on the financial liabilities of K+S as well as the interest on pension and mining provisions. After taking into account the adjusted Group tax ratio of 24.6 %, this results in an average cost of debt after taxes of 2.3 % (previous year: 2.0 %).

In 2013, the average market value of the equity amounted to about € 5.5 billion and the average debt was about € 2.7 billion. The share of equity in total capital was 67 % and of debt 33 %.

In total, this results in a weighted average cost of capital rate for the K+S GROUP of 6.2 % (previous year: 6.4 %) after taxes. On the basis of an average capital tied up of € 5,544.1 million (of which operationally tied up: € 4,318.4 million), this gives a cost of capital of € 343.7 million for 2013. This corresponds to a cost of capital rate before taxes of 8.2 % (previous year: 8.7 %).

4.8 FINANCIAL POSITION

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

FINANCIAL MANAGEMENT IS CENTRALLY CONTROLLED

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

+ securing liquidity and controlling it efficiently across the Group,
+ maintaining and optimising the financial capability of the Group as well as
+ reducing financial risks also by means of financial instruments.

Through a centralised cash management, we control our liquidity and optimise the payment streams within the Group. In order to maintain the financial capability of the Group and to attain a low cost of capital for borrowed capital and for equity, we aim to achieve a capital structure for the K+S GROUP in a long-term and sustainable manner, which is orientated to the usual criteria and indicators for an "investment grade" rating. This does not rule out a temporary deviation from this approach. The management of the capital structure is undertaken on the basis of the following key figures: / TAB: 4.8.1

KEY FIGURES FOR THE MANAGEMENT OF THE CAPITAL STRUCTURE TAB: 4.8.1

	Target corridor	2013	2012	2011	2010	2009
Net indebtedness / EBITDA	1.0 to 1.5	1.1	0.8	0.5	0.8	2.4
Net indebtedness / Equity (%)	max. of 100	30.5	24.4	19.8	27.6	64.5
Equity ratio (%)	40 to 50	45.3	51.4	50.9	47.6	40.1

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

FOREIGN CURRENCY HEDGING SYSTEM

Exchange rate fluctuations can lead to the value of the service performed not matching the value of the consideration, because income and expenditure arise at different times in different currencies (transaction risks). Exchange rate fluctuations, especially in relation to the US dollar, play a particular role for the Potash and Magnesium Products business unit in relation to the levels of its proceeds and receivables. Within the framework of transaction hedging, key net positions per currency are hedged through derivatives, normally options and futures. Furthermore, currency effects arise at subsidiaries whose functional currency is not the euro (translation risks): On the one hand, the earnings of these companies determined in a foreign currency are translated into euros at average rates and recognised in profit or loss, and on the other hand, their net assets are translated into euros at spot rates. This can result in currency-related fluctuations in the equity of the K+S GROUP. Translation effects from the conversion of US dollars at present mainly appear in the Salt business unit and will in the future also play an increasingly important role in the Potash and Magnesium Products business unit.

Within the framework of transaction hedging, options and futures are utilised to hedge the worst case, but at the same time, the opportunity is retained for part of the foreign currency position to participate in a more favourable exchange rate development.

For 2013, the realised price of the US dollar in the Potash and Magnesium Products business unit was EUR/USD 1.30 including costs (previous year: EUR/USD 1.32). The hedging measures therefore led to an improved exchange rate in comparison to the average EUR/USD spot rate after premiums. / TAB: 4.8.2

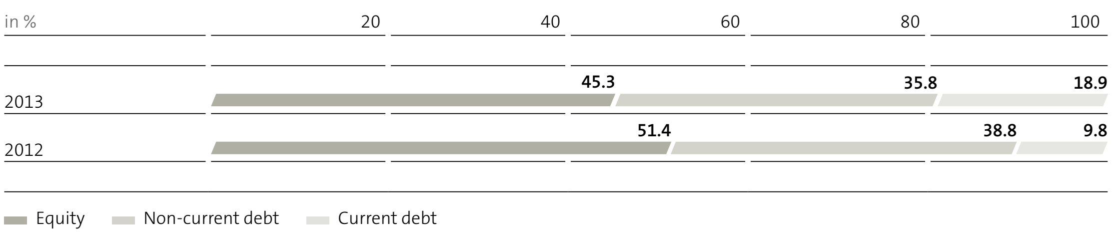
For the construction of the new potash plant in Canada (Legacy Project), during the primary investment phase until 2016, payments will be made in the Canadian dollar and the US dollar. The Canadian dollar investments are partly aided by a natural hedge arising from surpluses in the salt business in Canada. Futures or options, which lock in a worst-case scenario, are used to hedge the remaining CAD net position. The US dollar investments are included in the USD net position of the Potash and Magnesium Products business unit; during the investment phase, this leads to a reduction of the total US dollar volume requiring hedging. In the subsequent operating phase, the hedge volume will increase given the anticipated additional USD revenues.

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

HEDGING OF EXCHANGE RATE RISKS – POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT TAB: 4.8.2

	2012	Q1/13	Q2/13	Q3/13	Q4/13	2013
EUR/USD exchange rate after premiums	1.32	1.31	1.28	1.29	1.34	1.30
Average EUR/USD spot rate	1.28	1.32	1.31	1.32	1.36	1.33

EQUITY AND LIABILITIES FIG: 4.8.1



FINANCING ANALYSIS

With the successful issue of two bonds in December 2013, each with a volume of € 500 million, the K+S GROUP again proved its attractiveness as a bond issuer. Besides, already in July 2013 our syndicated credit line was extended early with favourable conditions and raised to € 1 billion.

The financing structure of the K+S GROUP continues to be stable compared to the end of 2012. As of 31 December 2013, 81 % of the financing resulted from equity and from non-current debt, which itself consists of bond payables and provisions. / **FIG: 4.8.1**

EQUITY SHARE DOWN DUE TO ISSUANCE OF TWO BONDS

At € 3,396.6 million, equity was basically stable (2012: € 3,393.9 million). At 45.3 % of the balance sheet total, the equity ratio continued to be at a high level, although the figure was down on that of the previous year due to the issuance of two bonds (2012: 51.4 %).

DEBT SHARE INCREASES

In 2013, the debt of the K+S GROUP increased from € 3,202.7 million to € 4,101.6 million. As of 31 December 2013, it consisted of 30 % provisions, 55 % financial liabilities, 7 % accounts payable trade, and 6 % tax liabilities from income taxes and deferred taxes.

As of 31 December 2013, non-current debt, including non-current provisions, totalled € 2,686.8 million; the increase compared to the previous year's figure (€ 2,555.3 million) is largely attributable to the issuing of two bonds. This was countered by an opposing effect from the reclassification of the bond due in September 2014, which is now recognised as current debt. The proportion of non-current debt was reduced to 35.8 % of the balance sheet total (31 December 2012: 38.8 %).

Current debt increased in the course of the reclassification from € 647.4 million at the end of 2012 to € 1,414.8 million as of 31 December 2013. The proportion of current debt in relation to the balance sheet total thus increased from 9.8 % in the previous year to 18.9 % as of 31 December 2013.

/ **FURTHER DETAILS OF THE CHANGE IN INDIVIDUAL BALANCE SHEET ITEMS** can be found in the Notes to the consolidated financial statements on page 151.

FINANCIAL LIABILITIES

As of 31 December 2013, financial liabilities amounted to € 2,255.2 million. The majority of non-current debt is attributable to the corporate bonds issued in June 2012 as well as in December 2013.

Financial liabilities in foreign currencies are predominantly denominated in US dollar. As of 31 December 2013, they amounted to just € 17.9 million after conversion.

PROVISIONS

The main non-current provisions of the K+S GROUP are provisions for mining obligations as well as for pensions and similar obligations.

The provisions for non-current mining obligations amounted to € 743.9 million after having been € 706.6 million in the previous year. The increase is largely attributable to the annual accumulation of provisions, the recognition of additional provisions for mining risks and the revaluation of existing provisions. An increase in the average discount factor (currently: 4.3 %) of half a percentage point for provisions for mining obligations would result in a reduction of the carrying amount by about € 80 million. Conversely, a reduction in the discount factor of half a percentage point would cause provisions for mining obligations to rise by about € 109 million. It is important to note in this regard that the described changes in provisions resulting from a change in the discount rate do not result in a corresponding impact on earnings. For a material part of the provisions for mining obligations the adjustments on the basis of the change in valuation parameters must be carried out under the provisions of IFRIC 1. A balance sheet reduction or extension would therefore basically result for the corresponding items of the provisions. Furthermore, effects arising from the adjustment of other valuation parameters (e.g. the rate of inflation) can counteract the effect of a change in the discount rate.

The non-current provisions for pensions and similar obligations amounted to € 102.6 million after having been € 160.1 million in the previous year; the decline is mainly attributable to increased discount rates. The

MULTIPERIOD OVERVIEW OF FINANCIAL POSITION [1] TAB: 4.8.3

in € million	2013	2012	2011	2010	2009
Equity	3,396.6	3,393.9	3,084.6	2,651.6	2,094.6
Equity ratio (%)	45.3	51.4	50.9	47.6	40.1
Non-current debt	2,686.8	2,555.3	1,953.6	1,919.1	2,235.7
– thereof provisions for pensions and similar obligations	102.6	160.1	95.3	184.8	194.3
– thereof provisions for mining obligations	743.9	706.6	580.6	528.4	419.2
Non-current provisions as share of balance sheet (%)	12.9	15.1	13.6	15.5	16.0
Current debt	1,414.8	647.4	1,018.7	1,003.0	886.8
– thereof accounts payable – trade	271.5	289.2	613.8	511.2	346.9
Financial liabilities	2,255.2	1,265.8	770.6	786.6	1,266.9
Net financial liabilities	190.5	(39.4)	(65.1)	19.3	737.8
Net indebtedness	1,037.0	827.3	610.8	732.5	1,351.3
Level of indebtedness I (%)	66.4	37.3	25.0	29.7	60.5
Level of indebtedness II (%)	30.5	24.4	19.8	27.6	64.5
Working Capital	844.9	1,025.7	840.9	959.4	970.5
Cash flow from operating activities [2]	755.7	607.2	633.4	826.4	534.8
Free cash flow [2]	(53.6)	(359.4)	(233.7)	648.7	(811.1)
Cash flow for / from financing activities [2]	721.3	243.0	(261.7)	(439.7)	1,168.1

[1] Information refers to the continued operations of the K+S Group; the years until 2010 as well as the years until 2011 also include the discontinued operations of the COMPO business and the nitrogen business, respectively.

[2] Information for the years 2010 until 2013 refers to the continued operations of the K+S Group.

average weighted discount factor for pensions and similar obligations rose to 4.2 % as of 31 December 2013 after having been 3.8 % in the previous year. The actuarial measurement of pension provisions is performed by applying the projected unit credit method in accordance with IAS 19. / TAB: 4.8.3

/ AN EXPLANATION CAN BE FOUND IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS on page 159.

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

We primarily use operating leases in respect of, for example, company vehicles, storage capacities and IT equipment; their extent has no material bearing on the economic position of the K+S GROUP.

CAPITAL EXPENDITURE ANALYSIS

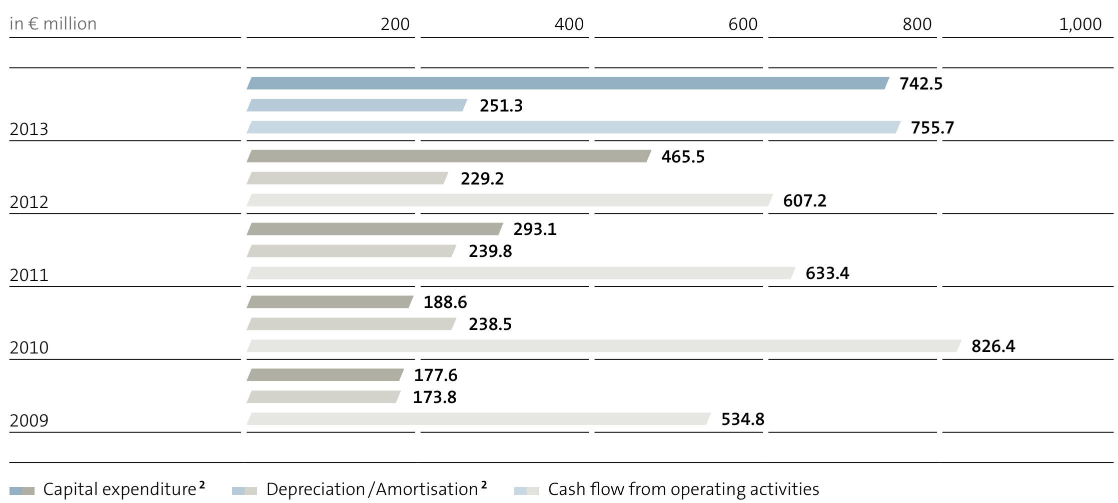
In 2013, the K+S GROUP invested € 742.5 million, representing an increase of € 277.0 million or 60 %. Of this, € 362.0 million was accounted for by investments under our Legacy Project in Canada. In addition, the increase is attributable to the implementation of the package of measures on water protection in the Hesse-Thuringia potash district and the construction of the saline wastewater pipeline from the Neuhof site to the Werra plant. / TAB: 4.8.4

CAPITAL EXPENDITURE BY UNIT [1] TAB: 4.8.4

in € million	Q1/13	Q2/13	Q3/13	Q4/13	2013	2012	%
Potash and Magnesium Products business unit	85.4	173.2	159.5	188.5	606.5	332.9	+ 82.2
Salt business unit	10.9	15.8	23.3	57.4	107.4	111.3	(3.5)
Complementary Activities	0.3	0.5	0.8	1.8	3.4	6.3	(46.0)
Other capital expenditure	14.2	1.8	2.9	6.3	25.2	15.0	+ 68.0
K+S Group	**110.8**	**191.3**	**186.4**	**254.0**	**742.5**	**465.5**	**+ 59.5**
Share of capital expenditure (%)	14.9	25.8	25.1	34.2	100.0	—	—

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

CAPITAL EXPENDITURE COMPARED WITH DEPRECIATION / AMORTISATION AND CASH FLOW FROM OPERATING ACTIVITIES [1] FIG: 4.8.2



[1] Information refers to the continued operations of the K+S Group; the year 2009, as well as the years 2009 until 2010 also include the discontinued operations of the COMPO business and the nitrogen business, respectively.
[2] Investments in or depreciation / amortisation on property, plant and equipment, intangible assets and investment properties as well as depreciation on financial assets.

At the end of the year, there were capital expenditure obligations totalling € 382.4 million, which relate to as yet uncompleted investment undertakings from 2013. / FIG: 4.8.2

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

In the Potash and Magnesium Products business unit, we invested € 606.5 million, i.e. € 273.6 million or 82 % more than in the previous year. The major part of capital expenditure (€ 362.0 million) was accounted for by infrastructure, water supply, drilling operations and engineering works under the Legacy Project in Canada. We additionally invested just under € 80.0 million for the package of measures for water protection in the Hesse-Thuringia potash district as well as about € 36.0 million for the construction of the saline wastewater pipeline from the Neuhof site to the Werra plant. There was also a focus on projects for improving the exploitation of raw material.

SALT BUSINESS UNIT

At € 107.4 million, capital expenditure in the Salt business unit in 2013 was more or less stable in relation to the previous year (2012: € 111.3 million). The optimisation of the mining process at the rock salt site in Fairport, USA, measures for the development of a deeper extraction level at the rock salt site of Weeks Island, USA, as well as the expansion of the brine field at FRISIA in Harlingen, the Netherlands, were among the most important projects in the year under review.

CASH FLOW REVIEW[1] TAB: 4.8.5

in € million	Q1/13	Q2/13	Q3/13	Q4/13	2013	2012	%
Cash flow from operating activities	314.0	230.1	73.5	138.1	755.7	607.2	+ 24.5
Cash flow for investing activities	(179.2)	(31.3)	(142.3)	(456.5)	(809.3)	(966.6)	+ 16.3
Free cash flow	134.8	198.8	(68.8)	(318.4)	(53.6)	(359.4)	+ 85.1
Cash flow from operating activities without out-financing of pension obligations[2]	319.8	234.3	77.3	140.2	771.6	650.6	+ 18.6
Cash flow for investing activities without investments in / sales of securities and other financial investments[3]	(107.6)	(166.0)	(184.4)	(249.0)	(707.0)	(408.1)	(73.2)
Adjusted free cash flow	**212.2**	**68.3**	**(107.1)**	**(108.8)**	**64.6**	**242.5**	**(73.4)**

[1] Information refers to the continued operations of the K+S Group.
[2] Q1/13: € (5.8) million, Q2/13: € (4.2) million, Q3/13: € (3.8) million, Q4/13: € (2.1) million, 2013: € (15.9) million, 2012: € (43.4) million.
[3] Q1/13: € (71.6) million, Q2/13: € 134.7 million, Q3/13: € 105.2 million, Q4/13: € (270.6) million, 2013: € (102.3) million, 2012: € (558.5) million.

COMPLEMENTARY ACTIVITIES

During the year under review, capital expenditure on Complementary Activities amounted to € 3.4 million, a decrease of € 2.9 million in relation to the previous year's figure (2012: € 6.3 million). In the waste management and recycling segment, further progress was made on the development of a further field for underground re-utilisation at the German Bernburg site.

LIQUIDITY ANALYSIS

Cash flow provided by operating activities (excluding out-financing of pension obligations) increased by about 19 % to € 771.6 million during the year under review (2012: € 650.6 million). Due to business activities, the year under review saw a reduction in working capital. In the Potash and Magnesium Products business unit, receivables fell as a result of price and volume factors, especially in the overseas business. In the Salt business unit, there was also a significant decrease in receivables and a significant reduction in inventories due to in part above-average wintry weather in the first quarter. In addition, a good winter in the USA at the end of the year led to a further reduction in stocks. / TAB: 4.8.5

During the year under review, cash flow for investment activities (excluding purchases / sales of securities and other financial investments) amounted to € (707.0) million and was thus below the level of the previous year (2012: € (408.1) million). The main reasons for this were particularly higher disbursements for the Legacy Project as well as for the package of measures for water protection. Adjusted free cash flow (excluding out-financing of pension obligations as well as purchases / sales of securities and other financial investments) totalled € 64.6 million (2012: € 242.5 million).

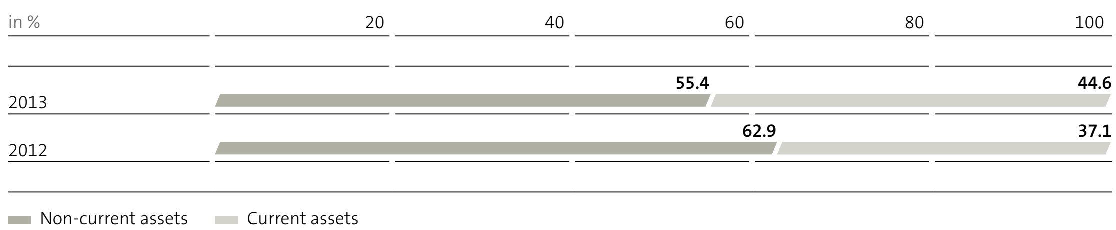
The cash flow from financing activities for the year under review was € 721.3 million (2012: € 243.0 million). The change is mainly attributable to the successful placement of two bonds in December 2013 with a nominal amount totalling € 1 billion. As of 31 December 2013, net cash and cash equivalents amounted to € 1,005.0 million (31 December 2012: € 345.0 million). These concerned investments mainly relating to time deposits, money market instruments as well as comparably short-term securities, which continued to remain available as cash reserves.

4.9 ASSET POSITION

ANALYSIS OF ASSET STRUCTURE

The balance sheet total of the K+S GROUP increased by 13.7 % to € 7,498.2 million as of 31 December 2013. The ratio of non-current to current assets, at 55:45, continues to be balanced. / FIG: 4.9.1

ASSETS FIG: 4.9.1



Property, plant and equipment increased to € 2,933.2 million (31 December 2012: € 2,527.4 million). This is particularly attributable to capital expenditure in the Potash and Magnesium Products business unit. Due to a reclassification of non-current to current assets essentially conditioned by residual terms, non-current financial assets as well as securities and other financial investments decreased to € 193.2 million (31 December 2012: € 515.4 million). In addition, the proceeds from the issue of two bonds in December 2013 partly flowed temporarily into assets with a maturity of less than twelve months, so that current securities and other financial investments almost doubled to € 856.2 million (31 December 2012: € 435.0 million). In particular due to the above-average de-icing salt business, inventories decreased significantly to € 552.6 million (31 December 2012: € 687.9 million). As a result of the proceeds from the bond issue at the end of the year, cash and cash equivalents increased sharply to € 1,011.3 million (31 December 2012: € 351.8 million).

Including cash and cash equivalents (€ 1,011.3 million), the non-current and current securities and other financial investments (€ 1,035.5 million), the non-current provisions for mining obligations and pensions (€ 743.9 million and € 102.6 million, respectively) as well as the financial liabilities (€ 2,255.2 million), and after taking into account claims for reimbursement in connection with a bond at MORTON SALT (€ 17.9 million), this results in net indebtedness for the K+S GROUP of € 1,037.0 million (31 December 2012: € 827.3 million) as of 31 December 2013. / TAB: 4.9.1

/ **DEFINITIONS OF THE KEY FIGURES USED** can be found in the 'Further Information' section on page 180.

EARMARKED PLAN ASSETS

In 2005, we started on the out-financing of obligations for pensions and partial retirement of the domestic companies through a Contractual Trust Arrangement (CTA) model. By making allocations to the CTA model,

MULTIPERIOD OVERVIEW OF NET ASSET POSITION[1] TAB: 4.9.1

in € million	2013	2012	2011	2010	2009
Property, plant and equipment, intangible assets	3,868.9	3,528.2	3,247.9	2,803.3	2,658.0
Financial assets, non-current securities and other financial investments	193.2	515.4	74.4	24.1	22.4
Inventories	552.6	687.9	730.0	740.2	680.4
Accounts receivable – trade	737.9	770.3	928.8	949.8	849.6
Cash and cash equivalents, current securities and other financial investments	1,867.5	786.8	757.8	748.4	529.1
Net financial liabilities	190.5	(39.4)	(65.1)	19.3	737.8
Net indebtedness	1,037.0	827.3	610.8	732.5	1,351.3
Equity/fixed assets ratio I (%)	87.5	95.8	94.5	93.8	78.2
Equity/fixed assets ratio II (%)	156.7	167.9	154.4	161.8	161.7
Liquidity ratio I (%)	132.0	121.5	74.4	74.6	59.7
Liquidity ratio II (%)	195.0	266.2	180.3	186.7	172.6
Liquidity ratio III (%)	236.2	378.1	256.1	262.9	252.7

[1] Information refers to the continued operations of the K+S Group; the years 2009 until 2010 as well as the years 2009 until 2011 also include the discontinued operations of the COMPO business and the nitrogen business, respectively.

the corresponding financial resources are earmarked for the purpose of settling pension obligations and early retirement arrangements. The same applies to plan assets which serve the financing of the pension obligations of the MORTON Group. There are also pledged reinsurance arrangements which are also to be classified as plan assets according to IFRS. In accordance with IFRS, the obligations for pensions and partial retirement and the associated plan assets are recorded on a net basis in the balance sheet. The assets earmarked in connection with personnel obligations increased by € 10.2 million in 2013 to a total of € 425.7 million mainly as a result of further allocations as well as positive performance. Details on the composition of these plan assets as well as on the out-financing performed in 2013 can be found in the Consolidated Notes under note (21) 'Provisions for pensions and similar obligations' as well as under note (23) 'Non-current obligations to employees'.

OFF-BALANCE SHEET ASSETS

Other financial obligations totalled € 595.7 million as of 31 December 2013 (31 December 2012: € 299.2 million) and concern both obligations arising from as yet uncompleted capital expenditure projects as well as from operating leases for items of factory and office equipment (e.g. printers, photocopiers and IT peripherals). In addition, vehicles and storage capacities are leased. Due to the chosen contractual structures, these items are not to be carried under fixed assets. Information about other intangible, unrecognised assets in the sense of customer and supplier relationships as well as organisational and procedural advantages can be found in our Company/Sustainability Report; investors and capital market relationships are explained in the section 'K+S on the Capital Market' on page 23.

COMMENTS ON ACQUISITIONS AND DISPOSALS OF COMPANIES

Acquisitions and disposals of companies were not effected in the year under review. In accordance with our two-pillar strategy, we want to grow in the Potash and Magnesium Products and Salt business units and to focus our management resources and financial means on this.

/ **FURTHER INFORMATION** can be found in the Notes to the consolidated financial statements on page 134.

VARIANCE ANALYSIS TAB: 4.10.1

in %	2013
Change in revenues	(11.0)
– volume/structure	+1.3
– prices/price-related	(10.8)
– exchange rates	(1.5)
– consolidation	—
Potassium chloride	(19.1)
Fertilizer specialities	(1.5)
Industrial products	(5.6)

4.10 SEGMENT PRESENTATION

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

REVENUES TANGIBLY LOWER THAN A YEAR AGO

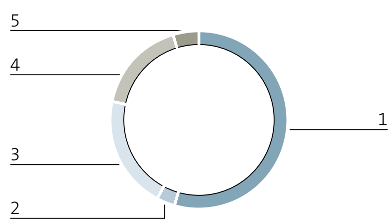
In financial year 2013, revenues of the business unit decreased by € 253.0 million or 11 % to € 2,037.6 million; this is attributable to a tangible decrease in the average price of our product range as well as an adverse development of the EUR/USD exchange rate. Sales volumes in 2013 totalled 6.94 million tonnes and were on a par with the high level of the previous year (2012: 6.95 million tonnes). / TAB: 4.10.1, 4.10.2, 4.10.3

/ A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT can be found on page 72 in the 'Industry-specific framework conditions' section.

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT TAB: 4.10.2

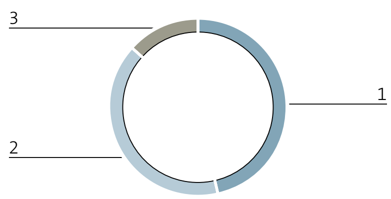
in € million	Q1/13	Q2/13	Q3/13	Q4/13	2013	2012	%
Revenues	625.5	548.3	456.7	407.1	2,037.6	2,290.6	(11.0)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	236.0	209.8	134.8	86.9	667.5	867.2	(23.0)
Operating earnings (EBIT I)	209.2	182.0	107.0	54.3	552.5	770.9	(28.3)
Capital expenditure	85.4	173.2	159.5	188.5	606.5	332.9	+82.2
Employees as of reporting date (number)	8,310	8,258	8,382	—	8,367	8,310	+0.7

REVENUES BY REGION FIG: 4.10.1



	in %	2013	2012
1	Europe	54.7	48.9
	– of which Germany	13.6	12.9
2	North America	3.2	2.8
3	South America	20.5	23.5
4	Asia	17.1	19.8
5	Africa, Oceania	4.5	5.0

REVENUES BY PRODUCT GROUP FIG: 4.10.2



	in %	2013	2012
1	Potassium chloride	46.5	51.1
2	Fertilizer specialities	40.4	36.5
3	Industrial products	13.1	12.4

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION [1] TAB: 4.10.3

		Q1/13	Q2/13	Q3/13	Q4/13	2013	2012	%
Revenues	**€ million**	**625.5**	**548.3**	**456.7**	**407.1**	**2,037.6**	**2,290.6**	**(11.0)**
Europe	€ million	354.4	276.3	233.1	250.1	1,113.9	1,118.7	(0.4)
Overseas	US$ million	358.0	355.3	296.5	216.9	1,226.7	1,503.7	(18.4)
Sales volumes	**t eff. million**	**2.03**	**1.77**	**1.63**	**1.51**	**6.94**	**6.95**	**(0.2)**
Europe	t eff. million	1.11	0.89	0.77	0.88	3.65	3.52	+3.7
Overseas	t eff. million	0.92	0.88	0.86	0.63	3.29	3.43	(4.3)
Average Prices	**€/t eff.**	**308.0**	**309.4**	**280.4**	**270.7**	**293.8**	**329.4**	**(10.8)**
Europe	€/t eff.	318.8	311.7	301.3	284.8	305.2	317.8	(4.0)
Overseas	US$/t eff.	389.5	401.0	346.3	346.8	373.3	437.9	(14.7)

[1] Revenues include prices both inclusive and exclusive of freight costs and, in the case of overseas revenues, are based on the respective EUR/USD spot rates. For most of these revenues, hedging transactions have been concluded. The price information is also affected by the respective product mix and is therefore to be understood as providing a rough indication only.

The proportion of the revenues generated in Europe in the year under review amounted to almost 55 %; this revenue share is largely free of any direct foreign exchange risk. The large part of the remaining revenues was generated in South America and Asia.

In the case of our most important product in terms of volumes, potassium chloride, revenues in the year under review fell by € 224.2 million or about 19 % to € 947.6 million. While the sales volume remained basically stable, there was a tangible decrease in prices, particularly overseas. In Europe, we sold 1.08 million tonnes of potassium chloride; this figure was up about 5 % on the previous year (2012: 1.03 million tonnes). Overseas sales volumes amounted to 2.13 million tonnes and were thus 4 % down on the previous year (2012: 2.22 million tonnes). / FIG: 4.10.1

The fertilizer specialities were influenced by the uncertainties on the potash market to a lesser extent, due to their plant nutrients containing a low amount of potash or none at all. Here, we achieved revenues of € 822.8 million during the past financial year, a decrease of only 2 % (2012: € 835.6 million). While the European sales volume, at 2.04 million tonnes, increased by as much as 3 %, the sales volume overseas, at 0.95 million tonnes, was just under 5 % lower than in the previous year.

In the industrial products area, revenues decreased by about 6 % to € 267.2 million (2012: € 283.2 million); negative price and currency effects could not be made up for by a positive volume development. Sales volumes amounted to 0.53 million tonnes (+3 %) in Europe and to 0.21 million tonnes ((6)%) overseas. / FIG: 4.10.2

EBITDA AND OPERATING EARNINGS EBIT I DOWN

For the year under review, earnings before interest, taxes, depreciation and amortisation (EBITDA) of the business unit amounted to € 667.5 million and were down € 199.7 million, or 23 %, year on year (2012: € 867.2 million).

Operating earnings EBIT I decreased by € 218.4 million, or about 28 %, to € 552.5 million (2012: € 770.9 million). This includes depreciation charges of € 115.0 million, which increased by € 18.7 million in comparison to those for the previous year. The decrease in earnings is particularly due to the lower average proceeds for potash fertilizers.

SALT BUSINESS UNIT

REVENUES UP SIGNIFICANTLY ON PREVIOUS YEAR

In the year under review, revenues generated by the Salt business unit amounted to € 1,751.4 million and were thus up € 266.6 million or 18 % on the low previous year's figure. The decisive factor for this was mainly the positive volume development in the de-icing salt business. Negative currency and structural effects con-

VARIANCE ANALYSIS TAB: 4.10.4

in %	2013
Change in revenues	**+18.0**
– volume/structure	+20.0
– prices/price-related	+1.0
– exchange rates	(3.1)
– consolidation	+0.1
Food grade salt	(3.9)
Industrial salt	(0.6)
Salt for chemical use	(9.8)
De-icing salt	+65.2
Other	(4.6)

trasted with this. Sales volumes of crystallised salt during the year under review totalled 22.81 million tonnes and were almost 30 % above the level of the previous year (17.56 million tonnes), given a normalising demand for de-icing salt. / TAB: 4.10.4, 4.10.5, 4.10.6

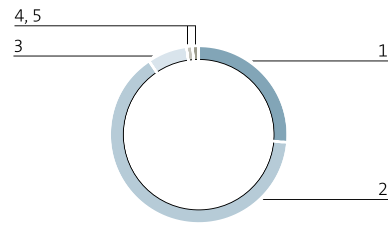
/ A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE SALT BUSINESS UNIT can be found on page 73 in the 'Industry-specific framework conditions' section.

Last year, a good 25 % of the revenues of the Salt business unit were generated in Europe and were therefore largely free of any direct foreign exchange risk. The largest share of revenues was achieved in North America at about 65 %; in South America, the share was a good 7 %. / FIG: 4.10.3

SALT BUSINESS UNIT TAB: 4.10.5

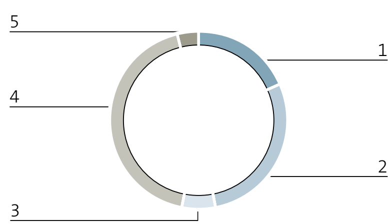
in € million	Q1/13	Q2/13	Q3/13	Q4/13	2013	2012	%
Revenues	614.5	285.2	321.0	530.7	1,751.4	1,484.8	+18.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	100.2	18.6	37.0	80.1	235.9	179.5	+31.4
Operating earnings (EBIT I)	73.1	(13.5)	9.2	49.0	117.8	61.6	+91.3
Capital expenditure	10.9	15.8	23.3	57.4	107.4	111.3	(3.5)
Employees as of reporting date (number)	5,015	5,028	5,123	—	5,091	5,092	—

REVENUES BY REGION FIG: 4.10.3



	in %	2013	2012
1	Europe	26.8	24.9
	– of which Germany	12.6	10.3
2	North America	64.7	64.3
3	South America	7.4	9.4
4	Asia	0.7	1.3
5	Africa, Oceania	0.4	0.1

REVENUES BY PRODUCT GROUP FIG: 4.10.4



	in %	2013	2012
1	Food grade salt	18.6	22.9
2	Industrial salt	28.5	33.8
3	Salt for chemical use	6.1	7.9
4	De-icing salt	43.0	30.7
5	Other	3.8	4.7

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES[1] TAB: 4.10.6

		Q1/13	Q2/13	Q3/13	Q4/13	2013	2012	%
De-icing salt								
Revenues	€ million	359.4	40.4	73.3	280.3	753.4	456.0	+65.2
Sales volumes	t million	6.53	0.77	1.41	5.07	13.79	8.33	+65.5
Average prices	€/t	55.1	52.1	51.9	55.2	54.6	54.7	(0.1)
Industrial salt, salt for chemical use and food grade salt								
Revenues	€ million	236.5	233.2	233.6	228.4	931.6	959.2	(2.9)
Sales volumes	t million	2.38	2.19	2.24	2.21	9.02	9.23	(2.3)
Average prices	€/t	99.5	106.5	104.4	103.2	103.3	104.0	(0.7)

[1] Revenues include prices both inclusive and exclusive of freight costs. The price information is also affected by changes of the exchange rates and the respective product mix and is therefore to be understood as providing a rough indication only.

At € 326.2 million, food grade salt revenues were down € 13.3 million, or just under 4 %, for the year under review. Whereas in Europe they could be increased as a result of a positive volume development, in North and South America, lower prices as well as negative currency effects jointly led to a decrease in revenues. The sales volume remained basically stable at 1.43 million tonnes (2012: 1.42 million tonnes). / FIG: 4.10.3

Revenues for industrial salts, e.g. fishery, feed and high-purity pharmaceutical salts, were robust at € 499.5 million for the past financial year, having amounted to € 502.4 million in the previous year. In North America negative price effects could be compensated by increased sales volumes. The sales volume amounted to 5.09 million tonnes and were therefore slightly up on the previous year's figure (4.94 million tonnes).

Revenues in the salt for chemical use business came to € 105.9 million; this corresponds to a decrease by € 11.5 million or 10 %. This development is attributable to negative volume and currency effects. The sales volume amounted to 2.50 million tonnes and was down by about 13 % year on year (2012: 2.87 million tonnes).

De-icing salt revenues amounted to € 753.4 million in the year under review and were therefore € 297.4 million or 65 % above the previous year's low figure (2012: € 456.0 million). In particular, the continued winter weather in Europe at the beginning of the year as well as the good early stocking-up business in the further course of the year were decisive factors for the positive revenue development. In addition to this, good sales volumes could be achieved in North America in the fourth quarter. The sales volume increased to 13.79 million tonnes year on year (2012: 8.33 million tonnes). / FIG: 4.10.4

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

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by around 31 % to € 235.9 million (2012: € 179.5 million).

At € 117.8 million, operating earnings EBIT I of the Salt business unit in 2013 were up € 56.2 million or about 91 % on the figure for the preceding year (2012: € 61.6 million). Operating earnings EBIT I include depreciation and amortisation of € 118.1 million (2012: € 117.9 million). The increase in earnings is primarily attributable to significantly higher revenues as a result of volume factors due to the above-average de-icing salt business in Europe. This was countered by one-time effects at MORTON SALT connected with the transition to SAP, the planned closure of a production site and the sale of a transport and supply ship as part of the transition to a more cost-effective external enterprise. Besides, catching-up effects related to maintenance activities and the currency result had a negative effect.

COMPLEMENTARY ACTIVITIES

REVENUES REACH € 159.4 MILLION (+ 3.7 %)

At € 159.4 million, revenues for Complementary Activities were almost 4 % above the level of the previous

VARIANCE ANALYSIS TAB: 4.10.7

in %	2013
Change in revenues	**+3.7**
– volume/structure	+1.6
– prices/price-related	+2.1
– exchange rates	–
– consolidation	–
Waste Management and Recycling	+1.0
K+S Transport GmbH	(0.8)
Animal hygiene products	+5.7
CFK Trading	+18.7

year. In accordance with IFRS, internal revenues deriving from services rendered to K+S GROUP companies are not included in these figures. If these internal revenues are included, total revenues for the year under review amounted to € 192.6 million (2012: € 187.1 million). / TAB: 4.10.7, 4.10.8

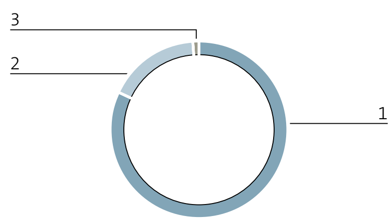
/ AN OVERVIEW OF THE INDIVIDUAL AREAS OF ACTIVITY can be found on page 46.

In the waste management and recycling segment, revenues remained almost constant at € 89.6 million (2012: € 88.7 million), while in CFK Trading they rose to € 17.8 million (2012: € 15.0 million). Revenues in the animal hygiene products segment rose to € 39.0 million (2012: € 36.9 million) mainly as a result of volume factors, while revenues at K+S TRANSPORT GMBH remained fairly stable at € 13.0 million (2012: € 13.1 million). / FIG: 4.10.5, 4.10.6

COMPLEMENTARY ACTIVITIES TAB: 4.10.8

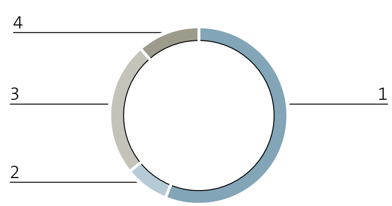
in € million	Q1/13	Q2/13	Q3/13	Q4/13	2013	2012	%
Revenues	39.7	40.4	39.6	39.7	159.4	153.7	+3.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	8.6	8.0	6.9	8.2	31.7	28.3	+12.0
Operating earnings (EBIT I)	6.8	6.2	5.3	6.4	24.7	21.1	+17.1
Capital expenditure	0.3	0.5	0.8	1.8	3.4	6.3	(46.0)
Employees as of reporting date (number)	295	293	293	–	293	293	–

REVENUES BY REGION FIG: 4.10.5



	in %	2013	2012
1	Germany	82.7	82.4
2	Rest of Europe	16.9	17.3
3	Asia	0.4	0.3

REVENUES BY SEGMENT FIG: 4.10.6



	in %	2013	2012
1	Waste Management and Recycling	56.2	57.7
2	K+S Transport GmbH	8.1	8.5
3	Animal hygiene products	24.5	24.0
4	CFK Trading	11.2	9.8

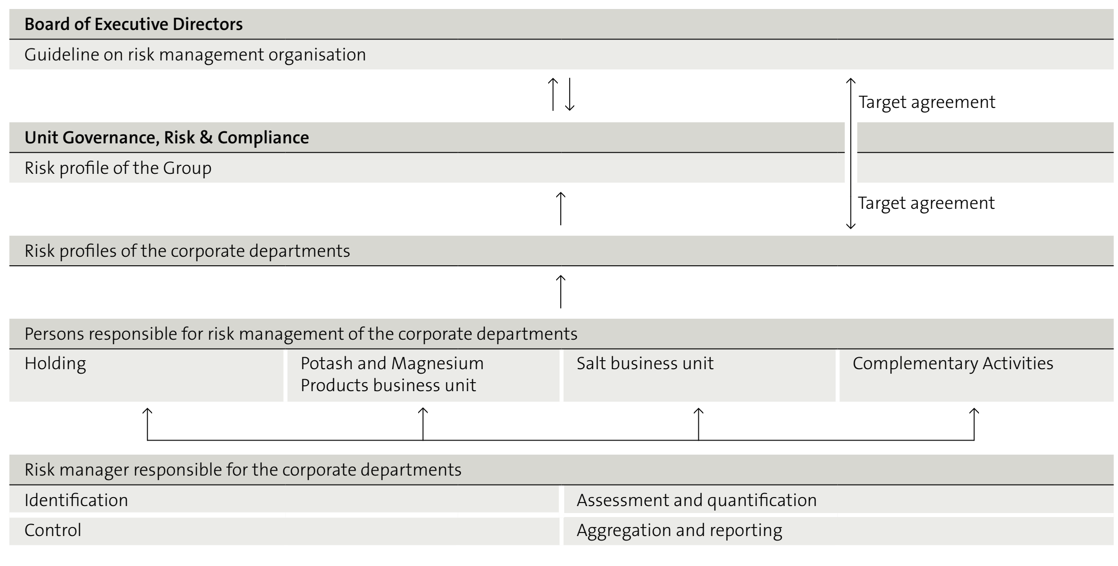
EBITDA AND OPERATING EARNINGS EBIT I

The earnings before interest, taxes, depreciation and amortisation (EBITDA) for Complementary Activities in the year under review amounted to € 31.7 million and were thus up € 3.4 million, or 12 %, year on year (2012: € 28.3 million). Operating earnings EBIT I rose to € 24.7 million (2012: € 21.1 million). At € 7.0 million, depreciation and amortisation in 2013 remained almost on the previous year's level (2012: € 7.2 million). While the segments K+S TRANSPORT GMBH, animal hygiene products as well as waste management and recycling segments were able to achieve higher contributions to earnings as a result of positive volume effects, the segment CFK Trading posted an earnings decrease.

4.11 RISK REPORT

The following Risk Report describes the risk policy, risk management, and internal control and risk management system with regard to the Group accounting process and the corporate risks of the K+S GROUP. The risks for K+S AKTIENGESELLSCHAFT do not, in essence, result from its own operating activities, but rather from those of its affiliated companies. A risk event there could have direct or indirect effects on the earnings, financial and asset position of the K+S GROUP.

RISK MANAGEMENT SYSTEM OF THE K+S GROUP FIG: 4.11.1



RISK POLICY

The business policy of the K+S GROUP is geared towards sustainably securing the existence of the Company, permanently generating risk-adequate returns as well as systematically and continuously increasing enterprise value. To achieve this objective, our global business activities require effective risk management as an integral part of corporate management.

RISK MANAGEMENT

We define risks as the possible occurrence of internal and external events, which may adversely affect the achievement of our short- and medium-term as well as strategic goals. Our risk management encompasses the totality of all organisational rules and measures enabling risks to be identified and handled in a structured manner. Its goal is to recognise and assess risks as well as to prevent and limit potential losses and disadvantages by means of appropriate measures as early as possible. This is intended to prevent the Company's continued existence from being jeopardised and create long-term value.

ORGANISATION AND TOOLS OF THE RISK MANAGEMENT SYSTEM

The Board of Executive Directors has defined group-wide rules for systematic and effective risk management of the K+S GROUP, in which all Group subsidiaries in Germany and abroad are integrated. The group-wide risk management system consists of the following elements:

+ the guideline on risk management organisation in the K+S GROUP,
+ the governance, risk, compliance department (the risk management department until 31 December 2013),
+ the persons responsible for risk management in the corporate departments,
+ standardised risk profiles specific to business units,
+ a comprehensive presentation of the quantified risks in goal-setting talks (including those held between the Board of Executive Directors and the managers responsible for the corporate departments),
+ regular, uniform risk reporting as well as
+ immediate reporting in urgent cases.

The guideline on risk management organisation in the K+S GROUP includes principles for dealing with risks. It governs the tasks and authorisations of those involved in the risk management process. The requirements for risk reporting, which include the reportable thresholds for risks, are defined as mandatory. The governance, risk, compliance department coordinates the risk management process and is supported by persons responsible for risk management in the corporate departments.

The proper functioning of the risk management system of the K+S GROUP is regularly reviewed by our internal audit department. The functionality and effectiveness of the early risk detection system of K+S AKTIENGESELLSCHAFT is a subject of the annual audit. / FIG: 4.11.1

The risk management process comprises the elements risk identification, risk assessment and quantification, risk control as well as risk aggregation and reporting:

RISK IDENTIFICATION

The regular identification of risks is decentralised and is carried out in the corporate departments through the use of various tools. The methods used for risk determination range from analyses of markets and competition through the analysis of information from customers, suppliers and institutions to observing risk indicators from the economic and political environment.

RISK ASSESSMENT AND QUANTIFICATION

Identified risks are assessed according to a uniform methodology. For each risk, we quantify its likelihood of materialisation as well as, in addition to the gross loss potential, also the net loss potential. The latter includes effects from countermeasures. If the gross loss potential can be reliably reduced by effective and appropriate measures, the focus of consideration will be on the net loss potential recognised in profit or loss. This approach makes it possible to understand which influence individual risk-reducing measures have. Additionally, a so-called 'expected value' of the effect on earnings is determined by multiplying the net loss potential by the likelihood of materialisation measured as a percentage. With regard to time, risks are assessed both for the current year and for a time horizon of three and ten years. Risks with a likelihood of materialisation of over 50 % are fully taken into consideration in the annual forecast and medium-term planning with a corresponding deduction from earnings. / TAB: 4.11.1

EXAMPLE FOR GROSS-/NET RISK ASSESSMENT TAB: 4.11.1

Risk	Effect	Likelihood of materialisation
Gross loss potential	€ 50 million	10 %
Effect from countermeasures	€ (20) million	
Net loss potential	**€ 30 million**	**× 10 %**
Expected value	**= € 3 million**	

RISK CONTROL

One building block of risk management is the development of suitable countermeasures for risk avoidance or risk reduction taking account of alternative risk scenarios with the aim of lowering the loss potential and the likelihood of materialisation. Risks can also be transferred to a third party (e.g. by taking out insurance). The decision regarding the implementation of corresponding measures also takes into consideration the costs related to the effectiveness of possible measures.

RISK AGGREGATION AND REPORTING

Our risk management system is intended to ensure a transparent presentation of the risk situation. The net loss potential from the corporate departments is therefore grouped at the Group level. The risk reporting is based on a threshold concept. This involves the corporate departments reporting risks independently of their likelihood of materialisation if defined thresholds for the gross or net loss potential are reached. At Group level, we observe risks starting from a net loss potential of at least € 10 million.

Every quarter, the Board of Executive Directors receives an overview of the current risk situation via a standardised reporting system. Significant risks that arise in the short term are, if urgent, immediately communicated directly to the Board of Executive Directors. The Supervisory Board is briefed by the Board of Executive Directors in just as regular and timely a manner and, if urgent, immediately.

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

One objective of the K+S GROUP is to limit financial risks (e.g. exchange rate risk, interest rate risk, risk of default and liquidity risk) through systematic management. To this end, a centralised financial management has been established in K+S AKTIENGESELLSCHAFT. Furthermore, the K+S GROUP manages its capital structure, in order to secure the financing of the operating business and the investing activities of the Company over the long term at any point.

/ **A MORE DETAILED EXPLANATION OF THE MANAGEMENT OF THE CAPITAL STRUCTURE** can be found in the 'Financial Position' section on page 82.

Our international business activities can give rise to currency-related market price risks, which we counteract under our currency management system by hedging transactions. Internal rules regulate the permitted hedging strategies as well as hedging instruments, responsibilities, processes and control mechanisms. Other market price risks may result from changes in interest rates. To the extent that derivative financial instruments are used in a targeted way for this, comparable rules apply. Financial transactions are only concluded with appropriate banks. Through regular monitoring, the suitability of partners and compliance with position limits are constantly reviewed. To further limit the risk of default, a balanced distribution of derivative financial instruments across various banking institutions is prescribed. The selected instruments are used exclusively to secure the underlying transactions, but not for trading or speculation. Hedging transactions are entered into, firstly, in the case of already existing underlying transactions; in this way, we want to largely avoid exchange rate risks arising from recognised underlying transactions (normally receivables). Secondly, we enter into hedging transactions for future business, which can be anticipated with a high level of probability on the basis of empirically reliable findings (forecast hedges). Forecast hedges are intended to reduce the exchange rate risks of future financial years.

/ **A MORE DETAILED EXPLANATION OF HEDGING TRANSACTIONS** can be found in the presentation of exchange rate risks on page 107 and in the Notes to the consolidated financial statements on page 142.

DESCRIPTION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE GROUP ACCOUNTING PROCESS (SEC. 289 PARA. 5 AND SEC. 315 PARA. 2 NO. 5 OF THE GERMAN COMMERCIAL CODE – HGB)

The internal control system in the K+S GROUP encompasses the principles, procedures and measures designed to ensure the effectiveness, economic efficiency and adequacy of accounting procedures.

The guidelines for the accounting and reporting of the K+S GROUP in accordance with IFRS stipulate the uniform accounting and valuation principles for the German and foreign companies included in the consolidated financial statements. In addition, there are rules for the consolidated financial statements as well as detailed and formalised requirements for the reporting of the companies included. New external rules for the accounting are analysed on a timely basis for their effects and are, if these are relevant to us, implemented by internal regulations in the accounting processes. The accounting and valuation rules for the separate financial statements of K+S AKTIENGESELLSCHAFT and its domestic subsidiaries are documented in additional guidelines and accounting instructions, in accordance with commercial law and supplementary provisions.

We have a groupwide IT platform for all significant companies, a uniform Group chart of accounts and automatically standardised accounting processes. As a result of this harmonisation, proper and timely reporting of key business transactions is ensured. Binding regulations are in place for additional manual recording of business transactions. Valuations on the balance sheet, such as the review of the impairment of goodwill or the calculation of mining obligations, are carried out by internal Group experts. In individual cases, such as the evaluation of pension obligations, the evaluation is carried out by external experts.

To prepare the consolidated financial statements of the K+S GROUP, the financial statements of those companies whose accounting is done on the IT platform of the K+S GROUP are imported directly into an IT consolidation system. In the case of the remaining companies included, the data of the financial statements are transferred through an Internet-based interface. Through system-technical controls, the validity of the transferred data of the financial statements is reviewed. In addition, the financial statements submitted by the companies included are reviewed centrally with due consideration being given to the reports prepared by the auditors. Information relevant to the consolidation process is automatically derived and obtained in a formalised manner by the system, thus ensuring that intragroup transactions are properly and completely eliminated. All consolidation processes for the preparation of the consolidated financial statements are carried out and documented in the IT consolidation system. The components of the consolidated financial statements, including key information for the Notes, are developed from this.

Process-integrated and process-independent monitoring measures are building blocks of the internal control system. Automatic IT process controls are a key element of the process-integrated measures. Alongside non-mechanical process controls such as, for example, the “four-eye principle”, there is an organisational separation of administrative, executive, settlement and approval functions. Further monitoring tasks are carried out by central departments. The internal audit department supplements the internal control system with process-independent audit activities.

The annual financial statements of companies subject to mandatory audit and the consolidated financial statements are audited by independent auditors. This is the key process-independent monitoring measure with regard to the Group accounting process. The annual financial statements of those German companies not subject to mandatory audits are audited by the internal audit department.

CORPORATE RISKS

In the following sections, risks that could impact the earnings, financial and asset position of the K+S GROUP and have not yet been taken into account due to a probability of occurrence of more than 50 % in planning are listed and described. This is based on a Group perspective and relates to the period of medium-term planning (three years).

The assessment of the likelihood of these risks materialising is based on the criteria
+ unlikely (likelihood of materialisation: < 5 %)
+ possible (likelihood of materialisation: 5 – 50 %)

The assessment of the possible financial impact is based on the following criteria

+ moderate (net loss potential: € 10 – 200 million)
+ significant (net loss potential: > € 200 million)

A change in the framework conditions in comparison to the assumptions made in our medium-term planning may result in a reassessment of our estimates in the course of time, which is then communicated correspondingly in our interim reporting.

However, some of our risks also represent opportunities in the event of a countervailing trend in external framework conditions and drivers.

/ A MORE DETAILED EXPLANATION OF THE OPPORTUNITIES can be found on page 109.

SIGNIFICANT CHANGES AGAINST THE COMPARISON PERIOD

The tables 4.11.2 and 4.11.3 on pages 99 and 105 give an overview of risks for the K+S GROUP, their likelihood of materialisation and possible financial effects on the earnings, financial and asset position of the K+S GROUP as well as changes against the comparison period.

The risks due to the loss of anti-dumping protection described on page 122 of the Financial Report 2012 referred solely to a possible crowding out supply-side competition in Europe. This risk resulted from the expiry of trade policy measures on 13 July 2011 which affected imports of potassium chloride originating in Russia and Belarus. However, the Potash and Magnesium Products business unit not only competes with producers from Russia and Belarus, but also, for example, with producers from Canada, the Middle East and Chile. As a result of changed market conditions, the risk scenario for risks arising from increased supply or lower demand was reassessed and includes risks from crowding out supply-side competition worldwide. The risk potential due to the loss of anti-dumping protection is (in certain circumstances only temporarily) no longer listed as an individual risk.

The risks arising from fluctuations in demand due to changed inventory management by customers described in the Financial Report 2012 on page 120 were reassessed. Currently, the thresholds for gross or net loss potential defined for risk reporting are not reached.

In connection with the updating of the risk position, the likelihood of materialisation was reassessed with respect to personnel risks, risks arising from a change in the general interest rate level as well as risks arising from a downgrading of the company rating. Furthermore, the financial effects of risks from a weather-related decrease in demand were reassessed.

For the remaining corporate risks, there are no changes in the likelihood of materialisation and/or in the possible financial effects compared with the previous year.

OVERVIEW OF CORPORATE RISKS WITH SIGNIFICANT FINANCIAL EFFECTS

A detailed description of the cause of risk, countermeasures and an assessment of the impact under current framework conditions is provided solely for risks with "significant" financial effects which could affect the decisions of an informed target reader of the Group Management Report. / TAB: 4.11.2

EXTERNAL AND SECTOR-SPECIFIC RISKS

RISKS ARISING FROM MACROECONOMIC DEVELOPMENTS

CAUSE OF RISK

The demand for potash and magnesium products is influenced by economic growth and the associated improving living standards in the regions relevant to us.

The international prices for agricultural products should, according to our estimation, remain at a level that is lucrative for the agricultural sector. Consequently, an incentive for farmers to increase the yield

OVERVIEW OF CORPORATE RISKS I TAB: 4.11.2

	Likelihood of materialisation	Possible financial effects
External and sector-specific risks		
Risks arising from macroeconomic developments	possible	significant
Risks arising from fluctuations in supply and demand	possible	significant
Risks arising from a weather-related decrease in demand	possible	significant
Changes in the legal environment		
Risks arising from the change or refusal as well as from a court annulment of official approvals for the disposal of saline wastewater	possible	significant
Risks arising from the change or refusal as well as from a court annulment of official approvals for the disposal of solid production residues	possible	significant
Operational and strategic risks		
Risks arising from acquisitions and investments	unlikely	significant
Risks arising from the Legacy Investment Project	possible	significant
Risks arising from damage due to rock bursts	unlikely	significant
Risks arising from water ingress	unlikely	significant
Compliance risks	unlikely	significant
Financial risks		
Liquidity risks	unlikely	significant

per hectare also through the optimal use of fertilizers should be given. However, the risk exists both that the growth of the emerging market countries will weaken and that the sovereign debt crisis in the eurozone will intensify once again. If this should, despite the persistent shortfall of agricultural products, lead to agricultural prices falling to a level that triggers uncertainty among farmers about their future income situation, it could negatively impact their demand behaviour in relation to fertilizers.

MEASURES

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

IMPACT

Depending on its duration and intensity, this possible scenario may have a significant impact on the earnings, financial and asset position of the K+S GROUP. The impact of the general economic situation on the demand for de-icing, food grade and industrial salts is, by contrast, of minor importance, since the business is largely independent of economic conditions.

RISKS ARISING FROM INCREASED SUPPLY/ LOWER DEMAND

CAUSE OF RISK

Primarily products of our Potash and Magnesium business unit may, due to external influences, be threatened by considerable decreases in demand.

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

Similar effects could arise on the demand side as a result of a further consolidation of significant buyers or of deliberate buying restraint on the part of our customers.

Both, major changes in capacity and its utilisation as well as decreases in demand may substantially affect pricing and/or sales possibilities. This can disrupt the existing structure of the entire fertilizer market appreciably, even resulting in crowding out supply-side competition. Such changes in supply, demand and prices have become more evident due to the conduct of the Russian potash producer URALKALI, which in summer 2013 left the sales organisation operated jointly with Belarusian producer BELARUSKALI, announcing that it would increase its own capacities and their utilisation without regard to the price level. This development caused considerable uncertainty among customers with regard to the future price development on the market for potash fertilizers, resulting in temporary buying restraint. Despite the first signs of stabilisation, there is no certainty about how long this period of uncertainty will last. Consequently, a further decline in potash prices cannot be ruled out.

MEASURES

To boost competitiveness, we are working among others to further improve our cost and organisational structures. We react to volatile market conditions with needs-based production management. As the development of new potash capacities is very capital-intensive, there would be an incentive for the producers to obtain a premium on the high cost of capital.

IMPACT

These possible events may, depending on their duration and intensity, have a significant impact on the earnings, financial and asset position of the K+S GROUP. However, we consider a permanent disturbance of the market for potash fertilizers unlikely. We see the long-term drivers as retaining their relevance, as the demand for agricultural products and thus for fertilizers depends on megatrends such as the growing world population, a rising standard of living in the emerging market countries and the development of the bioenergy sector, and as fertilizers, which increase yields and enhance quality, thus play a key role in agricultural production.

RISKS ARISING FROM A WEATHER-RELATED DECREASE IN DEMAND

CAUSE OF RISK

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

MEASURES

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

IMPACT

Such possible adverse effects due to the influence of the weather may have a moderate impact on the expected earnings when viewed over a year and make it more difficult to compare the quarterly financial statements. Should such for us negative weather conditions repeat themselves within the medium-term period, this could have a significant adverse effect on the earnings, financial and asset position of the K+S GROUP.

CHANGES IN THE LEGAL ENVIRONMENT

For all activities requiring approval, there is a danger that third parties will appeal against granted approvals and that these will be annulled by courts. Furthermore, extensions of existing approvals or new approvals may temporarily or permanently be changed or withheld. The importance of “legislative approval frameworks” will further increase in future.

RISKS ARISING FROM A CHANGE OR REFUSAL AS WELL AS FROM A COURT ANNULMENT OF OFFICIAL APPROVALS FOR THE DISPOSAL OF SALINE WASTEWATER

CAUSE OF RISK

Public and political debate about the existing or in future even higher requirements of environmental compatibility of the production processes for the production of potash and magnesium products may impact on the issuing and retaining of operating licences and planning decisions approving public works, as well as on water permits. In the Potash and Magnesium Products business unit, among others, liquid residues (saline wastewater) arise both from current production and through rainfall on the tailing piles. On the basis of existing permits, some of the saline wastewater is discharged into rivers and some is injected into underground layers of rock (plate dolomite).

For the Hattorf, Unterbreizbach and Wintershall (Werra potash plant) sites located on the Werra, whose share of the total potash production capacity of the Potash and Magnesium Products business unit amounts to about 45 %, an injection permit was granted and is limited to 30 November 2015. Discharge of saline wastewater into the Werra is approved until the end of December 2020. There can be no assurance that the permits will be extended unchanged or newly granted. The possibility cannot therefore be ruled out that further investments in these sites might become necessary, that production costs might continue to rise, and that under certain circumstances even the closure of these production sites due to sustainable inefficiency might be required.

MEASURES

By means of a comprehensive package of measures, which is to be implemented by the end of 2015, the injection and the discharge of saline wastewater will be reduced significantly once again. In addition, an agreement was concluded with the states of Hesse and Thuringia, in which the parties to the agreement jointly committed themselves to sustainable economic action, to secure jobs and to treat nature with the utmost respect for the next 30 years. The reduction of solid and liquid production residues from potash production will continue to be among the focal points of our research and development activities. As permanent local disposal is being called into question by some parties, a long-term approval of the present local concept cannot be regarded as certain. This is why the Potash and Magnesium Products business unit, parallel to the implementation of the local measures, has decided to also prepare applications for the approval of remote means of disposal, i.e. pipelines to the Upper Weser and to the North Sea. This is being done regardless of the fact that, in the view of the Company, the test criteria for pipelines are not currently being fulfilled: There must be a shared political will at the state and federal level, the construction and operation of the pipeline and the discharge of saline solutions must be capable of being approved over the long term, the measure must be ecologically meaningful and the construction and operation of the pipeline must be economically viable and proportionate before a decision on the construction of a pipeline can be made. Such a decision is therefore not related to the preparation of the applications.

IMPACT

If, against expectations, circumstances arise that give cause to fear an adverse effect on drinking or usable groundwater resources, or appeals against existing permits were to be successful, this could lead to existing permits being restricted or withdrawn. The resultant consequences may lead to significant additional costs and/or considerable production cuts at the affected sites of the Werra potash plant. We consider it possible that expiring permits will not be extended or granted only to a limited extent; in the worst case, this could result in the cessation of production and possibly in the closure of the sites concerned, with considerable negative staffing consequences. This would result in a long-term significant adverse effect on the earnings, financial and asset position of the K+S GROUP.

RISKS ARISING FROM A CHANGE OR REFUSAL AS WELL AS FROM A COURT ANNULMENT OF OFFICIAL APPROVALS FOR THE DISPOSAL OF SOLID PRODUCTION RESIDUES

CAUSE OF RISK

At the exploitation sites of the Potash and Magnesium Products business unit, solid residues are heaped up within the framework of existing approvals. If approvals for residues heaped up are revoked or necessary projects for the expansion of tailing piles are not approved or only approved subject to unreasonably high requirements, there is no possibility for these residues to be disposed of.

MEASURES

We are transferring a part of the residues to mine caverns that are suitable for the purpose. However, this is only possible to a limited extent, since a far lower density is achieved than that of crude salt in the deposit.

IMPACT

We consider the complete refusal or the withdrawal of all existing approvals for the heaping up of solid residues to be unlikely, as there is political support for the preservation of potash mining in Germany. We assess the possible effects on the earnings, financial and asset position of the K+S GROUP as significant.

OPERATIONAL AND STRATEGIC RISKS

Corporate strategy risks may result chiefly from a misjudgement of future market developments and, derived from this, lead to a misalignment of corporate goals and of the associated M&A activities, equity interests, as well as investments and divestitures. Our vision and mission provide the framework for our business activities and for the strategic orientation of the K+S GROUP. To that end, the Board of Executive Directors, together with the heads of the corporate departments, regularly discuss the strategic orientation. No fundamental changes in strategy are to be expected.

RISKS ARISING FROM ACQUISITIONS AND INVESTMENTS

CAUSE OF RISK

When it appears advantageous from a strategic and economic perspective, we acquire or dispose of companies or parts of companies. Across the Group, the target exists in relation to returns for every acquisition and expansion investment to earn a reasonable premium on our cost of capital.

/ **FURTHER INFORMATION** can be found in the 'Enterprise Management and Supervision' section on page 59 under 'Financial Performance Indicators'. Risks may arise from the integration of employees, processes, technologies and products and from changes in legal obligations and from political restrictions.

MEASURES

Of central importance are careful company valuations carried out in advance, incorporating the findings of a due diligence review and further analyses. The so-called "due diligence" denotes the "necessary care" exercised ahead of an acquisition and encompasses the performance of a detailed analysis of an acquisition target, particularly its geological, technical, (environmentally) legal, fiscal and financial framework conditions. In the process, analysis results from the corporate data made available by the target company are employed. The aim is to expose or limit risks related to the acquisition. Moreover, where necessary, in the auditing, decision-making and implementation phases, external specialists support our economic feasibility calculations, which also include risk assessments with different scenarios. Once made, acquisitions are intensively accompanied by integration teams.

IMPACT

Unexpectedly high integration costs may jeopardise the achievement of planned goals and synergies. Moreover, acquisitions may negatively impact the level of indebtedness and the financing structure. Amortisation of goodwill that has arisen in connection with acquisitions may result in negative effects due to unforeseen business developments. Here, we regard significant adverse effects as unlikely.

RISKS ARISING FROM THE LEGACY INVESTMENT PROJECT

CAUSE OF RISK

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

MEASURES

With support from external specialists too, a comprehensive basic and in part already also detail engineering was carried out. In doing so, the execution of the project was continuously optimised and remaining risks recorded. Project transparency and control as well as local risk management are guaranteed and supported by a comprehensive monitoring system.

IMPACT

If, as the project progresses, significant deviations in relation to the assumptions made in the basic and detail engineering should arise, this could significantly increase the capital requirement. A higher capital requirement would initially lead to higher payment outflows and bring about higher depreciation and amortisation in the future. A deterioration in economic efficiency would be conceivable if the increase in the capital requirement would not be compensated for by savings in the operating costs or by an improved operating business. Furthermore, in the construction phase, a delay or legislative approval influences may lead to the expected production volume only being available at a later point in time. Insofar as both these risk factors materialise in combination with each other and depending on the length of the delay and the amount of the additionally needed capital, this could have a significant effect on the earnings, financial and asset position. A materialisation of the risk cannot be ruled out on the basis of the project size, and is therefore possible. Negative effects of a delay would materialise for the first time in 2017.

RISKS ARISING FROM DAMAGE DUE TO ROCK BURSTS

CAUSE OF RISK

At active and inactive mining sites, there is the specific risk of a suddenly occurring subsidence of the earth's surface over a large area that could, in certain circumstances, be powerful (rock burst).

MEASURES

Our professional dimensioning of the safety pillars in the mine works based on comprehensive research works contributes to securing the earth's surface, to a stability that is secure in the long term, and therefore to the prevention of such rock bursts at active sites. After the closure of a site, preservation measures are carried out, for which corresponding provisions have been created. A constant monitoring of the mine works supplies, if necessary, timely indications of whether additional measures for the protection of the mine works and the prevention of damage resulting from mining are necessary.

IMPACT

If a rock burst occurs, it could also result, in addition to the partial or complete loss of the mine and damage to equipment, in considerable damage to the property of third parties and in personal injury or death. Such negative factors would have a significant impact on the earnings, financial and asset position of the K+S GROUP, but, in our opinion, they are nevertheless unlikely.

RISKS ARISING FROM WATER INGRESS

CAUSE OF RISK

Hydrogeological risks generally exist in underground mines.

MEASURES

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

IMPACT

The hydrogeological risks could, if uncontrollable, cause significant damage. However, on the basis of our extensive precautionary measures, we consider the materialisation of that risk to be unlikely.

COMPLIANCE RISKS

CAUSE OF RISK

The risk exists that organs or employees of the K+S GROUP companies may violate laws, internal regulations or regulatory standards recognised by the Company, with the consequence that the Company suffers asset and/or image losses.

MEASURES

We have established a groupwide compliance organisation and a compliance programme, which counters breaches of compliance, including through training with respect to significant risk fields (e.g. anti-trust law and competition law, corruption and money laundering).

IMPACT

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

/ A DETAILED PRESENTATION OF OUR COMPLIANCE SYSTEM can be found in the 'Corporate Governance' section on page 25.

FINANCIAL RISKS

Due to the global nature of its business operations, the K+S GROUP is exposed to different financial risks. If derivative financial instruments are used to hedge the respective risks, these are explained in more detail in the description of risk management in relation to the utilisation of financial instruments on page 96.

LIQUIDITY RISKS

CAUSE OF RISK

A liquidity risk consists in the failure to procure the funds needed to meet payment obligations or in not being able to do so in a timely manner. For this reason, the main goal of our liquidity management consists in ensuring the ability to pay at any time. The liquidity requirement is determined by our liquidity planning and is to be covered by liquid funds and committed credit lines.

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

MEASURES

Liquidity is managed via a largely groupwide cash pool system by the central treasury department. As of 31 December 2013, the available liquidity amounted to € 2,047 million, and consisted of short-term investments with maturities of up to one year and liquid funds of € 1,868 million, as well as investments with maturities greater than one year of € 179 million. In addition, there is also an undrawn syndicated credit line of € 1 billion running until 2018. In addition, we have placed several bonds on the capital market. The available liquidity was therefore significantly above our targeted minimum reserve of € 300 million. With investments, we pursue the goal of optimising the income earned from liquid funds at low risk. To this end, the suitability of partners is monitored. There is no particular dependency on any individual lenders.

IMPACT

With regard to the maturity profile of our liabilities, we regard a significant liquidity or financing risk for the K+S GROUP as unlikely.

/ **MORE ABOUT THE MATURITY PROFILE OF OUR FINANCIAL LIABILITIES** can be found in the Notes on the consolidated financial statements under note (25) 'Financial liabilities' on page 167.

OVERVIEW OF CORPORATE RISKS WITH MODERATE FINANCIAL EFFECTS

The description of the risks with "moderate" financial effects is shortened in contrast to risks with significant financial effects. However, a detailed description is provided if derivative financial instruments are used as a countermeasure. / TAB: 4.11.3

OVERVIEW OF CORPORATE RISKS II TAB: 4.11.3

	Likelihood of materialisation	Possible financial effects
Changes in the legal environment		
Risks arising from collateral security	possible	moderate
Risks arising from the change in workplace limits	possible	moderate
Operational and strategic risks		
Risks arising from a loss of suppliers and supply bottlenecks	unlikely	moderate
Risks arising from energy costs and energy supply	possible	moderate
Risks arising from freight costs and availability of transport capacity	possible	moderate
Production-related risks	possible	moderate
Risks arising from carbon dioxide pockets in deposits	possible	moderate
Personnel risks	possible	moderate
IT security risks	unlikely	moderate
Financial risks		
Currency risks	possible	moderate
Risks arising from a change in the general interest rate level	possible	moderate
Risks arising from the default of payment by customers	unlikely	moderate
Risk of default in financial transactions	unlikely	moderate
Risks arising from a downgrading of the company rating	possible	moderate

CHANGES IN THE LEGAL ENVIRONMENT

RISKS ARISING FROM COLLATERAL SECURITY

The requirement for insolvency-proof collateral security for possible "infinity costs" of maintaining tailing piles and for the Company's own landfill sites cannot be ruled out for the future. Currently, the necessary expenditure for the scheduled maintenance of tailing piles is being provided for in the balance sheet via provisions. If, in addition to the creation of provision, collateral security would have to be deposited, funds would be tied up and this could limit the financial leeway of the Company.

RISKS ARISING FROM THE CHANGE IN WORKPLACE LIMITS

The implementation of considerations of the EU Commission on setting indicative workplace limits for nitrogen monoxide (NO), nitrogen dioxide (NO_2) and carbon monoxide (CO) could pose risks to our mining activities in Germany, if these do not sufficiently account for the underground production situation. If limits were lowered significantly, capital expenditure to comply with the limits could become necessary.

OPERATIONAL AND STRATEGIC RISKS

RISKS ARISING FROM A LOSS OF SUPPLIERS AND SUPPLY BOTTLENECKS

The number of suppliers for raw materials, consumables and supplies is limited. Supply bottlenecks, non-delivery or delivery boycotts, on which we only have very little or no influence at all, could result in the limited availability of raw materials, consumables and supplies, as well as of technical equipment and spare parts specific to mining, and thus to a considerable increase in costs or to adverse effects in production.

RISKS ARISING FROM ENERGY COSTS AND ENERGY SUPPLY

The energy costs of the K+S GROUP are determined in particular by the consumption of natural gas. This applies in varying degrees to all corporate departments. Energy prices are frequently subject to sharp fluctuations. Significant energy price rises in comparison to the current price level cannot be ruled out in the future.

The procurement of electricity from third parties only plays a minor role because of the large amount of electricity we generate ourselves. A further increase in the EEG surcharge (German Renewable Energy Act – EEG) as well as the impending, logically incomprehensible, first-time levying of the EEG surcharge on self-generated electricity could, in the event that amendments are introduced into the EEG, result in cost increases. Furthermore, the EU has initiated state aid proceedings regarding the EEG and the exemptions granted to electricity-intensive enterprises in Germany. This could also have adverse effects.

RISKS ARISING FROM FREIGHT COSTS AND AVAILABILITY OF TRANSPORT CAPACITY

Our total costs are also influenced by freight costs to a considerable degree. While the products of our Potash and Magnesium Products business unit are extracted from our mines in Germany, last year, we achieved about 85 % of the corresponding revenues outside Germany. In the Salt business unit, on the other hand, we have production sites in Europe as well as North and South America. A quantitatively considerable proportion of our products has, in some cases, to be transported to the customer over long distances. A reduced availability of freight capacity could result in higher costs. Furthermore, considerable additional costs arise in the event of increases in mineral oil prices. Moreover, the high level of transport intensity of our business operations makes us considerably dependent on the respective infrastructure facilities such as ports, roads, railway lines and loading stations. A failure or a bottleneck could restrict the production or sales possibilities.

PRODUCTION-RELATED RISKS

The production facilities of the K+S GROUP are characterised by a high level of performance. As a result of operational and accident risks to which facilities, production plants, storage and loading facilities are exposed, business interruptions may occur and personal injury, damage to property and impacts on the environment may arise.

RISKS ARISING FROM CARBON DIOXIDE POCKETS IN DEPOSITS

Carbon dioxide pockets in certain mines constitute a latent potential danger. As the tragic accident at our Unterbreizbach site in 2013 showed, carbon dioxide can still escape from these pockets in an uncontrolled manner despite our extensive safety measures. In material terms, apart from the risk of damages there is also that of possible cuts or losses of production.

PERSONNEL RISKS

The competence and commitment of our employees are important factors in our successful development. Competition for qualified managers and specialists is intensive in all regions in which we operate. This currently also applies to the expansion of our business activities in Canada for the development of new production capacities. The loss of important employees in strategic positions could constitute a risk. Our future success partly depends on the extent to which we succeed in the long term in engaging and integrating specialist personnel (e.g., engineers) and permanently binding them to the Company, and in adequately filling management positions. In future, moreover, we will be facing demographic challenges, especially in Europe and North America. This increases the risk that suitable applicants for vacancies will not be found or that it will take time to find them.

Further classic personnel risks exist in the area of collective bargaining and works constitutional agreements. The focus in this respect is on the remuneration and pension rules established by collective bargaining agreements. Long-term agreements with company- and performance-related components for the Group and its employees are intended to ensure predictability and security as well as appropriate participation in commercial success. Despite an intensive dialogue with tariff and works council partners, disputes over pay, which might even result in industrial action, cannot be ruled out.

IT SECURITY RISKS

To a high degree, our IT systems support almost all Company functions. The risk of information security lies in the loss of the availability, integrity, confidentiality and authenticity of data due to external attacks (e.g. hackers, viruses) and internal risks (e.g. technical failure, sabotage) and could lead to serious interruptions of business. We consider a longer failure of the IT systems to be unlikely because of our precautionary measures.

FINANCIAL RISKS

CURRENCY RISKS

CAUSE OF RISK

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

In 2013, the proportion of revenues invoiced in euros and in the US dollar was fairly balanced. In addition to this, revenues of a secondary magnitude were also generated in other national currencies (e.g. Canadian dollar, Chilean peso and pound sterling). Our earnings are therefore exposed to exchange rate fluctuations. This can lead to the value of the service performed not matching the value of the consideration received in transactions, because income and expenditure arise at different times in different currencies (transaction risks). Exchange rate fluctuations, especially in relation to the US dollar, so far affect the Potash and Magnesium Products business unit, in particular in relation to the level of revenues and receivables. As a result of the capital expenditure of our subsidiary K+S POTASH CANADA in the Legacy Project, the US dollar net position is temporarily reduced. At the same time, however, this gives rise to appreciable exchange rate risks from the Canadian dollar.

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

MEASURES

In order to counter exchange rate risks arising from transactions, we use derivative financial instruments. Within the framework of transaction hedging, key net positions per currency are hedged through derivatives, normally options and futures. These ensure an absolute worst-case exchange rate. The net positions are determined on the basis of revenue and cost planning and expected capital expenditure using safety margins and are updated on an ongoing basis in order to avoid excess hedging or hedging shortfalls.

/ **MORE INFORMATION AND EXPLANATIONS ABOUT THE FOREIGN CURRENCY HEDGING SYSTEM** can be found in the 'Financial Position' section on page 82, as well as within the framework of risk management in relation to financial instruments in the Risk Report on page 96 and the note (18) 'Derivative Financial Instruments' in the Notes to the consolidated financial statements on page 155.

IMPACT

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

RISKS ARISING FROM A CHANGE IN THE GENERAL INTEREST RATE LEVEL

Interest risks arise from changes in the general interest rate level. On the one hand, changes in market interest rates have an effect on future interest payments for liabilities with variable interest, as well as on interest income for investments with variable interest; on the other hand, the market values of financial instruments are affected. However, due to the current financing structure, no negative effects are to be expected.

/ **INFORMATION REGARDING THE CHANGE IN GROUP EARNINGS DEPENDING ON THE CHANGE IN INTEREST RATES** can be found in the Notes to the consolidated financial statements on page 171.

RISKS ARISING FROM THE DEFAULT OF PAYMENT BY CUSTOMERS

We maintain intensive business relationships with many customers. If one or more major customers is/are not in a position to fulfil their contractual payment obligations towards us, this could result in corresponding tangible losses for us, which could have an adverse effect on the financial position of the K+S GROUP.

/ **FURTHER INFORMATION ABOUT IMPAIRMENTS AND OVERDUE RECEIVABLES** can be found in the Notes on page 154.

RISK OF DEFAULT IN FINANCIAL TRANSACTIONS

Default risks also exist with regard to partners with which we have concluded hedging transactions, with respect to which credit lines exist or money was invested. A potential failure of a bank or another partner could have an adverse effect on the financial position of the K+S GROUP.

RISKS ARISING FROM A DOWNGRADING OF THE COMPANY RATING

Ratings are used to assess the creditworthiness of companies and are normally issued by external rating agencies. Particularly for credit institutions and institutional investors, the rating provides indications of the ability of companies to pay. It cannot be ruled out that the rating agencies might downgrade the K+S GROUP's credit rating. A downgrade could impact negatively on the costs of (re-)financing for the K+S GROUP. At present, the K+S GROUP is rated differently by the rating agencies STANDARD & POOR'S and MOODY'S INVESTOR SERVICE (STANDARD & POOR'S issuer rating: BBB, negative outlook, MOODY'S issuer rating: Ba1, stable outlook). **/ TAB: 4.11.4**

/ **FURTHER INFORMATION ABOUT STRATEGIC FINANCING MEASURES** can be found on page 59, and the goals of the financial management on page 81.

DEVELOPMENT OF CREDIT RATINGS TAB: 4.11.4

Date	Rating	Outlook
Standard & Poor's		
18 November 2013	BBB	negative
5 August 2013	BBB+	negative
26 April 2013	BBB+	stable
30 April 2012	BBB+	stable
8 September 2011	BBB+	stable
Moody's		
6 November 2013	Ba1	stable
26 April 2013	Baa2	negative
29 November 2010	Baa2	stable
31 March 2010	Baa2	stable
4 September 2009	Baa2	negative

ASSESSMENT OF THE OVERALL RISK SITUATION BY THE BOARD OF EXECUTIVE DIRECTORS

Overall risk is assessed on the basis of the risk management system in combination with the planning, management and control systems in place. The overall risk situation of the K+S GROUP is largely unchanged from last year. The main risks to the future development of the K+S GROUP particularly include risks arising from increased supply or lower demand, causing, among other things, the price level for potash to come under considerable pressure, risks stemming from a change, refusal or withdrawal of approvals granted by public agencies for the disposal of saline wastewater and solid production residues, and risks arising from the Legacy Project.

With regard to the respective likelihood of materialisation and the potential financial effects of the risks discussed, and on the basis of the findings of our medium-term planning, the Board of Executive Directors, at the present time, does not expect on the future development risk, whether individually or in conjunction with other risks, have a lasting and adverse influence on the earnings, financial and asset position of the K+S GROUP that could jeopardise its existence. Future opportunities have not been considered in assessing the overall risk. In terms of organisation, we have fulfilled all the conditions for being able to recognise possible risks early on and to act correspondingly.

4.12 OPPORTUNITY REPORT

The following opportunity report describes opportunity management in the K+S GROUP, especially the manner and way in which opportunities are identified and assessed as well as measures for their realisation. Essentially, "opportunities" are viewed as possible future internal and external developments or events resulting in a positive variance versus planning for the K+S GROUP.

OPPORTUNITY MANAGEMENT

Opportunity management and risk management are closely interlinked within the K+S GROUP. For this reason, the corresponding processes are largely similar. We essentially derive our opportunity management from the strategies and goals of our corporate departments. Direct responsibility for the early and regular identification, analysis and utilisation of opportunities rests with the management of the corporate departments. Opportunity management is an integral part of the group-wide planning and control systems. Under our "Continuous Improvement Programme" (CIP), all employees can participate in improving the quality and profitability of our processes and products. The consistent utilisation of opportunities is the basis for sustainable growth on the part of the K+S GROUP and, consequently, for its value creation. We are working intensively with market and competition analyses, relevant revenue and cost elements and other key success factors, including those in the political environment in which the Company operates. Based on this, we derive concrete and specific opportunity potential, which could result in a positive variance versus our planning.

Significant opportunities of relevance to the K+S GROUP are described in the following sections, but no conclusions should be drawn from their sequential order regarding their likelihood of materialisation or possible financial effect. The evaluation of the opportunities is carried out from a Group perspective and refers to EBIT I for the medium-term planning period (three years). If an opposite trend emerges, opportunities could also turn into risks.

/ A MORE DETAILED EXPLANATION OF THE RISKS can be found on page 94.

The assessment of the likelihood of an opportunity materialising is based on the criteria

+ unlikely (likelihood of materialisation: < 5 %)
+ possible (likelihood of materialisation: 5 – 50 %)

The assessment of a possible financial effect is based on the criteria

+ moderate (financial effect: < € 200 million)
+ significant (financial effect: ≥ € 200 million)

The following table provides an overview of relevant opportunities. Afterwards, the "significant" opportunities for the business development of the K+S GROUP are discussed. / TAB: 4.12.1

OPPORTUNITIES ARISING FROM MACROECONOMIC DEVELOPMENTS

The "Future macroeconomic situation" described on page 111 of this report has a bearing on our business, our financial and earnings position as well as our cash flow. The medium-term planning of the K+S GROUP is based on the expectations stated in the forecast report and therefore, the assessment of the future macroeconomic situation is channelled directly into the forecast for 2014. Should the global economy develop better than expected and growth prove to be above average, especially in our main sales regions of Europe, North America, Brazil and South East Asia, this could result in a positive variance versus planning.

OPPORTUNITIES ARISING FROM A WEATHER-RELATED INCREASE IN DEMAND

In the Salt business unit, the weather in the de-icing salt regions of Europe and North America is of particular relevance. Our planning in this respect is based on the rolling average for the past ten years. Above-average severe winters in the de-icing salt regions of the K+S GROUP for the medium-term planning period could have a significant financial effect on the development of Company revenues and earnings.

OVERVIEW OF OPPORTUNITIES TAB: 4.12.1

	Likelihood of materialisation	Possible financial effects
External and sector-specific opportunities		
Opportunities arising from macroeconomic developments	possible	significant
Opportunities arising from a weather-related increase in demand	possible	significant
Opportunities from a demand-related price increase	possible	significant
Operational opportunities		
Opportunities arising from a reduction in energy costs	possible	moderate
Opportunities arising from a reduction in freight costs	possible	moderate
Financial opportunities		
Opportunities due to exchange rate fluctuations	possible	moderate
Opportunities arising from a change in the general interest rate level	possible	moderate
Opportunities arising from an improvement in the Company rating	possible	moderate

OPPORTUNITIES FROM A DEMAND-RELATED PRICE INCREASE

The historically relatively low ratio of stocks of important agricultural products to annual consumption could be sustainably reflected in a relatively high price level for agricultural products. This in turn can encourage farmers worldwide to both utilise any additional available uncultivated land and to increase the intensity of existing cultivation. Both these elements require greater use of fertilizers and could in future result in global demand for potash fertilizers rising faster than forecasted. This could result in a price increase for products containing potassium and thus in a positive variance versus our planning.

SUMMARY OF OPPORTUNITY SITUATION

For the K+S GROUP, in particular, opportunities arising from trends in the macroeconomic situation that are better than expected, opportunities arising from weather-related high demand in the salt business as well as opportunities arising from a demand-driven increase in the price of potash are significant. An unexpectedly positive development of freight and energy costs also presents an opportunity for K+S, although we would not rate the financial effect as significant.

Moreover, for the K+S GROUP, the EUR/USD currency relationship is fundamentally of significance, since particularly potash sales, with the exception of the European market and a few overseas regions, are invoiced in US dollars. Our planning for the year 2014 is based on a US dollar exchange rate of EUR/USD 1.35. During the primary investment phase of the Legacy Project, until 2016, greater importance will also be given to the EUR/CAD exchange rate. Our planning for the year 2014 is based on an exchange rate of EUR/CAD 1.50.

We consider the opportunity of a change in the general interest rate level as well as of an improvement in the Company's rating to be possible but not significant.

4.13 SUBSEQUENT EVENTS

Under the "Fit for the Future" programme for the sustainable improvement of the cost and organisational structures, K+S as of 1 January 2014 undertook comprehensive structural changes in the Company's headquarters in Kassel. From now on, central functions work in accordance with a centre concept. The aim is to increase the effectiveness and efficiency of workflows. As a result,

the responsibilities within the Board of Executive Directors have changed.
/ **FURTHER INFORMATION ABOUT THE NEW RESPONSIBILITIES OF THE BOARD OF EXECUTIVE DIRECTORS** can be found on page 12.

On 21 January 2014, Russian URALKALI announced that a contract had been concluded with Chinese buyers concerning the delivery of potassium chloride standard including freight at a price of US$ 305 per tonne and a term of six months. In the weeks that followed, other potash producers and sales organisations agreed deliveries on similar terms. After a phase of considerable uncertainty, this development could lead to a stabilisation on the market for products containing potash.

No further significant changes have occurred in the economic environment or in the position of the industry since the end of the financial year. No other events of material importance for the K+S GROUP or K+S AKTIENGESELLSCHAFT requiring disclosure have occurred.

4.14 ASSESSMENT OF THE CURRENT ECONOMIC SITUATION BY THE BOARD OF EXECUTIVE DIRECTORS[1]

The year 2013 was associated with great challenges for the K+S GROUP. Thanks to our robust business model, we were nevertheless able to achieve good results. Both the high sales volumes in the Salt business unit as well as a satisfactory volume and price level in the case of potash and magnesium products had a positive influence on the revenues of the K+S GROUP in the first six months of 2013. However, in the second half of the year, the market conditions in the potash market changed considerably after the announcements by Russian URALKALI and led to great uncertainty. As a consequence, prices for potassium chloride came under strong pressure and depressed the revenue development in the Potash and Magnesium Products business unit. A good early stocking-up business in Europe and a strong fourth quarter in North America in the Salt business unit were, however, able to compensate for the revenue decline. At € 3.95 billion, the total revenues generated by the K+S GROUP in 2013 reached the same level as in the previous year (2012: € 3.94 billion). Following € 804.1 million in the previous year, the operating earnings of € 655.9 million were in line with the last forecast that we published. Adjusted earnings per share reached € 2.27 after having been € 3.33 in the previous year.

After the end of the financial year, new contracts concluded by the major potash producers with China led to first signs of a stabilisation in the potash market. In the Salt business unit, the start of the de-icing salt business in North America was above average due to weather conditions, so that stocks there were considerably reduced.

[1] As of 28 February 2014.

4.15 FORECAST REPORT

FUTURE MACROECONOMIC SITUATION

The following discussion about the future macroeconomic situation is based on the assessments of the International Monetary Fund (World Economic Outlook, October 2013; World Economic Outlook Update, January 2014) and of the KIEL INSTITUTE FOR THE WORLD ECONOMY (Kiel Discussion Papers: Weltkonjunktur im Winter 2013, December 2013). **/ TAB: 4.15.1**

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT TAB: 4.15.1

in %; real	2014e	2013	2012	2011	2010
Germany	+1.6	+0.5	+0.9	+3.4	+3.9
European Union (EU-28)	+1.0	0.0	(0.3)	+1.7	+2.0
World	+3.7	+2.9	+3.2	+3.9	+5.2

Source: IMF

According to these assessments, the global economic growth will accelerate slightly in 2014. For the eurozone it is assumed that the structural adaptation measures are taking effect and that in the case of private households and companies, confidence in the future economic development is gradually increasing again. In the developing and emerging market countries too, the economic momentum should continue in 2014. Against this backdrop, the International Monetary Fund in its forecasts assumes growth in the global gross domestic product of 3.7 % for 2014.

After the stagnation in 2013, the KIEL INSTITUTE FOR THE WORLD ECONOMY is forecasting an increase of macroeconomic production for the eurozone, which, however, should still be moderate. Above all, economic activity should remain muted due to a weak domestic demand and high unemployment in several countries. In these circumstances, the International Monetary Fund assumes a growth rate in the gross domestic product of 1.0 % for 2014.

For the United States, the KIEL INSTITUTE FOR THE WORLD ECONOMY is expecting a strengthening of private consumption and domestic demand, which should mainly be traced back to impulses from monetary policy measures and an understanding in US budgetary policy. In addition, the significant increase in capital expenditure in the property sector, which already began to emerge at the end of 2013, and the improvement in the labour market situation, should further continue. In light of these framework conditions, the International Monetary Fund is expecting a growth rate of 2.8 % for production.

In the emerging market countries, economic growth should increase moderately due to a growing demand from the developed economies. The expansive economic policy and existing stimulus programmes should also provide support. In some emerging market countries, however, the relative weakness of the domestic currency could have a negative effect.

FUTURE INDUSTRY SITUATION

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

A global population that – according to the Food and Agricultural Organization of the United Nations (FAO) – is growing by about 80 million people every year as well as changes in eating habits that are moving towards greater consumption of meat and, not least, the growing importance of renewable raw materials for the generation of bioenergy are all increasing the global demand for agricultural raw materials. Especially against the backdrop of a shortage of agricultural land per capita, this poses a great challenge for the agricultural sector: In the past 30 years, the world's population has increased from about 4.5 to over 7.0 billion people. The amount of available agricultural land in the world has, however, remained almost constant. This trend will continue.

The fact that cereal production was nonetheless roughly able to keep up with the increased demand over that period is in part attributable to the higher and more balanced use of mineral fertilizers. This will also remain a decisive factor in the future in countering the increasing need for agricultural raw materials by means of intensifying farming on the land available.

Despite great efforts made on the production side, over the past few decades, frequently more cereals have been consumed than produced. For the current financial year 2013/14, the US Department of Agriculture (USDA) expects a higher cereal production due to above-average harvests and at the same time an increase in demand at a similar rate.

Against this backdrop, prices for agricultural products in 2013 continued to be at a relatively high level. Also in 2014, the resulting income prospects for the agricultural sector should provide a sufficient incentive to raise yields per hectare through the greater use of fertilizers.

After the announcements by URALKALI had led to considerable uncertainty about future volume and price developments in the potash market, at the beginning of 2014 a stabilising of prices began to emerge, although annual average prices should be tangibly lower than in 2013.

SALT BUSINESS UNIT

Over the coming years, the situation of the industry and competition in Europe will be shaped by competitive pressure in the salt industry. A below-average winter season 2013/14 could exacerbate the highly competitive market situation for European producers. As Europe's largest salt producer, we are well prepared to meet the challenges arising in this market environment.

With our production sites in Chile and Brazil, we are in a very good starting position to participate in the growth in South and Central America. The sales volume of food grade salt in South America and also the price level should not be subject to any significant fluctuations in 2014. In the case of industrial salt, the sales volume in Chile should remain almost unchanged. In Brazil, increased competition and also a weaker Brazilian real against the US dollar could take their toll on industrial salt prices. In the salt for chemical use segment, we are expecting a stable volume and price level. In the medium term, however, new possibilities for growth should emerge in Brazil and demand increase accordingly. Asia too is displaying attractive growth rates for salt consumption.

With MORTON SALT, the largest salt producer in North America in terms of production capacity, we have in the de-icing salt business wide access to markets in North America. In the industrial salt and food grade salt segments too, North America is among the most important sales regions. With the brands UMBRELLA GIRL® and WINDSOR CASTLE®, MORTON SALT has brands in the United States and in Canada that are very well positioned in the consumer business, which enable us to achieve stronger sales volumes of higher-margin speciality products. The severe winter weather in North America at the end of the year under review as well as at the beginning of 2014 reduced de-icing salt stocks considerably in some regions. The consumption of food grade and industrial salts should continue to remain stable. However, the demand of the chemical industry for salt for should rise.

EXPECTED DEVELOPMENT OF REVENUES AND EARNINGS

The following forecasts relate to the expected organic revenue and earnings development of the K+S GROUP.

Our assessment for 2014 as a whole is largely based on the following assumptions:

+ Increase in global potash sales volumes to about 59 million tonnes (2013: about 56 million tonnes), including about 3 million tonnes of potassium sulphate and potash grades with lower mineral content.
+ Average prices in the Potash and Magnesium Products business unit to decrease tangibly compared with 2013 as a whole (2013: € 293.8 per tonne).
+ In particular, due to production constraints in the first months relating to the accident at the site of Unterbreizbach the theoretically possible capacity in 2014 is not fully available. Thus, the sales volume for potash and magnesium products should be at the previous year's level (2013: 6.9 million tonnes).
+ Crystallised salt sales volumes roughly at the level of 2013 (22.8 million tonnes), of which de-icing salt approximately 14 million tonnes (2013: 13.8 million tonnes).
+ An average exchange rate for the year of EUR/USD 1.35 (2013: EUR/USD 1.33) as well as EUR/CAD 1.50 for the Canadian dollar (2013: EUR/CAD 1.37).

REVENUES AND EARNINGS FORECAST

The revenues of the K+S GROUP for financial year 2014 should be moderately below the figure of the previous year (2013: € 3,950.4 million). In particular, the revenues in the Potash and Magnesium Products business unit should, on account of the expectation of lower annual average prices, be tangibly down (2013: € 2,037.6 million).

To make sustainable improvements to cost and organisational structures, K+S is implementing the "Fit for the Future" programme with the aim of increasing efficiency of the production as well as of administrative and sales functions. The Company is striving to save a total of about € 500 million over the next three years in comparison to the previous cost planning for the same period. In 2014, a cost reduction of a good € 150 million compared with the previous planning is to be achieved.

Due to the revenue decrease in the Potash and Magnesium Products business unit, operating earnings EBITDA and EBIT I of the K+S GROUP should be significantly lower than a year ago (2013: € 907.2 million and € 655.9 million, respectively).

Adjusted Group earnings after taxes should follow the trend in operating earnings and thus also be significantly lower than in the previous year (2013: € 434.8 million).

ANTICIPATED FINANCIAL POSITION AND PLANNED CAPITAL EXPENDITURE

INCREASE IN CAPITAL EXPENDITURE AS PLANNED

The K+S GROUP's anticipated volume of capital expenditure for 2014 amounts to about € 1.2 billion. Outlays connected with the Legacy Project should account for about € 800 million of this figure. Part of the capital expenditure is also intended for the implementation of the package of measures on water protection in the Hesse-Thuringia potash district. In total, we expect a volume for the Potash and Magnesium Products business unit which will significantly exceed that of the previous year (2013: € 606.5 million). Capital expenditure in the Salt business unit should be at the previous year's level (2013: € 107.4 million). As a result of the increasing volume of capital expenditure, free cash flow (2013: € (53.6) million) should be significantly negative. The return on capital employed (ROCE) should also fall sharply (2013: 15.2 %), due to EBIT I being significantly down on the previous year and a higher amount of tied-up capital as a result of increasing capital expenditure.

FUTURE NUMBER OF EMPLOYEES

FUTURE NUMBER OF EMPLOYEES

As for the end of 2014, we expect the number of employees (full-time equivalents) to be more or less the same compared with the previous year (31 December 2013: 14,421). This is also the case for the average number of employees (2013: 14,348).

The anticipated increase in the number of personnel for the implementation of the Legacy Project, for intensified activities in the area of environmental protection and for maintaining the extracted volumes of crude salt in the Potash and Magnesium Products business unit should be compensated for by the implementation of the "Fit for the Future" programme.

EXPECTED DEVELOPMENT OF DIVIDENDS

DIVIDEND PROPOSAL FOR FINANCIAL YEAR 2013

We are pursuing an essentially earnings-based dividend policy. According to this, a dividend payout ratio of between 40 % and 50 % of adjusted Group earnings after taxes (including discontinued operations) forms the basis for the amount of future dividend recommendations to be determined by the Board of Executive Directors and the Supervisory Board. However, the Board of Executive Directors regards a temporary deviation from this dividend policy as being necessary, due to the not yet fully overcome uncertainties in the market for potash and magnesium products and the considerable capital expenditure in the upcoming years, and therefore intends to propose to the Annual General Meeting to pay a dividend of € 0.25 per share and to transfer the remaining accumulated profit into the revenue reserves. The Board of Executive Directors intends to return to the basic dividend policy as soon as possible.

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE K+S GROUP

The revenues of the K+S GROUP for financial year 2014 should be moderately below the figure of the previous year. To make sustainable improvements to cost and organisational structures, K+S is continuing to work on the "Fit for the Future" programme with the aim of increasing efficiency of production and administrative and sales functions. A cost reduction of a good € 150 million in 2014 compared with previous planning should be attainable. Due to the tangibly lower average prices in the Potash and Magnesium Products business unit, operating earnings EBIT I of the K+S GROUP should be significantly lower than a year ago. The anticipated volume of capital expenditure for 2014 is increasing as planned, and free cash flow should consequently be significantly negative.

4.16 K+S AKTIENGESELLSCHAFT (NOTES BASED ON THE GERMAN COMMERCIAL CODE – HGB)

The Management Report of K+S AKTIENGESELLSCHAFT and the Group Management Report for financial year 2013 are combined. The annual financial statements of K+S AKTIENGESELLSCHAFT in accordance with the German Commercial Code (HGB) and the combined Management Report are published simultaneously in the German Federal Gazette (Bundesanzeiger).

DECLARATION ON CORPORATE GOVERNANCE

The Declaration on Corporate Governance in accordance with Sec. 289a of the German Commercial Code (HGB) is shown in the 'Corporate Governance' section on page 25. It forms an integral part of the combined Management Report of K+S AKTIENGESELLSCHAFT and the K+S GROUP.

REMUNERATION REPORT

The information to be disclosed in accordance with Sec. 289 Para. 2 No. 5 of the German Commercial Code (HGB) is contained in the Remuneration Report on page 34 of the 'Corporate Governance' section; the Remuneration Report constitutes an integral part of the K+S AKTIENGESELLSCHAFT Management Report and the Group Management Report.

INFORMATION IN ACCORDANCE WITH SEC. 289 PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT OF THE BOARD OF EXECUTIVE DIRECTORS

Information in accordance with Sec. 289 Para. 4 of the German Commercial Code (HGB) and the explanatory report of the Board of Executive Directors can be found on page 52.

BUSINESS OPERATIONS, CORPORATE STRATEGY, ENTERPRISE MANAGEMENT AND SUPERVISION, OVERVIEW OF THE COURSE OF BUSINESS

Information on business operations, corporate strategy, enterprise management and supervision as well as an overview of the course of business can be found on pages 46 – 74.

EARNINGS POSITION

At € 78.4 million, revenues of K+S AKTIENGESELLSCHAFT were moderately above the level of the previous year

INCOME STATEMENT OF K+S AKTIENGESELLSCHAFT[1] TAB: 4.16.1

in € million	2013	2012
Revenues	**78.4**	**75.5**
Cost of sales	81.3	81.5
Gross profit	**(2.9)**	**(6.0)**
Selling, general and administrative expenses and research costs	35.6	37.0
Other operating income and expenses	(30.4)	59.2
Income from investments, net	594.0	789.7
Interest income, net	(54.6)	(35.1)
Depreciation on financial assets and securities held in current assets	(4.0)	(1.1)
Earnings before income taxes	**466.5**	**769.6**
Taxes on income	154.4	205.7
Net income	**312.1**	**563.9**
Profit carried forward	**26.3**	**11.3**
Transfer from net income to revenue reserves	**156.0**	**281.0**
Accumulated profit	182.3	294.2

[1] A detailed income statement can be found in the financial statements 2013 of K+S Aktiengesellschaft.

(€ 75.5 million). Apart from an increase, due to volume factors, with the granulation of CATSAN® and THOMAS®, there were positive changes in the internal Group billing of services to Group companies. / TAB: 4.16.1

At € 466.5 million, earnings before income taxes were significantly down on the figure for the previous year of € 769.6 million (€ (303.1) million). The decrease largely results from the tangibly reduced net income from investments of € 594.0 million (previous year: € 789.7 million). This is due in particular to the decrease from the profit transfer of € 565.2 million (previous year: € 763.6 million) resulting from the profit transfer agreement with K+S KALI GMBH. Further investment income arises from the profit transfers of K+S ENTSORGUNG GMBH with € 11.0 million (previous year: € 9.6 million), K+S TRANSPORT GMBH with € 8.0 million (previous year: € 9.1 million) and K+S IT-SERVICES GMBH with € 5.9 million (previous year: € 0.6 million).

Other operating income decreased significantly by € 86.1 million to € 41.3 million. The previous year, with € 127.4 million, benefitted from the income from the sale of the NITROGEN business.

The decrease in net interest income from € (35.1) million to € (54.6) million is essentially due to increased interest expenses, additional costs for the bonds issued and expenses for the syndicated loan as well as to lower income from the fund assets for pension provisions.

BALANCE SHEET OF K+S AKTIENGESELLSCHAFT — ASSETS TAB: 4.16.2

in € million	31.12.2013	31.12.2012
Intangible assets	0.1	0.1
Property, plant and equipment	39.2	18.3
Financial assets	4,101.2	3,074.2
Non-current assets	**4,140.5**	**3,092.6**
Inventories	1.4	1.4
Receivables and other assets	756.9	1,015.6
Securities	653.8	175.6
Cash on hand and balances with banks	355.4	136.3
Current assets	**1,767.5**	**1,328.9**
Prepaid expenses	**15.8**	**3.9**
Surplus from offsetting	**17.9**	**15.4**
ASSETS	**5,941.6**	**4,440.8**

BALANCE SHEET OF K+S AKTIENGESELLSCHAFT — EQUITY AND LIABILITIES TAB: 4.16.3

in € million	31.12.2013	31.12.2012
Subscribed capital	191.4	191.4
Additional paid-in capital	701.6	701.6
Revenue reserves	889.0	733.0
Accumulated profit	182.3	294.2
Equity	**1,964.3**	**1,920.2**
Provisions for pensions and similar obligations	—	—
Tax provisions	21.1	21.9
Other provisions	184.3	164.8
Provisions	**205.4**	**186.7**
Liabilities	**3,771.3**	**2,333.9**
EQUITY AND LIABILITIES	**5,941.6**	**4,440.8**

Earnings after taxes of our Company decreased to € 312.1 million and were therefore € 251.9 million below the previous year's figure (2012: € 564.0 million).

ASSETS AND FINANCIAL POSITION

Fixed assets increased, largely due to capital injections to affiliated companies, from € 3,092.6 million by € 1,047.9 million to € 4,140.5 million and have a share of 69 % in the balance sheet total which was up by € 1,500.8 million (previous year: 69 %). / TAB: 4.16.2

Receivables and other assets decreased mainly as a result of a lower profit transfer of K+S KALI GMBH to € 756.9 million (previous year: € 1,015.6 million).

The increase in securities by € 478.3 million to € 653.8 million and in bank deposits to € 355.4 million (previous year: € 136.3 million) is above all due to the liquidity from the bond issue.

As at the balance sheet date, the Company reports a difference on the asset side in the amount of € 17.9 million, which derives from an overfunding of assets of cover funds over obligations from pension commitments. / TAB: 4.16.3

There are no liabilities to banks.

In December 2013, K+S AKTIENGESELLSCHAFT issued two bonds with a total volume of € 1 billion and maturity dates on 6 December 2018 and 6 December 2021. The five-year bond has a volume of € 500 million and has an interest coupon rate of 3.125 % p.a. The eight-year bond amounts to € 500 million and bears interest at 4.125 % p.a.

The proceeds from the bond issue are intended to finance investments in the Legacy Project, to refinance existing liabilities, and for general corporate purposes.

The equity ratio is 33 % (previous year: 43 %). The Company discloses tax provisions of € 21.1 million at the reporting date. Other provisions have a predominantly long-term character. Our Company's financing comes to a considerable extent from funds available in the long term.

DIVIDEND

K+S AKTIENGESELLSCHAFT discloses an accumulated profit of € 182.3 million for financial year 2013.

The Board of Executive Directors intends to propose to the Annual General Meeting on 14 May 2014, that the accumulated profit of K+S AKTIENGESELLSCHAFT from financial year 2013 is used as presented in table 4.16.4. / TAB: 4.16.4

RESEARCH AND DEVELOPMENT

Detailed information concerning the research and development activities of the K+S GROUP, which above all pertains to affiliated companies with operating activities, can be found on page 67.

EMPLOYEES

As at 31 December 2013, there were 609 employees (previous year: 610 employees) employed at K+S AKTIENGESELLSCHAFT; of these, 19 were trainees (previous year: 17 trainees).

APPROPRIATION OF PROFITS [1] TAB: 4.16.4

in € million	2013	2012
Dividend per share (€)	0.25	1.40
Total dividend payment taking into account 191,400,000 no-par value bearer shares eligible for dividend	47.9	268.0
Retained earnings	134.5	—
Profit carried forward	—	26.2
Accumulated profit	**182.3**	**294.2**

[1] Amounts are rounded.

RISKS AND OPPORTUNITIES

The business development of K+S AKTIENGESELLSCHAFT is basically subject to the same risks and opportunities as the K+S GROUP. K+S AKTIENGESELLSCHAFT participates in the risks of its shareholdings and subsidiaries according to its respective participation ratio. More information can be found in the 'Risk Report' section on page 94 and the 'Opportunities Report' section on page 109.

The description of the internal control system with regard to the accounting process of K+S AKTIENGESELLSCHAFT (Sec. 289 Para. 5 of the German Commercial Code – HGB) can be found in the Risk Report on page 96.

SUBSEQUENT EVENTS

Subsequent events concerning the K+S GROUP and K+S AKTIENGESELLSCHAFT can be found on page 110.

FORECAST REPORT

The earnings development of K+S AKTIENGESELLSCHAFT depends to a substantial degree on the development of its subsidiaries. The business development forecast for the K+S GROUP can be found in the Forecast Report on page 111.

4.17 GUARANTEE OF THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

To the best of our knowledge, and in accordance with the applicable principles for financial reporting, the consolidated financial statements and the annual financial statements of K+S AKTIENGESELLSCHAFT give a true and fair view of the assets, financial and earnings position of the Group and K+S AKTIENGESELLSCHAFT, and the combined Management Report includes a fair review of the development and performance of the business and the position of the Group and K+S AKTIENGESELLSCHAFT, together with a description of the principal opportunities and risks associated with the expected development of the Group and K+S AKTIENGESELLSCHAFT.

Kassel, 28 February 2014

K+S AKTIENGESELLSCHAFT
THE BOARD OF EXECUTIVE DIRECTORS

FORWARD-LOOKING STATEMENTS

This report contains facts and forecasts that relate to the future development of the K+S GROUP and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be correct or should certain risks – such as those referred to in the Risk Report – materialise, actual developments and events may deviate from current expectations. The Company assumes no obligation to update the statements contained in the Management Report, save for the making of such disclosures as are required by the provisions of statute.

CONSOLIDATED FINANCIAL STATEMENTS

5

5.1 AUDITOR'S REPORT

We have audited the consolidated financial statements, consisting of the income statement as well as statement of comprehensive income, cash flow statement, balance sheet, statement of changes in equity and notes prepared by K+S AKTIENGESELLSCHAFT, Kassel, as well as the Management Report combined with the Group Management Report for the financial year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the Group Management Report in accordance with INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) as applied within the EU and the supplementary commercial law provisions as applied in accordance with Sec. 315a, Para. 1 of the German Commercial Code (HGB) is the responsibility of the company's Board of Executive Directors. Our responsibility is to express an opinion of the consolidated financial statements and of the Group Management Report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit in such manner that material misstatements affecting the presentation of the assets, financial and earnings position in the consolidated financial statements in accordance with the applicable accounting rules and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group as well as evaluations of possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the system of internal accounting control relating to the accounting system and the evidence supporting the disclosures in the consolidated financial statements and the Group Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by the Board of Executive Directors, as well as evaluating the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on our audit findings, the consolidated financial statements of K+S AKTIENGESELLSCHAFT, Kassel, comply with the IFRS as applied in the EU as well as the supplementary commercial law provisions as applied in accordance with Sec. 315a, Para. 1 of the German Commercial Code (HGB) and give a true and fair view of the assets, financial and earnings position of the Group in accordance with such provisions. The Group Management Report is consistent with the consolidated financial statements, provides a suitable understanding of the position of the Group and suitably presents the risks of future development.

Hanover, 28 February 2014

DELOITTE & TOUCHE GMBH	(Prof. Dr. Beine)	(Römgens)
Wirtschaftsprüfungsgesellschaft	Auditor	Auditor

INCOME STATEMENT [1]

TAB: 5.2.1

in € million	Notes	2013	2012
Revenues	[1]	**3,950.4**	**3,935.3**
Cost of sales		2,245.8	2,158.7
Gross profit		**1,704.6**	**1,776.6**
Selling expenses		835.6	734.2
General and administrative expenses		191.7	196.8
Research and development costs		13.9	19.4
Other operating income	[2]	122.1	157.9
Other operating expenses	[3]	150.4	152.1
Income from investments, net		6.6	5.2
Result from operating forecast hedges	[4]	(16.6)	4.9
Result after operating hedges (EBIT II) [2]		**625.1**	**842.1**
Interest income	[5]	24.0	20.8
Interest expenses	[5]	(99.8)	(105.6)
Other financial result	[6]	(0.5)	5.9
Financial result		**(76.3)**	**(78.9)**
Earnings before income taxes		**548.8**	**763.2**
Taxes on income	[7]	133.2	197.4
– of which deferred taxes		(61.1)	(33.6)
Earnings after taxes from continued operations		**415.6**	**565.8**
Earnings after taxes from discontinued operations		(2.3)	100.0
Net income		**413.3**	**665.8**
Minority interests in earnings		0.5	0.5
Group earnings after taxes and minority interests		**412.8**	**665.3**
– thereof continued operations		415.1	565.3
– thereof discontinued operations		(2.3)	100.0
Earnings per share in € (undiluted = diluted)	[10]	**2.16**	**3.48**
– thereof continued operations		2.17	2.96
– thereof discontinued operations		(0.01)	0.52
Average number of shares in million		191.40	191.40
Operating earnings (EBIT I) [2]		**655.9**	**804.1**
Earnings before income taxes from continued operations, adjusted [3]		**579.6**	**725.2**
Group earnings from continued operations, adjusted [3]	[10]	**437.1**	**538.1**
Earnings per share from continued operations in €, adjusted [3]	[10]	**2.28**	**2.81**
Group earnings after taxes, adjusted [3,4]	[10]	**434.8**	**637.4**
Earnings per share in €, adjusted [3,4]	[10]	**2.27**	**3.33**

STATEMENT OF COMPREHENSIVE INCOME [1]

TAB: 5.2.2

in € million	Notes	2013	2012
Net income		**413.3**	**665.8**
Items that may be reclassified subsequently to profit or loss		(178.5)	(25.8)
Financial assets available for sale		(1.0)	3.0
Difference resulting from foreign currency translation		(177.5)	(28.8)
– thereof change in unrealised gains/losses		(177.5)	(29.0)
– thereof realised gains/losses		—	0.2
Items that will not be reclassified to profit or loss		36.2	(32.3)
Revaluation of net debt/defined benefit pension plan assets		36.2	(32.3)
Other comprehensive income after taxes		**(142.3)**	**(58.1)**
Comprehensive income of the period		**271.0**	**607.7**
Minority interests in comprehensive income		0.5	0.5
Group comprehensive income after taxes and minority interests		**270.5**	**607.2**

OPERATING EARNINGS (EBIT I) [1,5]

TAB: 5.2.3

in € million	Notes	2013	2012
Result after operating hedges (EBIT II) [2]		**625.1**	**842.1**
Income (–)/expenses (+) from market value changes of operating forecast hedges still outstanding		15.5	(9.5)
Neutralising of market value changes of realised operating forecast hedges, recognised in earlier periods		10.3	(28.5)
Realised income (–)/expenses (+) from currency hedging of anticipated capital expenditure in Canada		5.0	—
Operating earnings (EBIT I) [2]		**655.9**	**804.1**

[1] The figures of the previous year were adjusted due to the change of IAS 19. Further information can be found in the Notes on page 143.
[2] Management of the K+S Group is handled, amongst others, on the basis of operating earnings (EBIT I). Reconciliation of EBIT II to operating earnings (EBIT I) is recorded below the income statement (see also the 'Notes to the income statement and the statement of comprehensive income' on page 146).
[3] The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I (see also 'Notes to the income statement and the statement of comprehensive income' on page 146). In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2013: 28.6% (2012: 28.5%).
[4] Earnings from continued and discontinued operations.
[5] Information on operating earnings refers to continued operations.

CASH FLOW STATEMENT [1] TAB: 5.3.1

in € million	Notes	2013	2012
Result after operating hedges (EBIT II)		**625.1**	**842.1**
Income (–)/expenses (+) from market value changes of operating forecast hedges still outstanding		15.5	(9.5)
Neutralisation of market value changes of realised operating forecast hedges, recognised in earlier periods		10.3	(28.5)
Realised income (–)/expenses (+) of currency hedging of anticipated capital expenditure in Canada		5.0	—
Operating earnings (EBIT I)		**655.9**	**804.1**
Depreciation (+)/write-ups (–) on intangible assets, property, plant and equipment and financial assets		251.3	229.0
Increase (+)/decrease (–) in non-current provisions (without interest rate effects)		(7.3)	3.4
Interests received and similar income		25.4	21.6
Gains (+)/losses (–) from the realisation of financial assets and liabilities		(5.1)	(0.7)
Interest paid (–)		(63.4)	(43.0)
Income taxes paid (–)		(189.0)	(202.1)
Other non-cash expenses (+)/income (–)		(0.4)	0.7
Gross cash flow from continued operations		**667.4**	**813.0**
Gross cash flow from discontinued operations		—	29.9
Gross cash flow		**667.4**	**842.9**
Gain (–)/loss (+) on the disposal of fixed assets and securities		7.5	(2.0)
Increase (–)/decrease (+) in inventories		116.7	(42.8)
Increase (–)/decrease (+) in receivables and other assets from operating activities		13.5	(86.7)
Increase (+)/decrease (–) in liabilities from operating activities		(14.3)	(83.1)
Increase (+)/decrease (–) in current provisions		(19.2)	(28.3)
Out-financing of plan assets		(15.9)	(43.4)
Cash flow from operating activities		**755.7**	**556.6**
– thereof continued operations		**755.7**	**607.2**
– thereof discontinued operations		—	(50.6)
Proceeds from the disposal of fixed assets		12.8	21.3
Disbursements for intangible assets		(10.8)	(24.4)
Disbursements for property, plant and equipment		(708.9)	(399.0)
Disbursements for financial assets		(0.1)	(1.2)
Proceeds from the disposal of consolidated companies	[37]	—	75.0
Disbursements for the acquisition of consolidated companies	[38]	—	(4.2)
Proceeds from the disposal of securities and other financial investments		644.9	312.3
Disbursements for the purchase of securities and other financial investments		(747.2)	(870.8)

CASH FLOW STATEMENT [1] (CONTINUED) TAB: 5.3.1

in € million	Notes	2013	2012
Cash flow for investing activities		**(809.3)**	**(891.0)**
– thereof continued operations		**(809.3)**	**(966.6)**
– thereof discontinued operations		—	75.6
Free cash flow		**(53.6)**	**(334.4)**
– thereof continued operations		**(53.6)**	**(359.4)**
– thereof discontinued operations		—	25.0
Dividends paid		(268.0)	(248.8)
Payments from other allocations to equity		4.1	5.2
Purchase of own shares		(5.1)	(6.5)
Sale of own shares		—	0.2
Increase (+)/decrease (–) in liabilities from finance lease		(1.6)	(2.1)
Taking out (+)/repayment of (–) loans		(1.0)	(2.1)
Repayments (–) of bonds		(3.7)	—
Incoming payments (+) from the issuing of bonds		996.6	497.1
Cash flow from/for financing activities		**721.3**	**243.0**
– thereof continued operations		**721.3**	**243.0**
– thereof discontinued operations		—	—
Change in cash and cash equivalents affecting cash flow		**667.7**	**(91.4)**
– thereof continued operations		**667.7**	**(116.4)**
– thereof discontinued operations		—	25.0
Change in cash and cash equivalents resulting from exchange rates		(12.1)	(0.9)
Changes resulting from consolidation		4.4	—
Change in cash and cash equivalents		**660.0**	**(92.3)**
Net cash and cash equivalents as of 1 January		**345.0**	**437.3**
Net cash and cash equivalents as of 31 December	[39]	**1,005.0**	**345.0**
– thereof cash on hand and balances with banks		1,011.3	351.8
– thereof cash invested with affiliated companies		—	0.3
– thereof cash received from affiliated companies		(6.3)	(7.1)

[1] The figures of the previous year were adjusted due to the change of IAS 19. Further information can be found in the Notes on page 143.

BALANCE SHEET [1] TAB: 5.4.1

in € million	Notes	31.12.2013	31.12.2012	1.1.2012
Intangible assets	[11]	935.7	1,000.8	1,020.9
– of which goodwill from acquisitions	[11]	606.3	642.3	651.4
Property, plant and equipment		2,933.2	2,527.4	2,227.0
Investment properties	[12]	7.3	7.6	7.8
Financial assets	[13]	13.9	15.9	15.9
Receivables and other assets	[17, 18]	54.0	48.1	42.8
– of which financial assets		48.1	42.5	39.8
Securities and other financial investments	[14]	179.3	499.5	58.5
Deferred taxes	[15]	33.4	49.1	55.9
Reimbursement claims of income taxes		0.1	0.1	0.4
Non-current assets		**4,156.9**	**4,148.5**	**3,429.2**
Inventories	[16]	552.6	687.9	730.0
Accounts receivable – trade	[17]	737.9	770.3	928.8
Other receivables and assets	[17, 18]	154.0	166.3	150.6
– of which financial assets		67.0	88.2	72.6
Reimbursement claims of income taxes		29.3	36.8	41.2
Securities and other financial investments	[14]	856.2	435.0	315.0
Cash on hand and balances with banks	[40]	1,011.3	351.8	442.8
Current assets		**3,341.3**	**2,448.1**	**2,608.4**
ASSETS		7,498.2	6,596.6	6,037.6

BALANCE SHEET [1] TAB: 5.4.1

in € million	Notes	31.12.2013	31.12.2012	1.1.2012
Subscribed capital	[19]	191.4	191.4	191.4
Additional paid-in capital		646.8	647.2	648.1
Other reserves and accumulated profit	[19]	2,554.3	2,551.7	2,193.2
Minority interests		4.1	3.6	3.1
Equity		**3,396.6**	**3,393.9**	**3,035.8**
Bank loans and overdrafts	[25]	1,509.0	1,264.9	769.8
Other liabilities	[18, 25]	17.5	17.8	20.1
– of which financial liabilities		13.2	9.5	13.0
Provisions for pensions and similar obligations	[21]	102.6	160.1	145.4
Provisions for mining obligations	[22]	743.9	706.6	580.6
Other provisions	[23]	117.7	131.2	140.8
Deferred taxes	[15]	196.1	274.7	326.4
Non-current debt		**2,686.8**	**2,555.3**	**1,983.1**
Bank loans and overdrafts	[25]	746.2	0.9	0.8
Accounts payable – trade	[25]	271.5	289.2	613.8
Other liabilities	[18, 25]	94.6	70.6	96.2
– of which financial liabilities		65.5	49.4	70.5
Income tax liabilities		49.1	50.1	23.2
Provisions	[22, 24]	253.4	236.6	284.7
Current debt		**1,414.8**	**647.4**	**1,018.7**
EQUITY AND LIABILITIES		7,498.2	6,596.6	6,037.6

[1] The figures of the previous year were adjusted due to the change of IAS 19. Further information can be found in the Notes on page 143.

STATEMENT OF CHANGES IN EQUITY [1]

TAB: 5.5.1

in € million	Subscribed capital [19]	Additional paid-in capital	Accumulated profit / revenue reserves [19]	Differences from foreign currency translation [19]	Financial assets available for sale	Revaluation of defined benefit pension plans	Total K+S AG shareholders' equity	Minority interests	Equity
Balances as of 1 January 2013	191.4	647.2	2,461.1	172.3	2.9	(84.6)	3,390.3	3.6	3,393.9
Net income	—	—	412.8	—	—	—	412.8	0.5	413.3
Other comprehensive income (after taxes)	—	—	—	(177.5)	(1.0)	36.2	(142.3)	—	(142.3)
Comprehensive income of the period	—	—	412.8	(177.5)	(1.0)	36.2	270.5	0.5	271.0
Dividend for the previous year	—	—	(268.0)	—	—	—	(268.0)	—	(268.0)
Issuance of shares to employees	—	(0.4)	—	—	—	—	(0.4)	—	(0.4)
Other changes in equity	—	—	0.1	—	—	—	0.1	—	0.1
Balances as of 31 December 2013	**191.4**	**646.8**	**2,606.0**	**(5.2)**	**1.9**	**(48.4)**	**3,392.5**	**4.1**	**3,396.6**
Balances as of 1 January 2012	191.4	648.1	2,044.5	201.1	(0.1)	(52.3)	3,032.7	3.1	3,035.8
Net income	—	—	665.3	—	—	—	665.3	0.5	665.8
Other comprehensive income (after taxes)	—	—	—	(28.8)	3.0	(32.3)	(58.1)	—	(58.1)
Comprehensive income of the period	—	—	665.3	(28.8)	3.0	(32.3)	607.2	0.5	607.7
Dividend for the previous year	—	—	(248.8)	—	—	—	(248.8)	—	(248.8)
Issuance of shares to employees	—	(0.9)	—	—	—	—	(0.9)	—	(0.9)
Other changes in equity	—	—	0.1	—	—	—	0.1	—	0.1
Balances as of 31 December 2012	**191.4**	**647.2**	**2,461.1**	**172.3**	**2.9**	**(84.6)**	**3,390.3**	**3.6**	**3,393.9**

[1] The figures of the previous year were adjusted due to the change of IAS 19. Further information can be found in the Notes on page 143.

DEVELOPMENT OF FIXED ASSETS 2013

							Gross carrying amounts
in € million	Balances as of 1.1.2013	Change in scope of consolidation	Additions	Disposals	Reclassifications	Currency differences	Balances as of 31.12.2013
Other acquired concessions, industrial property rights, similar rights and assets as well as licenses for such rights and assets	61.9	—	4.9	1.6	0.8	(1.9)	64.1
Customer relations	220.9	—	—	—	—	(12.4)	208.5
Brands	112.7	—	—	—	—	(5.3)	107.4
Port concessions	31.0	—	—	—	—	(1.3)	29.7
Goodwill from acquisitions	642.3	0.2	—	—	—	(36.2)	606.3
Internally generated intangible assets	4.6	—	0.5	—	0.8	—	5.9
Emission rights	15.0	—	—	—	—	—	15.0
Intangible assets in completion	15.8	—	7.1	0.1	(1.5)	—	21.3
Intangible assets [11]	**1,104.2**	**0.2**	**12.5**	**1.7**	**0.1**	**(57.1)**	**1,058.2**
Land, rights similar to land and buildings, including buildings on third-party land	865.1	0.1	72.9	18.2	23.4	(14.6)	928.7
Finance lease for land, rights similar to land and buildings, including buildings on third-party land	—	—	—	—	1.9	—	1.9
Raw material deposits	727.1	—	—	—	—	(56.3)	670.8
Technical equipment and machinery	2,402.9	0.1	154.2	21.4	135.5	(23.8)	2,647.5
Finance lease for technical equipment and machinery	—	—	0.1	—	21.7	—	21.8
Ships	76.7	—	—	31.8	0.1	(3.4)	41.6
Finance lease for ships	—	—	—	—	1.9	—	1.9
Other equipment, fixtures and fittings	304.3	—	27.4	8.4	4.8	(2.7)	325.4
Finance lease for other equipment, fixtures and fittings	—	—	—	—	0.7	—	0.7
Payments on account and construction in progress	327.1	—	508.4	1.2	(163.9)	(18.0)	652.4
Leasing and similar rights	29.4	—	—	0.4	(26.2)	(2.8)	—
Property, plant and equipment	**4,732.6**	**0.2**	**763.0**	**81.4**	**(0.1)**	**(121.6)**	**5,292.7**
Investment properties [12]	**15.6**	**—**	**—**	**1.3**	**—**	**—**	**14.3**
Investments in affiliated companies	15.4	(0.5)	—	0.1	—	—	14.8
Loans to affiliated companies	—	—	—	—	—	—	—
Investments	6.2	—	—	6.1	—	—	0.1
Loans to companies in which equity investments are held	0.2	—	—	0.1	—	—	0.1
Sundry loans and other financial assets	0.8	—	0.1	0.2	—	—	0.7
Financial assets [13]	**22.6**	**(0.5)**	**0.1**	**6.5**	**—**	**—**	**15.7**
Fixed assets	5,875.0	(0.1)	775.6	90.9	—	(178.7)	6,380.9

TAB: 5.6.1

Depreciation, amortisation and write-downs									Net carrying amounts
Balances as of 1.1.2013	**Change in scope of consolidation**	**Additions scheduled**	**Additions non-scheduled**	**Disposals**	**Reclassifications**	**Write-ups**	**Currency differences**	**Balances as of 31.12.2013**	**Balances as of 31.12.2013**
32.3	—	7.1	—	1.6	—	—	(1.3)	36.5	27.6
58.5	—	17.2	—	—	—	—	(4.4)	71.3	137.2
9.7	—	1.2	—	—	—	—	—	10.9	96.5
0.6	—	0.1	—	—	—	—	—	0.7	29.0
—	—	—	—	—	—	—	—	—	606.3
2.3	—	0.8	—	—	—	—	—	3.1	2.8
—	—	—	—	—	—	—	—	—	15.0
—	—	—	—	—	—	—	—	—	21.3
103.4	**—**	**26.4**	**—**	**1.6**	**—**	**—**	**(5.7)**	**122.5**	**935.7**
309.5	—	36.6	4.4	3.0	—	0.1	(2.8)	344.6	584.1
—	—	0.2	—	—	0.7	—	—	0.9	1.0
20.0	—	4.4	—	—	—	—	(1.2)	23.2	647.6
1,622.1	—	138.6	2.0	18.8	—	—	(12.4)	1,731.5	916.0
—	—	1.6	—	—	2.2	—	(0.1)	3.7	18.1
16.7	—	5.2	1.9	19.8	—	—	(1.0)	3.0	38.6
—	—	0.2	—	—	0.4	—	—	0.6	1.3
232.8	—	28.4	—	7.8	—	—	(1.8)	251.6	73.8
—	—	0.2	—	—	0.2	—	—	0.4	0.3
—	—	—	—	—	—	—	—	—	652.4
4.1	—	0.1	—	0.4	(3.5)	—	(0.3)	—	—
2,205.2	**—**	**215.5**	**8.3**	**49.8**	**—**	**0.1**	**(19.6)**	**2,359.5**	**2,933.2**
8.0	**—**	**—**	**—**	**1.0**	**—**	**—**	**—**	**7.0**	**7.3**
1.4	—	—	0.4	—	—	—	—	1.8	13.0
—	—	—	—	—	—	—	—	—	—
5.3	—	—	0.8	6.1	—	—	—	—	0.1
—	—	—	—	—	—	—	—	—	0.1
—	—	—	—	—	—	—	—	—	0.7
6.7	**—**	**—**	**1.2**	**6.1**	**—**	**—**	**—**	**1.8**	**13.9**
2,323.3	—	241.9	9.5	58.5	—	0.1	(25.3)	2,490.8	3,890.1

DEVELOPMENT OF FIXED ASSETS 2012

	Gross carrying amounts						
in € million	Balances as of 1.1.2012	Change in scope of consolidation	Additions	Disposals	Reclassifcations	Currency differences	Balances as of 31.12.2012
Other acquired concessions, industrial property rights, similar rights and assets as well as licenses for such rights and assets	69.2	(17.4)	9.0	4.0	7.3	(2.2)	61.9
Customer relations	224.1	—	—	—	—	(3.2)	220.9
Brands	117.7	—	—	3.4	—	(1.6)	112.7
Port concessions	31.6	—	—	—	—	(0.6)	31.0
Goodwill from acquisitions	651.4	(0.5)	—	—	—	(8.6)	642.3
Internally generated intangible assets	3.8	—	0.4	—	0.4	—	4.6
Emission rights	15.0	—	—	—	—	—	15.0
Intangible assets in completion	8.2	—	14.7	—	(7.1)	—	15.8
Intangible assets [11]	**1,121.0**	**(17.9)**	**24.1**	**7.4**	**0.6**	**(16.2)**	**1,104.2**
Land, rights similar to land and buildings, including buildings on third-party land	741.7	3.7	125.2	15.2	12.7	(3.0)	865.1
Raw material deposits	730.3	—	—	—	—	(3.2)	727.1
Technical equipment and machinery	2,289.9	(3.0)	98.6	22.0	44.3	(4.9)	2,402.9
Ships	91.7	—	22.0	35.2	—	(1.8)	76.7
Other equipment, fixtures and fittings	280.2	(1.8)	31.0	7.7	3.0	(0.4)	304.3
Payments on account and construction in progress	143.5	—	268.7	2.6	(82.2)	(0.3)	327.1
Leasing and similar rights	7.9	—	0.7	0.7	21.6	(0.1)	29.4
Property, plant and equipment	**4,285.2**	**(1.1)**	**546.2**	**83.4**	**(0.6)**	**(13.7)**	**4,732.6**
Investment properties [12]	**16.5**	**—**	**—**	**0.9**	**—**	**—**	**15.6**
Investments in affiliated companies	16.4	(0.4)	0.8	—	(1.4)	—	15.4
Loans to affiliated companies	—	—	—	—	—	—	—
Investments	4.6	—	—	—	1.4	0.2	6.2
Loans to companies in which equity investments are held	0.3	—	—	0.1	—	—	0.2
Sundry loans and other financial assets	0.9	—	0.1	0.2	—	—	0.8
Financial assets [13]	**22.2**	**(0.4)**	**0.9**	**0.3**	**—**	**0.2**	**22.6**
Fixed assets	5,444.9	(19.4)	571.2	92.0	—	(29.7)	5,875.0

TAB: 5.6.2

Depreciation, amortisation and write-downs								Net carrying amounts
Balances as of 1.1.2012	Change in scope of consolidation	Additions scheduled	Additions non-scheduled	Disposals	Reclassifcations	Currency differences	Balances as of 31.12.2012	Balances as of 31.12.2012
44.5	(12.8)	5.2	—	4.0	—	(0.6)	32.3	29.6
41.5	—	17.9	—	—	—	(0.9)	58.5	162.4
11.9	—	1.2	—	3.4	—	—	9.7	103.0
0.5	—	0.1	—	—	—	—	0.6	30.4
—	—	—	—	—	—	—	—	642.3
1.7	—	0.6	—	—	—	—	2.3	2.3
—	—	—	—	—	—	—	—	15.0
—	—	—	—	—	—	—	—	15.8
100.1	**(12.8)**	**25.0**	**—**	**7.4**	**—**	**(1.5)**	**103.4**	**1,000.8**
282.7	(1.1)	29.4	0.1	1.1	0.1	(0.6)	309.5	555.6
15.6	—	4.6	—	—	—	(0.2)	20.0	707.1
1,514.4	(1.5)	131.8	1.0	20.2	(0.1)	(3.3)	1,622.1	780.8
27.6	—	8.5	—	18.6	—	(0.8)	16.7	60.0
214.9	(1.1)	26.5	—	7.1	(0.1)	(0.3)	232.8	71.5
—	—	—	—	—	—	—	—	327.1
3.0	—	1.8	—	0.7	0.1	(0.1)	4.1	25.3
2,058.2	**(3.7)**	**202.6**	**1.1**	**47.7**	**—**	**(5.3)**	**2,205.2**	**2,527.4**
8.7	**—**	**0.1**	**—**	**0.8**	**—**	**—**	**8.0**	**7.6**
2.5	—	—	0.3	—	(1.4)	—	1.4	14.0
—	—	—	—	—	—	—	—	—
3.8	—	—	0.1	—	1.4	—	5.3	0.9
—	—	—	—	—	—	—	—	0.2
—	—	—	—	—	—	—	—	0.8
6.3	**—**	**—**	**0.4**	**—**	**—**	**—**	**6.7**	**15.9**
2,173.3	**(16.5)**	**227.7**	**1.5**	**55.9**	**—**	**(6.8)**	**2,323.3**	**3,551.7**

DEVELOPMENT OF PROVISIONS[1]

in € million	Balances as of 1.1.2013	Currency differences	Change in scope of consolidation
Backfilling of mines and shafts	296.8	(1.9)	—
Maintenance of tailing piles	266.0	—	—
Mining damage risks	54.6	—	—
Other mining obligations	89.2	(0.9)	—
Provisions for mining obligations [22]	**706.6**	**(2.8)**	**—**
Long-term incentives	47.3	(0.6)	—
Jubilee pay	25.9	—	—
Partial retirement	13.6	—	—
Other personnel obligations	3.1	(0.1)	—
Personnel obligations [23]	**89.9**	**(0.7)**	**—**
Other environmental obligations	**0.5**	**—**	**—**
Other provisions	**40.8**	**(0.7)**	**—**
Provisions (non-current debt)	**837.8**	**(4.2)**	**—**
Provisions for mining obligations [22]	6.9	—	—
Personnel obligations [24]	119.9	(1.7)	—
Provisions for obligations from sale transactions [24]	47.1	(0.6)	—
Provisions for obligations from purchase contracts [24]	29.5	(4.3)	—
Other provisions	33.2	(0.8)	—
Provisions (current debt)	**236.6**	**(7.4)**	**—**
Provisions	1,074.4	(11.6)	—

[1] The figures of the previous year were adjusted due to the change of IAS 19. Further information can be found in the Notes on page 143.

TAB: 5.7.1

	Additions	Interest component	Provisions used	Provisions reversed	Reclassifications	Balances as of 31.12.2013
	10.5	9.3	5.4	8.7	—	300.6
	23.7	12.1	2.5	1.1	—	298.2
	0.8	2.0	2.0	2.6	—	52.8
	5.7	2.9	1.3	3.3	—	92.3
	40.7	**26.3**	**11.2**	**15.7**	**—**	**743.9**
	7.3	0.3	18.6	3.8	—	31.9
	1.5	0.9	2.0	0.1	—	26.2
	1.5	0.1	6.4	0.1	—	8.7
	1.9	—	0.1	0.1	(1.9)	2.8
	12.2	**1.3**	**27.1**	**4.1**	**(1.9)**	**69.6**
	—	**—**	**—**	**—**	**—**	**0.5**
	7.6	**0.7**	**0.4**	**0.5**	**0.1**	**47.6**
	60.5	**28.3**	**38.7**	**20.3**	**(1.8)**	**861.6**
	0.1	—	0.1	—	—	6.9
	74.7	—	115.6	1.8	—	75.5
	45.6	—	30.1	13.9	—	48.1
	90.7	—	25.3	1.6	—	89.0
	27.0	—	23.7	1.9	0.1	33.9
	238.1	**—**	**194.8**	**19.2**	**0.1**	**253.4**
	298.6	**28.3**	**233.5**	**39.5**	**(1.7)**	**1,115.0**

SEGMENT REPORTING [1]

in € million	Total revenues 2013	Total revenues 2012	of which with third parties [35] 2013	of which with third parties [35] 2012
Potash and Magnesium Products business unit	2,113.8	2,359.0	2,037.6	2,290.6
Salt business unit	1,757.7	1,490.6	1,751.4	1,484.8
Complementary Activities	192.6	187.1	159.4	153.7
Reconciliation [2] [34]	(113.7)	(101.4)	2.0	6.2
K+S Group (continued operations)	**3,950.4**	**3,935.3**	**3,950.4**	**3,935.3**
Discontinued operations	—	654.4	—	654.4
K+S total	**3,950.4**	**4,589.7**	**3,950.4**	**4,589.7**

in € million	Assets 2013	Assets 2012	Liabilities 2013	Liabilities 2012
Potash and Magnesium Products business unit	2,933.6	2,897.7	972.7	930.8
Salt business unit	2,890.4	3,009.6	464.6	515.6
Complementary Activities	132.9	137.8	79.3	84.3
Reconciliation [2] [34]	1,541.3	551.5	2,585.0	1,672.0
K+S Group (continued operations)	**7,498.2**	**6,596.6**	**4,101.6**	**3,202.7**
Discontinued operations	—	—	—	—
K+S total	**7,498.2**	**6,596.6**	**4,101.6**	**3,202.7**

[1] The figures of the previous year were adjusted due to the change of IAS 19. Further information can be found in the Notes on page 143.
[2] Figures for business units are shown before intersegment consolidation. Expenses and income as well as items disclosed on the balance sheet that cannot be allocated to business units are recorded separately. Both effects are shown under 'Reconciliation' and result in the Group figures.

TAB: 5.8.1

of which intersegment revenues		EBIT I		EBITDA		Gross cash flow	
2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
76.2	68.4	552.5	770.9	667.5	867.2	659.0	862.7
6.3	5.8	117.8	61.6	235.9	179.4	239.7	184.6
33.2	33.4	24.7	21.0	31.7	28.2	30.6	28.5
(115.7)	(107.6)	(39.1)	(49.4)	(27.9)	(41.5)	(261.9)	(262.8)
—	**—**	**655.9**	**804.1**	**907.2**	**1,033.3**	**667.4**	**813.0**
—	—	—	46.3	—	47.1	—	29.9
—	**—**	**655.9**	**850.4**	**907.2**	**1,080.4**	**667.4**	**842.9**

Capital employed [3]		Capital expenditure [4] [37]		Depreciation [5]		Employees as of 31 Dec. [6]	
2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
2,203.5	1,886.7	606.5	332.9	114.0	96.3	8,367	8,310
2,053.4	2,218.4	107.4	111.3	110.1	116.7	5,091	5,092
96.4	96.9	3.4	6.3	7.0	6.7	293	293
45.7	35.9	25.2	15.0	10.8	7.9	670	667
4,399.0	**4,237.9**	**742.5**	**465.5**	**241.9**	**227.6**	**14,421**	**14,362**
—	—	—	0.2	—	0.8	—	—
4,399.0	**4,237.9**	**742.5**	**465.7**	**241.9**	**228.4**	**14,421**	**14,362**

[3] Operating fixed assets and Working Capital.
[4] Relates to investments in property, plant and equipment and intangible assets.
[5] Concerns scheduled depreciation. Non-scheduled impairment charges are presented in the Notes [33].
[6] Workforce as of 31 December including temporary employees (without students and interns) measured on full-time equivalent basis.

5.9 NOTES

GENERAL PRINCIPLES

The Group's parent company, K+S AKTIENGESELLSCHAFT with its registered office in Kassel, Germany, has prepared the consolidated financial statements of the K+S GROUP as of and for the period ended 31 December 2013 based on the INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) of the INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) as well as the interpretations of the INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE in effect on the reporting date insofar as those have been recognised by the European Union. In the interests of clearer presentation, the individual captions in the consolidated financial statements are presented in millions of euro (€ million).

The consolidated financial statements were prepared by the Board of Executive Directors on 28 February 2014 and will be presented to the Supervisory Board for approval for its meeting on 12 March 2014.

SCOPE OF CONSOLIDATION

The following companies were consolidated for the first time in 2013:
+ K+S NORTH AMERICA ASSET MANAGEMENT GMBH
+ K+S NORTH AMERICA SALT ASSET MANAGEMENT GMBH & CO. KG
+ K+S PERÚ S.A.C.
+ 1786987 ALBERTA LTD.

Since the beginning of 2013, the following companies have been removed from the scope of consolidation as a result of merger, liquidation or decreased significance.
+ K+S MINING ARGENTINA S.A.
+ UBT SEE- UND HAFEN-SPEDITION GMBH ROSTOCK
+ K+S KALI ATLANTIQUE S.A.S.

16 (previous year: 15) domestic and 48 (previous year: 48) foreign companies were fully included in the consolidated financial statements. 32 (previous year: 35) subsidiaries were not included in the consolidated financial statements and were stated at acquisition cost, as they are of minor importance for the consolidated financial statements with regard to balance sheet total, revenues and earnings.

Joint ventures and companies over which companies of the K+S GROUP exercise significant influence (associated companies) are essentially measured using the equity method. The potential impact on earnings of accounting for such equity interests using the equity method is, however, immaterial from a Group perspective. As a result of their overall immateriality, all interests in joint ventures and associated companies were therefore stated at acquisition cost in financial year 2013. On the balance sheet date, the carrying amount of these interests is € 0.1 million (previous year: € 0.9 million).

A complete overview of the interests of K+S AKTIENGESELLSCHAFT can be taken from the list of shareholdings on page 177.

DISCONTINUED OPERATIONS

The strategy of the K+S GROUP provides for growth in the Potash and Magnesium Products and Salt business units and for focussing management resources and financial means on this correspondingly.

Against this background, in 2011, K+S sold the business activities of COMPO to TRITON, an investment company, and announced, on 8 May 2012, the sale of the NITROGEN business to EUROCHEM.

After the EU cartel authority had approved the transaction on 25 June 2012, the divestment of the NITROGEN business was successfully completed on 2 July 2012.

With the concluded sales agreement, the criteria under IFRS 5 “Non-current assets held for sale and discontinued operations” were met and the NITROGEN business was therefore disclosed in the balance sheet as a disposal group held for sale and as a “discontinued operation”.

All assets and liabilities of the NITROGEN business were therefore reclassified in 2012 and, until it had been disposed of, respectively disclosed in the consolidated balance sheet as a separate item "Assets held for sale" and "Liabilities in connection with assets held for sale". The balance sheet of the preceding periods was not adjusted in accordance with IFRS 5.

All income and expenses of the NITROGEN business, classified as a discontinued operation, were reclassified and disclosed in a separate item "Earnings after taxes from a discontinued operation".

The cash flows of the discontinued operations are stated separately in the cash flow statement for the previous year pursuant to IFRS 5.

The composition of the earnings after taxes from discontinued operations is as presented in the following table:

DISCONTINUED OPERATIONS — TOTAL TAB: 5.9.1

in € million	2013	2012
Revenues	**—**	**654.4**
Other income and expenses	—	(607.2)
EBIT II	**—**	**47.2**
Financial result	—	0.1
Earnings before taxes	**—**	**47.3**
Taxes on income	—	14.6
Earnings after income taxes for the period	**—**	**32.7**
Earnings from the divestment (before taxes)	—	77.2
Taxes on income	2.3	9.9
Earnings from the divestment (after taxes)	**(2.3)**	**67.3**
Earnings after taxes from discontinued operations	**(2.3)**	**100.0**

Earnings after taxes from discontinued operations include € (1.1) million (previous year: € (1.9) million) attributable to the COMPO business.

The following table shows the assets and liabilities of the NITROGEN business disposed of due to the deconsolidation carried out on 2 July 2012.

DECONSOLIDATION OF ASSETS AND LIABILITIES DISPOSED OF — NITROGEN BUSINESS TAB: 5.9.2

in € million	2013
Financial assets and other non-current assets	12.9
Inventories	81.3
Accounts receivable – trade	235.3
Other current assets	148.7
Cash on hand and balances with banks	11.0
Assets held for sale	**489.2**
Provisions for pensions and similar obligations	3.5
Other non-current provisions	3.2
Accounts payable – trade	295.2
Other liabilities	50.0
Current provisions	19.3
Liabilities in connection with assets held for sale	**371.2**

ACQUISITION SMO

On 3 January 2012, ESCO – EUROPEAN SALT COMPANY GMBH & CO. KG, a 100 % subsidiary of K+S AKTIENGESELLSCHAFT, acquired through its subsidiary ESCO INTERNATIONAL GMBH the Czech salt processing company, SOLNÉ MLÝNY, A.S. (SMO), a leading supplier of salt products in the Czech Republic.

The purchase price was € 4.4 million.

The fair values of assets acquired and liabilities assumed from SMO, recognised at the date of acquisition (3 January 2012), are presented in the following table:

FAIR VALUES AS OF THE DATE OF ACQUISITION OF SMO TAB: 5.9.3

in € million	Fair values as of the date of acquisition
Non-current assets	6.1
Inventories	1.9
Other current assets	1.7
Cash on hand and balances with banks	0.2
Assets	**9.9**
Non-current debt	0.8
Bank loans and overdrafts	1.2
Other current debt	1.2
Equity and liabilities	**3.2**
Net assets	6.7
Liabilities in connection with assets held for sale	2.3
Purchase price	4.4

A comparison of the acquisition costs and the revalued proportional net assets resulted in a negative difference amount (bargain purchase) of € 2.3 million, which was released and recognised in profit or loss in the previous year under other operating income.

CONSOLIDATION METHODS

The financial statements of the consolidated companies are prepared as of the balance sheet date for the consolidated financial statements. The assets and liabilities of the consolidated companies are recognised and measured uniformly in accordance with the policies described here and in the following notes.

Revenues, expenses and income between consolidated companies that arise while the companies affected are members of the K+S GROUP are fully eliminated. Similarly, receivables and liabilities between consolidated companies and inter-company profits resulting from deliveries and services between consolidated companies are eliminated, unless they are immaterial.

In the capital consolidation, the acquisition costs of the investments are set off against the share of the remeasured equity attributable to them as of the date of acquisition. Asset-side balances that remain after allocation to the assets and liabilities are carried as goodwill. Liability-side balances from capital consolidation are released directly affecting profit or loss.

ACCOUNTING AND VALUATION PRINCIPLES

RECORDING OF INCOME AND EXPENSES

Revenues comprise sales of products and services net of sales deductions. Revenues deriving from the sale of products are reported as of the time when the associated risks of ownership have passed. Services are reported as revenues after having been performed. In addition, payment must be sufficiently probable.

Revenues from customer-specific construction contracts are recognised using the percentage of completion method insofar as the outcome can be estimated reliably. The stage of completion is determined on the basis of the costs incurred in relation to anticipated total costs. Insofar as the outcome of a construction contract cannot be estimated reliably, revenues should only be recognised to the extent of the costs incurred. While a project is in progress, contractual amendments introduced by customers with respect to the range of services to be rendered can increase or reduce contract revenues. An expected loss on a construction contract is immediately recognised as an expense.

Other income, such as interest or dividends, is recorded for the relevant period as of the time when a respective contractual or legal claim arises.

Operating expenses are charged to profit or loss on the date of performance or at the time they are incurred.

INCOME FROM INVESTMENTS, NET

This item contains earnings from non-consolidated subsidiaries stated at acquisition cost, joint ventures, associated companies and other investments. Distributions, profit transfers, impairments and profits and losses from the disposal of these companies are included in the income from investments. In the financial year, income of € 7.8 million (previous year: € 5.7 million) was set off against impairment charges of € 1.2 million (previous year: € 0.5 million).

INTANGIBLE ASSETS

Intangible assets acquired are stated at acquisition cost. Internally generated intangible assets are capitalised at their development cost provided that they are likely to yield a future economic benefit and the costs of such assets can be measured reliably.

Insofar as their useful lives can be determined, intangible assets are amortised on a scheduled straight-line basis; in the event that an indefinite useful life is anticipated, no scheduled amortisation is applied. An indefinite useful life is assumed in the case of goodwill. The following useful lives are applied in the case of scheduled amortisation:

USEFUL LIVES FOR INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE TAB: 5.9.4

Years	
Port concessions	250
Brands	0–20
Customer relations	5–20
Other intangible assets	2–10

Non-scheduled amortisation is recorded in the event of impairment. If the reasons giving rise to the non-scheduled amortisation no longer exist, a corresponding write-up is recognised that may not exceed the amortised carrying amount. Impairment charges to goodwill are not reversed.

The value of goodwill is tested at regular intervals. Appropriate impairment charges are recognised when necessary. Any need for recognition of an impairment charge is determined in accordance with IAS 36 by making a comparison with the discounted future cash flows that are expected for the cash-generating units to which the corresponding amounts of goodwill have been allocated.

CO_2 emission rights are measured for the first time at acquisition cost. Thus, rights granted free of charge are capitalised with a value of zero and those acquired for a consideration are capitalised at acquisition cost. If the value on the reporting date falls below the acquisition cost, the carrying amount of the cash-generating unit holding the emission rights is compared with the value in use of that unit within the framework of an impairment test.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition or production cost less scheduled, use-related depreciation. The acquisition or production costs also include future restoration expenses. Non-scheduled depreciation charges are recognised for any impairment losses that exceed the use-related depreciation already recorded; they are reported under other operating expenses. Such impairment losses are determined in accordance with IAS 36 by making a comparison with the discounted future cash flows that are expected for the assets affected. If no independent cash flows can be allocated to the assets affected, the cash flows for the corresponding cash-generating unit are used instead for comparative reasons. Should the reasons giving rise to the non-scheduled depreciation charges cease to apply, appropriate write-ups are recognised.

The raw material deposits acquired are recognised as property, plant and equipment. The scheduled depreciation starts from the time of the first-time extraction of raw materials. Gallery and excavation work are also shown as property, plant and equipment.

If property, plant and equipment are sold or shut down, the gain or loss represented by the difference between sales proceeds and the residual carrying amount is recorded under other operating income or expenses.

Property, plant and equipment are depreciated using the straight-line method and the depreciation charges are based on customary useful lives. Scheduled depreciation is based on the following useful lives that apply across the Group:

USEFUL LIVES FOR PROPERTY, PLANT AND EQUIPMENT TAB: 5.9.5

Years	
Raw material deposits	19–250
Gallery and excavation work	5–125
Buildings	33⅓
Technical equipment and machinery	4–25
Other equipment, factory and office equipment	3–10

CAPITALISATION OF BORROWING COSTS

Borrowing costs, which may be allocated directly to the acquisition, construction or manufacture of a qualifying asset, are to be capitalised as part of the acquisition or manufacturing costs of that asset. A qualifying asset exists if a period of at least one year is necessary to make it ready for its intended use or sale. If the qualifying asset is demonstrably not financed from outside funds, there are no borrowing costs to be capitalised.

FINANCE LEASES

A lease relationship is an agreement under which the lessor transfers to the lessee the right to use an asset for a particular period of time in exchange for a single payment or a series of payments. A finance lease arises if substantially all the risks and rewards incident to ownership of an asset are transferred to the lessee. If that is the case, the lessee capitalises the asset at its present value or, if lower, at the present value of the minimum lease payments. A corresponding amount is recognised as a liability arising from the lease. The asset is depreciated in a manner that essentially does not differ from the treatment applied to comparable assets.

GOVERNMENT ASSISTANCE

Government assistance (e.g., investment premiums and grants) for the purchase or production of property, plant and equipment reduce the acquisition or production costs of the assets to which they relate.

INVESTMENT PROPERTIES

Investment properties are mainly leased objects. They are stated at amortised cost less straight-line, scheduled, use-related depreciation. The underlying useful lives are 50 years. Income from the disposal of investment properties is recorded in the financial result.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AS WELL AS DISCONTINUED OPERATIONS

A non-current asset (or a disposal group) is classified as held for sale if the related carrying amount is principally recovered through a sale transaction rather than through continuing use. This is the case if the asset (or the disposal group) is available for sale in its present condition and if such sale is highly probable. Non-current assets (or disposal groups) which are classified as held for sale are stated at the lower of the carrying amount and the fair value less costs to sell. A scheduled depreciation of these assets no longer takes place.

An operation is disclosed as a discontinued operation if it was sold or is classified as held for sale and which

+ represents a separate major line of business or a geographical area of operations,
+ is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
+ represents a subsidiary exclusively acquired with a view to resale.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset for one of the parties to such contract and to a financial liability or equity instrument for the other party. Essentially, financial assets and financial liabilities are disclosed separately from each other (no offsetting). Financial assets mainly comprise cash on hand and balances with banks, trade receivables, receivables from customer-specific construction contracts, securities, financial investments as well as derivative financial instruments with a positive market value. Financial liabilities include, in particular, trade payables, liabilities from customer-specific construction contracts, financial liabilities as well as derivative financial instruments with a negative market value. Financial instruments are initially recognised at their fair value as soon as the reporting enterprise becomes a contractual party for the financial instrument. Transaction costs that are to be allocated directly to the acquisition are then taken into account in determining the carrying amount when the financial instruments are not subsequently measured at fair value with recognition in profit or loss.

The classification of financial instruments to one of the following categories defined in IAS 39 determines subsequent measurement:

LOANS AND RECEIVABLES

This category comprises non-derivative financial assets with fixed or determinable payments, which are not listed on an active market. These include trade receivables, loans, fixed- or variable-rate securities (without an active market) as well as bank deposits.

After being recognised for the first time, the financial assets belonging to this category are measured at amortised cost applying the effective interest method less impairments. Non-interest-bearing or low-interest receivables due in more than three months are discounted. If there are objective indications, impairments are recognised in profit or loss through separate adjustment accounts. Objective indications pointing to an impairment are, for example, known payment difficulties or the insolvency of the debtor. Receivables are derecognised when settled or when they become uncollectible. Other assets are derecognised on disposal or in the absence of value.

FINANCIAL ASSETS STATED AT FAIR VALUE THROUGH PROFIT OR LOSS

This category comprises securities "held for trading", which have been acquired with the intention to be sold over the short term. Derivatives with positive market values are also classified as "held for trading" unless they form part of a hedging relationship in accordance with IAS 39. They are stated at fair value. Changes in value are recognised in profit or loss. Securities are derecognised after disposal on the settlement date.

FINANCIAL ASSETS AVAILABLE FOR SALE

This category comprises non-derivative financial assets which have been determined to be available for sale or are not classified into any of the categories mentioned above. They are initially measured at fair value. This category includes, for example, equity instruments such as investments in (non-consolidated) affiliated companies.

Basically, financial instruments belonging to this category are subsequently measured at fair value. Changes in fair value arising on subsequent measurement are recorded in the revaluation reserve and not recognized in profit or loss. Only at the time of disposal are the realized gains or losses recorded in profit or loss. If there are objective indications of an impairment on the balance sheet date, a non-scheduled depreciation to the fair value is to be recognised. The amount recorded in the revaluation reserve is derecognised affecting profit or loss. Subsequent impairment reversals with equity instruments measured at fair value are not recognised in profit or loss.

In the case of financial instruments for which there are no active markets which provide fair values to be determined reliably, such financial instruments are stated at acquisition cost. This applies to investments in (non-consolidated) affiliated companies and investments. Impairments are accounted for by non-scheduled depreciation to lower values with recognition in profit or loss. Such a depreciation may not be reversed. Shares and investments are derecognised upon disposal to a party outside the Group. Securities are derecognised after disposal on the settlement date.

FINANCIAL LIABILITIES CARRIED AT AMORTISED COST

All financial liabilities with the exception of derivative financial instruments are stated at amortised cost applying the effective interest method. Liabilities are derecognised on settlement or if the reasons for recognizing a liability no longer apply.

FINANCIAL LIABILITIES STATED AT FAIR VALUE THROUGH PROFIT OR LOSS

This category comprises derivative financial instruments with negative market values which are essentially classified as “held for trading”. This rule does not apply to derivatives which are part of a hedging relationship in accordance with IAS 39.

DERIVATIVES

Derivatives are stated at their market value. Changes in market value are recognised in profit or loss. Derivatives are derecognised on the settlement date.

CUSTOMER-SPECIFIC CONSTRUCTION CONTRACTS

Customer-specific construction contracts are recognised according to the percentage of completion method. Services rendered, including the pro rata result, are disclosed in revenues in accordance with the stage of completion. Contracts are disclosed under receivables or liabilities from percentage of completion. If, in the individual case, cumulative work (contract costs and contract result) exceeds the advance payments received, the construction contracts are capitalised under receivables from customer-specific construction contracts. If the balance after deduction of advance payments received is negative, this obligation from construction contracts is recognized as a liability from customer-specific construction contracts.

INVENTORIES

In accordance with IAS 2, assets that are designated for sale in the normal course of business (finished goods and merchandise), are in the process of being produced for sale (work in progress) or are used in production or the rendering of services (raw materials and supplies) are recorded under inventories.

Inventories are valued at average cost or at the lower net realisable value. In addition to direct costs, production costs also include reasonable proportions of fixed and variable material and manufacturing overheads as long as they occur in connection with the production process. The same applies to general administrative expenses, pension and support expenses as well as other social expenses. Variable overheads are computed on the basis of actual capacity and fixed overheads on the basis of normal capacity. Borrowing costs are not included. The net realisable value corresponds to the estimated selling price less the costs that are yet to be incurred until completion as well as the necessary selling expenses.

CASH ON HAND AND BALANCES WITH BANKS

This item includes cheques, cash on hand and balances with banks. It also includes financial investments with a maturity of generally not more than three months counting from the time of acquisition.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions and similar obligations are computed in accordance with actuarial principles applying the projected unit credit method. The discount factor is computed on the basis of the yields for first-rank corporate bonds available on the reporting date. First-rank corporate bonds are those bonds that have an AA rating. Essentially, the corporate bonds to be applied here are those which correspond to the anticipated maturity and currency of the pension obligations. As the availability of correspondingly long-term corporate bonds at the balance sheet date was insufficient, the term-congruent interest rate in such cases was determined by means of extrapolation. Moreover, future expected salary and pension increases as well as cost increases regarding health care benefit commitments are taken into account. Insofar as plan assets exist, such assets are offset against the related obligations.

The net interest for a reporting period is determined by multiplying the net indebtedness from the defined benefit pension plans (asset) by the discount factor given above. Both factors are determined at the beginning of the reporting period after taking into account anticipated allocations / disbursements.

Revaluations of the net indebtedness from defined benefit pension plans are recorded in other comprehensive income. They include

+ actuarial gains / losses,
+ income from plan assets without amounts included in the net interest attributable to the net indebtedness from defined benefit pension plans (asset) and
+ changes in the effects of the assets’ upper limit without amounts included in the net interest attributable to the net indebtedness from defined benefit pension plans (asset).

MINING AND OTHER PROVISIONS

Provisions are recognised in an amount corresponding to the extent to which they are expected to be used for discharging present obligations in relation to third parties arising from a past event. Such utilisation must be more probable than improbable and it must be possible to reliably estimate the amount of the obligations. Non-current provisions with a residual maturity of more than one year are discounted applying a term-congruent capital market taking into account future cost increases insofar as the interest rate effect is material.

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method that is commonly accepted internationally. This results in the recognition of deferred tax items for all temporary differences between the tax values and the values in the consolidated balance sheet as well as for tax loss carryforwards. However, deferred tax assets are only recognised to the extent that it is sufficiently probable that they will be realised. Deferred taxes are measured applying the tax rates that, under current legislation, would apply in the future when the temporary differences will probably be reversed. The effects of changes in tax legislation on deferred tax assets and liabilities are recognised in profit or loss in such period in which the material conditions causing such amendment to enter into force arise. Deferred tax assets and liabilities are not discounted applying the rules contained in IAS 12. Deferred tax assets and liabilities are offset within individual companies according to timing.

ACQUISITIONS

Business combinations are accounted for using the purchase method. In connection with the revaluation of a company that has been acquired, all the hidden reserves and hidden liabilities of the acquired company are identified and assets, liabilities and contingent liabilities are stated at their fair value (taking into account the exceptions regulated in IFRS 3). Any resulting positive difference in relation to the costs of acquiring the company is capitalised as goodwill.

DISCRETIONARY ASSUMPTIONS AND ESTIMATES

DISCRETIONARY ASSUMPTIONS CONCERNING THE APPLICATION OF ACCOUNTING AND VALUATION METHODS

Non-current intangible assets, property, plant and equipment and investment properties are stated in the balance sheet at amortised cost. The under certain circumstances also allowed alternative treatment of reporting them at fair value is not utilised.

ESTIMATES AND PREMISES CONCERNING THE APPLICATION OF ACCOUNTING AND VALUATION METHODS

In terms of reason and amount, the values stated in the IFRS financial statements are in part based on estimates as well as on the determination of certain premises. This is particularly necessary in the case of

+ determining the useful lives of depreciable fixed assets,
+ determining measurement premises and future earnings in connection with impairment tests, especially for capitalised goodwill,
+ determining the net realisable value of inventories,
+ determining the premises necessary for the valuation of pension provisions (discount factor, future development of wages / salaries and pensions, anticipated yield of plan assets),
+ determining amounts, performance due dates and discount factors for the valuation of provisions for mining obligations,
+ selecting parameters in connection with the model-based valuation of derivatives (e.g. assumptions regarding volatility and interest rate),
+ determining the result of customer-specific construction contracts according to the percentage of completion method (estimate of contract progress, total contract costs, cost to be incurred until completion, total contract revenues and contract risks),
+ determining the usability of tax loss carryforwards as well as
+ determining the fair value of intangible assets, property, plant and equipment as well as liabilities acquired in connection with a business combination, and determining the useful lives of the intangible assets and property, plant and equipment acquired.

Despite taking great care in producing such estimates, actual developments may differ from the assumptions made.

FOREIGN CURRENCY TRANSLATION

In the single-entity financial statements of Group companies, all receivables and liabilities denominated in foreign currencies are measured at the exchange rate applicable on the balance sheet date.

The annual financial statements of foreign Group companies are converted to euros in accordance with the functional currency concept set forth in IAS 21. All companies conduct their operations independently in financial, economic and organisational terms. The functional currency generally corresponds to the local currency. Assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Income and expenses are translated applying the average exchange rates for the quarter. The resulting currency translation differences are recorded in equity without recognition in profit or loss. If Group companies are no longer consolidated, the currency translation difference concerned is released and recognised in profit or loss.

In the case of 13 companies, the US dollar, in deviation from the local currency, is used as the functional currency, as these companies generate the majority of their cash inflows and cash outflows in this currency. The US dollar is used in the case of the following companies: COMPANIA MINERA PUNTA DE LOBOS LTDA., EMPRESA DE SERVICIOS LTDA., EMPRESA MARITIMA S.A., INAGUA GENERAL STORE LTD., INAGUA TRANSPORTS INC., INVERSIONES COLUMBUS LTDA., INVERSIONES EMPREMAR LTDA., K+S FINANCE BELGIUM BVBA, MORTON BAHAMAS LTD., SERVICIOS MARITIMOS PATILLOS S.A., SERVICIOS PORTUARIOS PATILLOS S.A., K+S CHILE S.A. and TRANSPORTE POR CONTAINERS S.A.

The translation of currencies important for the Group was based on the following euro exchange rates:

EXCHANGE RATES TAB: 5.9.6

						2013		2012
	Rate on reporting date	Average rate for Q1	Average rate for Q2	Average rate for Q3	Average rate for Q4	Average rate for the year	Rate on reporting date	Average rate for the year
Exchange rate in relation to € 1								
US dollar (USD)	1.379	1.321	1.306	1.324	1.361	1.328	1.319	1.285
Canadian dollar (CAD)	1.467	1.331	1.337	1.376	1.427	1.368	1.314	1.284
Czech koruna (CZK)	27.427	25.565	25.831	25.853	26.658	25.980	25.151	25.149
Brazilian real (BRL)	3.258	2.637	2.699	3.030	3.093	2.869	2.704	2.508
Chilean peso (CLP)	724.648	623.661	633.218	671.359	703.206	658.044	632.256	624.840
Great Britain pound (GBP)	0.834	0.851	0.851	0.855	0.841	0.850	0.816	0.811

In the year under review, translation differences of € (12.9) million on balance (previous year: € (12.9) million) were recorded in the income statement (e.g. measurement/realisation of receivables and liabilities in a foreign currency), which were mainly shown in other operating income or expenses.

EFFECTS OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS TAB: 5.9.7

Standard/Interpretation			To be applied[1]	Endorsement[2] (until 31.12.2013)
Amendment	IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	1.7.2011	yes
Amendment	IAS 12	Deferred Tax – Recovery of Underlying Assets	1.1.2012	yes
Amendment	IAS 1	Presentation of Financial Statements	1.7.2012	yes
Amendment	IAS 19	Employee Benefits	1.1.2013	yes
Amendment	IFRS 1	Government loans	1.1.2013	yes

[1] To be first applied according to IASB in the first reporting period of a financial year beginning on or after this date.
[2] Adoption of the IFRS standards and interpretations by the EU Commission.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED) TAB: 5.9.7

Standard / Interpretation			To be applied[1]	Endorsement[2] (until 31.12.2013)
Amendment	IFRS 7	Disclosures – offsetting financial instruments	1.1.2013	yes
New	IFRS 13	Fair value measurement	1.1.2013	yes
New	IFRIC 20	Stripping costs in the production phase of a surface mine	1.1.2013	yes
New	Annual improvements in IFRSs: 2009–2011	Collective standard for the amendment of several IFRSs	1.1.2013	yes

[1] To be first applied according to IASB in the first reporting period of a financial year beginning on or after this date.
[2] Adoption of the IFRS standards and interpretations by the EU Commission.

IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS"

The amendment basically involves a formal restructuring of the statement of comprehensive income as well as a separation of other comprehensive income not recognised in profit or loss into elements which will be or will not be in future reclassified into the income statement. The statement of comprehensive income is presented on page 122.

IAS 19 "EMPLOYEE BENEFITS"

IAS 19 "Employee Benefits", which was approved by the IASB in June 2011 and endorsed by the EU in June 2012, is to be applied for the first time to financial years beginning on or after 1 January 2013. The changes are to be implemented with retroactive effect to the beginning of the comparative period, i.e. as of 1 January 2012. This essentially means the following for K+S:

+ Abolition of the corridor method: As a result, actuarial gains and losses are to be recorded in other comprehensive income (equity) and have a direct impact on the consolidated balance sheet. It is no longer necessary to extinguish actuarial gains and losses with recognition in profit or loss when the corridor is exceeded. The income statement will thus in future remain free of effects from actuarial gains and losses.
+ Computing planned interest on plan assets: This is no longer based on the anticipated yield but corresponds to the discount rate applied to determine the defined benefit obligation.
+ Revised definition of termination benefits: Under the revised definition, step-up contributions for partial retirement obligations are now treated as other non-current employee benefits which are to be accrued on a pro-rata basis over the period of vesting. After step-up contributions were recognised as liabilities in the full amount of their present value, a provision in the amount of € 4.7 million was reversed against revenue reserves as of 1 January 2012 which will again be recognised in profit or loss in subsequent periods.

Taking into account tax effects, the following changes occurred with respect to the previous year:

AMENDMENTS IAS 19 — BALANCE SHEET TAB: 5.9.8

in € million	1.1.2012 (old)	1.1.2012 (change)	1.1.2012 (new)	31.12.2012 (old)	31.12.2012 (change)	31.12.2012 (new)
Receivables and other assets	62.7	(19.9)	42.8	91.3	(43.2)	48.1
Deferred taxes	55.3	0.6	55.9	48.3	0.8	49.1
Non-current assets	3,448.5	(19.3)	3,429.2	4,190.9	(42.4)	4,148.5
Current assets	2,608.4	—	2,608.4	2,448.1	—	2,448.1
ASSETS	**6,056.9**	**(19.3)**	**6,037.6**	**6,639.0**	**(42.4)**	**6,596.6**
Other reserves and accumulated profit	2,242.0	(48.8)	2,193.2	2,635.1	(83.4)	2,551.7
Equity	3,084.6	(48.8)	3,035.8	3,477.3	(83.4)	3,393.9
Provisions for pensions and similar obligations	95.3	50.1	145.4	88.8	71.3	160.1
Other provisions	145.5	(4.7)	140.8	131.5	(0.3)	131.2
Deferred taxes	342.3	(15.9)	326.4	304.7	(30.0)	274.7
Non-current debt	1,953.6	29.5	1,983.1	2,514.3	41.0	2,555.3
Current debt	1,018.7	—	1,018.7	647.4	—	647.4
EQUITY AND LIABILITIES	**6,056.9**	**(19.3)**	**6,037.6**	**6,639.0**	**(42.4)**	**6,596.6**

AMENDMENTS IAS 19 – INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME TAB: 5.9.9

in € million	2012 (old)	2012 (change)	2012 (new)
Other operating expenses	(147.7)	(4.4)	(152.1)
Result after operating hedges (EBIT II)	846.5	(4.4)	842.1
Interest income	21.2	(0.4)	20.8
Interest expenses	(106.7)	1.1	(105.6)
Earnings before income taxes	**766.9**	**(3.7)**	**763.2**
Taxes on income	(198.4)	1.0	(197.4)
Earnings after taxes from continued operations	**568.5**	**(2.7)**	**565.8**
Earnings after taxes from discontinued operations	99.6	0.4	100.0
Net income	**668.1**	**(2.3)**	**665.8**
Operating earnings (EBIT I)	**808.5**	**(4.4)**	**804.1**
Revaluation of net debt / defined benefit pension plan assets	**—**	**(32.3)**	**(32.3)**
Other comprehensive income after taxes	**(25.8)**	**(32.3)**	**(58.1)**
Comprehensive income of the period	**642.3**	**(34.6)**	**607.7**

In the cash flow statement, the changes in the base values for EBIT II and EBIT I in the amount of € (4.4) million are neutralised by countervailing changes in the item "Increase / decrease in non-current provisions". The other items in the cash flow statement remain unchanged.

As a result of the changes in IAS 19, undiluted and diluted earnings per share fell by € 0.01 in financial year 2012.

If the old version of IAS 19 had continued to be applied in 2013, this would have resulted in the following changes for financial year 2013:

+ Increase in net income of € 2.3 million
+ Increase in other non-current assets and decrease in provisions for pensions and similar obligations by a total of € 67.9 million
+ Increase in other reserves of € 46.2 million
+ Decrease in deferred tax assets and increase in deferred tax liabilities by a total of € 19.4 million
+ Increase in the undiluted and diluted earnings per share of € 0.01

IFRS 13 "FAIR VALUE MEASUREMENT"

IFRS 13 introduces uniform provisions for determining fair value as well as notes thereto. However, IFRS 13 does not lay down any requirements as to whether an item is to be assessed at fair value or disclosed. The standard is to be applied prospectively. The initial application of IFRIC 13 had no significant influence on the consolidated financial statements of the K+S GROUP.

IFRIC 20 "STRIPPING COSTS IN THE PRODUCTION PHASE OF A SURFACE MINE"

IFRIC 20 presents the conditions under which stripping costs of a surface mine are an asset and how the asset is to be measured for the first time and subsequently. The initial application of IFRIC 20 had no significant influence on the consolidated financial statements of the K+S GROUP.

The other new accounting standards are of minor importance to the 2013 consolidated financial statements of the K+S GROUP.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED

The following accounting standards and interpretations were published by the IASB up to the balance sheet date, but their application by the K+S GROUP will only become mandatory at a later date.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED TAB: 5.9.10

Standard/Interpretation			To be applied[1]	Endorsement[2] (until 31.12.2013)
Amendment	IAS 27	Separate financial statements	1.1.2013	yes
Amendment	IAS 28	Investments in associates	1.1.2013	yes
Amendment	IAS 32	Offsetting financial assets and liabilities	1.1.2014	yes
Amendment	IAS 36	Recoverable amount disclosures for non-financial assets	1.1.2014	yes
Amendment	IAS 39 and IFRS 9	Novations of derivatives and continuation of hedge accounting	1.1.2014	yes
New	IFRS 9	Financial instruments	not yet concluded	no
New	IFRS 10	Consolidated financial statements	1.1.2013	yes
New	IFRS 11	Joint arrangements	1.1.2013	yes
New	IFRS 12	Disclosures of interests in other entities	1.1.2013	yes
Amendment	IFRS 10, 11, 12	Transition guidance	1.1.2013	yes
Amendment	IFRS 9/IFRS 7/IAS 39	Amendments in IFRS 9/IFRS 7/IAS 39	not yet concluded	no
Amendment	IFRS 10, 12 and IAS 27	Investment entities	1.1.2014	yes
New	IFRIC 21	Levies	1.1.2014	no
Amendment	IAS 19	Defined benefit plans: employee contributions	1.7.2014	no
Amendment	Annual improvements in IFRSs: 2010–2012	Collective standard for the amendment of several IFRSs	1.7.2014	no
Amendment	Annual improvements in IFRSs: 2011–2013	Collective standard for the amendment of several IFRSs	1.7.2014	no
New	IFRS 14	Regulatory Deferral Accounts	1.1.2016	no

[1] To be first applied according to IASB in the first reporting period of a financial year beginning on or after this date.
[2] Adoption of the IFRS standards and interpretations by the EU Commission. The newly established standards IAS 27, 28 and IFRS 10, 11, 12 along with changes of the transition guidance are only compulsory for companies located within the EU as of 1 January 2014.

IFRS 9 "FINANCIAL INSTRUMENTS"

IFRS 9 has the objective of completely replacing the current standard for the accounting of financial instruments, IAS 39 "Financial instruments: Recognition and Measurement". The project is split into three phases. Phase 1 deals with the classification and measurement of financial assets and liabilities. Phase 2 is concerned with the impairment of financial assets and liabilities as well as amortised cost. In Phase 3, the accounting treatment of hedging relationships is being revised. The date of initial application is scheduled for 1 January 2017 at the earliest. The impact of IFRS 9 on the consolidated financial statements of the K+S GROUP is currently being examined.

IAS 27, IAS 28, IFRS 10, IFRS 11, IFRS 12 – "CONSOLIDATION"

As part of the revision of the relevant provisions on consolidation, three new standards were published: IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of interests in other entities". At the same time, follow-up amendments to IAS 27 "Separate financial statements" and IAS 28 "Investments in associates" were made.

IFRS 10 contains a new definition of the concept of "control", which is to be taken into account in determining the companies to be included in the consolidated financial statements.

In IFRS 11, the accounting of arrangements under joint control is regulated. In IFRS 12, the disclosure obligations for investments in subsidiaries, joint arrangements, associated companies and non-consolidated structured companies are summarised in a single standard. From today's perspective, no significant effects of the changes on the consolidated financial statements of the K+S GROUP are expected.

The other accounting standards and interpretations do not, from today's perspective, have any impact on the consolidated financial statements of the K+S GROUP.

NOTES TO THE INCOME STATEMENT AND THE STATEMENT OF COMPREHENSIVE INCOME

The income statement and the statement of comprehensive income are presented on page 122.

Unless stated otherwise, the notes to the income statement refer to the continued operations of the K+S GROUP. In accordance with IFRS 5, due to its divestment in the previous year, the NITROGEN business is stated as a "discontinued operation".

The K+S GROUP uses derivatives to hedge risks arising from changes in market prices. The hedging strategy is described in greater detail in Note (18). No hedging relationship in accordance with IAS 39 is established between the derivatives and the underlying transactions described with the result that market value fluctuations of outstanding derivatives have to be recognised in profit or loss on each balance sheet date. Effects on earnings also derive from the exercise/settlement, sale or expiry of derivatives used for hedging purposes.

In the income statement, the effects from hedging transactions are shown, depending on the purpose of the hedge, in the following items:

A) RESULT FROM OPERATING FORECAST HEDGES

All effects on earnings arising from the forecast hedging of transactions which will be recognised in profit or loss in future periods are combined in this earnings line item. "Forecast" relates to underlying transactions which are expected with high probability, but have not yet been recognised in the balance sheet or income statement. The word "operating" relates to underlying transactions which will have effects on EBIT. Significant cases of application are

+ the hedging of expected USD revenues
+ the hedging of anticipated investments in the Canadian dollar for the Legacy Project

B) OTHER OPERATING INCOME/EXPENSES

In these items the effects on earnings arising from the hedging of already existing foreign currency receivables are reported (e.g. the hedging of USD receivables against foreign currency fluctuations by means of a EUR/USD forward transaction).

C) FINANCIAL RESULT

Effects on earnings from the hedging of underlying transactions relating to financing, whose effects do not influence EBIT either in the current financial year or in future financial years, are shown in the financial result.

The internal management of the K+S GROUP is based, among other things, on operating earnings EBIT I. This differs from EBIT II shown in the income statement in that no account is taken of market value fluctuations from operating forecast hedges which arise during the life of the hedging instrument on the basis of the market valuation prescribed in accordance with IAS 39. Consequently, the following effects are to be eliminated from the "Result from operating forecast hedges" shown in the income statement:

INCOME/EXPENSE FROM MARKET VALUE FLUCTUATIONS OF OPERATING FORECAST HEDGES STILL OUTSTANDING

Until maturity, hedges are valued at market value as of every balance sheet date. A deviation from the carrying amount is recognised as income or expense.

NEUTRALISATION OF MARKET VALUE FLUCTUATIONS OF REALISED OPERATING FORECAST HEDGES, RECOGNISED IN EARLIER PERIODS

At the time of realisation, the carrying amount of the hedge is to be derecognised. Realisation occurs through the exercise/settlement, expiry or sale of the hedging instrument. The difference between the realised amount and the carrying amount results in the income or expense of the current period. Since EBIT I is to show earnings free of influences from market valuation in accordance with IAS 39, market value fluctuations from earlier periods included in the carrying amount are to be eliminated.

In the case of exchange rate hedging of anticipated capital expenditure in the Canadian dollar, not only the aforementioned positions but all the earnings effects are to be eliminated when determining EBIT I. As the hedged underlying transactions (capital expenditure in the Canadian dollar) are only recognised in EBIT I with a delay by means of depreciation, the disclosure – as a result of the absence of the earnings effects from the underlying transaction – of the earnings effects of these hedging transactions arising upon maturity on EBIT I would not result in the appropriate determination of earnings for the relevant period of time.

RECONCILIATION OF RESULT FROM OPERATING FORECAST HEDGES IN EBIT I TAB: 5.9.11

in € million	Notes	2013	2012
Result from operating forecast hedges	[4]	**(16.6)**	**4.9**
Income (–)/expenses (+) from market value changes of operating forecast hedges still outstanding		15.5	(9.5)
Neutralising of market value changes of realised operating forecast hedges recognised in earlier periods		10.3	(28.5)
Realised income (–)/expenses (+) of currency hedging of anticipated capital expenditure in Canada		**5.0**	**—**
Result from operating forecast hedges included in EBIT I		**14.2**	**(33.1)**

The result from operating forecast hedges included in EBIT I corresponds – due to the elimination of all market value fluctuations during the term – to the value of the hedge at the time of realisation (the difference between the spot rate and hedging rate), and, in the case of option transactions, less the premiums paid or plus the premiums received. Essentially, the effects of the exchange rate hedging of anticipated capital expenditure in the Canadian dollar are not recognised in EBIT I (see above).

The reconciliation of EBIT II to operating earnings EBIT I by eliminating the aforementioned effects is presented in a separate calculation below the statement of comprehensive income.

(1) REVENUES

The revenues generated by the K+S GROUP amounted to € 3,950.4 million (previous year: € 3,935.3 million), with € 3,779.7 million (previous year: € 3,776.5 million) resulting from the sale of goods, € 165.7 million (previous year: € 151.9 million) resulting from the rendering of services and € 4.9 million (previous year: € 6.9 million) from accruals for customer-specific construction contracts. The breakdown of the revenues by business unit as well as intersegment revenues are presented in the segment information on page 132. The regional breakdown of the revenues is disclosed in the Notes to the segment reporting under Note (35).

(2) OTHER OPERATING INCOME

Other operating income includes the following material items:

OTHER OPERATING INCOME TAB: 5.9.12

in € million	2013	2012
Gains from exchange rate differences/hedging transactions	44.7	63.1
Reversals of provisions	27.4	37.6
Compensation and refunds received	17.2	11.2
Reversals of allowances for receivables	2.8	10.3
Income from disposal of property, plant and equipment and intangible assets	5.0	9.4
Income from rental and leasing	3.9	3.1
– of which investment properties	0.8	0.2
Sundry income	21.1	23.2
Other operating income	**122.1**	**157.9**

(3) OTHER OPERATING EXPENSES

Other operating expenses include the following material items:

OTHER OPERATING EXPENSES TAB: 5.9.13

in € million	2013	2012
Losses from exchange rate differences / hedging transactions	49.0	65.1
Expenses unrelated to the period	14.8	9.0
Losses from disposal of fixed assets	13.5	12.5
Depreciation	11.5	4.1
Ancillary capital expenditure costs	10.7	16.8
Expenses for maintenance of Frisia Zout	6.7	—
Expenses for approval procedures	5.0	1.0
Damages	4.9	2.4
Expenses for restructuring	3.4	—
Partial retirement expenses	3.3	9.3
Expenses related to leased investment properties	2.8	2.1
Consultancy, expert opinion and lawyer's fees	2.8	0.6
Write-downs on trade receivables	1.6	4.7
Expenses / refunds for disused plants and maintenance of Merkers	1.2	11.9
Allocations / utilisation of other provisions	(3.9)	(6.1)
Sundry expenses	23.1	18.7
Other operating expenses	**150.4**	**152.1**

(4) RESULT FROM OPERATING FORECAST HEDGES

RESULT FROM OPERATING FORECAST HEDGES TAB: 5.9.14

in € million	2013	2012
Result from the realisation of currency hedging transactions	3.5	(4.1)
– of which positive earnings contributions	12.5	21.4
– of which negative earnings contributions	(9.0)	(25.5)
Results from currency hedging of anticipated capital expenditure in Canada	(5.0)	—
– of which positive earnings contributions	2.3	—
– of which negative earnings contributions	(7.3)	—
Result from the realisation of freight rate hedging transactions	0.4	(0.5)
Result from realised hedging transactions	**(1.1)**	**(4.6)**
Market value changes from hedging transactions yet to reach maturity (related to anticipated revenues in USD)	9.1	12.9
– of which positive market value changes	9.2	17.2
– of which negative market value changes	(0.1)	(4.3)
Market value changes from hedging transactions yet to reach maturity (related to anticipated capex in CAD)	(24.6)	(2.7)
– of which positive market value changes	—	1.8
– of which negative market value changes	(24.6)	(4.5)
Market value changes for freight rate hedging transactions yet to reach maturity	—	(0.7)
Result from market value changes for hedging transactions yet to reach maturity	**(15.5)**	**9.5**
Result from operating forecast hedges	**(16.6)**	**4.9**

/ **MORE INFORMATION ON 'RESULT FROM OPERATING FORECAST HEDGES'** can be found in the 'Notes to the income statement and the statement of comprehensive income' on page 146.

(5) NET INTEREST INCOME

NET INTEREST INCOME TAB: 5.9.15

in € million	2013	2012
Interest and similar income from securities	18.3	12.7
Interest from credit institutions	2.9	4.7
Interest income pension provisions	0.2	0.4
Interest and similar income	2.6	3.0
Interest income	**24.0**	**20.8**
Interest expenses bonds	(56.9)	(47.1)
Interest component from measurement of provisions for mining obligations	(26.3)	(38.9)
Interest expenses pension provisions	(5.9)	(6.4)
Interest expenses partial retirement provisions / provisions for jubilee bonuses	(0.9)	(5.7)
Sundry interest and similar expenses	(9.8)	(7.5)
Interest expenses	**(99.8)**	**(105.6)**
Interest income, net	**(75.8)**	**(84.8)**

The 'Interest component from measurement of provisions for mining obligations' consists of the balance of the following items:

INTEREST COMPONENT OF PROVISIONS FOR MINING OBLIGATIONS TAB: 5.9.16

in € million	2013	2012
Interest effect from the change in the discount factor for mining provisions	0.1	(14.2)
Increase in mining provisions due to expiry ("accumulation")	(29.3)	(27.1)
Interest effect from the reversal of mining provisions	2.9	2.4
Interest component from measurement of provisions for mining obligations	**(26.3)**	**(38.9)**

(6) OTHER FINANCIAL RESULT

OTHER FINANCIAL RESULT TAB: 5.9.17

in € million	2013	2012
Result from realisation of financial assets / liabilities	–	(0.7)
Result from valuation of financial assets / liabilities	(0.5)	6.6
Other financial result	**(0.5)**	**5.9**

(7) TAXES ON INCOME

TAXES ON INCOME TAB: 5.9.18

in € million	2013	2012
Current taxes	194.3	231.0
– Germany	166.0	202.9
– outside Germany	28.3	28.1
Deferred taxes	(61.1)	(33.6)
– Germany	(21.3)	(0.1)
– outside Germany	(39.8)	(33.5)
– of which from loss carryforwards	(33.3)	(7.8)
Taxes on income	**133.2**	**197.4**

Deferred taxes in Germany were calculated using a tax rate of 28.6 % (previous year: 28.5 %). In addition to the corporate income tax rate of 15.0 % and the solidarity surcharge of 5. 5 %, an average trade tax rate of 12.8 % (previous year: 12.7 %) was taken into account. Deferred taxes in other countries are computed applying the respective national income tax rates for profit retention.

The following table reconciles the anticipated to the actual tax expense. The anticipated income tax expense was calculated based on a domestic Group income tax rate of 28.6 % (previous year: 28.5 %).

RECONCILIATION OF TAXES ON INCOME TAB: 5.9.19

in € million	2013	2012
Earnings before income taxes	548.8	763.2
Anticipated income tax expense (Group tax rate: 28.6 %; previous year: 28.5 %)	**157.0**	**218.6**
Changes in anticipated tax expense:		
Reduction in tax resulting from tax-exempt income and other items		
– Tax-exempt income from investments and profits on disposals	(2.7)	(3.8)
– Other tax-exempt income	(20.5)	(23.4)
Trade tax additions / reductions	2.0	2.0
Increase in tax resulting from non-tax-deductible expenses and other items	9.2	4.7
Allowances on / non-recognition of deferred tax assets	(1.1)	1.1
Effects from tax rate differences	(7.3)	(10.5)
Effects from tax rate changes	(0.9)	5.4
Taxes for preceding years	(3.6)	2.7
Other effects	1.1	0.6
Actual tax expense	**133.2**	**197.4**
Tax rate	**24.3 %**	**25.9 %**

(8) COST OF MATERIALS

COST OF MATERIALS TAB: 5.9.20

in € million	2013	2012
Raw materials, supplies and purchased merchandise	522.9	373.9
Purchased services	509.2	453.3
Energy costs	295.0	314.1
Cost of materials	**1,327.1**	**1,141.3**

(9) PERSONNEL EXPENSES / EMPLOYEES

PERSONNEL EXPENSES TAB: 5.9.21

in € million	2013	2012
Wages and salaries	738.6	752.1
Social security contributions	200.3	204.9
Pension expenses	29.3	29.2
Personnel expenses	**968.2**	**986.2**

/ **MORE INFORMATION ON PERSONNEL EXPENSES** can be found in the 'Employees' section in the Management Report. Information on the "Long-term Incentive Programme" can be found in the Remuneration Report on page 35.

In 2010, the K+S GROUP introduced a "Long-term Incentive (LTI) Programme" based on key figures. It is based on a multi-annual assessment base in accordance with the value contributions achieved. In 2013, personnel expenses totalling € 7.3 million were recorded for the LTI Programme as an allocation to provisions (previous year: € 17.1 million).

Under the employee share ownership programme, K+S GROUP employees have the possibility of acquiring K+S shares at a discount. A one-year vesting period applies to employee shares. They are stated at fair value. Expenses totalling € 1.0 million (previous year: € 1.2 million) were incurred in connection with the employee share ownership programme enacted in 2013.

The pension expenses do not include the interest component in the allocations to pension provisions. This is reported as an interest expense or an interest income in net interest income.

Personnel expenses include amounts totalling € 5.6 million that are unrelated to the reporting period (previous year: € 0.4 million).

EMPLOYEES INCLUDING TEMPORARY EMPLOYEES TAB: 5.9.22

	2013	2012
Average number		
Germany	10,088	10,024
Outside Germany	4,260	4,312
Total	**14,348**	**14,336**
– of which trainees	534	538

(10) EARNINGS PER SHARE

EARNINGS PER SHARE TAB: 5.9.23

	2013	2012
in € million		
Group earnings after taxes and minority interests	**412.8**	**665.3**
– thereof continued operations	**415.1**	**565.3**
– thereof discontinued operations	(2.3)	100.0
Average number of shares (million)	191.4	191.4
Earnings per share in € (undiluted = diluted)	**2.16**	**3.48**
– thereof continued operations (€)	**2.17**	**2.96**
– thereof discontinued operations (€)	(0.01)	0.52
Group earnings, adjusted [1]	**434.8**	**637.4**
Earnings per share in €, adjusted [1]	**2.27**	**3.33**
Group earnings from continued operations, adjusted [1]	**437.1**	**538.1**
Earnings per share from continued operations, adjusted (€) [1]	**2.28**	**2.81**

[1] The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I (see also 'Notes to the income statement and the statement of comprehensive income' on page 146). In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2013: 28.6% (2012: 28.5%).

In accordance with IAS 33, earnings per share are to be determined on the basis of Group earnings. Given the limited economic meaningfulness of unadjusted Group earnings, we additionally report adjusted Group earnings, which only contain the result from operating forecast hedges of the respective reporting period included in EBIT I.

Undiluted, adjusted earnings per share are computed by dividing adjusted Group earnings after taxes and minority interests by the weighted average number of shares outstanding. As none of the conditions resulting in the dilution of earnings per share exist in the case of K+S at the present time, undiluted earnings per share correspond to diluted earnings per share. In previous year all income and expenses of the NITROGEN business, which is classified as a discontinued operation, were reclassified and taken into account in earnings per share from discontinued operations.

NOTES TO THE BALANCE SHEET

The balance sheet is presented on page 124. The development of the gross carrying amounts and the depreciation/amortisation of the individual fixed asset items is shown separately on page 126.

(11) INTANGIBLE ASSETS

The amortisation charges for the financial year are disclosed in the income statement in line with the use of the assets concerned under the following items:

+ Cost of sales
+ Selling expenses
+ General and administrative expenses
+ Research and development costs
+ Other operating expenses

The goodwill from acquisitions disclosed in the consolidated balance sheet is allocated to the following cash-generating units (CGUs):

BREAKDOWN OF GOODWILL BY CASH-GENERATING UNIT TAB: 5.9.24

in € million	2013	2012
CGU Salt America	576.3	610.3
CGU Potash and Magnesium Products	16.7	18.7
CGU Salt Europe	13.3	13.3
Total goodwill	**606.3**	**642.3**

The Salt business unit is divided into the cash-generating units Salt America and Salt Europe. The decrease in the goodwill items allocated to the Salt America CGU is based predominantly on effects of the foreign currency translation on the balance sheet date.

In connection with the testing of goodwill for impairment, the residual carrying amounts for the respective cash-generating units were compared with their value in use. The determination of the values in use was based on the present value of the future cash flows of the business units assuming continued use. The cash flow forecast is based on the current medium-term plans of the K+S GROUP or the respective business units. The key premises underlying the medium-term plans are largely based on own experience figures. The forecast period covers the years 2014 to 2016 for CGU Salt America and CGU Salt Europe as well as 2014 to 2023 for CGU Potash and Magnesium Products. Moreover, a growth rate of 2.0 % (previous year: 2.0 %) for nominal cash flows from the year 2017 or 2024 was assumed to compensate for inflation with respect to costs and revenues after the end of the detailed planning period. The forecast period of CGU Potash and Magnesium Products till 2023 contains the successive expansion of production capacity due to the Legacy Project in Canada.

The following discount factors were applied as at the end of the financial year:

DISCOUNT FACTORS IMPAIRMENT TEST TAB: 5.9.25

	2013		2012	
Interest rates in %	before taxes	after taxes	before taxes	after taxes
CGU Salt America	8.2	6.2	8.7	6.4
CGU Potash and Magnesium Products	8.2	6.2	8.7	6.4
CGU Salt Europe	8.2	6.2	8.7	6.4

The rates of interest for the cash-generating units correspond to the weighted cost of capital for the K+S GROUP before and after taxes.

/ **A COMPUTATION OF THE COST OF CAPITAL** can be found in the Management Report on page 81.

The impairment tests conducted at the end of financial year 2013 confirmed that the goodwill items were not impaired. According to our estimate, realistic changes in the fundamental assumptions on which determining the values in use is based would not result in the carrying amount of the particular cash-generating unit exceeding its value in use.

Brand rights totalling € 94.5 million (previous year: € 99.7 million) are, in view of their level of awareness in the relevant sales markets as well as their strategic relevance, classified as assets with indefinite useful lives. These brand rights are fully allocated to the Salt America CGU.

The impairment test of the brand rights with indefinite useful lives, which must be conducted on an annual basis, was carried out by comparing the values in use of the brands with the carrying amounts. The value in use was determined using the relief-from-royalty method, which derives the brand value from the licence costs saved. The brand-specific revenues for the years 2014–2017 were determined on the basis of the corporate planning, and an annual growth rate of 2.0 % (previous year: 2.0 %) was assumed for the period from 2018. The applicable licence prices for the brands were derived from third-party comparisons. The value in use was then determined by discounting the licence costs saved with a risk-adjusted after-tax interest rate of 9.2 % (previous year: 9.4 %). The impairment test on the brands carried out on this basis at the end of the 2013 financial year did not result in any impairment charges.

The customer relationships deriving from the acquisition of the MORTON Group are a significant intangible asset. As of 31 December 2013, the carrying amount amounted to € 136.2 million (previous year: € 161.2 million), the remaining useful life as of the balance sheet date was about 13 years.

(12) INVESTMENT PROPERTIES

As of 31 December 2013, the fair values of investment properties amounted to € 21.2 million (previous year: € 22.0 million). The fair values were estimated by internal specialist departments on the basis of local market conditions. In determining the values, particular account was taken of local property valuation records and, in part, of external valuation reports. The valuation methods correspond to level 3 of the three-tier valuation hierarchy set out in IFRS 13.

(13) FINANCIAL ASSETS

An amount of € 13.1 million (previous year: € 14.9 million) is accounted for by investments in affiliated companies as well as equity interests. Of this amount, € 0.8 million (previous year: € 1.0 million) relates to other loans (mainly to employees) and other financial assets. The effective annual rates of interest range between 0 and 5.0 % and the remaining fixed interest period range between one year and 20 years.

The maximum default risk as of the balance sheet date corresponds to the amount stated in the balance sheet. There are no specific grounds that would suggest the occurrence of events of default. There are no significant concentrations of default risk.

(14) SECURITIES AND OTHER FINANCIAL INVESTMENTS

SECURITIES AND OTHER FINANCIAL INVESTMENTS TAB: 5.9.26

in € million	2013	2012
Securities and other financial investments (non-current)	179.3	499.5
Securities and other financial investments (current)	856.2	435.0
Securities and other financial investments	**1,035.5**	**934.5**

This item comprises various investments (e.g. commercial papers, bonds, term deposits with credit institutions, promissory notes, investment funds, credit-linked notes), which, in accordance with IAS 39, are classified as “Loans and receivables” or “Available-for-sale financial assets”.

(15) DEFERRED TAXES

The following capitalised deferred tax assets and liabilities relate to recognition and measurement differences for individual balance sheet line items and tax loss carry-forwards:

DEFERRED TAXES TAB: 5.9.27

	Deferred tax assets		Deferred tax liabilities	
	2013	2012	2013	2012
in € million				
Intangible assets	6.3	6.0	99.4	111.0
Property, plant and equipment	39.0	23.2	377.0	369.7
Financial assets	—	—	—	—
Inventories	1.9	4.5	3.8	6.4
Receivables and other assets	18.0	15.2	11.1	15.7
– of which derivative financial instruments	—	—	4.0	5.5
Provisions	151.2	157.8	0.2	0.9
Liabilities	7.8	12.2	5.4	5.8
Gross amount	**224.2**	**218.9**	**496.9**	**509.5**
– of which non-current	196.2	188.3	489.3	492.7
Tax loss carryforwards	106.0	47.1	—	—
Consolidations	7.0	13.6	3.0	(4.3)
Balances	(303.8)	(230.5)	(303.8)	(230.5)
Balance sheet carrying amount (net)	**33.4**	**49.1**	**196.1**	**274.7**

Deferred taxes totalling € 8.8 million (previous year: € 14.6 million) were not capitalised because the utilisation of the underlying loss carryforwards or the realisation of taxable income appears unlikely. The underlying loss carryforwards amount to € 41.2 million (previous year: € 141.8 million). The utilisation of tax credits totalling € 7.1 million (€ 6.4 million) is considered unlikely and therefore not assessed with deferred taxes.

In the year under review, deferred taxes of € (12.0) million (previous year: € 13.8 million) were recorded in other comprehensive income.

The balance sheet value of the deferred taxes changed by € (62.9) million as of 31 December 2013 (previous year: € (44.9) million), which contains a decrease in deferred tax assets: € 15.7 million (previous year: € 6.8 million) and a decrease in deferred tax liabilities: € (78.6) million (previous year: € (51.7) million).

Taking into account the deferred taxes of € (12.0) million recorded in other comprehensive income in the year under review (previous year: € 13.8 million) and currency-related effects of € 13.8 million (previous year: € 1.8 million), this gives rise to deferred tax income of € 61.1 million disclosed in the income statement (previous year: € 33.6 million). In the previous year, deferred taxes in the discontinued sector from the de-recognition of deferred taxes recognised in profit or loss due to the divestment of the NITROGEN business in the amount of € (4.3) million must also be taken into account.

Temporary differences of € 380.6 million (previous year: € 249.5 million) are related to shares in subsidiaries for which no deferred tax liabilities are accrued in accordance with IAS 12.39.

(16) INVENTORIES

INVENTORIES TAB: 5.9.28

in € million	2013	2012
Raw materials and supplies	179.2	176.1
Work in progress	12.8	17.0
Finished products and merchandise	360.6	494.8
Inventories	**552.6**	**687.9**

Inventories of € 35.5 million (previous year: € 43.2 million) were stated at net realisable value. The reporting of net realisable value resulted in write-downs of € 1.3 million (previous year: € 2.2 million) during the period under review.

(17) RECEIVABLES AND OTHER ASSETS

RECEIVABLES AND OTHER ASSETS TAB: 5.9.29

in € million	2013	of which residual term > 1 year	2012	of which residual term > 1 year
Accounts receivable – trade	737.9	–	770.3	–
Receivables from affiliated companies	4.5	–	11.9	–
Other assets	203.5	54.0	202.5	48.1
– of which derivative financial instruments	22.9	–	28.7	2.5
– of which claim for reimbursement bond Morton Salt	18.0	17.9	19.0	18.9
Receivables and other assets	**945.9**	**54.0**	**984.7**	**48.1**

The allowances for trade receivables, other receivables and other assets have developed as follows:

ALLOWANCES TAB: 5.9.30

in € million	2013	2012
Balance as of 1 January	16.6	28.2
Change in scope of consolidation	(1.0)	(4.3)
Addition	1.5	4.7
Reversal	2.8	10.3
Utilisation	1.8	1.7
Balance as of 31 December	**12.5**	**16.6**

Allowances of € 12.3 million (previous year: € 14.8 million) were disclosed for the trade receivables portfolio as of 31 December 2013. Of this, € 0.2 million (previous year: € 1.8 million) result from allowances for other receivables and other assets. The allowances are based on the anticipated risk of default. If receivables have a residual term of more than three months, they are discounted applying money market rates as of the balance sheet date.

As of 31 December 2013, no non-interest-bearing and low-interest receivables were discounted (previous year: € 0.2 million).

The following table provides information about the extent of the risks of default contained in the items "Accounts receivable – trade" as well as "Other receivables and non-derivative financial instruments".

DEFAULT RISKS TAB: 5.9.31

in € million	Carrying amount	of which neither overdue nor adjusted as of the reporting date	of which unadjusted but overdue as of the reporting date since			
			< 30 days	> 31 and < 90 days	> 91 and < 180 days	> 180 days
2013						
Accounts receivable – trade	737.9	674.3	24.0	15.0	11.4	4.4
Other receivables and non-derivative financial instruments	92.2	61.6	0.5	2.7	0.2	3.9
2012						
Accounts receivable – trade	770.3	700.9	28.6	10.3	1.7	0.1
Other receivables and non-derivative financial instruments	102.0	70.1	1.7	3.3	3.4	8.3

The risk of default is the risk of a contractual partner failing to discharge its contractual payment obligations. Customer receivables are to the largest extent secured against a default risk by means of appropriate insurance coverage and other hedging instruments. Across the Group, 70 % of all insurable receivables are hedged against default. This ensures that only a low partial loss is incurred in the event of default. An internal credit check is conducted in the case of customers for whom such cover cannot be obtained. There is no significant concentration of risk with respect to receivables.

Receivables management is geared towards collecting all outstanding accounts punctually and in full as well as to avoid the loss of receivables. Invoices are issued on a daily basis and invoice data is transferred to debtor accounts online. Accounts outstanding are monitored on an ongoing basis with system support and in line with the payment terms agreed with the customers. Payment terms generally range from 10 to 180 days, with longer terms being customary in some markets. In the case of late payment, reminders are issued at regular two-week intervals.

The maximum risk of default with respect to receivables and other assets is reflected in the carrying amount disclosed in the balance sheet. As of 31 December 2013, the maximum default amount in the very unlikely event of a simultaneous default on all unsecured receivables was € 210.1 million (previous year: € 163.1 million).

The receivables arising from the accounting treatment of customer-specific construction contracts comprise the following:

CUSTOMER-SPECIFIC CONSTRUCTION CONTRACTS TAB: 5.9.32

in € million	2013	2012
Contract costs incurred and contract gains recognised	11.8	6.9
less advance payments received	11.3	4.7
Receivables from customer-specific construction contracts	0.5	2.2

(18) DERIVATIVE FINANCIAL INSTRUMENTS

Currency and interest rate management is performed centrally for all Group companies. This also applies to the use of derivative financial instruments, e.g. those aimed at limiting certain costs. The use of derivative financial instruments is regulated by guidelines and procedure instructions. A strict segregation of functions is ensured between trading, settlement and control. Derivative financial instruments are only traded with banks that have a good credit standing, which is monitored continually by means of appropriate instruments. In principle, the entire portfolio of derivative financial instruments is spread across several banks to reduce the risk of default. The level of risk of default is limited to the amount of the derivatives capitalised on the balance sheet.

The goal of interest rate management is to curb the risks arising from an increasing interest burden for financial liabilities as well as the risks arising from declining interest income from financial assets as a result of changes in the general level of interest rates. No countermeasures are currently necessary in respect of the financial liabilities, as the financial liabilities existing on the balance sheet date carry a fixed interest rate. In the case of the financial assets, no need for action is currently identified as the interest rate level is low, which means that the risk of declining interest is slight.

Derivatives are used to hedge exchange rate risks in order to limit the risks to which operating business activities can be exposed as a result of changes in exchange rates. Exchange rate risks exist mainly with respect to the US dollar and the Canadian dollar, and, to a lesser extent, the British pound sterling and the Chilean peso. Hedging transactions are executed in relation to billed receivables and anticipated net positions on the basis of projected revenues. In this regard, the net positions are determined on the basis of revenue and cost planning using safety margins and updated on an ongoing basis to avoid excess hedging or hedging shortfalls.

The hedging transactions used can have terms of up to three years for the hedging of anticipated positions. The main objective is the hedging of a worst-case scenario. Here, futures and plain vanilla options are used, whereby the participation in a favourable market development is generally limited by the sale of simple options. This also serves to reduce premium expenses. Basically, it is also possible to use compound options consisting of an option on a simple option, which can be acquired at a later date for a fixed amount.

The terms of hedging transactions in respect of billed receivables are, in keeping with the agreed payment terms, less than one year.

The hedging transactions in respect of anticipated net positions as described above are used in the Potash and Magnesium Products business unit for US dollar positions as well as for Canadian dollar positions connected with the Legacy Project. Hedging transactions in respect of billed receivables are concluded in the Potash and Magnesium Products business unit.

Trading in all the aforementioned derivatives is solely OTC. Because of market transparency, forward exchange transactions are concluded directly with a bank after a comparison with interbank terms has been made by means of a reference system. There is no such transparent market for trading in options. That is why quotations are obtained from several banks for all substantial option transactions, so that a transaction can then be executed with the bank providing the best quotation.

In the case of forward exchange transactions, there is a market value risk on the respective reporting date. However, there are countervailing effects stemming from the currency-based measurement of receivables when derivatives are used in order to hedge foreign currency receivables.

The market values computed correspond to the value upon hypothetical early transfer on the balance sheet date. The values are computed using recognised mathematical models generally used by market players. These computations were particularly based on the following parameters that applied on the balance sheet date:

+ the spot exchange and forward exchange rates of the currencies concerned,
+ the agreed hedging rates or exercise prices,
+ the traded volatilities, i.e. the anticipated range of fluctuation for the exchange rates concerned, and
+ the interest rate level applicable to the currencies concerned.

IAS 39 permits hedging relationships to be established between underlying business transactions and derivative financial instruments. However, this is principally not applied (see 'Notes to the income statement and the statement of comprehensive income' on page 146).

The following derivative foreign exchange financial transactions existed as at 31 December 2013:

DERIVATIVE FOREIGN EXCHANGE FINANCIAL TRANSACTIONS TAB: 5.9.33

	2013		2012	
in € million	Notional amounts[1]	Fair values	Notional amounts[1]	Fair values
GBP forward exchange transactions				
– of which maturing in 2013	–	–	7.5	0.1
– of which maturing in 2014	8.7	–	–	–
CAD forward exchange transactions				
– of which maturing in 2013	–	–	62.6	0.1
– of which maturing in 2014	387.8	(16.9)	–	–
– of which maturing in 2015	142.0	(7.7)	–	–
USD forward exchange transactions				
– of which maturing in 2013	–	–	599.1	17.5
– of which maturing in 2014	394.5	10.8	–	–
USD/CLP forward exchange transactions				
– of which maturing in 2013	–	–	21.7	1.7
– of which maturing in 2014	29.8	–	–	–
Purchased simple currency options (USD)				
– of which maturing in 2013	–	–	302.2	5.7
– of which maturing in 2014	268.0	10.4	–	–
Sold simple currency options (USD)				
– of which maturing in 2013	–	–	306.0	(0.3)
– of which maturing in 2014	264.4	(0.6)	–	–
Foreign currency transactions in total	**1,495.3**	**(3.9)**	**1,299.1**	**24.7**

[1] Translated into euros using weighted hedging rates.

How the aforementioned market values would have changed assuming a change of ± 10 % in spot rates on the balance sheet date is shown below:

SENSITIVITY OF DERIVATIVE FOREIGN EXCHANGE FINANCIAL TRANSACTIONS 2013 TAB: 5.9.34

	Base value	Base value +10 %	Base value (10)%	Fair value changes +10 %	Fair value changes (10)%
EUR/USD	1.379	1.517	1.241	56.2	(55.5)
EUR/CAD	1.467	1.614	1.320	(45.6)	55.7
EUR/GBP	0.834	0.917	0.750	0.4	(0.5)
USD/CLP	525.450	577.995	472.905	(2.7)	3.2
Total				**8.3**	**2.9**

The following values arose on the balance sheet date of the previous year:

SENSITIVITY OF DERIVATIVE FOREIGN EXCHANGE FINANCIAL TRANSACTIONS 2012 TAB: 5.9.35

	Base value	Base value +10 %	Base value (10)%	Fair value changes +10 %	Fair value changes (10)%
EUR/USD	1.319	1.451	1.187	59.0	(63.0)
EUR/CAD	1.314	1.445	1.182	(4.7)	12.6
EUR/GBP	0.816	0.898	0.734	(0.1)	0.1
USD/CLP	479.200	527.120	431.280	(2.1)	2.5
Total				**52.1**	**(47.8)**

The aforementioned market value changes would have resulted in a corresponding increase or reduction in unadjusted Group earnings before taxes and in equity.

(19) EQUITY

The development of individual equity items is shown separately on page 125.

SUBSCRIBED CAPITAL

The subscribed capital of K+S AKTIENGESELLSCHAFT amounts to € 191.4 million and is divided into 191.4 million no-par value bearer shares. In financial year 2013, there was an average of 191.4 million (previous year: 191.4 million) no-par value shares in circulation.

On the basis of the resolution passed by the Annual General Meeting on 11 May 2010, the Board of Executive Directors was authorised to acquire own shares up to 10 % of the share capital by 10 May 2015. Purchases may be made on a stock exchange or by means of a public purchase offer directed to all shareholders. In the case of a purchase effected on a stock exchange or a public purchase offer addressed to all shareholders, the purchase price per share (exclusive of ancillary purchase costs) paid by the Company may not exceed or undercut the relevant exchange price by more than 10 %. In financial year 2013, K+S AKTIENGESELLSCHAFT did not make use of the authorisation.

SUBSCRIBED CAPITAL TAB: 5.9.36

in € million	Shares outstanding	Subscribed capital
31.12.2011	191.4	191.4
31.12.2012	191.4	191.4
31.12.2013	**191.4**	**191.4**

CAPITAL RESERVE

The capital reserve mainly consists of the share premium received as part of share issues of K+S AKTIENGESELLSCHAFT.

OTHER RESERVES AND ACCUMULATED PROFIT

This item summarises the revenue reserves, the accumulated profit, the differences from currency translation, fair valuation reserve of securities which are classified as financial assets available for sale and actuarial gains / losses from pensions and similar obligations.

The revenue reserves mainly consist of the earnings the consolidated companies achieved in the past, less dividends paid to shareholders. The item "Differences from foreign currency translation" comprises mainly differences from the translation of the functional currency of foreign business operations into the reporting currency of the Group (the euro).

OTHER COMPREHENSIVE INCOME TAB: 5.9.37

in € million	2013 Before taxes	2013 Tax effect	2013 Net	2012 Before taxes	2012 Tax effect	2012 Net
Items that may be reclassified subsequently to profit or loss	(180.1)	1.6	(178.5)	(26.3)	0.5	(25.8)
Financial assets available for sale	(1.0)	—	(1.0)	3.0	—	3.0
Difference resulting from foreign currency translation	(179.1)	1.6	(177.5)	(29.3)	0.5	(28.8)
– thereof change in unrealised gains / losses	(179.1)	1.6	(177.5)	(29.5)	0.5	(29.0)
– thereof realised gains / losses	—	—	—	0.2	—	0.2
Items that will not be reclassified to profit or loss	49.8	(13.6)	36.2	(45.6)	13.3	(32.3)
Revaluation of net debt / defined benefit pension plan assets	49.8	(13.6)	36.2	(45.6)	13.3	(32.3)
Other comprehensive income after taxes	**(130.3)**	**(12.0)**	**(142.3)**	**(71.9)**	**13.8**	**(58.1)**

ACCUMULATED PROFIT OF THE INDIVIDUAL FINANCIAL STATEMENTS OF K+S AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE – HGB)

For dividend distribution, the annual financial statements of K+S AKTIENGESELLSCHAFT as prepared in accordance with the German Commercial Code (HGB) are decisive. It is intended to propose to the Annual General Meeting that a dividend of € 0.25 per share (previous year: € 1.40), i.e. € 47.9 million in total (previous year: € 268.0 million), be distributed to the shareholders. As of the balance sheet date, the following accumulated profit was disclosed in the individual financial statements of K+S AKTIENGESELLSCHAFT:

ACCUMULATED PROFIT OF K+S AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE – HGB) TAB: 5.9.38

in € million	2013	2012
Accumulated profit of K+S Aktiengesellschaft as of 1 January	294.2	260.1
Dividend payment for previous year	(268.0)	(248.8)
Net income of K+S Aktiengesellschaft	312.1	563.9
Transfer from net income to other revenue reserves	(156.0)	(281.0)
Accumulated profit of K+S Aktiengesellschaft as of 31 December	**182.3**	**294.2**

(20) INFORMATION ABOUT CAPITAL MANAGEMENT

CAPITAL MANAGEMENT TAB: 5.9.39

in € million	2013	2012
Equity	3,396.6	3,393.9
Non-current debt	2,686.8	2,555.3
Current debt	1,414.8	647.4
Balance sheet total	**7,498.2**	**6,596.6**
Equity ratio	45.3 %	51.4 %
Borrowed capital ratio	54.7 %	48.6 %

Equity rose by € 2.7 million compared with the previous year. The increase in equity is based mainly on the positive Group earnings of financial year 2013 (after taxes and minority interests) amounting to € 412.8 million; in contrast to this is the dividend distribution of € 268.0 million effected in May 2013. Moreover, changes in equity without recognition in profit or loss had to be accounted for, largely resulting from foreign currency translation of subsidiaries in functional foreign currency (mainly the US dollar and the Canadian dollar).

Non-current debt has increased by € 131.5 million. This is principally attributable to the issuing of two bonds totalling € 1 billion and the related increase in non-current financial liabilities. The disclosure of the bond in the amount of € 750 million due in 2014 under current debt had the opposite effect, essentially resulting in an increase in current debt of € 767.4 million.

(21) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

K+S has assumed a number of defined benefit pension commitments. Most of the commitments relate to Germany and Canada.

GERMANY

A significant pension plan in Germany is the K+S pension scheme, which essentially consists of a basic pension, a supplementary pension II as well as rules governing vesting rights. The basic pension is based on a modular system, under which hypothetical contributions corresponding to a certain percentage of pensionable income are collected annually. The pension entitlement is computed by applying a fixed percentage to total hypothetical contributions. Supplementary pension II is a final salary plan, with the corresponding entitlement based on certain percentages for salary components above statutory and miners' insurance multiplied by the number of pensionable years of service. Fixed euro amounts or vested rights to final salary percentages were granted in the case of periods of service before the introduction of the basic pension and supplementary pension II. This pension plan has been discontinued in the meantime, so that no more employees can acquire claims under it.

Alongside the K+S pension scheme, numerous individual commitments were made, especially in relation to members of the Board of Executive Directors and senior management. They are generally based on a modular system, under which a certain percentage of pensionable annual income is converted into a lifelong pension applying an age-related factor. The total entitlement corresponds to the sum of the individual year-based modules. In this context, a certain defined pension level may not be exceeded.

In addition, there are further company-specific pension commitments in Germany that were already discontinued some years ago. Most of the beneficiaries are already drawing pensions.

All pension obligations in Germany are essentially out-financed by means of a contractual trust arrangement (CTA). The vehicle used for this is the K+S VERMÖGENSTREUHÄNDER E.V., which was established in 2005 and manages the assets dedicated to the servicing of pension obligations on a fiduciary basis. The pension payments continue to be made by the respective company but the payments are generally reimbursed by the CTA as they arise. There are no minimum funding requirements.

CANADA

In Canada, alongside defined benefit pension commitments, there are pension-like plans which entail commitments to, for example, provide medical benefits to those eligible under them upon retirement.

The pension plans essentially provide for benefits that are computed as a percentage of the average five highest annual salaries while taking into account length of service. In this context, certain upper limits have to be observed. With effect from 1 January 2013, the plan was converted into a defined contribution plan for some of those eligible under it. The conversion was prospective, which means that claims acquired up to that point in time remain unchanged. Pension plans in Canada are regulated by law, e.g., by the "Financial Services Commission" in Ontario. There are minimum funding requirements under the "Pension Benefits Act (Ontario)". To satisfy them, an independent actuarial valuation is generally performed in the middle of the year. The aim is to determine the funded status of the pension plan in accordance with legal requirements. If the plan is underfunded, the shortfall essentially has to be made up within five years. The valuation differs from an IFRS valuation in that, for example, a different discount factor is applied.

The Canadian pension plans are managed by an external company. It is responsible for the payment of pensions to pensioners as well as the fiduciary management of plan assets. The trustee is selected by the "Canadian Salt Pension Committee", which comprises company representatives and external advisors. It is also responsible for determining the investment strategy.

The pension-like commitments cover payments for life, dental and medical insurance. The level of payments for the dental and medical insurance depends on the average claims ratio of the pensioners, whereas life insurance essentially involves a fixed-sum commitment. No plan assets were established for the pension-like commitments and there are no minimum funding requirements.

OTHER COUNTRIES

The other pension commitments largely relate to pension-like plans in the United States and the Bahamas which provide for payments towards medical and life insurances. No plan assets were established for these commitments and there are no minimum funding requirements. In addition, there are pension commitments of minor significance in other countries.

The plans described above are subject to a number of risks, especially:

+ Investment risks: The provisions for pensions and similar obligations are calculated using a discount factor based on corporate bonds with an AA rating. If the yield for the plan assets is below this interest rate, there is a corresponding coverage shortfall. The investments are spread widely, mainly in bonds and shares, with the latter being particularly exposed to significant market value fluctuations.
+ Inflationary risks: In Germany, pension levels essentially need to be reviewed every three years in accordance with the German Act on Improving Company Retirement Pension Plans (Gesetz zur Verbesserung der betrieblichen Altersvorsorge – BetrAVG), which generally results in pensions being adjusted for inflation. The pension commitments in Canada are also regularly adjusted for inflation during the course of collective bargaining. Thus, an increase in the respective rates of inflation essentially leads to a corresponding increase in the respective obligations.
+ Interest rate risks: A decrease in yields for corporate bonds and, consequently, in the discount rate leads to an increase in obligations, which is only partially offset by a corresponding change in the value of plan assets.

+ Health care cost trend (North America, especially Canada): As payments connected with medical benefit commitments are essentially adjusted for the cost trend in health care, an increase in medicine prices, hospital costs etc. in the respective country leads to an increase of the obligations.
+ Longevity risks: Life expectancy is taken into account in calculating obligation levels by using mortality tables. An increase in life expectancy results in a corresponding increase of the obligations.
+ Salary risks: If the actual trend in salaries exceeds the anticipated trend, this results in an increase in obligation levels.

K+S strives to reduce the risks by, for example, changing over from defined benefit plans to defined contribution plans. Thus, most of the workforce in Germany has received exclusively defined contribution commitments in the meantime. In North America too, benefit commitments were either compensated or frozen and transferred to a defined contribution system.

The following assumptions have been made in calculating provisions for pensions and similar obligations on the balance sheet date:

ACTUARIAL ASSUMPTIONS MEASUREMENT PENSION COMMITMENTS TAB: 5.9.40

	2013		2012	
in % (weighted average)	Germany	Outside Germany	Germany	Outside Germany
Pension commitments				
Actuarial interest rate	3.5	4.7	3.5	4.0
Anticipated annual increase in salaries and wages	1.8	3.5	1.8	3.5
Anticipated annual pension increase	1.6	1.1	1.6	1.1
Other benefit commitments similar to pensions				
Actuarial interest rate	—	4.8	—	4.0

To determine the pension expenses for 2013, the following actuarial assumptions – stipulated at the end of financial year 2012 – were used:

ACTUARIAL ASSUMPTIONS EXPENSES PENSION COMMITMENTS TAB: 5.9.41

	2013		2012	
in % (weighted average)	Germany	Outside Germany	Germany	Outside Germany
Pension commitments				
Actuarial interest rate	3.5	4.0	4.9	4.7
Anticipated annual increase in salaries and wages	1.8	3.5	1.8	3.5
Anticipated annual pension increase	1.6	1.1	1.5	1.3
Other benefit commitments similar to pensions				
Actuarial interest rate	—	4.0	—	4.7

As of 31 December 2013, the following mortality tables were applied:
+ Germany: Heubeck Richttafeln 2005 G
+ Canada: CIA Private, loading 4.1 %
+ USA/Bahamas: RP 2000 Scale AA

In the previous year, the "UP 1994 Scale AA" mortality table was still used in Canada. The effect from the use of the new mortality table is reported as an actuarial loss arising from a change in demographic assumptions.

In the case of commitments similar to pensions for health care benefits, the following annual cost increases – declining over time – were assumed:
+ Canada: 7.5 % / 5.0 % as of 2019 (previous year: 7.5 % / 5.0 % as of 2019)
+ USA: 7.5 % / 5.0 % as of 2023 (previous year: 7.75 % / 5.0 % as of 2023)
+ Bahamas: 4.5 % (previous year: 4.5 %)

The following tables show the development of the defined benefit obligation and the plan assets:

DEVELOPMENT DEFINED BENEFIT OBLIGATION TAB: 5.9.42

in € million	2013 Total	2013 Germany pensions	2013 Outside Germany pensions	2013 Outside Germany similar obligations	2012 Total	2012 Germany pensions	2012 Outside Germany pensions	2012 Outside Germany similar obligations
Defined benefit obligation as of 1 January	540.9	218.2	219.2	103.5	461.6	187.1	189.5	85.0
Changes in scope of consolidation	—	—	—	—	(4.0)	(3.9)	(0.1)	—
Service costs	12.0	5.8	3.0	3.2	12.6	4.1	5.9	2.6
Past service costs	—	—	—	—	1.8	1.8	—	—
Interest expenses	19.7	7.4	8.3	4.0	21.6	8.7	8.9	4.0
Revaluation	(19.3)	—	(11.2)	(8.1)	71.3	34.8	22.6	13.9
Actuarial gains (–)/losses (+)								
– Actuarial gains (–)/and losses (+) from change in demographic assumptions	12.0	—	7.0	5.0	6.4	—	2.8	3.6
– Actuarial gains (–)/and losses (+) from change in financial assumptions	(29.7)	—	(17.5)	(12.2)	60.5	31.2	19.6	9.7
– Actuarial gains (–)/and losses (+) based on experience-based adjustments	(1.6)	—	(0.7)	(0.9)	4.4	3.6	0.2	0.6
Pension payments	(25.3)	(14.1)	(9.5)	(1.7)	(24.8)	(14.4)	(8.5)	(1.9)
Plan adjustments/plan settlements	3.9	2.5	1.4	—	—	—	—	—
Exchange rate fluctuations	(32.5)	—	(22.6)	(9.9)	0.8	—	0.9	(0.1)
Defined benefit obligation as of 31 December	**499.4**	**219.8**	**188.6**	**91.0**	**540.9**	**218.2**	**219.2**	**103.5**

DEVELOPMENT PLAN ASSETS TAB: 5.9.43

in € million	2013 Total	2013 Germany pensions	2013 Outside Germany pensions	2012 Total	2012 Germany pensions	2012 Outside Germany pensions
Plan assets as of 1 January	388.2	224.6	163.6	325.5	184.2	141.3
Interest income	14.0	7.6	6.4	15.6	8.7	6.9
Employer contributions	15.9	1.5	14.4	43.5	28.2	15.3
Gains (+)/losses (–) from revaluation of plan assets (without amounts recognised in interest income)	30.5	10.8	19.7	25.7	17.7	8.0
Pension payments	(22.9)	(14.2)	(8.7)	(22.7)	(14.2)	(8.5)
Exchange rate fluctuations	(16.9)	—	(16.9)	0.6	—	0.6
Plan assets as of 31 December	**408.8**	**230.3**	**178.5**	**388.2**	**224.6**	**163.6**

For reconciliation to the balance sheet carrying amounts, the defined benefit obligation has to be offset against the plan assets.

RECONCILIATION BALANCE SHEET VALUES PENSIONS AND SIMILAR OBLIGATIONS TAB: 5.9.44

	2013				2012			
	Total	Germany pensions	Outside Germany pensions	Outside Germany similar obligations	Total	Germany pensions	Outside Germany pensions	Outside Germany similar obligations
in € million								
Defined benefit obligation as of 31 December	499.4	219.8	188.6	91	540.9	218.2	219.2	103.5
Plan assets as of 31 December	408.8	230.3	178.5	—	388.2	224.6	163.6	—
Balance sheet values as of 31 December	**90.6**	**(10.5)**	**10.1**	**91.0**	**152.7**	**(6.4)**	**55.6**	**103.5**
– of which pension provisions and similar obligations (+)	102.6	1.5	10.1	91.0	160.1	1.0	55.6	103.5
– of which assets (–)	(12.0)	(12.0)	—	—	7.4	7.4	—	—

The following amounts were recorded in the statement of comprehensive income:

EFFECTS STATEMENT OF COMPREHENSIVE INCOME TAB: 5.9.45

	2013				2012			
	Total	Germany pensions	Outside Germany pensions	Outside Germany similar obligations	Total	Germany pensions	Outside Germany pensions	Outside Germany similar obligations
in € million								
Service costs	12.0	5.8	3.0	3.2	12.6	4.1	5.9	2.6
Past service costs	—	—	—	—	1.8	1.8	—	—
Net interest expenses (+) / income (–)	5.7	(0.2)	1.9	4.0	6.0	—	2.0	4.0
Expenses (+) / income (–) plan adjustments	2.4	2.5	(0.1)	—	—	—	—	—
Amounts recognised in the income statement	**20.1**	**8.1**	**4.8**	**7.2**	**20.4**	**5.9**	**7.9**	**6.6**
Gains (–) / losses (+) from revaluation of plan assets (without amounts recognised in interest income)	(30.5)	(10.8)	(19.7)	—	(25.7)	(17.7)	(8.0)	—
Actuarial gains (–) / losses (+) from changes in demographic assumptions	12.0	—	7.0	5.0	6.4	—	2.8	3.6
Actuarial gains (–) / losses (+) from changes in financial assumptions	(29.7)	—	(17.5)	(12.2)	60.5	31.2	19.6	9.7
Actuarial gains (–) / losses (+) based on experience-based adjustments	(1.6)	—	(0.7)	(0.9)	4.4	3.6	0.2	0.6
Amounts recognised in other comprehensive income	**(49.8)**	**(10.8)**	**(30.9)**	**(8.1)**	**45.6**	**17.1**	**14.6**	**13.9**
Total (Amounts recognised in statement of comprehensive income)	**(29.7)**	**(2.7)**	**(26.1)**	**(0.9)**	**66.0**	**23.0**	**22.5**	**20.5**

The service costs (including past service costs) are reported in accordance with the allocation of employees in the respective EBIT functional area. The net interest expense or income is reported in net interest income.

The fair value of plan assets is distributed across the following investment classes:

DISTRIBUTION OF PLAN ASSETS BY INVESTMENT CLASS TAB: 5.9.46

	2013			2012		
in € million	Total	Germany pensions	Outside Germany pensions	Total	Germany pensions	Outside Germany pensions
Bonds	158.6	106.9	51.7	143.0	93.9	49.1
– Government bonds	27.4	0.8	26.6	27.2	1.6	25.6
– Corporate bonds	131.2	106.1	25.1	115.8	92.3	23.5
Shares	206.7	89.9	116.8	179.6	81.4	98.2
– Consumer	47.8	21.0	26.8	41.3	18.9	22.4
– Finance	43.8	16.3	27.5	36.2	16.5	19.7
– Industry	31.0	19.5	11.5	27.2	18.0	9.2
– Energy	24.0	7.0	17.0	21.6	5.6	16.0
– Commodities	22.6	15.9	6.7	21.6	16.0	5.6
– Other	37.5	10.2	27.3	31.7	6.4	25.3
Cash on hand and balances with banks	27.4	18.2	9.2	49.7	34.1	15.6
Reinsurance arrangements	9.5	9.5	—	7.9	7.9	—
Other	6.6	5.8	0.8	8.0	7.3	0.7
Plan assets as of 31 December	**408.8**	**230.3**	**178.5**	**388.2**	**224.6**	**163.6**

Investments held through investment funds were assigned to the individual investment classes in the list above. Most of the bonds have an investment grade rating. The shares are regularly traded on an active market. The same essentially applies to the bonds, but the item includes promissory notes with a book value of € 16.4 million (previous year: € 15.7 million) that are not traded on an active market. There is no active market for reinsurance arrangements.

The following sensitivity analysis as of 31 December 2013 shows how the present value of the obligation would change in the event of a change in actuarial assumptions. No correlation between individual assumptions was taken into account, which means that in the event of one assumption being changed, the remaining assumptions were kept constant. The projected unit credit method used to determine the carrying amounts was also used in the sensitivity analysis.

SENSITIVITY ANALYSIS TAB: 5.9.47

		Impact on obligation	
	Amount	Increase	Reduction
in € million	Change in assumption	Assumption	Assumption
Actuarial interest rate	+/– 100 basis points	(60.2)	75.6
Anticipated annual increase in salaries and wages	+/– 50 basis points	3.4	(3.4)
Anticipated annual pension increase	+/– 50 basis points	20.8	(17.8)
Medical cost trend	+/– 50 basis points	9.4	(7.3)
Life expectancy	+/– 1 year	17.5	(17.5)

Undiscounted payments for pensions and similar obligations are expected to fall due as follows in subsequent years:

ANTICIPATED PAYMENTS FOR PENSIONS AND PENSION-SIMILAR OBLIGATIONS TAB: 5.9.48

in € million	31.12.2013
< 1 year	26.6
Between 1 and 5 years	110.1
Between 5 and 10 years	147.5
> 10 years	1,024.1
Total	**1,308.3**

The weighted average duration of the obligation as of 31 December 2013 is 13.6 years (previous year: 14.3 years). The duration and maturity profile of the obligations in part differ significantly between individual companies. In terms of asset allocation, this fact is essentially taken into account, especially in Germany. The aim is to service the pension payments from current plan asset income.

In financial year 2014, an outflow of funds of € 7.1 million from pension commitments and commitments similar to pensions is to be expected. This outflow encompasses allocations to plan assets and pension payments which are not covered by corresponding reimbursements from plan assets.

In addition, there are further retirement pension plans for which no provisions have to be recognised, as there are no further obligations apart from the payment of the contributions (defined contribution plans). These comprise both solely employer-financed benefits and premiums for converting employees' remuneration into pensions.

Employers and employees made contributions under the supplementary pension plan that has been closed in the meantime and is operated through the BASF pension fund. In 2011, the BASF pension fund terminated the regular memberships for K+S employees, so that as of 31 December 2013, only extraordinary memberships applied in the case of the employees concerned and those memberships are continued as vested pension rights. In addition, the BASF pension fund makes regular pension scheme payments to (former) K+S employees. K+S GROUP company employees with vested pension rights and pensioners account for less than 10 % of the total BASF pension fund.

As a result of the termination of the ordinary memberships, the payment of further contributions into the BASF pension fund is essentially no longer required. However, the secondary liability imposed by the German Act on Improving Company Retirement Pension Plans (BetrAVG) means that an obligation to assume liabilities could arise for K+S, especially with regard to the adjustment of current pension payments. No contribution payments to the BASF pension fund are expected for 2014.

The provision of such pensions through the BASF pension fund is to be classified as a multi-employer plan within the meaning of IAS 19.32 et seq. The plan is essentially a defined benefit plan. As reliable information regarding plan assets and obligations are only available for the pension fund as a whole and not for those shares in it attributable to the K+S GROUP, no sufficient information is available for reporting the plan on the balance sheet. That is why the plan is treated as a defined contribution plan in accordance with IAS 19.34.

Overall, for the period under review, pension expenses are as follows:

PENSION EXPENSES TAB: 5.9.49

			2013			2012
	Total	Germany	Outside Germany	Total	Germany	Outside Germany
in € million						
Expenses defined contribution plans	17.3	2.7	14.6	14.8	2.2	12.6
Service costs defined benefit commitments (incl. past service costs)	12.0	5.8	6.2	14.4	5.9	8.5
Pension expenses	**29.3**	**8.5**	**20.8**	**29.2**	**8.1**	**21.1**

In addition, contributions of € 83.3 million (previous year: € 85.0 million) were paid to state pension insurance funds.

(22) PROVISIONS FOR MINING OBLIGATIONS

PROVISIONS FOR MINING OBLIGATIONS TAB: 5.9.50

		2013		2012
	Total	of which current	Total	of which current
in € million				
Mine and shaft backfilling	307.5	6.9	303.7	6.9
Maintenance of tailing piles	298.2	—	266.0	—
Mine damages	52.8	—	54.6	—
Restoration	78.1	—	77.1	—
Other	14.2	—	12.1	—
Provisions for mining obligations	**750.8**	**6.9**	**713.5**	**6.9**

Provisions for mining obligations are recognised as a result of statutory and contractual requirements as well as conditions imposed by public agencies and are given concrete form in plant plans and water law permit decisions above all. These obligations, which are mainly of a public law type, require surface securing and recultivation measures. Mining damage can result from underground extraction and the related possible lowering of the land at surface level or as a result of damage in the production process in the form of dust or salinisation. The obligations that might arise are covered by provisions.

/ **YOU CAN FIND A SENSITIVITY ANALYSIS FOR THE DISCOUNT RATE APPLIED TO MINING PROVISIONS** in the Management Report on page 84.

The amount of the provisions to be recognised is based on expected expenditures or estimated compensation. Provisions for mining obligations mainly have a long-term character and, on the basis of future anticipated expenditure, are carried at the discounted amount required to settle the obligation as of the balance sheet date. In this connection, a future price increase of 1.5 % is assumed. The discount factor for mining obligations in EU countries amounts to 4.3 % (previous year: 4.3 %). As a discount factor for mining obligations in North America, an interest rate of 5.6 % (USA, previous year: 4.9 %) and 5.0 % (Canada, previous year: 4.5 %) is used. An adjustment of discount factors in financial year 2013 resulted in a reduction in mining provisions of € 3.8 million. The anticipated timing of the settlement of such obligations largely depends on the remaining economic useful life of the sites. The obligations in part extend well beyond 2050.

The addition to provisions for mining obligations for the year under review of € 67.1 million (previous year: € 155.1 million) mainly consists in the annual accumulation of provisions, the recognition of additional provisions for mining risks and the revaluation of existing provisions.

Mining provisions in the amount of € 11.3 million (previous year: € 11.1 million) were used to discharge the maintenance obligation. It also includes expenditure connected with mining damage risks.

Reversals of provisions amounting to € 15.7 million (previous year: € 17.8 million) mainly result from a reduction in individual obligations.

(23) NON-CURRENT OBLIGATIONS TO EMPLOYEES

NON-CURRENT OBLIGATIONS TO EMPLOYEES TAB: 5.9.51

in € million	2013	2012
Provisions for long-term incentives	31.9	47.3
Provisions for jubilee bonuses	26.2	25.9
Provisions for partial retirement	8.7	13.6
Other non-current obligations to employees	2.8	3.1
Total non-current obligations to employees	**69.6**	**89.9**

The accounting treatment of the provision for the indicator-based "Long-term Incentive Programme" is performed applying the projected unit credit method. Actuarial gains and losses are recorded in profit or loss. In determining them, an actuarial interest rate of 0.7 % (previous year: 0.7 %) is applied.

/ **MORE INFORMATION ON THE "LONG-TERM INCENTIVE PROGRAMME"** can be found in the Remuneration Report on page 34.

The provisions for partial retirement take into account obligations arising from partial retirement agreements that have been concluded. Measurement encompasses both fulfilment shortfalls (difference between the value of full-time employment and partial retirement remuneration plus related employer contributions to social insurance) as well as step-up contributions to partial retirement remuneration and contributions to statutory pension insurance. They are stated at present value applying an actuarial interest rate of 0.7 % (previous year: 0.7 %) with an anticipated annual increase in salaries and wages of 1.8 % (previous year: 1.8 %). The partial retirement obligations of € 25.6 million (previous year: € 40.9 million) as of the balance sheet date were offset against plan assets of € 16.9 million (previous year: € 27.3 million). The plan assets take the form of a contractual trust arrangement (CTA) and serve to secure the benefits due to employees under partial retirement agreements.

Provisions for jubilee bonuses are recognised for future payments in connection with 25-, 40- and 50-year length of service anniversaries. They are valued applying the projected unit credit method. They are stated applying an actuarial interest rate of 3.5 % (previous year: 3.5 %) with an anticipated annual increase in salaries and wages of 1.8 % (previous year: 1.8 %).

(24) CURRENT PROVISIONS

The obligations under sales transactions relate in particular to rebates and price concessions; the provisions for outstanding invoices result from purchase contracts. Current obligations for personnel mainly include provisions for the performance-related remuneration as well as provisions for outstanding vacation leave and non-working shifts.

(25) FINANCIAL LIABILITIES

The following table shows the liquidity analysis of the financial liabilities in the form of contractually agreed undiscounted cash flows:

LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES 2013 TAB: 5.9.52

		Cash flows			
in € million	2013 Carrying amount	2013 Total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Bank loans and overdrafts	2,255.2	2,695.7	841.3	713.8	1,140.6
– of which bonds	2,251.8	2,692.1	840.3	711.2	1,140.6
– of which liabilities towards banks	3.4	3.6	1.0	2.6	—
Accounts payable – trade	271.5	271.5	271.4	0.1	—
Liabilities from leasing	3.2	3.2	0.6	2.6	—
Other financial liabilities	50.3	50.3	47.4	—	2.9
Non-derivative financial liabilities	**2,580.2**	**3,020.7**	**1,160.7**	**716.5**	**1,143.5**

LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES 2012 TAB: 5.9.53

		Cash flows			
in € million	2012 Carrying amount	2012 Total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Bank loans and overdrafts	1,265.8	1,509.3	55.2	857.8	596.3
– of which bonds	1,261.7	1,504.8	54.2	854.3	596.3
– of which liabilities towards banks	4.1	4.5	1.0	3.5	—
Accounts payable – trade	289.2	289.2	289.2	—	—
Liabilities from leasing	4.5	4.5	0.2	4.3	—
Other financial liabilities	50.1	50.1	44.9	—	5.2
Non-derivative financial liabilities	**1,609.6**	**1,853.1**	**389.5**	**862.1**	**601.5**

The financial liabilities as of the reporting date mainly concern K+S AKTIENGESELLSCHAFT. They result from the bond issued in September 2009 with a volume of € 750.0 million, which carries a fixed interest rate of 5.0 % and has a maturity of five years, the bond issued in June 2012 with a volume of € 500.0 million, which carries a fixed interest rate of 3.0 % and has a maturity of ten years, as well as the bond issued in December 2013 with a volume of € 500.0 million, a fixed interest rate of 3.125 % and a maturity of five years, and the bond issued in December 2013 with a volume of € 500.0 million, a fixed interest rate of 4.125 % and a maturity of eight years.

/ **MORE INFORMATION ON THE BONDS** can be found in the section 'K+S on the capital market' in the Management Report.

In addition, there is a USD bond taken over in 2009 as part of the acquisition of MORTON SALT with an nominal value of US$ 22.6 million and maturing in 2020. Interest and repayment amounts resulting from this bond are to be paid by ROHM & HAAS and are contractually covered by a bank guarantee. The reimbursement claims for interest and repayment amounts resulting from this contractual construction are shown under the item "Receivables and other assets" in the non-current and current areas.

Liquidity is managed by means of a groupwide cash pool system by the central treasury department. The liquidity requirement is basically determined by liquidity planning and is covered by cash on hand and balances with banks as well as committed credit facilities. The existing syndicated credit line of € 800 million, set to run until July 2015, was renewed early and increased on attractive terms. The previous credit line, which was unused, was replaced by a new credit line in the amount of € 1 billion with a term of five years until 2018 and with two extension options of one year in each case.

/ **MORE INFORMATION ON LIQUIDITY RISKS** can be found in the Risk Report on page 94.

The following table shows the Group's liquidity analysis for derivative financial instruments. The table is based on undiscounted net cash flows for derivative financial instruments which are offset net, and undiscounted gross cash flows for derivative financial instruments which are offset gross.

LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENTS 2013 TAB: 5.9.54

in € million	2013 Carrying amount	2013 Total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Net fulfilment					
Freight derivatives	–	–	–	–	–
Gross fulfilment					
Foreign currency derivatives[1]	(13.8)	(9.1)	(14.8)	5.7	–
Payment obligation[2]		(952.0)	(815.7)	(136.3)	–
Payment claim[2]		942.9	800.9	142.0	–

[1] On the reporting date, the simple currency options sold have no intrinsic value and cause no cash flow on this basis.
[2] Translation of payment transactions in foreign currency at spot rate.

LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENTS 2012 TAB: 5.9.55

in € million	2012 Carrying amount	2012 Total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Net fulfilment					
Freight derivatives	(2.8)	(2.8)	(2.8)	–	–
Gross fulfilment					
Foreign currency derivatives[1]	19.3	19.3	19.3	–	–
Payment obligation[2]		(673.4)	(673.4)	–	–
Payment claim[2]		692.7	692.7	–	–

[1] On the reporting date, the simple currency options sold have no intrinsic value and cause no cash flow on this basis.
[2] Translation of payment transactions in foreign currency at spot rate.

(26) FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of Group financial instruments:

FURTHER INFORMATION ON FINANCIAL INSTRUMENTS TAB: 5.9.56

in € million	Measurement category under IAS 39	2013 Carrying amount	2013 Fair value	2012 Carrying amount	2012 Fair value
Investments in affiliated companies and equity interests	Available for sale	13.1	13.1	14.9	14.9
Loans	Loans and receivables	0.8	0.8	1.0	1.0
Financial assets		**13.9**	**13.9**	**15.9**	**15.9**
Accounts receivable – trade	**Loans and receivables**	**737.9**	**737.9**	**770.3**	**770.3**
Remaining receivables and non-derivative financial assets	Loans and receivables	92.2	92.2	102.0	102.0
Derivatives	Held for trade	22.9	22.9	28.7	28.7
Other assets	not IFRS 7	92.9	92.9	83.7	83.7
Other receivables and assets		**208.0**	**208.0**	**214.4**	**214.4**
Securities and other financial investments	**Loans and receivables**	**722.7**	**723.4**	**715.1**	**716.2**

FURTHER INFORMATION ON FINANCIAL INSTRUMENTS (CONTINUED) TAB: 5.9.56

in € million	Measurement category under IAS 39	2013 Carrying amount	2013 Fair value	2012 Carrying amount	2012 Fair value
Securities and other financial investments	**Available for sale**	**312.8**	**312.8**	**219.4**	**219.4**
Cash on hand and balances with banks	**Loans and receivables**	**996.3**	**996.3**	**351.8**	**351.8**
Cash on hand and balances with banks	**Available for sale**	**15.0**	**15.0**	**—**	**—**
Financial liabilities	**Financial liabilities at amortised cost**	**2,255.2**	**2,304.2**	**1,265.8**	**1,348.1**
Accounts payable – trade	**Financial liabilities at amortised cost**	**271.5**	**271.5**	**289.2**	**289.2**
Other non-derivative financial liabilities	Financial liabilities at amortised cost	50.3	50.3	50.1	50.1
Derivatives	Held for trade	25.2	25.2	4.3	4.3
Liabilities from finance leases	IFRS 7	3.2	3.2	4.5	4.5
Other liabilities	not IFRS 7	33.4	33.4	29.5	29.5
Remaining and other liabilities		**112.1**	**112.1**	**88.4**	**88.4**

The carrying amounts of the financial instruments, aggregated according to the measurement categories of IAS 39, are as follows:

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AGGREGATED ACCORDING TO MEASUREMENT CATEGORIES TAB: 5.9.57

in € million	2013	2012
Financial assets available for sale	340.9	234.3
Loans and receivables	2,549.9	1,940.2
Financial assets held for trade	22.9	28.7
Financial liabilities at amortised cost	2,577.0	1,605.1
Financial liabilities held for trade	25.2	4.3

The fair values of the financial instruments were mainly determined on the basis of the market information available on the balance sheet date and are to be allocated to one of the three levels of the fair value hierarchy in accordance with IFRS 7.

Level 1 financial instruments are calculated on the basis of prices quoted on active markets for identical assets and liabilities. In Level 2, financial instruments are calculated on the basis of input factors which are derivable from observable market data or on the basis of market prices for similar instruments. Level 3 financial instruments are calculated on the basis of input factors which are not derivable from observable market data.

The following table shows the assets and liabilities measured at fair value:

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE TAB: 5.9.58

	2013				2012			
in € million	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets	350.7	327.8	22.9	—	248.1	219.4	28.7	—
Derivative financial instruments not part of a hedge under IAS 39	22.9	—	22.9	—	28.7	—	28.7	—
Financial assets available for sale	327.8	327.8	—	—	219.4	219.4	—	—
Liabilities	25.2	—	25.2	—	4.3	—	4.3	—
Derivative financial instruments not part of a hedge under IAS 39	25.2	—	25.2	—	4.3	—	4.3	—

The derivative financial instruments mainly comprise currency derivatives. In the case of forward exchange transactions, fair value is calculated on the basis of forward exchange rates, and in the case of currency options, option pricing models are used. In addition, the risk of counter-party default is also taken into account in performing the calculations.

Fair values for financial assets available for sale are based on the prices quoted on active markets.

In the case of equity instruments measured at acquisition cost, it is not possible to determine fair values reliably because of the absence of active markets. This applies to shares in (non-consolidated) subsidiaries, joint ventures, associated companies and to equity interests. It is assumed that the carrying amounts correspond to the fair values as at the balance sheet date.

In the case of trade accounts receivable, other receivables and non-derivative assets as well as liquid assets, the carrying amounts correspond to the fair values for these instruments because their maturities are largely short term.

The fair values of securities and other financial investments belonging to the “Loans and receivables” category correspond to the present values of the payments associated with these balance sheet items (Level 2).

In the case of financial liabilities, fair value is based on market prices if active markets exist (Level 1), if not, the present value of future payment streams (Level 2) is used. Market interest rates, based on the corresponding maturity, are used for discounting purposes.

In the case of trade accounts payable as well as other non-derivative and other liabilities, it is assumed that the carrying amounts correspond to the fair values for these instruments because their maturities are largely short term.

For loans and liabilities from finance leases, it is assumed that the carrying amounts correspond to the fair values because of insignificant deviations in market and computational interest rates.

The net results from financial instruments are shown in the following table:

NET RESULTS FROM FINANCIAL INSTRUMENTS TAB: 5.9.59

in € million	2013	2012
Financial assets available for sale	6.6	5.3
Loans and receivables	(16.0)	3.5
Financial assets and liabilities held for trading	(10.4)	12.6
Financial liabilities at amortised cost	5.2	(7.8)

The net result from financial assets available for sale mainly comprises gains or losses on equity investments.

The net result from loans and receivables mainly includes the effects of currency translation and changes in allowances.

The net result from financial assets and liabilities held for trading predominantly comprises effects arising from the fair value measurement and realisation of derivative financial instruments.

The net result from liabilities measured at amortised cost mainly comprises the effects of foreign currency translation.

Total interest income and expenses for financial assets and liabilities that are measured at fair value without recognition in profit or loss were as follows:

NET INTEREST INCOME FROM FINANCIAL INSTRUMENTS TAB: 5.9.60

in € million	2013	2012
Interest income	23.6	20.2
Interest expenses	(65.6)	(51.7)

Interest risks arise from a change of market interest rates, which may have an impact on interest to be received or paid and the market value of the financial instrument. This can cause corresponding effects on earnings or equity. In accordance with IFRS 7, risks of change in interest rates must be described in a sensitivity analysis. It is based on the following assumptions:

The effect on earnings or equity established by means of the sensitivity analysis refers to the total on the balance sheet date and shows the hypothetical effect for one year.

Changes in market interest rates of primary financial instruments with variable interest rates have an impact on net interest income and are taken into account in the earnings-orientated sensitivity analysis.

Changes in market interest rates of primary financial instruments with fixed interest rates, stated at amortised cost, do not have an impact on earnings or equity and are therefore not taken into account in the sensitivity analysis. In the event of reinvestment, they are subject to interest risk, which, however, is not to be taken into account in the sensitivity analysis as of the balance sheet date.

Furthermore, on the balance sheet date, there were no interest rate derivatives which possibly might have to be included in a sensitivity analysis.

Consequently, the increase of the interest rate level by one percentage point on the balance sheet date would lead to an improvement in net interest income of € 5.5 million (previous year: € 4.4 million). A decrease in the interest rate level by one percentage point on the balance sheet date would lead to the deterioration of net interest income by € 3.2 million (previous year: € 3.4 million).

For cash investment purposes, there are securities and other financial investments with a fair value of € 327.8 million as of 31 December 2013 (previous year: € 219.4 million) and which are classified as available for sale. An increase (decrease) in the interest rate level by one percentage point on the balance sheet date would lead to a decrease (increase) in market value of € 0.5 million (previous year: € 1.7 million).

In addition to receivables and liabilities in the Group currency, the euro, there are also items in foreign currencies. Had the euro appreciated or depreciated against foreign currencies (mainly the US dollar) by 10 %, the change in the fair value recognised in profit or loss of the net balance of foreign currency receivables and liabilities would have amounted to ± € 23.8 million (previous year: ± € 29.7 million).

There were also investments for which the contracting parties – usually banks – provided collateral. These are so-called tri-party repo transactions which are secured investments in nature and are cleared in a clearing house. This clearing house is responsible for the deposit/delivery of the collaterals to/from the K+S depot there and the daily market evaluation of the particular agreed collateral. The collaterals which cannot be used otherwise are agreed with the contracting party through a so-called basket, which is defined mainly according to investment classes, ratings, countries and currencies. The aforementioned criteria determine up to what mortgage lending value the respective collateral is taken into account. In other words, when the rating decreases or the transferability of the respective collateral is reduced, the mortgage lending value is also reduced and additional collateral must be provided. The given framework of the potential collateral depends on our internal monitoring, which essentially takes the rating and the amount of the particular credit default swaps into account.

Additionally, there are also fixed-term deposits on repurchase agreements, for which we hold CO_2 certificates (EUA certificates) as collateral. These CO_2 certificates are principally transferable without any restrictions. As of 31 December 2013, the fair value of these certificates amounted to € 80.4 million (previous year: € 55.7 million).

(27) CONTINGENT LIABILITIES

In the K+S GROUP, general business is bound up with various risks for which provisions have been recognised, provided that the conditions are fulfilled. Furthermore, there are no further risks which would lead to the disclosure of contingent liabilities.

(28) OTHER FINANCIAL OBLIGATIONS

OTHER FINANCIAL OBLIGATIONS TAB: 5.9.61

in € million	2013	2012
Commitments from uncompleted capital expenditure projects	382.4	223.1
Obligations from operating leases (nominal value)		
– due in following year	31.4	20.9
– due in 2nd to 5th year	89.2	42.0
– due after 5 years	92.7	13.2
Other financial obligations	**595.7**	**299.2**

Operating lease contracts exist which relate, for example, to factory and office equipment and vehicles. Given the relevant contractual arrangements, these assets are not to be carried under fixed assets. Expenditure arising from operating leasing in 2013 came to € 53.6 million (previous year: € 38.4 million). Liabilities and other financial obligations from finance leases existing as of 31 December 2013 are considered immaterial from a Group perspective.

NOTES TO THE SEGMENT REPORTING

The segment reporting is presented on page 132.

(29) DEFINITION OF SEGMENTS

Segments are defined according to products. This corresponds to the internal organisation and reporting structure of the K+S GROUP.

The Potash and Magnesium Products segment combines the production and marketing of potash fertilizers and fertilizer specialities as well as potash and magnesium compounds for technical, industrial and pharmaceutical applications.

The figures reported in the previous year for "discontinued operations" in the segment reporting resulted from the NITROGEN business. On 8 May 2012, the sale of the NITROGEN business to EUROCHEM was announced and it was completed successfully on 2 July 2012.

The Salt segment encompasses the production and marketing of food grade salt, industrial salt and salt for chemical use, de-icing salt and sodium chloride brine.

The Complementary Activities segment bundles together not only recycling activities and waste disposal or reutilisation in potash and rock salt mines as well as CATSAN® and THOMAS® granulation, but also other activities important for the K+S GROUP. With K+S TRANSPORT GMBH and its subsidiaries, the K+S GROUP possesses its own logistics service provider. CHEMISCHE FABRIK KALK GMBH trades in different basic chemicals.

The accounting and valuation procedures applied in determining segment information are essentially in compliance with the accounting and valuation principles of the K+S GROUP.

(30) PRINCIPLES OF SEGMENT ASSET AND DEBT ALLOCATION

Assets, provisions and liabilities are allocated to the segments in accordance with their utilisation or origin. If they are utilised by or originate in more than one segment, they are allocated on the basis of appropriate keys.

Financial assets (except for equity interests) and non-current financial liabilities are not allocated to the segments.

(31) PRINCIPLES OF SEGMENT EARNINGS ALLOCATION

The data for the determination of segment earnings is produced by internal accounting on the basis of income statements in accordance with the nature of costs method (internal reporting structure of the K+S GROUP). The income statements of the companies included are allocated to the segments under profit centre accounting.

Operating earnings (EBIT I) is treated by K+S GROUP as the most important internal earnings figure and as an indicator of earnings capacity. In addition to disregarding net interest income and the tax expense, other income and expenses affecting the financial result are not taken into account. Taking into account tax effects, certain effects of operating forecast hedges are eliminated additionally (see also 'Notes to the income statement and the statement of comprehensive income' on page 146).

The earnings of the business units are presented on a consolidated basis. Intra-segment deliveries and services are consolidated.

(32) PRINCIPLES FOR TRANSFER PRICES BETWEEN SEGMENTS

Transfer prices are defined for deliveries and services between segments, which would have to be paid in the respective specific situation and under the same circumstances by a non-related third party. The methods of determining the transfer prices are documented on a timely basis and retained without interruption. The price comparison method, the resale price method, the cost plus method or a combination of these methods can be applied in determining the transfer prices for deliveries. Thereby, the method is chosen that is closest to that under which arm's length prices are determined in comparable markets.

(33) ADDITIONAL SEGMENT INFORMATION

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

Provisions amounting to € 20.0 million (previous year: € 26.7 million) were released for obligations from 2012 not claimed.

SALT BUSINESS UNIT

During the period under review, provisions amounting to € 4.7 million (previous year: € 5.2 million) were released for obligations not claimed. During the year under review, the disposal of fixed assets resulted in income of € 4.6 million (previous year: € 0.9 million) and a loss of € 10.9 million (previous year: € 11.5 million). In the year under review, non-scheduled depreciation on property amounted to € 8.1 million (previous year: € 1.1 million) and is disclosed in other operating expenses.

(34) NOTES TO THE RECONCILIATION ITEMS

The reconciliation from the segment figures to the corresponding items in the consolidated financial statements of the K+S GROUP comprises items allocated to central functions as well as consolidation-related effects. The main items are:

RECONCILIATION SEGMENT FIGURES TAB: 5.9.62

in € million	2013	2012
Reconciliation of segment results (EBIT I)		
Consolidation-related effects	–	0.1
Result for the central functions	(39.1)	(49.5)
	(39.1)	**(49.4)**
Reconciliation of segment assets		
Fixed assets	78.8	62.6
Deferred tax assets	33.4	49.0
Market values of derivatives	10.4	7.8
Tax refund claims from income taxes	29.4	36.9
Other receivables	87.4	102.6
Cash and cash equivalents	1,792.9	1,101.5
Consolidation-related effects	(491.0)	(808.9)
	1,541.3	**551.5**

Continued on page 174

RECONCILIATION SEGMENT FIGURES (CONTINUED) TAB: 5.9.62	2013	2012
in € million		
Reconciliation of segment liabilities		
Provisions for pensions and similar obligations	0.2	1.2
Other provisions	50.6	58.8
Deferred tax liabilities	196.1	274.7
Market values of derivatives	23.3	0.8
Financial liabilities	2,255.1	1,265.8
Other liabilities	60.4	70.9
Income tax liabilities	49.1	50.1
Consolidation-related effects	(49.8)	(50.3)
	2,585.0	**1,672.0**

(35) REVENUES BY REGION

The breakdown of revenues of the K+S GROUP by geographical region is as follows:

REVENUES BY REGION TAB: 5.9.63	2013	2012
in € million		
Europe	1,744.7	1,647.9
– of which Germany	629.9	580.6
North America	1,196.8	1,017.9
– of which USA	911.6	758.9
South America	547.7	678.1
– of which Brazil	425.1	562.4
Asia	362.7	474.4
Africa, Oceania	98.5	117.0
Total revenues	**3,950.4**	**3,935.3**

The allocation is performed according to the registered seats of the customers. In financial years 2012 and 2013, no single customer accounted for more than 10 % of total revenues.

(36) NON-CURRENT ASSETS BY REGION

The non-current assets of the K+S GROUP comprise intangible assets, property, plant and equipment as well as investment properties and break down into geographical regions as follows:

NON-CURRENT ASSETS BY REGION TAB: 5.9.64	2013	2012
in € million		
Europe	1,367.3	1,193.2
– of which Germany	1,312.6	1,144.6
North America	2,065.9	1,863.9
– of which USA	893.3	942.4
– of which Canada	1,154.7	902.3
South America	443.0	478.7
– of which Chile	437.3	472.1
Total assets	**3,876.2**	**3,535.8**

The allocation is performed according to the location of the assets concerned.

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement is presented on page 123.

/ **FURTHER INFORMATION ON THE CASH FLOW STATEMENT** can be found in the Management Report on page 86.

(37) PROCEEDS FROM THE DIVESTMENT OF CONSOLIDATED COMPANIES

PROCEEDS FROM THE DIVESTMENT OF CONSOLIDATED COMPANIES TAB: 5.9.65	2013	2012
in € million		
Sale price	–	195.7
– of which to non-consolidated companies of the K+S Group	–	(0.7)
Disposed cash on hand and balances with banks	–	(11.0)
Repayment of cash pool credit balance	–	(109.0)
Proceeds from the sale of consolidated companies	**–**	**75.0**

(38) DISBURSEMENTS FOR THE ACQUISITION OF CONSOLIDATED COMPANIES

DISBURSEMENTS FOR THE ACQUISITION OF CONSOLIDATED COMPANIES TAB: 5.9.66

in € million	2013	2012
Acquisition price	–	4.4
Acquired cash on hand and balances with banks	–	(0.2)
Disbursements for the acquisition of consolidated companies	**–**	**4.2**

(39) NET CASH AND CASH EQUIVALENTS

NET CASH AND CASH EQUIVALENTS TAB: 5.9.67

in € million	2013	2012
Cash on hand and balances with banks (according to balance sheet)	1,011.3	351.8
Cash invested with affiliated companies	–	0.3
Cash received from affiliated companies	(6.3)	(7.1)
Net cash and cash equivalents	**1,005.0**	**345.0**

Cash and cash equivalents include checks, cash on hand and balances with banks, as well as financial investments with a term normally not exceeding three months from the time of acquisition. The financial investments mainly include fixed-term deposits at credit institutions and other cash-equivalent investments.

Cash invested with affiliated companies are stated in the item "Other receivables and assets", and cash received from affiliated companies in the item "Other liabilities".

OTHER INFORMATION

AUDITOR'S FEES TAB: 5.9.68

in € million	2013	2012
Audit fees	0.7	0.7
Other assurance services	–	–
Tax advisory services	–	–
Other performances	0.2	0.2
Auditor's fees	**0.9**	**0.9**

Auditing performances encompass the auditing of the consolidated financial statements and the annual financial statements of the included German companies.

GOVERNMENT ASSISTANCE TAB: 5.9.69

in € million	2013	2012
Investment grants / premiums	1.2	0.3
Performance-related assistance	7.5	4.7
Government assistance	**8.7**	**5.0**

The investment grants / premiums recorded relate to sums for the Development Area of the Federal Republic of Germany, the United States and Canada. Investment grants and premiums are deducted from the carrying amounts of the assets to which they relate.

Performance-related assistance concerns support that is provided by the Federal Labour Office (Bundesagentur für Arbeit) in accordance with the German Partial Retirement Act (Altersteilzeitgesetz).

RELATED PARTIES

In addition to the subsidiaries included in the consolidated financial statements, the K+S GROUP has relationships to further related party companies; these include non-consolidated subsidiaries, joint ventures as well as companies on which the K+S GROUP can exercise decisive influence (associated companies). A complete overview of all related companies can be taken from the list of all shareholdings on page 177.

The following table shows the transactions of the K+S GROUP with non-consolidated subsidiaries that occurred in the period under review. The business was transacted on customary market terms.

TRANSACTIONS WITH NON-CONSOLIDATED SUBSIDIARIES TAB: 5.9.70

in € million	2013	2012
Trade revenues	48.8	36.5
Deliveries and services received	26.9	25.4
Income from dividend payments and profit transfers	7.3	5.7
Other income	0.6	0.6
Other expenses	2.6	1.5

The trade revenues mainly result from the sale of goods by consolidated companies to foreign distribution companies. Deliveries and services received mainly concern deliveries of explosives from a German subsidiary as well as commissions, which were billed by foreign distribution companies.

On 31 December 2013, the following outstanding balances with non-consolidated subsidiaries were disclosed:

BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES TAB: 5.9.71

in € million	2013	2012
Receivables from affiliated companies	4.5	11.9
– of which from bank transactions	—	0.3
Liabilities to affiliated companies	11.2	12.6
– of which from bank transactions	6.3	7.1

On the balance sheet date, there were no allowances on receivables from affiliated companies as was the case in the previous year. Failure insurances for receivables from subsidiaries do not exist. The receivables and liabilities from bank transactions result from the centralised taking-out and investment of cash at K+S AKTIENGESELLSCHAFT (cash pooling). On the balance sheet date, there were no loans to non-consolidated subsidiaries.

Transactions of the K+S GROUP with joint ventures and associated companies are immaterial from a Group perspective.

Related party persons are defined as persons, who are responsible for the planning, management and monitoring of a company. They include the Board of Executive Directors and the Supervisory Board. The remuneration of related party persons is presented in the following section as well as in the Remuneration Report. There were no other material transactions with related parties.

TOTAL REMUNERATION OF THE SUPERVISORY BOARD AND THE BOARD OF EXECUTIVE DIRECTORS

TOTAL REMUNERATION OF THE SUPERVISORY BOARD AND THE BOARD OF EXECUTIVE DIRECTORS TAB: 5.9.72

in € million	2013	2012
Total remuneration of the Supervisory Board	**2.0**	**2.0**
– of which fixed	2.0	2.0
Total remuneration of the Board of Executive Directors	**8.8**	**9.3**
– of which fixed	2.6	2.2
– of which performance-related	3.7	3.9
– of which LTI programmes	2.5	3.2
Total remuneration of former members of the Board of Executive Directors and their surviving dependents	**1.5**	**1.1**
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	**17.4**	**14.8**

The total remuneration of the Board of Executive Directors in the year under review related to six board members, five of whom were in office for twelve months and one of whom was in office for four months. In the previous year, the Board of Executive Directors had six members, three of whom were in office for twelve months, with the remaining members of the Board of Executive Directors in office for nine, seven and three months.

The remuneration system for the Board of Executive Directors consists of the following elements:

+ regular monthly payments (fixed salary) to which in-kind benefits are added;
+ performance-related non-recurrent remuneration, with bonuses based on the return on total investment and on an individual performance-related component and paid in the following financial year;
+ the long-term incentive (LTI) programme.

The emoluments received by the individual members of the Board of Executive Directors for financial year 2013 are set forth in the Remuneration Report included in the Corporate Governance Report on page 25; the Remuneration Report also constitutes an integral part of the Management Report.

SHAREHOLDINGS IN K+S AKTIENGESELLSCHAFT

MERITUS TRUST COMPANY LIMITED, Bermuda, owns just under 10 % of the shares via EUROCHEM GROUP SE and its attributable subsidiaries. MERITUS manages the industrial shareholdings of Andrey Melnichenko on a fiduciary basis. On 11 May 2012, BLACKROCK INC., New York (USA), notified us that its share of voting rights had exceeded the 5 % threshold and that it held 5.08 % of the Company.

DECLARATION OF CONFORMITY CONCERNING THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of conformity pursuant to Sec. 161 of the German Stock Corporation Act concerning the recommendations made by the "Government Commission on the German Corporate Governance Code" has been made by the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT for 2013/14 and is available to shareholders on the K+S GROUP website (www.k-plus-s.com) as well as published on page 25 of the 2013 Financial Report.

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB)

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) TAB: 5.9.73

in %; as of 31.12.2013	Company's registered office		Interests in capital	Share of voting rights
Fully consolidated German subsidiaries (16 companies)				
K+S Aktiengesellschaft	Kassel	Germany	–	–
Chemische Fabrik Kalk GmbH	Cologne	Germany	100.00	100.00
Deutscher Straßen-Dienst GmbH	Hanover	Germany	100.00	100.00
esco – european salt company GmbH & Co. KG [1,2]	Hanover	Germany	100.00	100.00
esco international GmbH [2]	Hanover	Germany	100.00	100.00
German Bulk Chartering GmbH [3]	Hamburg	Germany	100.00	100.00
K+S Baustoffrecycling GmbH [3]	Sehnde	Germany	100.00	100.00
K+S Beteiligungs GmbH [2,3]	Kassel	Germany	100.00	100.00
K+S Entsorgung GmbH [2,3]	Kassel	Germany	100.00	100.00
K+S IT-Services GmbH [3]	Kassel	Germany	100.00	100.00
K+S KALI GmbH [2,3]	Kassel	Germany	100.00	100.00
K+S North America Asset Management GmbH	Kassel	Germany	100.00	100.00
K+S North America Salt Asset Management GmbH & Co. KG [1]	Kassel	Germany	100.00	100.00
K+S Salz GmbH [2,3]	Hanover	Germany	100.00	100.00
K+S Transport GmbH [2,3]	Hamburg	Germany	100.00	100.00
Kali-Union Verwaltungsgesellschaft mbH [2,3]	Kassel	Germany	100.00	100.00
Fully consolidated foreign subsidiaries (48 companies)				
1786987 Alberta Ltd.	Calgary	Canada	100.00	100.00
Canadian Brine, Ltd.	Pointe Claire	Canada	100.00	100.00
Canadian Salt Finance Company (ULC)	Vancouver	Canada	100.00	100.00
Canadian Salt Holding Company (ULC)	Vancouver	Canada	100.00	100.00
Compania Minera Punta de Lobos Ltda.	Santiago de Chile	Chile	99.64	100.00
Empresa de Servicios Ltda.	Santiago de Chile	Chile	99.64	100.00
Empresa Maritima S.A.	Santiago de Chile	Chile	48.67	99.59
Continued on page 178				

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED) TAB: 5.9.73

in %; as of 31.12.2013	Company's registered office		Interests in capital	Share of voting rights
esco benelux N.V.	Diegem	Belgium	100.00	100.00
esco france S.A.S.	Levallois-Perret	France	100.00	100.00
esco Holding France S.A.S.	Dombasle-sur-Meurthe	France	100.00	100.00
esco Spain S.L.	Barcelona	Spain	100.00	100.00
Frisia Zout B.V.	Harlingen	Netherlands	100.00	100.00
Glendale Salt Development, LLC	Chicago	USA	100.00	100.00
Inagua General Store, Ltd.	Chicago	USA	100.00	100.00
Inagua Transports, Inc.	Chicago	USA	100.00	100.00
International Salt Company, LLC	Clarks Summit	USA	100.00	100.00
Inversiones Columbus Ltda.	Santiago de Chile	Chile	2.00	100.00
Inversiones Empremar Ltda.	Santiago de Chile	Chile	48.87	100.00
Inversiones K+S Sal de Chile Ltda.	Santiago de Chile	Chile	100.00	100.00
K+S Canada Holdings (ULC)	Vancouver	Canada	100.00	100.00
K+S Chile S.A.	Santiago de Chile	Chile	99.64	99.64
K+S Czech Republic a.s.	Prague	Czech Republic	100.00	100.00
K+S Finance Belgium BVBA	Diegem	Belgium	100.00	100.00
K+S Finance Ltd.	St. Julians	Malta	100.00	100.00
K+S Holding France S.A.S.	Reims	France	100.00	100.00
K+S Investments Ltd.	St. Julians	Malta	100.00	100.00
K+S KALI Du Roure S.A.S.	Le Teil	France	100.00	100.00
K+S KALI France S.A.S.	Reims	France	100.00	100.00
K+S KALI Rodez S.A.S.	Sainte Radegonde	France	97.45	97.45
K+S KALI Wittenheim S.A.S.	Wittenheim	France	100.00	100.00
K+S Montana Holdings, LLC	Chicago	USA	100.00	100.00
K+S Netherlands Holding B.V.	Harlingen	Netherlands	100.00	100.00
K+S North America Corporation	New York	USA	100.00	100.00
K+S North America Salt Holdings LLC	Chicago	USA	100.00	100.00
K+S Perú S.A.C.	Lima	Peru	100.00	100.00

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED) TAB: 5.9.73

in %; as of 31.12.2013	Company's registered office		Interests in capital	Share of voting rights
K+S Potash Canada General Partnership	Vancouver	Canada	100.00	100.00
Montana US Parent Inc.	Chicago	USA	100.00	100.00
Morton Bahamas Ltd.	Chicago	USA	100.00	100.00
Morton Salt, Inc.	Chicago	USA	100.00	100.00
S.P.L.-USA, LLC	Clarks Summit	USA	100.00	100.00
Salina Diamante Branco Ltda.	Rio de Janeiro	Brazil	100.00	100.00
Salines Cérébos S.A.S.	Levallois-Perret	France	100.00	100.00
Servicios Maritimos Patillos S.A.[4]	Santiago de Chile	Chile	49.82	50.00
Servicios Portuarios Patillos S.A.	Santiago de Chile	Chile	99.53	99.89
The Canadian Salt Company Limited	Calgary	Canada	100.00	100.00
Transporte por Containers S.A.	Santiago de Chile	Chile	48.04	98.71
VATEL Companhia de Produtos Alimentares S.A.	Alverca	Portugal	100.00	100.00
Weeks Island Landowner, LLC	Chicago	USA	100.00	100.00
Non-consolidated German subsidiaries (13 companies)[5]				
1. K+S Verwaltungs GmbH	Kassel	Germany	100.00	100.00
1. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00	100.00
3. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00	100.00
4. K+S Verwaltungs GmbH	Kassel	Germany	100.00	100.00
Beienrode Bergwerks-GmbH	Kassel	Germany	89.80	89.80
esco Verwaltungs GmbH	Hanover	Germany	100.00	100.00
Ickenroth GmbH	Staudt	Germany	100.00	100.00
K+S An-Instituts Verwaltungsgesellschaft mbH	Kassel	Germany	100.00	100.00
K+S Consulting GmbH	Kassel	Germany	100.00	100.00
K+S Versicherungsvermittlungs GmbH	Kassel	Germany	100.00	100.00
MSW-Chemie GmbH	Langelsheim	Germany	68.50	68.50
Verlagsgesellschaft für Ackerbau mbH	Kassel	Germany	100.00	100.00
Wohnbau Salzdetfurth GmbH	Bad Salzdetfurth	Germany	100.00	100.00

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED) TAB: 5.9.73

in %; as of 31.12.2013	Company's registered office		Interests in capital	Share of voting rights
Non-consolidated foreign subsidiaries (19 companies) [5]				
esco Nordic AB	Gothenburg	Sweden	100.00	100.00
Imperial Thermal Products, Inc.	Chicago	USA	100.00	100.00
ISX Oil & Gas Inc.	Calgary	Canada	100.00	100.00
K+S Asia Pacific Pte. Ltd.	Singapore	Singapore	100.00	100.00
K+S Benelux B.V.	Breda	Netherlands	100.00	100.00
K+S Brasileira Fertilizantes e Produtos Industriais Ltda.	São Paulo	Brazil	100.00	100.00
K+S Denmark Holding ApS	Hellerup	Denmark	100.00	100.00
K+S Entsorgung (Schweiz) AG	Delémont	Switzerland	100.00	100.00
K+S Fertilizers (India) Private Limited	New Delhi	India	100.00	100.00
K+S Italia S.r.L.	Verona	Italy	100.00	100.00
K+S Legacy GP Inc.	Vancouver	Canada	100.00	100.00
K+S Mining Argentina S.A.	Buenos Aires	Argentinia	100.00	100.00
K+S Polska Sp. z o.o.	Poznan	Poland	100.00	100.00
K+S UK & Eire Ltd.	Hertford	Great Britain	100.00	100.00
Kali (U.K.) Ltd.	Hertford	Great Britain	100.00	100.00
Kali AG	Frauen-kappelen	Switzerland	100.00	100.00
OOO K+S Rus	Moscow	Russian Federation	100.00	100.00
Potash S.A. (Pty) Ltd.	Johannesburg	South Africa	100.00	100.00
Shenzhen K+S Trading Co. Ltd.	Shenzhen	China	100.00	100.00
Associated companies and joint ventures (3 companies) [6]				
Börde Container Feeder GmbH	Haldensleben	Germany	33.30	33.30
Morton China National Salt (Shanghai) Salt Co., Ltd.	Shanghai	China	45.00	45.00
Werra Kombi Terminal Betriebsgesellschaft mbH	Philippsthal	Germany	50.00	50.00
Other interests (6 companies) [7]				
Fachschule f. Wirtschaft und Technik Gem. GmbH	Clausthal	Germany	9.40	9.40
Hubwoo.com S.A.	Paris	France	0.04	0.04
Lehrter Wohnungsbau GmbH	Lehrte	Germany	6.70	6.70
Nieders. Gesellschaft zur Endablagerung von Sonderabfall mbH	Hanover	Germany	0.10	0.10
Poldergemeinschaft Hohe Schaar	Hamburg	Germany	8.66	8.66
Zoll Pool Hamburg AG	Hamburg	Germany	1.96	1.96

[1] Exemption rule according to Sec. 264b of the German Commercial Code (HGB) employed.
[2] By utilization of the exemption provision of Art. 291 of the German Commercial Code (HGB).
[3] Exemption rule according to Sec. 264 Para. 3 of the German Commercial Code (HGB) employed.
[4] Fully consolidated due to dominant influence (e.g. majority of the members of the management body).
[5] No consolidation due to minor importance.
[6] Equity method dispensed due to minor importance.
[7] Stating of amount of equity and earnings of the last financial year dispensed due to minor importance.

MEMBERS OF THE SUPERVISORY BOARD

A list of members of the Supervisory Board and its committees can be found in the Corporate Governance section on page 31; this list is also an integral part of the Consolidated Notes.

MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

A list of members of the Board of Executive Directors and their responsibilities can be found in the Corporate Governance section on page 30; this list is also an integral part of the Consolidated Notes.

Kassel, 28 February 2014

K+S AKTIENGESELLSCHAFT
THE BOARD OF EXECUTIVE DIRECTORS

FURTHER INFORMATION

DEFINITIONS OF KEY FINANCIAL INDICATORS

BOOK VALUE PER SHARE	= Equity / Total number of shares as of 31 Dec.
ENTERPRISE VALUE	= Market capitalisation + net indebtedness
EQUITY/ASSETS RATIO I	= Equity / Operating assets
EQUITY/ASSETS RATIO II	= Equity + non-current debt / Operating assets
INDEBTEDNESS I	= Bank loans and overdrafts / Equity
INDEBTEDNESS II	= Net indebtedness / Equity
LIQUIDITY RATIO I	= Cash on hand and balances with banks + current securities and other financial investments / Current debt
LIQUIDITY RATIO II	= Cash on hand and balances with banks + current securities and other financial investments + current receivables / Current debt
LIQUIDITY RATIO III	= Current assets / Current debt
NET FINANCIAL LIABILITIES	= Financial liabilities – cash on hand and balances with banks – securities and other financial investments
NET INDEBTEDNESS	= Financial liabilities + provisions for pensions and similar obligations + non-current provisions for mining obligations – cash on hand and balances with banks – securities and other financial investments
OPERATING ASSETS	= Intangible assets + property, plant and equipment + shares in affiliated companies + participating interests
RETURN ON CAPITAL EMPLOYED (ROCE)	= Operating earnings (EBIT I) / Operating assets[1] + working capital[1,2]
RETURN ON EQUITY	= Adjusted Group earnings after taxes[3] / Adjusted equity[1,3]
RETURN ON REVENUES	= Adjusted Group earnings[3] / Revenues
RETURN ON TOTAL INVESTMENT	= Adjusted earnings before taxes[3,4] + interest expenses / Adjusted balance sheet total[1,2,3]
VALUE ADDED	= (ROCE – weighted average cost of capital before taxes) x (operating assets[1]) + working capital[1])
WORKING CAPITAL	= Inventories + receivables and other assets[5] – current provisions – accounts payable trade – other payables[5]

[1] Annual average.
[2] Adjusted for reimbursement claims and corresponding obligations.
[3] Adjusted for the effects of market value changes of operating forecast hedges still outstanding; for adjusted Group earnings, the resulting tax effects were also eliminated.
[4] Including earnings before taxes of discontinued operations.
[5] Without the market values of operating forecast hedges still outstanding as well as derivatives no longer in operation, but including premiums paid for derivatives used for operating purposes; without receivables and liabilities from financial investments; adjusted for reimbursement claims as well as the surplus of the CTA plan assets.

GLOSSARY

BRINE Aqueous rock salt solution. Natural brine is obtained through drilling underground deposits of brine or through the controlled drill-hole solution mining procedure and also produced through the dissolution of mined rock salt.

BULK BLENDERS Operators of bulk fertilizer equipment, in which various nutrients are combined.

CASH FLOW Net balance of incoming and outgoing payments during a reporting period.

CAVERN In mining, a cavern is a large, artificially created underground cavity.

CHLORINE-ALKALINE ELECTROLYSIS In chlorine-alkaline electrolysis, chlorine, caustic soda solution and hydrogen are produced as a result of the decomposition of the basic substance sodium chloride with the aid of electricity. Alternatively, potassium hydroxide solution is produced by the application of potassium chloride. The important basic chemicals of chlorine, caustic soda solution, hydrogen and potassium hydroxide solution form the basis of numerous chemical products.

COMPLEX FERTILIZERS contain more than one nutrient, as a rule nitrogen, phosphorus and potassium as well as – depending on need and application – magnesium, sulphur or trace elements. As a result of the combination of raw materials in the production process and subsequent granulation, every single grain of the fertilizer contains precisely the same combination of nutrients; this allows for even spreading of the nutrients on the field.

COMPLIANCE Compliance (conforming with regulations) denotes adherence to laws, internal corporate regulations and guidelines as well as regulatory standards recognised by the Company. A compliance system is intended to avoid risks of liability, penalties and fines as well as other financial disadvantages for the Company and to ensure a positive reputation in the public.

COST OF CAPITAL also WACC (weighted average cost of capital); denotes the opportunity costs arising for equity providers and / or lenders through capital made available to the Company. The weighted average cost of capital rate is derived from the aggregate of the interest claim to which a contributor of equity would be entitled in respect of his equity share as well as the interest on debt in respect of the share of interest-bearing debt in total capital. As this is considered from an after-tax perspective, the average interest on debt is reduced by the corporate tax rate.

CRYSTALLISED SALT In contrast to liquid brine, crystallised salt is salt that exists in solid form, such as food grade salt and de-icing salt.

DISCONTINUED OPERATIONS The divestment of the NITROGEN business to EUROCHEM occurred on 2 July 2012. Consequently, since the second quarter of 2012, the NITROGEN business is reported as a discontinued operation in accordance with IFRS.

DUE DILIGENCE denotes the “necessary care” engaged in ahead of an acquisition and encompasses the performance of a detailed analysis of an acquisition target, particularly its geological, technical, (environmental) legal, fiscal and financial framework conditions. In the process, analysis results from the corporate data made available by the target company are employed. The aim is to expose or limit risks related to the acquisition.

EBIT I The internal control of the K+S GROUP is carried out partly on the basis of the operating earnings EBIT I. The result from operating forecast hedges included in EBIT I corresponds, due to the elimination of all fluctuations in market value during the term, to the value of the hedge at the time of realisation (difference between spot rate and hedged rate), less the premiums paid or plus the premiums received in the case of option transactions.

EBIT II Under IFRSS, fluctuations in market value from hedging transactions are reported in the income statement. EBIT II includes all earnings arising from operating hedging transactions, i.e. both valuation effects as at the reporting date and earnings from realised operating hedging derivatives. Earnings effects arising from the hedging of basic transactions with a financing character, whose earnings effects impact on EBIT I neither in the current financial year nor in future financial years, are stated in the financial result.

ELECTROSTATIC PREPARATION PROCESS (ESTA®) The ESTA® process is a dry processing method for potash crude salts, patented by K+S. With this process, the individual crude salt elements are charged differently, to ultimately be separated into the components sodium chloride and potassium chloride with the aid of an electric field. In comparison with classical, wet processing methods, energy input and production residues are significantly reduced.

ENTERPRISE VALUE is an indicator of the value of a company frequently used by financial analysts. Enterprise value is often related to other key figures (e.g. revenues, EBITDA, EBIT), so that so-called enterprise value multiples are produced.

EVAPORATED SALT is produced by evaporating saturated brine, whereby sodium chloride crystallises.

FLOTATION In production, the flotation process separates rock salt and potash or kieserite from the crude salt without heat supply. During the process, the minerals are separated into their components in a saturated saline solution as air is supplied. With the addition of flotation agents, the reusable substances adhere to the air bubbles and can thus be skimmed off after floating to the surface.

FREE FLOAT The number of shares not held by major shareholders owning more than 5 % of the shares of a company (with the exception of shares held by investment companies and asset managers).

GRI — GLOBAL REPORTING INITIATIVE The Global Reporting Initiative is a nonprofit foundation that develops cooperatively a framework for global sustainability reporting. The GRI reporting guideline specifies principles and indicators for organizations to measure their economic, environmental and social performance. The purpose is to promote transparency and comparability for sustainability reports.

HOT DISSOLUTION PROCESS The hot dissolution process is a production process applied in potash production, which is based on the temperature-dependent dissolving behaviour of minerals. The different components are separated, because the solubility of rock salt is uniformly good irrespective of the water temperature, and that of potassium chloride increases with the temperature.

K_2O Potassium oxide (K_2O) is a chemical measuring unit used to provide information on the potassium content of fertilizers.

LIQUIDITY RATIOS provide information about the extent to which current payment obligations are covered by cash and cash equivalents, current receivables and current assets.

OPERATING FORECAST HEDGES To hedge future currency positions (mainly in US dollars), we use operating derivatives in the form of options and futures (see also transaction risks).

PLATE DOLOMITE (LEINE CARBONATE) The plate dolomite (Leine carbonate) is above the salt deposits at a depth of approx. 400 to 500 metres and is covered by clay layers on both sides. It is approx. 10 metres thick and consists of limestone and dolomite rock, which already contains naturally mineralised water.

POTASSIUM CHLORIDE Potassium chloride (KCl) is a potassium salt used as fertilizer. In addition, it is the basic raw material for all inorganic and organic potassium compounds.

PRODUCTION OF GRANULATES denotes the production of dispersible fertilizer grains which can be spread with an agricultural fertilizer spreader.

RATING describes the assessment of a company's ability to meet its interest and repayment obligations in a timely manner in the future. It is given by a rating agency, e.g. MOODY'S or STANDARD & POOR'S, in the form of standardised categories.

SODIUM CHLORIDE Sodium chloride (NaCl) or table salt is a crystalline mineral extracted from rock salt and sea salt. As food grade salt, sodium chloride is an indispensable mineral supplier to the human body. Sodium chloride is also used to maintain road safety and as an important element in the production of glass, paper and plastic.

SOLUTION MINING In solution mining, freshwater is brought into solvent (salt) rock through a drill hole, thus creating chambers filled with a water-salt solution, so-called caverns. In a subsequent step, the saturated brine is brought to surface level along a further pipeline.

STAKEHOLDER Stakeholders are stakeholder groups in the environment or within an organisation, who are, directly or indirectly, affected by the corporate activities at present or in future and are therefore interrelated. They include employees, customers, investors, suppliers, residents or the political world.

SUPPLY CHAIN MANAGEMENT denotes groupwide planning, management and coordination of the entire value chain (procurement, production and logistics).

TRANSACTION RISK arises from a transaction in a foreign currency which is to be converted into the Group currency and is therefore a cash risk.

TRANSLATION RISK arises from converting income, cash flow or balance sheet items at different periods or reporting dates, which occur in a different currency than the Group currency. This is thus a non-cash risk.

VALUE ADDED This key figure is based on the assumption that a company creates added value for the investor when the return on the average capital employed exceeds the underlying cost of capital. This excess return is multiplied by the average capital employed (annual average for operating assets and working capital) to give the company's added value for the year under review.

WATER-SOFTENING SALTS remove hardeners such as calcium and magnesium from the water through an ion exchange process. Soft water is necessary or advantageous for numerous industrial processes, but also in private households.

INDEX OF FIGURES

2 K+S ON THE CAPITAL MARKET

3 CORPORATE GOVERNANCE

4 COMBINED MANAGEMENT REPORT

INDEX OF TABLES

2 K+S ON THE CAPITAL MARKET

3 CORPORATE GOVERNANCE

4 COMBINED MANAGEMENT REPORT

5 CONSOLIDATED FINANCIAL STATEMENTS OF THE K+S GROUP

FURTHER INFORMATION

INDEX

FINANCIAL CALENDAR

DATES	TAB: 6.0.1
	2014/2015
Annual General Meeting, Kassel	14 May 2014
Quarterly Financial Report, 31 March 2014	14 May 2014
Dividend payment	15 May 2014
Half-yearly Financial Report, 30 June 2014	14 August 2014
Quarterly Financial Report, 30 September 2014	13 November 2014
Report on business in 2014	12 March 2015

CONTACT

K+S Aktiengesellschaft
Bertha-von-Suttner-Str. 7
34131 Kassel, Germany
phone: +49 (0)561/9301-0
fax: +49 (0)561/9301-1753
Internet: www.k-plus-s.com

Investor Relations
phone: +49 (0)561/9301-1100
fax: +49 (0)561/9301-2425
e-mail: investor-relations@k-plus-s.com

Corporate Communications
phone: +49 (0)561/9301-1255
fax: +49 (0)561/9301-1666
e-mail: pr@k-plus-s.com

This report was published on 13 March 2014.

IMPRINT

Editorial Team/Text
K+S-Investor Relations

Conception and Design
HEISTERS & PARTNER,
Corporate & Brand Communication, Mainz

Photography
Claudia Kempf, Wuppertal
Regina Recht, Munich

Lithography
Gold GmbH, Munich

Printing
Kunst und Werbedruck, Bad Oeynhausen

This Financial Report is also available in German. In the event of any doubt, the German version of the text will prevail.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C011291

The FSC® Logo identifies products which contain wood from well managed forests certified in accordance with the rules of the Forest Stewardship Council®.

K+S AKTIENGESELLSCHAFT
P.O. BOX 10 20 29
34111 KASSEL, GERMANY
WWW.K-PLUS-S.COM